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THE NIGERIAN TAX REFORM ACTS, 2025: AN IN-DEPTH GUIDE FOR BUSINESSES, INVESTORS, AND TAXPAYERS

WRITTEN BY

Nnamdi Oragwu, Decency Nkume, Japhet Olayemi,
Halimat Abdulsalam

INTRODUCTION

- On June 26, 2025, President Bola Ahmed Tinubu signed into law four transformative pieces of tax legislation;
- i. The Nigeria Tax Act (NTA), 2025
 - ii. The Nigeria Tax Administration Act (NTAA), 2025
 - iii. The Nigeria Revenue Service Act (NRSA), 2025
 - iv. The Joint Revenue Board Act (JRBA), 2025

Together, these statutes represent a sweeping overhaul of Nigeria's tax landscape. For the first time in decades, there is a unified legislative intent to modernize, simplify, and enforce tax compliance in a way that reflects global standards. Businesses, investors, professionals, and individuals alike must understand the far-reaching implications of these changes and pieces of legislation, both to remain compliant and to take advantage of new opportunities.

This article provides a comprehensive, yet digestible, breakdown of the major reforms and what they mean for your business and operations in Nigeria.

1. Establishment of the Nigeria Revenue Service:

Section 3 of the NTAA establishes the Nigeria Revenue Service (NRS) as the central body responsible for administering and enforcing company tax matters in Nigeria.

2. Consolidation and Harmonization of Tax Laws: The Nigeria Tax Act (NTA), 2025, consolidates over 20 tax-related laws. These include:

- a. Capital Gains Tax Act
- b. The Casino Act
- c. Companies Income Tax Act
- d. Deep offshore and Inland Basin Production Sharing Contracts Act
- e. Industrial Development (Income Tax Relief) Act
- f. Income Tax (Authorized Communications) Act
- g. Personal Income Tax Act
- h. Stamp Duties Act
- i. Value Added Tax Act
- j. Venture Capital (Incentives) Act to amend the Nigeria Export Processing Zones Act
- k. Oil and Gas Free Trade Zone Act
- l. National Information Technology Development Agency Act
- m. Petroleum Industry Act
- n. Tertiary Education Trust Fund (Establishment, etc.) Act
- o. National Agency for Science and Engineering Infrastructure Act
- p. Customs, Excise Tariffs, etc. (Consolidation) Act

- q. National Lottery Act
- r. Nigerian Minerals and Mining Act
- s. Nigeria Start-up Act
- t. Export (Incentives and Miscellaneous Provisions) Act
- u. Cybercrime (Prohibition, Prevention, etc.) Act, to revoke the Value Added Tax Act (Modification) Order 2021, to amend the Companies Income Tax (Significant Economic Presence) Order, 2020, and the Petroleum (Drilling and Production) Regulations 1969.

Rather than navigating multiple statutes, taxpayers now work within a single legal framework, promoting consistency and reducing ambiguity in tax interpretation and enforcement, and aiding overall compliance by taxpayers.

3. Requirement for Tax ID by Financial Institutions:

Under section 8 of the NTAA, Financial Institutions are required to demand a Tax ID from every taxable person. Individuals and businesses without a Tax ID may face restrictions on financial transactions and enforcement actions, while Financial Institutions who fail to comply may also be sanctioned.

4. New Corporate Tax Rate and Thresholds:

Under the new legislation, small businesses are granted relief from Company Income Tax to encourage MSME growth. The revised corporate tax brackets as introduced by the NTA are as follows:

- Small Companies (Revenue \leq ₦100 million and with total asset not exceeding ₦250million): 0%
- Medium and Large Companies: 30%
- Minimum Tax (for Multinational groups with aggregate group turnover \geq EUR750million or companies with turnover \geq ₦50 billion): 15%.

The legislation also introduces the Development Levy, set at 4%, which applies to the assessable profits (i.e., tax profits before deducting tax depreciation and losses) of medium and large companies only. It replaces several existing taxes, such as the Tertiary Education Tax, Information Technology Levy, National Agency for Science and Engineering Infrastructure (NASENI) Levy, and the Police Trust Fund Levy.

5. Introduction of a Minimum Effective Tax Rate:

Companies with an annual turnover of ₦50 billion or above, or those belonging to a multinational group with global turnover exceeding EUR750million, are now required to pay a minimum effective tax rate (ETR) of 15% on net income. If foreign subsidiaries of Nigerian parent companies pay tax at a rate below 15%, the parent company will be responsible to pay the difference in Nigeria. This measure aligns with OECD global minimum tax rules and prevents base erosion and profit shifting (BEPS).

