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FREQUENTLY ASKED QUESTIONS ON NIGERIA'S NEW TAX REGIME:

KEY PROVISIONS AND INNOVATIONS UNDER THE 2025 TAX REFORM ACTS[1]

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1.0 INTRODUCTION

The art of taxation, as Jean-Baptiste Colbert once remarked, consists in so plucking the goose to obtain the largest amount of feathers with the least possible amount of hissing.[2] This timeless observation by Jean-Baptiste Colbert reminds us that effective tax policy must balance revenue generation with minimizing public resistance.[3] We believe that this principle has guided the recent sweeping reforms in Nigeria's fiscal landscape. Despite facing daunting political, legislative, fiscal, and social challenges (the inevitable "hissing" that often accompanies tax reforms), the President of the Federal Republic of Nigeria, on Thursday, 26th June 2025, signed the four (4) Tax Reform Bills into law aimed at reshaping the nation's tax architecture. These include the Nigeria Tax Act, 2025; the Nigeria Tax Administration Act, 2025; the Nigeria Revenue Service (Establishment) Act, 2025; and the Joint Revenue Board of Nigeria (Establishment) Act, 2025.

The extant Acts collectively and comprehensively seek to modernize Nigeria's tax system, stimulate economic growth, enhance revenue collection or expand the tax net, foster a more transparent and equitable fiscal environment, and improve tax administration efficiency across all levels of government.

This article offers a comprehensive guide to the frequently asked questions arising under Nigeria's newly enacted 2025 tax reform laws, highlighting some of their key provisions and innovative measures, which generally impact the ease of tax administration, compliance, and economic growth.

2.0 THE NIGERIA TAX ACT, 2025

The Nigeria Tax Act, 2025 ('the Act') introduces a unified legal framework for the taxation of income, transactions, and instruments, and other related matters in Nigeria.[4] Organized into nine (9) chapters and thirteen (13) schedules, the Act aims to simplify the tax system by streamlining and reducing the number of taxes, thereby simplifying compliance, enhancing revenue generation, and eliminating redundant and burdensome taxes.[5]

What is the scope and application of the Act?

The Act has a broad scope of application, extending to all individuals, companies, trustees, and estates with tax obligations under Nigerian law.
Under Chapter Two, Part I of the Act, income tax is now imposed on the profits and gains of any company or enterprise, individual, family, trustee, or an estate. Taxable income includes profits from the disposal of fixed assets (formerly imposed by the quondam Capital Gains Tax Act), gains from transactions in digital assets[6], and other gains previously taxed under disparate legislations within Nigeria's tax system.

Furthermore, chargeability to tax on a company may be in the name of the company, or in the name of any principal officer, attorney, factor, agent or representative of the company in Nigeria[7], or in the name of its receiver, liquidator, or administrator.[8] Similarly, an individual may be charged to tax in the name of the individual.[9]

How has 'interest' been redefined and digital assets newly taxed under the Act?

The Act expands the definition of 'interest' to include penal interests, income from bonds or debentures, premiums or prizes attaching to bonds or debentures, discounts, fees premium, share of profit under non-interest finance arrangements, or Foreign Exchange (FX) gains, payments regarding derivatives used in hedging securities or payments of similar nature.[10]

Significantly, the Act introduces tax on digital and virtual assets, including prizes, winnings, honoraria, grants, awards, profits or gains from digital transactions.[11] This brings Nigeria's tax regime in line with global trends, though challenges around implementation and valuation of digital assets for tax purposes may linger.

