

Nigeria in Global Tax Landscape:

Aligning Domestic Reform with International Tax Norms

Kehinde Kajesomo

Director, Competent Authority Department

+2348035512420

Introduction: Nigeria's Domestic Tax Reform Finance Acts (2019-2023)

Introduction of annual Finance Acts to update tax laws alongside the budget

1

2

Key objectives:

- Increase revenue mobilisation
- Improve ease of doing business
- Expand the tax base

Major changes:

3

4

Limitations of Finance Acts:

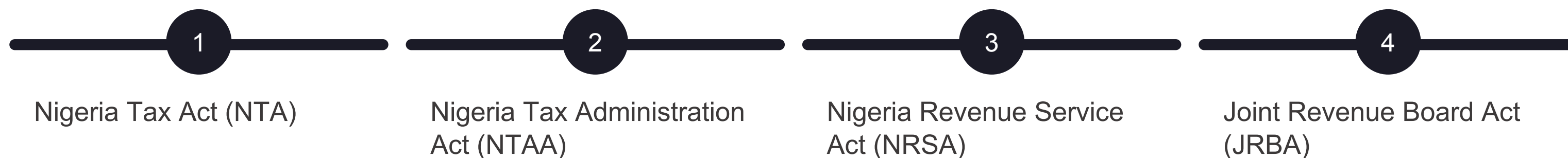
- Continued fragmentation of tax laws
- Multiple overlapping statutes and institutions
- Reforms remained piecemeal and reactive

- VAT increased to 7.5%
- Differentiated CIT rates for SMEs vs large firms
- Introduction of digital taxation measures
- Strengthened tax administration and compliance



Structural Tax Reform: 2024–2025

Shift from amendments → comprehensive redesign



Key Features of the New Framework

- Consolidation of tax laws into a unified system
- Replacement of FIRS with Nigeria Revenue Service (NRS)
- Improved tax administration and coordination
- Alignment with modern/global tax developments (e.g., minimum tax)



Principles of the Tax Reform

- Simplification
- Harmonisation
- Neutrality
- Competitiveness
- Taxpayer-Focused
- Modernisation
- Efficiency
- Data-Driven
- Tax Certainty
- Global Best Practices
- Government Economic Objectives

Aligning Nigeria's Domestic Tax Reform with International Tax Norms



Key areas of alignment include:

- Taxation of cross-border and digital activities
- Clear profit attribution rules
- Clear definition of Permanent Establishment
- Adoption of minimum taxation rules
- Stronger tax administration and coordination
- Improved tax certainty and legal clarity
- Protection against BEPS

For Nigeria, alignment means not just following global trends, but adapting them to protect source-based taxing rights, domestic revenue and domestic peculiarities.

Nigeria's reform is part of a broader effort to build a tax system that is both locally effective and internationally credible.

Key Nigerian Tax Reform Provisions Aligned with International Tax Norms



Digitisation and Customs System

Modernisation | Efficiency | Data-Driven | Simplification

Digitisation of tax and customs administration represents a core pillar of Nigeria's tax reform, aimed at transforming revenue collection through technology-enabled systems. It enhances operational efficiency, strengthens compliance monitoring, and simplifies taxpayer interaction with the system.

By automating processes and integrating data across platforms, digitisation reduces manual bottlenecks, limits opportunities for manipulation, and enables real-time visibility into economic transactions. This supports evidence-based decision-making and improves overall tax administration.

Fiscalisation of Supplies for VAT

Section 157, Nigeria Tax Act, 2025

Introduces electronic monitoring of business transactions through fiscal devices or digital reporting systems, to prevent:

- Underreporting of sales
- Suppression of turnover
- VAT evasion and fraud schemes

Strengthens compliance, increases VAT revenue, and improves audit accuracy through verifiable transaction data.

National Single Window Project

Section 83, Nigeria Tax Administration Act, 2025

Establishes a unified digital platform for trade-related documentation, payments, and regulatory processes integrating customs, tax authorities, and other government agencies, to eliminate:

- Trade misinvoicing
- Undervaluation and overvaluation of goods
- Fragmented and opaque trade processes

