

UNPACKING THE 10 MAJOR SHIFTS IN NIGERIA'S NEW TAX ACTS



INTRODUCTION

In August 2023, President Bola Ahmed Tinubu inaugurated the Fiscal Policy and Tax Reforms Committee (“the **Committee**”) with a mandate to undertake a comprehensive overhaul of Nigeria’s tax system. Pursuant to this mandate, the Committee developed four major tax reform bills aimed at modernising and streamlining the country’s fiscal architecture. Following their passage by the National Assembly, President Tinubu signed the bills into law on 26 June 2025. The resulting legislation are the Nigeria Tax Act 2025 (the “**NTA**”), the Nigeria Tax Administration Act 2025 (the “**NTAA**”), the Nigeria Revenue Service (Establishment) Act 2025 (the “**NRSA**”), and the Joint Revenue Board (Establishment) Act 2025 (the “**JRBA**”). Collectively, these laws aim to address long-standing socio-economic challenges, improve tax administration, attract foreign direct investment, and strengthen the Naira.

These new laws take effect from 1 January 2026, at which point they will have the force of law. The purpose of this newsletter is to highlight and analyse ten key changes introduced by the new tax Acts.

TEN KEY CHANGES IN THE NEW TAX ACTS



1. Personal Income Tax Exemption for Low-Income Earners

The NTA has changed the tax band for the calculation of the personal income tax rates such that persons earning an annual taxable income of ₦800,000 and below are now exempted from paying personal income tax [1]. This not only aligns with the government's policy of alleviating the tax burden on low-income earners but also reduces the administrative burden on tax authorities in pursuing these taxes.



2. Abolition of the 183-Day Rule for Expatriate Employee Income Tax Liability

Previously, under the Personal Income Tax Act ("PITA"), one of the conditions for the liability of a non-resident employee that is undertaking employment related activities in Nigeria and who is resident in a country that does not have a Double Tax Agreement ("DTA") to Nigeria's personal income tax was if such a person had been physically present in Nigeria for an aggregate period of 183 days within a 12-month period. In calculating the 183 days period, the period of annual leave and temporary absence of the expatriate in Nigeria was counted. On the other hand, this presence-based threshold in PITA has now been replaced by a source-based approach under the NTA.

Accordingly, under Section 13(1) of the NTA, employment income is taxable in Nigeria where the employee is a Nigerian resident, or the duties of employment are wholly or partly performed in Nigeria, and the remuneration is:

- (a) paid by, or on behalf of a Nigerian-resident employer;
- (b) borne by a Nigerian fixed base or permanent establishment of a non-resident; or
- (c) not liable to tax in the employee's country of tax residence.

However, the NTA creates an exception to the effect that a non-resident employee will not be liable to tax where he or she is employed by a start-up or a company engaged in technology-driven services or creative arts, and the income is taxable in the employee's country of residence [2].

Nonetheless, the treatment of personal income tax of non-resident employees from DTA countries will be determined in accordance with Article 15 of the respective DTAs between Nigeria and those countries.



3. Disqualification from Capital Allowance for Non-Compliance with Duties or VAT

Section 27(2) of the NTA introduces an important anti-avoidance measure by disallowing capital allowance claims on assets for which the applicable import duties or Value Added Tax (“**VAT**”) were not paid at the time of purchase. By making the claim of capital allowances conditional on evidence of prior compliance with import duty and VAT obligations, the provision reinforces the principle that tax reliefs should not be granted in cases of non-compliance.

On the other hand, the Board of the Nigeria Customs Service on 2nd September 2025 approved a formal de-minimis threshold of USD300 for low-value consignments imported through express shipments and passenger baggage. This new policy took effect on 8th September 2025, from which date, such consignments stopped attracting import duties. While capital allowance is only claimable on capital assets with a value of NGN500,000 and above which value is currently greater than USD300. However, what happens if Naira depreciates further and USD300 exceeds NGN500,000? Will such consignments that were exempted from import duties qualify for capital allowance claim based on the new legal requirement of Section 27(2) of the NTA?