[1] The Primary Legislations Enacted: The Nigeria Tax Act, 2025; The Nigeria Tax Administration Act, 2025; The Nigeria Revenue Service (Establishment) Act, 2025; The Joint Revenue Board of Nigeria (Establishment) Act, 2025.
[2] House of Commons Treasury Committee, Principles of Tax Policy, Eighth Report of Session 2010–11, Volume I: Report, together with formal minutes, oral and written evidence, Ordered by the House of Commons to be printed 9 March 2011.
[3] ibid
[4] Ibid (Long Title)
[5] KPMG Nigeria, "The Nigeria Tax Act (NTA), 2025," June 2025, available at https://kpmg.com/ng/en/home/insights/2025/06/the-nigeria-tax-act-nta-2025.html (assessed 1st July 2025)
[6] The Nigeria Tax Act, 2025, brings income, profits, and gains derived from transactions involving cryptocurrencies and other digital assets within the scope of taxable income.
[7] Tax will be charged in the same manner or amount that the company would have been charged.
[8] In this respect, tax will be charged in the same manner, or amount that the company would have been charged if no receiver, liquidator or administrator had been appointed.
[9] Under the Act, individuals may also be charged in the name of a family, trustee or estate, or in the name of an administrator, or any attorney, agent or representative in Nigeria, in like manner and to like amount as such an individual would have been charged if no administrator, attorney, agent or representative had been appointed.
[10] Part I of chapter 2 of the Nigeria Tax Act 2025
[11] ibid

Given the inherent challenges and limitations associated with taxing digital assets, the tax authorities must rise to meet the high-level technological demands required for effective implementation of the Act. One of the foremost issues for the Nigeria Revenue Service (formerly Federal Inland Revenue Service) will be determining accurate methods for valuing digital assets for tax purposes. Additional complexities may arise in tracking taxable transactions and enforcing reporting and compliance obligations. Successfully addressing these challenges will demand a combination of technical expertise, collaboration of relevant regulatory bodies, and coordinated international cooperation.[12]

What are the new rules for taxing foreign companies owned by Nigerians and what is the minimum tax rate now required under the Act?

For foreign subsidiaries controlled by a Nigerian parent company (controlled foreign corporation 'CFC'), any profits that the foreign company does not distribute to the Nigerian parent company within a year, but could have distributed without harming its business, are treated as if they were actually distributed. These deemed distributed profits are then included in the Nigerian parent company's taxable income under the new tax regime.[13]

In addition, where a foreign subsidiary of a Nigerian company (or a group member) pays income tax below the prescribed minimum effective tax rate of 15% in any year, the Nigerian parent company must pay the difference. This aims at preventing base erosion, tax avoidance and profit shifting using low-tax jurisdiction.[14]

How are Non-Resident Persons (NRPs) taxed under the Act?

NRPs are taxed on income, profits, or gains accrued in or derived from Nigeria. Only expenses directly incurred in generating the taxable profits attributable to a permanent establishment (PE) in Nigeria qualify for deduction.[15] Payments by PE to connected persons for royalties, fees or similar payments made or to be made in return for the use of patent or other rights are generally disallowed, except they are actual expense reimbursements.[16]

Where profits of an NRP cannot be precisely determined, the Nigeria Revenue Service (NRS) shall ascertain the profits by applying the profit margin of the NRP to the total income earned in Nigeria[17], ensuring a minimum tax of 4% on local income if no withholding tax is applicable.[18]

What are the new provisions on capital allowances and rent relief under the Act?

On capital allowance, the Act further enshrines the elimination of initial capital allowances and adopts the straight-line allowances, hence, if a company's non-taxable income is less than 10% of total income, the computed capital allowance can be claimed without any proration or apportionment.[19] Under the straight-line method, the cost of an asset is spread evenly over its useful life.[20]

Rent relief is introduced to replace the previous Consolidated Relief Allowance[21] and provides for the deduction of rent relief, which will allow individuals to claim a tax relief equal to the lower of N200,000 or 20% of the actual annual rent paid.[22] To benefit from this relief, taxpayers must accurately declare the rent amount paid and provide any additional information required by the tax authorities. This means only those who pay rent can claim the relief, excluding homeowners or those living rent-free. The provision aims to reduce taxable income for renters, offering significant tax savings especially for low-income earners, but it also raises concerns about fairness for non-renters who no longer qualify for similar reliefs under the previous system.

What capital gains tax exemptions apply to the disposal of shares in Nigerian companies?