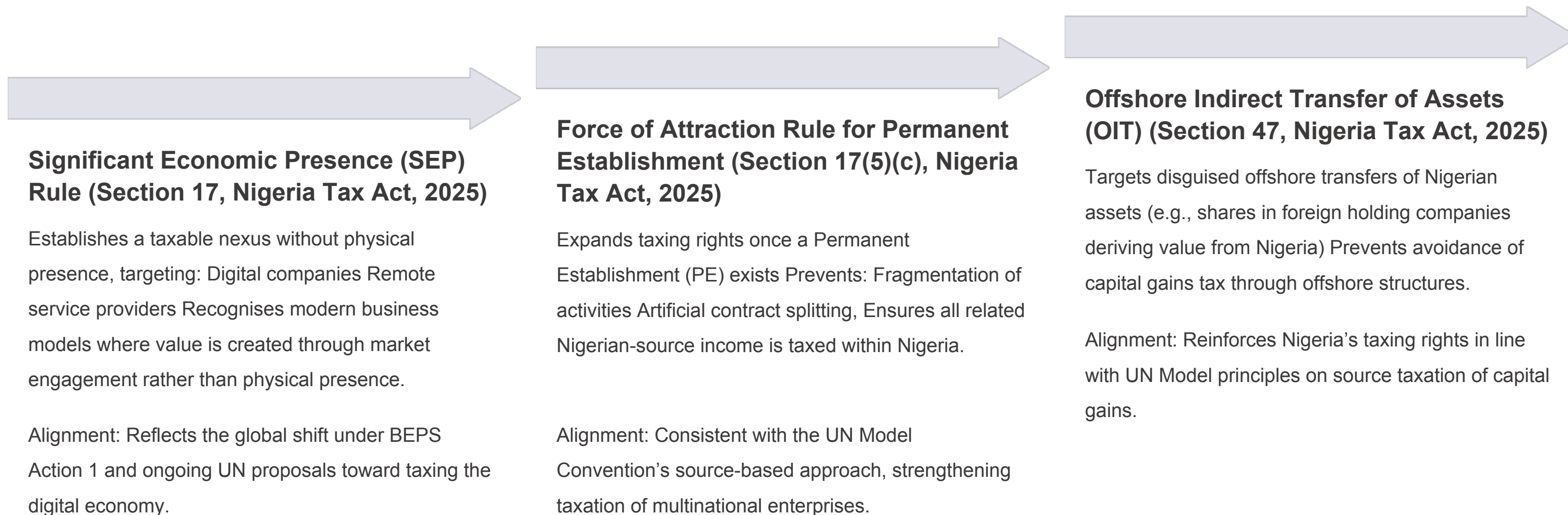
Improves trade transparency, reduces revenue leakages, facilitates faster clearance, and enhances inter-agency coordination.



Expansion of Source Rules

Neutrality | Competitiveness | Government Economic Objective

The expansion of Nigeria's taxing rights reflects a deliberate shift toward strengthening source-based taxation, ensuring that income generated within Nigeria is taxed. This reform promotes neutrality by eliminating structural advantages previously enjoyed by non-resident or digital businesses, enhances competitiveness by creating a level playing field between domestic and foreign firms, and supports the government's economic objective of sustainable domestic revenue.





Transparency and Disclosure Measures

Tax Certainty | Data-Driven | Harmonisation | Global Best Practices

Transparency and disclosure measures are aimed at strengthening information flows, improving compliance oversight, and enhancing predictability in tax administration. By mandating timely and structured reporting, these measures reduce information asymmetry between taxpayers and authorities, enable data-driven enforcement, and minimise disputes. They also align Nigeria's framework with OECD and UN standards, particularly under the BEPS agenda, ensuring consistency with evolving global tax practices.

01

Annual Incentive Returns (Section 27, Nigeria Tax Administration Act, 2025)

Requires beneficiaries of tax incentives to submit annual compliance returns; Prevents misuse and prolonged abuse of incentives; Enables authorities to assess: Effectiveness Cost-benefit impact Lifespan of incentives

Promotes accountability and ensures incentives achieve intended economic objectives.

02

Mandatory Disclosure Rules (MDR) (Section 30, Nigeria Tax Administration Act, 2025)

Requires taxpayers and intermediaries to disclose aggressive tax planning arrangements Targets schemes designed to obtain unintended tax advantages; Facilitates early detection of avoidance structures.

Shifts tax administration from reactive audits to proactive risk identification and intervention.

03

Reporting of Digital Asset Transactions (Section 79, Nigeria Tax Administration Act, 2025)

Mandates disclosure of Crypto-asset transactions; Platform-based income ; Expands visibility into previously opaque sectors

Broadens the tax base, strengthens traceability, and enhances enforcement in emerging digital markets.



Minimum Effective Tax Rules

Fairness | Neutrality | Competitiveness | Global Best Practices

The introduction of a Minimum Effective Tax Rate (METR) represents a significant shift in Nigeria's corporate tax framework, aimed at ensuring that large multinational and in-scope entities pay a minimum level of tax in any jurisdiction they operate. This reform promotes fairness by preventing excessively low taxation, reinforces neutrality by reducing distortions between jurisdictions, enhances competitiveness by aligning Nigeria with global standards, and reflects international best practices, particularly under the OECD/G20 Pillar Two framework.

15% Effective Tax Rate (Section 57(1)(a), Nigeria Tax Act, 2025)

Applies to in-scope companies where the effective tax rate falls below 15%. Triggers an additional (top-up) tax to bring the effective rate up to the minimum threshold.

Establishes a global minimum floor for taxation, ensuring profits are not artificially shifted to low-tax environments. Alignment with GMT

Additional Tax Mechanism (Top-Up Tax)

Acts as a corrective tool where tax paid is below the minimum threshold. Directly targets: Base erosion Profit shifting and tax competition.

Safeguards Nigeria's tax base and strengthens domestic revenue mobilisation. Alignment with DMTT

Nigerian Parent Company Rule (Section 6(3), Nigeria Tax Act, 2025)

Requires Nigerian parent entities to pay top-up tax on low-taxed foreign subsidiaries Ensures that profits shifted abroad are still subject to minimum taxation.