4. Introduction of Effective Tax Rate

The NTA has introduced a minimum effective tax rate (“**ETR**”) of 15% for three (3) categories of companies namely: (i) companies that are constituent entities of a multinational enterprise (“**MNE**”) group; (ii) companies with an aggregate annual turnover of NGN20 billion or more; and (iii) a non-resident company whose parent company is a Nigerian company. This means that where such companies pay corporate tax, but the payment does not amount to a 15% ETR, then they will be required to pay the shortfall to bring their ETR up to 15%. In the case of non-resident companies that are exposed to Nigeria’s corporate tax by virtue of their activities in Nigeria, the obligation to pay the corporate tax shortfall rests with their Nigerian parent companies.

The NTA defines ETR as the rate obtained by dividing the aggregate covered tax paid by a company in a year of assessment by its profits. For this purpose, “profits” refers to the net profit before tax as reported in the audited financial statements, less 5% of depreciation and personnel costs for the year.

We assume that the rationale for placing the responsibility for the payment of the shortfall on the Nigerian parent of a non-resident company is to curb Base Erosion and Profit Shifting (**BEPS**) practices and thereby ensuring that profits are not artificially shifted out of Nigeria. However, this ETR concept raises constitutional concern. A well-established constitutional principle is that no one should be punished for the wrongs of another or compelled to bear another’s liability. Accordingly, imposing the obligation to pay the shortfall on the Nigerian parent company appears contrary to this principle especially where the parent company and the non-resident related company have conducted their affairs at arm’s length with no intention of depriving Nigeria of tax revenue.



5. Introduction of a Unified 4% Development Levy

Prior to the enactment of the NTA, different statutes established various levies imposed on the assessable income of companies, such as the Tertiary Education Trust Fund, the National Information Technology Development Fund, and the National Agency for Science and Engineering Infrastructure Fund, among others.

The NTA, however, introduces a streamlined and consolidated 4% Development Levy on the assessable profits of all companies, except small companies and non-resident companies. The revenue from this levy will be distributed across various funds, including the Tertiary Education Trust Fund, Nigerian Education Loan Fund, National Information Technology Development Fund, National Agency for Science and Engineering Infrastructure, the Defence and Security Infrastructure Fund, and others. This ensures that companies are no longer subject to multiple overlapping impositions but instead pay a unified sum, thereby making the payment process more streamlined and administratively efficient.

That said, while the intention of consolidating the levies into one unified levy is clear, there appears to be an oversight regarding certain levies established under other statutes that were not specifically amended or deleted to reflect this consolidation. For example, the Nigeria Police Trust Fund (Establishment) Act, 2019 (“**NPTFA**”) was not amended by the NTA. The implication is that the 0.005% Nigeria Police Trust Fund levied on companies’ net profits under the NPTFA should continue to apply, despite the consolidation under the NTA.

It is worth noting, however, that the NTA contains a supremacy clause which provides that the NTA shall prevail over any other law with respect to the imposition of taxes and levies. This may serve as a strong argument for companies faced with any adverse assessments by the Nigeria Revenue Service in this regard.



6. Establishment of the Nigeria Revenue Service

The Nigeria Revenue Service Act repeals the Federal Inland Revenue Service (Establishment) Act 2007 and establishes the Nigeria Revenue Service (the “**NRS**”) in place of the Federal Inland Revenue Service. The NRS is vested with the responsibility of administering all revenues accruing to the Government, that is, the Federal Government, State Governments, the Federal Capital Territory (“**FCT**”), and Local Governments [3]. This marks a significant expansion of powers in the administration of government revenue.

At the same time, the NRS Act safeguards state autonomy by expressly recognising that State Internal Revenue Services (“**SIRS**”) will continue to retain independent and day-to-day control over their operations. Under Section 5 of the NRS Act, the NRS may assist States or the FCT with revenue collection, but only upon request and pursuant to a formal agreement. This framework seeks to balance centralised efficiency with federalism by ensuring that the NRS’ broader role does not erode the revenue sovereignty of States [4].





7. Establishment of a Tax Ombud Office

The Joint Revenue Board of Nigeria (Establishment) Act 2025 (the “**JRBA**”) brings on board an innovation into the Nigerian tax dispute resolution mechanism by introducing the Office of the Tax Ombud. Under this mechanism, the Office will serve as an independent and impartial arbiter to review and resolve complaints from aggrieved taxpayers relating to taxes, levies, regulatory fees and charges, customs duty or excise matters, amongst other functions.

This reform aligns with international best practices, where similar ombudsman offices have contributed towards quicker resolution of tax disputes between taxpayers and tax authorities thereby conserving cost and time, ensuring that the tax authorities spend more time on revenue-generating activities and receive tax payment as and when due.