Chargeable assets include all forms of property, whether located in Nigeria or abroad. This encompasses any form of asset, shares, options, rights, debts, digital assets, incorporeal property, foreign currency, and any property created or acquired without purchase. However, gains from the disposal of shares in Nigerian companies are exempt from capital gains tax if:

[12] Op cit. note 5
[13] Section 6 of the Nigeria Tax Act, 2025.
[14] Op. cit. note 5
[15] Section 17 (5) of the Nigeria Tax Act, 2025.
[16] ibid
[17] Section 17 (6) of the Nigeria Tax Act, 2025.
[18] Section 17 (8) of the Nigeria Tax Act, 2025.
[19] Section 27 (4) of the Nigeria Tax Act, 2025.
[20] Op. cit. note 5
[21] ibid
[22] Section 30 (2) (vi) of the Nigeria Tax Act, 2025.

i. Total disposal proceeds within any 12 consecutive months are less than N150,000,000.00 and the chargeable gain does not exceed N10,000,000.00, or

ii. The shares are transferred between an Approved Borrower and a Lender in a regulated Securities Lending Transaction i.e. the transaction is part of a regulated securities lending arrangement.

iii. The proceeds from the disposal of shares are reinvested within the same assessment year in Nigerian companies shares; however, any portion of the proceeds that is not reinvested will be subject to tax.[23]

What are the corporate income tax rates introduced under the Act?

The Act introduces a tiered corporate tax structure, with applicable rates varying based on the size and financial profile of the company. Small companies with annual turnover not exceeding N100,000,000 (One Hundred Million Naira) and total fixed assets below N250,000,000 (Two Hundred and Fifty Million), are taxed at 0%. For other companies, the tax rate is set at 30% upon implementation of the Act.[24]

This tiered structure aims to support smaller businesses by exempting them from income tax while maintaining competitive rates for larger enterprises.

What is the Minimum Effective Tax Rate Provision?

The Act mandates that companies in multinational enterprise (MNE) groups, or those with an annual turnover exceeding N20 billion[25], must maintain a minimum effective tax rate of 15%. Accordingly, where, in any year of assessment, a company's effective tax rate falls below this threshold, it is required to recompute and remit additional tax to bring its effective tax rate up to 15%, notwithstanding any contrary provision in the Act or any other enactment.[26]

What is the Individual Income Tax Rates Provision?

Individuals' income under the Act[27] are taxed progressively, with the first N800,000 exempt. The following income bands are taxed at increasing rates from 15% to 25% and payable on an individual's chargeable income for each year of assessment, ensuring a fair tax burden distribution based on income levels.

- i. First ₦800,000 at 0%
- ii. Next ₦2,200,000 at 15%
- iii. Next ₦9,000,000 at 18%
- iv. Next ₦13,000,000 at 21%
- v. Next ₦25,000,000 at 23%
- vi. Next ₦50,000,000 at 25%[28]

The above highlighted income band structure showcases a tilt towards progressivity and offers relief to low-income earners.

3.0 THE NIGERIA TAX ADMINISTRATION ACT, 2025

The Nigeria Tax Administration Act, 2025 ("the Act") introduces a centralized, uniform and efficient framework for tax administration, promoting efficiency and compliance to optimize government revenue.[29] The Act is organized into five chapters and four schedules, providing a clear and structured approach to tax administration. The Act establishes a modern, streamlined framework for tax administration across federal, state, and local governments. Some of the significant provisions of the Act are summarized below:

What is the Jurisdiction and Responsibility of Tax Authorities?

The Nigeria Revenue Service (NRS), is empowered to administer federal tax matters, including taxes applicable to companies, federal employees in the Nigerian military, Nigerian foreign service officers, non-resident persons earning income from Nigeria, development levy, excise duty on services, etcetera.[30] The relevant tax authority in a State or the Federal Capital Territory administer taxes on residents within their jurisdiction, except for those individuals who fall under the exclusive tax jurisdiction of the Nigeria Revenue Service.[31]

Among the key features of the Act is the provision for approved delegation of tax administration, which enhances efficiency and fosters cooperation among tax authorities in Nigeria, thereby streamlining tax collection and improving compliance and accountability across the country's multi-tiered tax system. However, the Act does not explicitly refer to Local Government tax authorities or define their jurisdiction

[23] Op. cit. note 5
[24] Part IX of Chapter Two of the Nigeria Tax Act, 2025
[25] Section 57 of the Nigeria Tax Act, 2025
[26] ibid
[27] Section 58 of the Nigeria Tax Act 2025
[28] Fourth Schedule of the Nigeria Tax Act 2025.
[29] Long title/Explanatory note to the Nigeria Tax Administration Act 2025
[30] Section 3 of the Nigeria Tax Administration Act 2025
[31] ibid

in tax administration. Meanwhile, the Joint Revenue Board of Nigeria (Establishment) Act, 2025 recognizes local governments as key stakeholders in revenue collection.

