REWRITING THE RULES: WHAT NIGERIA'S 2025 TAX REFORMS MEANS FOR GOVERNMENT, BUSINESSES AND THE EVERYDAY CITIZEN

Introduction

1. On June 26, 2025, President Ahmed Bola Tinubu signed into law what is considered the most comprehensive tax reform post-independence history. The new tax regime introduces four land mark pieces of legislation to wit;

i. The Nigeria Tax Act (NTA) 2025
ii. Nigeria Tax Administration Act (NTAA) 2025
iii. Nigeria Revenue Service Act (NRSA) 2025,
iv. Joint Revenue Board Act (JRBA) 2025

2. These Acts create an integrated legal framework envisioned to simplify compliance, improve efficiency, and strengthen Nigeria's revenue system, replacing a patchwork of more than twenty different tax laws.

3. For decades, Nigerian tax law was dispersed across multiple statutes to wit; the Companies Income Tax Act (CITA), Personal Income Tax Act (PITA), Value Added Tax Act (VAT Act), Stamp Duties Act, and portions of the Petroleum Industry Act (PIA). Each carried overlapping provisions, inconsistent definitions, and competing administrative bodies. This not only created confusion but also left loop holes for avoidance, encouraged multiple taxation, and discouraged compliance.

4. Analysts have described the primary goal of the 2025 reform as desirous of changing the perceived issues with the dispersed laws. However, beyond consolidation, it introduces structural shifts that will reshape how businesses operate, how government raises revenue, and how individuals interact with the state.

5. While stakeholders await the gazetted versions of the new laws[1], This newsletter provides a comprehensive breakdown of some noteworthy reforms introduced by new tax regime and the implication for businesses and operations in Nigeria. Some of these reforms and key changes are highlighted in the ensuing paragraphs.

Introduction Of A Unified Tax Authority: Birth Of The Nigeria Revenue Service (NRS)

6. The Nigeria Revenue Service Act, 2025, creates a centralized Nigeria Revenue Service (NRS) empowered with wider investigative powers, mandatory information-sharing across agencies, and a dedicated Tax Ombudsman for dispute resolution.

7. Previously, the Federal Inland Revenue Service (FIRS), Joint Tax Board (JTB), and various state revenue services often clashed over jurisdiction as it relates to tax related issues.

1 The views expressed in this newsletter is subject to the contents of the finalized version of the said tax laws as will be contained in the gazetted copies.
2 An official appointed to investigate individuals, complaints against an organization or public body.

8. Whilst this has the propensity to create some stability and mirrors practice in other countries like Kenya and South Africa, there is the likelihood of over-concentration of power in one entity and for Nigerian taxpayers, the noteworthy issue will be balancing efficiency with checks against abuse.

Consolidation Of Tax Law

8. The Nigeria Tax Act (NTA) 2025 consolidates Nigeria's previously fragmented tax statutes into a single, comprehensive legislative framework. Noteworthy are: The Companies Income Tax Act (CITA) and Education Tax Act are now merged into a streamlined corporate tax regime, similarly, The Value Added Tax Act has been folded into the new VAT provisions under the NTA and The Stamp Duties Act, Capital Gains Tax Act, and relevant parts of the Petroleum Industry Act are now harmonized.

9. The consolidation of these laws create clarity for businesses, reduces duplication, and aligns definitions of key terms (e.g., "income," "turnover," "residency") across all tax categories.

Mandatory Tax Identification Number (TIN) For Financial Transactions.

10. A noteworthy and commendable compliance innovation is the mandatory use of Tax Identification Number (TIN) for all banking and significant financial transactions.

11. Financial institutions are now giving the role to act as gate keepers of compliance. By implication if a customer lacks a TIN, the bank may be penalized for processing their transactions.

12. This reform transplants models in India and Brazil, where linking tax identity to financial services helped expand the tax net significantly. For Nigeria, it could formalize millions of informal-sector participants, but it also risks excluding vulnerable citizens without proper documentation.

13. Furthermore, non-resident individuals that generate income from Nigeria are mandated to get TIN with an exception to non-resident individuals who only derive passive income.

Corporate Tax Regime And Development Levy

14. The new tax regime has overhauled the corporate tax structure in the manner highlighted below:

- Small companies with less that NGN 100, 000,000 (One Hundred Million Nigerian Naira) are exempt from tax.
- Medium and large companies are taxed at 30%
- Multinationals with £ 750,000,000 (Seven Hundred and Fifty Million Euros) or more and large Nigerian firms with over NGN50,000,000,000 (Fifty Billion Naira are subject to a 15% minimum effective tax rate.

3 Nigeria Tax Act, 2025 repeals and consolidates legacy statutes including the Companies Income Tax Act, Personal Income Tax Act, Value Added Tax Act, Stamp Duties Act, Capital Gains Tax Act, and relevant parts of the Petroleum Industry Act into a unified tax law.
4 Sections 1–5 NTA.
5 S. 4 and S. 8(2) (NTAA) 2025

15. There is also a new 4% Development Levy that replaces multiple sector-specific levies including Education Tax, IT Levy, and Police Trust Fund Levy, making compliance simpler but more consolidated.

16. For businesses, this has the likelihood of fewer filings but higher effective rates. For government, it promises a broader, steadier revenue base.

Global Minimum Tax & Offshore Profits

17. For the first time, Nigeria has domesticated the OECD's global minimum tax framework. Nigerian parent companies must now "top up" tax where subsidiaries abroad are taxed below 15%.

18. Furthermore, undistributed offshore profits are now subject to taxation in Nigeria, representing a direct measure against profit shifting. While this aligns Nigeria with prevailing global anti-avoidance standards, it may raise concerns regarding the international competitiveness of Nigerian enterprises with substantial offshore operations.