6. Capital Gains Tax (CGT) Reforms:

The scope of CGT is now broader and aligned with modern economies. Companies, Investors, and fund managers must reevaluate the tax implications of restructuring, digital investments, and offshore holding structures. The new legislation has now revised the rate of CGT for Companies from 10% to 30%. Also, CGT is now applicable to non-traditional assets such as – cryptocurrencies, patents and intellectual property, foreign exchange gains, rights, debts, and incorporeal assets. Finally, non-residents selling shares in offshore entities that control Nigerian companies will now pay CGT in Nigeria. However, shares in a Nigerian company are exempted from CGT where;

- Proceeds made on the disposal of shares is less than ₦150m and the chargeable gain does not exceed ₦10m in any 12 consecutive months, or
- The shares are transferred between an approved borrower and a lender in a regulated Securities Lending Transaction, or
- Proceeds are reinvested in the acquisition of shares within the same year of assessment.

7. Broadened Definition of Taxable Income:

Section 4 of the NTA introduces a significant expansion in the definition of income chargeable to tax. Newly included taxable categories are:

- Non-traditional income streams such as discounts, rebates, prizes, winnings, honoraria, grants, awards, laurels, as well as profits or gains from the disposal or lending of securities and digital assets (such as cryptocurrencies and digital tokens) are now expressly taxable.
- Debt-related income, including returns on discounted instruments, income from debt, and foreign exchange differences relating to such debts.
- Distributions made in the course of the liquidation of a company.
- Earnings from lottery and gaming operations.

Many businesses and individuals previously outside the tax net now fall within it. Creators, influencers, NGOs, Digital Traders, and startups must pay close attention to their revenue streams.

8. Introduction of Presumptive Tax:

Section 29 of the NTA introduces presumptive taxation, which is a simplified method of assessing tax liability in cases where a taxpayer's actual income cannot be reliably determined, usually due to the absence or inadequacy of financial records. Rather than relying on formal accounting records, the tax authority may use indicators, proxies, or benchmarks (e.g., turnover, business sector, asset base, or location) to estimate taxable income. This mostly affects small businesses, business names, and businesses operating in the informal sector. While this may simplify tax compliance for small traders, they should carefully monitor the same to avoid over-assessment.

9. Withholding Tax Reforms and Expanded Scope:

Payments to entertainers, directors, consultants, and athletes now attract WHT at source. A notable provision is the 5% final WHT on fees paid by Nigerian start-ups to non-resident providers of technical, professional, or consulting services.

10. Redefining Residence for Individuals:

The income of a person will now be subjected to personal income tax in Nigeria where the individual is resident in Nigeria or performs duties in Nigeria without paying tax in their country of residence.

11. Taxation of Resident Companies:

Section 6(2) of the NTA applies to Nigerian companies controlling foreign entities. It provides that where a Nigerian company controls a foreign entity and that foreign entity fails to distribute its profits, the Nigerian parent may be taxed as if those profits were distributed, provided such deemed distribution does not negatively affect the foreign subsidiary's business. This effectively eliminates the opportunity to indefinitely defer Nigerian tax by retaining profits offshore.

12. Reduction of the Tax Credit claimable for Research & Development (R&D):

The deduction to be allowed under Section 165 of the NTA for research and development has now been pegged at 5% of a company's turnover for that year. The Act also provides that where a company transfers the outcome of such research and development to another person for exploitation or commercialization, the sale proceeds are subject to capital gains tax.

13. Introduction of Economic Development Incentive:

Section 166-183 of NTA establishes the Economic Development Tax Incentive for businesses willing 1. to invest in priority sectors to replace the Pioneer Status Incentive. Key points of the incentive include:

- The Incentive applies to companies incorporated in Nigeria, companies granted exemption from incorporation, and promoters of a company that is yet to be incorporated;
- It is available to entities that have incurred a qualifying capital expenditure not below the amount specified in the tenth schedule.
- Application requires a non-refundable fee of 0.1% (capped at N5,000,000) of the qualifying capital expenditure incurred or to be incurred;
- Application shall be addressed to the Executive Secretary of the Nigerian Investment Promotion Commission (NIPC).
- Removal of the E-commerce Companies and Telecommunications Sectors from the Incentive, which previously existed in the PSI regime.