What are the taxpayer registration requirements and how is tax compliance linked to financial services under the Act?

All taxable persons, ministries, departments or agencies of the Federal, State, or Local Government, must register and obtain taxpayer Identification numbers.[32] This requirement ensures that every individual and business engaged in taxable activities complies with tax obligation. The Act also mandates a non-resident person (NRP) that supplies taxable goods or services to any person in Nigeria or derives income from Nigeria to register for tax purposes and obtain a Tax ID, except where the NRP earns only passive income from investment in Nigeria.[33]

The Act significantly enhances tax compliance by mandating that banks, insurance companies, stockbroking firms, and other financial service providers require the provision of a tax identification card as a precondition for opening new accounts or operating existing ones.[34] This measure effectively links access to financial services with tax registration, thereby broadening the tax base and reducing opportunities for tax evasion.

What are the filing obligations and required documentation under the Act?

The Act introduces a provision that creates an obligation for every taxable person and non-resident persons liable to pay tax in Nigeria under the relevant provisions of the Nigeria Tax Act, 2025, to file a return of income with the relevant tax authority in each year of assessment, and in the case of taxable persons, this obligation shall be complied with regardless of tax liability.[35] Notably, the return to be filed shall contain, in the case of income earned from trade, business, profession, or vocation, an audited financial statement or a statement of accounts attested to by the taxpayer, along with evidence of payment of the tax due.[36] Unlike PAYE, which is employer-filed and limited to salary income, this provision places a distinct filing responsibility on individuals for all income sources, expanding the tax base and improving drive for compliance.

How do tax authorities collaborate and enforce tax compliance under the Act?

The Act fosters collaboration between tax authorities by mandating the exchange of relevant information among them to ensure compliance with tax laws.[37] Specifically, if a tax authority uncovers non-compliance related to taxes under another authority's jurisdiction during an audit, it must either refer the matter to that authority or invite it to conduct a joint audit.[38] This provision promotes coordinated enforcement, reduces duplication of efforts, and strengthens overall tax compliance across federal, state, and local levels. By facilitating information sharing and joint audits, the Act enhances transparency, minimizes tax evasion, and ensures more efficient tax administration nationwide.

What powers does the Act grant for assigning tax debt collection to third parties?

The Act empowers the relevant tax authority to appoint third parties as agents to recover unpaid taxes from defaulter's assets or funds.[39] The appointed agent must use what is recovered to settle the outstanding tax, and if the agent defaults, enforcement actions apply as if the agent were the taxpayer.[40] The authority may also require information about the taxpayer's assets. Notices under this provision are subject to objection and appeal like regular tax assessments.[41] This power strengthens tax recovery by holding agents accountable.

[32] Chapter One, Part II of the Nigeria Tax Administration Act, 2025.
[33] ibid
[34] ibid
[35] Section 13 of the Nigeria Tax Administration Act 2025.
[36] ibid
[37] Section 47 of the Nigeria Tax Administration Act 2025.
[38] ibid
[39] Section 59 of the Nigeria Tax Administration Act 2025.
[40] ibid
[41] ibid

4.0 THE NIGERIA REVENUE SERVICE (ESTABLISHMENT) ACT, 2025

The Nigeria Revenue Service (Establishment) Act, 2025 ('the Act'), which repealed the Federal Inland Revenue Service Act, 2007[42], is among the most significant components of the 2025 tax reform Acts. The Act establishes the Nigeria Revenue Service (NRS), replacing the Federal Inland Revenue Service (FIRS), and the Nigeria Revenue Service Board. The Act creates a robust institutional framework to administer federal taxes, emphasizing professionalism, transparency, and accountability.[43]

What is the mandate and Role of the Nigeria Revenue Service (NRS) under the Act?

The NRS is charged with powers of assessment, collection, and accounting for revenue accruable to the federal government[44], positioning it as a more unified and efficient tax authority in line with the broader reforms aimed at enhancing tax administration and compliance across Nigeria.