Prevents the use of low-tax jurisdictions to erode the Nigerian tax base and aligns with global income inclusion rules. Alignment with IIR



Anti-avoidance Rules

Tax Certainty | Neutrality | Government Economic Objective | Global Best Practices

Nigeria's anti-avoidance framework is designed to protect the tax base, ensure equitable treatment of taxpayers, and curb aggressive tax planning practices. These measures enhance tax certainty by clarifying the boundaries of acceptable tax behaviour, promote neutrality by ensuring similar transactions are taxed consistently, and support the government's economic objective of sustainable revenue mobilisation. They also align with international anti-BEPS standards, strengthening Nigeria's position within the evolving global tax framework.

Controlled Foreign Company (CFC) Rules (Section 6(2), Nigeria Tax Act, 2025)

Targets profit shifting to low-tax jurisdictions through offshore entities
Taxes passive income earned abroad by controlled foreign entities
Eliminates deferral advantages from retaining income offshore
Ensures that income attributable to Nigerian ownership is taxed appropriately, regardless of where it is booked. Alignment with BEPS Action 3

Expanded Residency Rules (Individuals & Companies)

Broadens the definition of tax residency in Nigeria
Prevents artificial arrangements designed to avoid Nigerian tax residence status
Strengthens Nigeria's ability to assert taxing rights based on economic connection
Reduces residency-based tax avoidance and ensures taxpayers with substantial ties to Nigeria are properly taxed.

Transfer Pricing & General Anti-Avoidance Rule (GAAR) (Section 190, Nigeria Tax Act, 2025)

Empowers tax authorities to disregard or recharacterise artificial or fictitious transactions
Targets arrangements designed primarily to reduce or avoid tax liabilities
Addresses Base erosion Profit shifting.
Provides a strong legal basis to challenge abusive tax structures and reinforce the integrity of the tax system.



Relief for Double Taxation

Competitiveness | Neutrality | Taxpayer-Focused | Harmonisation

By reducing the tax burden on cross-border income, these measures are taxpayer-focused, improving certainty and fairness. They also support harmonisation with international tax frameworks.

Unilateral Relief

Unilateral tax relief provisions are designed to eliminate double taxation in cross-border transactions, ensuring that income is not taxed more than once across jurisdictions. This enhances competitiveness by making Nigeria a more attractive destination for investment, while promoting neutrality by ensuring that international activities are not disadvantaged relative to domestic ones.

Provides relief where treaty relief is unavailable

DTA Relief

Strengthen the implementation of credit reliefs under the DTAs, while introducing the principal purpose test and other treaty anti-abuse measures to prevent treaty shopping, non-taxation and reduced taxation.

Aligns with BEPS Action 6



Definition of Permanent Establishment (PE)

Tax Certainty | Harmonisation | Global Best Practices | Neutrality

The introduction of a clear definition of Permanent Establishment (PE) strengthens nexus rules, enhances tax certainty, and reduces ambiguity. Previously, domestic law referred to “fixed base,” which led to confusion and the misconception that PE was not recognised in the legal framework. Replacing “fixed base” with “Permanent Establishment” aligns the terminology with international standards and ensures clarity and consistency in the application of taxing rights.



Implications of Aligning Domestic Laws and International Tax Norms



Increased Tax Certainty

Alignment with global standards improves credibility, transparency and predictability of the tax system which attracts FDI and long-term capital which in turn supports business expansion, job creation, and productivity.



Domestic Revenue Mobilisation

Improved tax compliance and a broader tax base increase government revenue. Reforms significantly raise revenue and support investment in infrastructure, education, and health which are the key drivers of GDP growth.



Improved Tax-to-GDP Ratio

Nigeria's tax-to-GDP ratio (~9–10%) is low but improving. Reforms aim to reach the 15–20%, building stronger fiscal capacity for sustainable growth.



Implications of Aligning Domestic Laws and International Tax Norms



Digital & Cross-Border Taxation

Enables Nigeria to tax digital economy and multinational activities, expanding revenue from fast-growing sectors (tech, services) and supporting structural transformation of the economy.



Competitiveness

Alignment with international tax norms increases competitiveness by creating a predictable, transparent, and stable tax environment that reduces investor risk, attracts investment, and supports business growth.

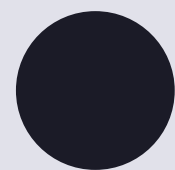


Higher Disposable Income

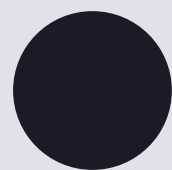
Relief measures such as tax exemptions for low-income earners increase household income, encouraging consumption, savings, and investment.

Conclusion

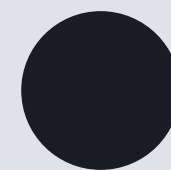
Nigeria continues to evolve and adapt its tax system where necessary, ensuring alignment with global standards while advancing fairness, economic growth, and effective revenue mobilisation.



Global Alignment



Fairness



Revenue Mobilisation

- ▶ Thank You
- ▶ We welcome your questions and reflections.