8. Employment Tax Incentive for Start-ups

While the NTA provides that expatriates will be taxed in Nigeria if they perform their duties wholly or partly in Nigeria and they are paid by a Nigerian employer, or their pay is borne by a fixed base or permanent establishment in Nigeria, or they are not taxed in their home country, it also creates an exception for expatriates employed by Nigerian startups.

The NTA provides that a non-resident employee of a start-up, or a company engaged in technology-driven services or creative arts, who is taxable in the employee’s country of tax residence, will not be subject to tax in Nigeria. It is important to note that for the purposes of this provision, a start-up is a Nigerian company granted a start-up label under the Nigeria Startup Act, 2022, while a technology-driven services company means financial technology (fintech), shared services, computer software or application development, virtual learning or any other business that the Finance Minister may designate, by an Order published in the official gazette.



9. Restriction on Tax Deductibility of Bad Debts

Generally, in determining the assessable profit of companies, such companies are allowed to deduct bad debts as allowable deductions. However, the NTA provides that bad debt incurred by a company in respect of a transaction with a related party is no longer tax deductible.

It appears that the purpose of this provision is to check BEPS, such that related or connected parties do not artificially structure their transactions to incur bad debts which they will subsequently write off and thereby denying the tax

authority of tax revenue on such transactions. However, the fairness of this provision is debatable, especially in situations where such bad debt arose from a bona fide transaction, conducted with all arm's length principles observed.



10. Introduction of Presumptive Tax Regime

The NTA introduces a transparent and robust framework for taxation of persons (individuals and corporate entities) whose income cannot be ascertained or who do not keep proper records. In this regard, the NTA provides that such persons will be assessed on such terms and conditions as may be prescribed by the Minister of Finance on the advice of the Joint Revenue Board in a regulation under a presumptive tax regime. This provision does not confer on the tax authorities the absolute discretion to make such an assessment but subjects the tax authorities to the regulations made by the Minister of Finance on the advice of the Joint Revenue Board.

However, we note that the best of judgment and deemed profit assessment principles under which the tax authorities exercise wide discretion on taxation of persons in similar circumstances were retained in the NTAA. This, therefore, raises the question of the usefulness of such presumptive tax provisions if the tax authorities can ignore them and apply either the best of judgment or deemed profit tax assessment provisions without recourse to any ministerial regulations.

ANALYSIS AND TAKEAWAYS

Based on our review of these laws, we note that their impact will vary across different stakeholders and sectors. For instance, multinational groups may be adversely affected as they are not entitled to tax deductions on bad debts and may also be subject to higher tax obligations under the Effective Tax Rate principle.

Conversely, the laws create positive outcomes for certain stakeholders. For instance, startups that employ expatriates stand to benefit, as do individuals earning below ₦800,000 who are now fully exempt from tax. In addition, the introduction of the 4% unified Development Levy streamlines the system by replacing the multiple levies previously imposed under various laws.

CONCLUSION

The new tax Acts represent a bold and comprehensive restructuring of the country's tax system. It goes well beyond the consolidation of existing tax statutes, introducing a suite of targeted reforms aimed at enhancing tax certainty, broadening the tax base, and aligning Nigeria's fiscal regime with international standards. The Acts reflect a

deliberate policy shift toward a more efficient, transparent, and development-focused tax framework, one that seeks to reduce fragmentation, minimise compliance burdens, and foster voluntary compliance.

In this evolving landscape, taxpayers, advisers, and regulatory authorities must adapt swiftly. Businesses will need to reassess their structures, compliance obligations, and planning strategies in order to remain aligned with the new rules. Likewise, tax professionals must stay abreast of the detailed provisions to provide sound and proactive guidance. The new Acts signal a new era of tax administration in Nigeria, one that calls for agility, preparedness, and a deeper engagement with the principles of fairness and accountability that underpin the reforms.

Endnote

1. Fourth Schedule of the Nigeria Tax Act.
2. Section 13(2) of the NTA.
3. Section 4(1)(c) of the NRS Act.
4. Section 87(2) NTAA.



Detail Commercial Solicitors is distinct as Nigeria's first commercial solicitor firm to specialise exclusively in non-courtroom practice. Based in Lagos, Nigeria's business capital, DETAIL is totally committed to its clients' business objectives and reputed for dealing with the minutiae. Email: info@detailsolicitors.com