It may also assist state and local governments with tax collection and administration upon request, provided such tax to be collected or administered fall within the taxing jurisdiction of the requesting tax authority.[45] Revenues collected on behalf of a state or local government are directly remitted to that authority, less any agreed-upon administrative fees.

What is the role and composition of the Management Committee established under the Act?

Under Part IV of the Act, a new structure known as the Management Committee[46] now oversees implementation of tax policy and supervises the NRS's day-to-day operations, marking a significant improvement over the previous arrangement under the repealed Federal Inland Revenue Service (Establishment) Act. This streamlined structure is designed to enhance governance, ensure effective policy execution, and improve operational oversight within the NRS.

Additionally, the Act formally institutionalizes the role of Coordinating Directors, a role that previously existed in the FIRS only as an administrative position without legal backing[47] limiting appointments to no more than eight individuals, with a maximum of two per geopolitical zone, who serve a single renewable four-year term, with clearly defined roles, terms, and conditions now backed by law, enhancing structure and accountability.[48]

5.0 THE JOINT REVENUE BOARD OF NIGERIA (ESTABLISHMENT) ACT, 2025

The Joint Revenue Board of Nigeria (Establishment) Act 2025 ("the Act") establishes the Joint Revenue Board (JRB), the Tax Appeal Tribunal (TAT), and the Office of the Tax Ombudsman, seeking to unify revenue administration and improve inter-governmental coordination. The JRB harmonizes taxes, resolves disputes arising from revenue administration in Nigeria among authorities[49], and promotes best practices across all levels of government.

What are the key changes introduced to the Tax Appeal Tribunal under the Act?

The Tax Appeal Tribunal (TAT) is strengthened by the introduction of the office of Coordinating Secretary, who oversees record-keeping and administration.[50] The qualification requirement for chairing the Tribunal has been reduced from fifteen to ten years of experience.[51]

What is the Office of the Tax Ombudsman all about?

The Act also establishes the Office of the Tax Ombudsman[52] as an independent body responsible for representing the interests of taxpayers by engaging with tax authorities and addressing procedural complaints related to taxes, levies, duties, and similar regulatory charges. It serves as a neutral arbiter, ensuring that disputes are dispassionately reviewed and resolved.

[42] Long title to the Nigeria Revenue Service (Establishment) Act 2025.
[43] Section 1 of the Nigeria Revenue Service (Establishment) Act 2025.
[44] Explanatory memorandum of the Nigeria Revenue Service (Establishment) Act 2025
[45] Section 5 of the Nigeria Revenue Service (Establishment) Act 2025
[46] Part IV of the Nigeria Revenue Service (Establishment) Act 2025
[47] ibid
[48] ibid
[49] Explanatory Memorandum of the Joint Revenue Boar of Nigeria (Establishment) Act 2025
[50] Part V of the Joint Revenue Board of Nigeria (Establishment) Act 2025
[51] ibid
[52] Part VI of the Joint Revenue Board of Nigeria (Establishment) Act 2025

Though the Ombudsman cannot interpret tax laws, determine tax liabilities or interfere in ongoing litigation, the office plays crucial role in protecting taxpayer rights and ensuring fair administrative processes.

6.0 CONCLUSION

The 2025 Nigeria Tax Reform Acts represent a significant and transformative step in Nigeria's fiscal landscape. By consolidating and modernizing tax laws, strengthening administrative efficiency, enhancing inter-agency coordination, and improving compliance mechanisms, the reforms are designed to support sustainable revenue generation and economic growth. Key highlights include simplified tax structures, an enhanced role for the Nigeria Revenue Service, improved inter-agency coordination through the Joint Revenue Board, and strengthened taxpayer protections through the Office of the Tax Ombudsman. The Tax Reform Acts are scheduled for implementation on 1st January 2026, providing ample time for stakeholder sensitization, planning, and alignment with Nigeria's fiscal calendar. Ultimately, the reforms promise a progressive, fairer, simpler, and more efficient tax regime that benefits all tiers of government, stimulates the broader economy, and, most importantly, taxpayers at all levels, with the most significant relief and support directed towards low-income earners and small businesses.

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