14. Personal Income Tax (PIT) Waiver and Progressivity:

The legislation introduces a waiver for low-income earners from paying personal income tax. The legislation provides that individuals earning \leq ₦800,000/year are exempt from PIT liability as some form of relief. High earners will be taxed at progressive rates up to 25%. Also, compensation for loss of office or injury is exempt up to ₦50million (revised from previous ₦10million).

15. Value Added Tax (VAT) Reforms:

Firstly, the legislation accommodates more items under the zero-rated VAT items. Essential goods and services such as basic food items, educational materials, electricity services, medical goods and services, and exports (excluding oil and gas) are now exempt from VAT. VAT is also maintained at the rate of 7.5%. The legislation also introduces mandatory e-invoicing and VAT fiscalization systems (as deployed by the relevant tax authority for the collection of VAT).

16. Establishment of a Tax Ombudsman

The legislation provides a cost-effective, neutral forum for resolving tax complaints and fostering trust in the system by creating a Tax Ombuds Office to resolve taxpayer grievances and mediate disputes with the tax authorities.

17. Mandatory Disclosure of Tax Planning Arrangements:

Taxpayers must proactively report any transaction that results in a tax advantage. The term includes deferral, reduction, avoidance, or acceleration of tax benefits. The NTAA also provides administrative penalties for non-disclosure, false disclosure, incomplete disclosure, or late disclosure.

18. Tax Obligations During Winding Up and Liquidator's Liability:

A liquidator must ensure that all outstanding taxes and deductions are settled before distributing any company assets. Failure to do so makes the liquidator personally liable for the unpaid taxes[2].

19. Investigation and Enforcement Powers:

By the legislation, tax authorities can conduct investigations and make arrests at any time for tax-related offences[3].

20. Whistleblower Incentives and Confidentiality:

Section 69 of the NTAA allows the NRS or State Internal Revenue Services to reward whistleblowers who provide useful information that leads to the recovery of taxes or enforcement actions. The identity of the informant is protected, and any breach of confidentiality attracts sanctions.

21. Penalties and Criminal Sanctions for Non-compliance:

Part 1 of Chapter 4 outlines an extensive range of penalties, including fines and imprisonment, for offences such as:

- Failure to register for tax
- Failure to file tax returns
- Failure to maintain proper books of account
- Obstruction of electronic tax systems

[1] E.g See Tenth Schedule for full list

- Non-remittance of WHT (10% penalty + interest above CBN rate, may also lead to up to 3 years imprisonment)
- Failure to notify of cessation of business or address changes
- Fraud, impersonation, false declarations, and inducement of officers
- Non-compliance by Virtual Asset Service Provider (₦10m administrative penalty in the first month of default + ₦1m for every month of default subsequently or suspension/revocation of license by the SEC).

22. Anti-Avoidance and Discretionary Waivers:

Section 191[4] empowers the tax authorities to disregard tax avoidance arrangements or revoke tax benefits if they are deemed artificial or contrary to the spirit of the law. This applies whether or not there is express statutory avoidance.

What Businesses Must Do Now

In view of these changes, companies and individuals are advised to:

- Sensitize internal stakeholders through training and workshops
- Reassess corporate structures and income streams
- Update tax compliance systems and filing procedures
- Adopt technology to align with fiscalization and e-invoicing
- Review contract and pricing structures in light of withholding and indirect tax implications
- Engage professional tax and legal advisors to guide the transition and avoid penalties

Conclusion

The Nigerian Tax Reform Acts, 2025, represent a bold and necessary step towards modernizing the country's tax regime. The reforms promote fairness, transparency, and economic accountability, but also bring significant new responsibilities for taxpayers.

Whether you are a multinational corporation, a local start-up, a family-owned enterprise, or an investor, your continued success depends on understanding these reforms and preparing accordingly.

We highly recommend consulting with tax professionals with a sound understanding of the terrain of the law, offering full-spectrum tax advisory and legal support tailored to your needs, from compliance audits and tax restructuring to dispute resolution and regulatory engagement. Now is the time to act decisively, stay ahead of compliance challenges, and strategically position your business for the future.

You may reach out to us for more information and enquiries via PUNUKATAXATIONTEAM@punuka.com.

[2] Section 52, NTAA.

[3] Section 64, NTAA.

[4] NTA.