Capital Gains Tax (CGT) Expansion

19. Capital Gains Tax (CGT) has been modernized and raised to 30% for companies. Previously, CGT was at 10% and prospectively under-utilized, generating minimal revenue Some noteworthy innovations include:

- Coverage of digital assets such as crypto currencies, NFTs, patents, and IP rights.
- Inclusion of foreign exchange gains and offshore share disposals linked to Nigerian assets.
- Narrower exemptions (e.g., gains below ₦10m or reinvestment in shares).

20. By expanding the base and raising the rate, it is believed that the government will capture untaxed wealth in digital and cross-border transactions.

Broadened Definition Of Taxable Income

21. In an effort to target high value earners and accommodate the growing digital economy including influencers, online traders, gaming operators who previously were previously established tax categories, the new regime has expanded the definition of taxable income to include:

- Prizes, awards, honoraria, grants, winnings.
- Digital and incorporeal assets.
- Debt-related returns and FX gains.

6 SS. 6–19 NTA.
7 S. 56 NTA
8 S. 57 NTA
9 S.59 NTA.

Presumptive Taxation And The Informal Sector

22. As part of efforts to establish a more inclusive tax system, the new regime introduces presumptive taxation to capture addresses the informal economy that is estimated at 57% of GDP. Under this framework, the Nigeria Revenue Service (NRS) is empowered to assess tax based on turnover, asset size or business location where adequate financial records are unavailable.

23. While this approach broadens the tax base, it also carries the risk of increased disputes with small-scale operators who may perceive the assessments as inequitable.

Withholding Tax And Expanded Source Rules

24. Withholding Tax (WHT) now applies to payments made to directors, consultants, entertainers, and athletes as well as to non-resident consultants and service providers in respect of which a 5% withholding tax is imposed.

25. This measure has the potential to impact tech startups that engage foreign freelancers or developers, as it increases their cost of doing business and raises the risk of double taxation.

Personal Income Tax (PIT) Relief

26. The new tax regime introduces significant exemptions for low-income earners. Individuals with annual Income below ₦800,000 (Eight Hundred Thousand) per year are exempt from Persona Income Tax while the tax rate progressively increases up to 25% high earners.

27. Additionally, compensation for loss of office/injury exempt up to NGN50,000,000 (Fifty Million Naira), a substantial increase from the previous NGN10,000,000 (Ten Million Naira).

VAT Reforms And Digital Compliance

28. The new tax regime retains VAT at 7.5%, while broadening exemptions for essential goods such as food, educational materials and electricity. Notably, export of goods, and services excluding for oil and gas remains zero-rated.

29. Furthermore, the Nigeria Tax Administration Act (NTAA) mandates adoption of e-invoicing and fiscalisation systems, requiring businesses to digitalise their compliance processes. Although this may involve significant initial costs, it envisaged that it would reduce opportunities for tax fraud and align Nigeria with global best practices.

10 S. 29 NTA.
11 This is done in the bid to encourage investment in industries not yet operating at a scale sufficient for national needs.

Incentives: From Pioneer Status To Economic Development

30. The previous Pioneer Status Incentive has been replaced with an Economic Development Incentive applicable only to priority sectors identified by the Nigerian Investment Promotion Commission (NIPC). Notably, sectors such as e-commerce and telecommunication are excluded from this incentive.

Self-Assessment Return

31. All companies earning income from Nigeria whether resident and non-resident are required to file a self-assessment return with the tax authorities at least once annually. Such filings must be be accompanied by audited financial statements, tax computations and capital allowance schedules for the relevant year of assessment amongst other requirements.

32. Every employer must file a return with the relevant tax authority no later than 31st of January detailing all emoluments paid to its employees during the preceding year.

33. All taxable individuals' resident in Nigeria or not are required to file a return of income in the prescribed form providing details of income from all sources.

Accredited Tax Agents

34. Companies are required to designate representatives to manage tax related matters. Such representatives that may be remunerated for their services are officially recognized as Accredited Tax Agents.

Role Of Financial Institutions

35. Banks, insurance companies, stock-broking firm, and any other financial institution, must submit quarterly returns to the relevant tax authority whether on request or proactively, providing the names and addresses of:

- an individual's cumulative transactions in a month amount to NGN25,000,000 (Twenty-Five Million Nigerian Naira) or more;
- a body corporate's cumulative transactions in amount to N100,000,000 or more.

Establishment Of State Inland Revenue Service

36. States in Nigeria are to establish State Inland Revenue Service which will collaborate with the Nigeria Revenue Service to administer and collect taxes in the various states.

37. These state agencies are responsible for assessing individual incomes, collecting tax, conducting investigations, examining records and enforcing payment, all with the goal of ensuring tax compliance.

12 S.33 NTAA
13 State Inland Revenue Services coordination under JRBA/NRS
14 Enforcement and penalties under NTAA and related Acts

Enforcement And Penalties

38. The new tax regime introduces robust enforcement mechanisms including:

- Mandatory disclosure of aggressive tax planning schemes
- Broader investigative powers (including arrests)
- Whistle-blower protection and incentives
- Stiffer penalties, including imprisonment for false declarations and evasion.

Conclusion: A Double-Edged Sword

The Nigerian Tax Reform Acts, 2025 represent both opportunites and challenges. They promise clarity, efficiency and alignment with global tax standards, but also impose prospectively steeper compliance obligdations and increase the risk of enforcement actions.

To maximize the benefits, the government must balance its revenue drive with transparent administration, taxpayer education and significant safeguards against abuse.

For businesses and individuals, the message is clear: review your structure, digitize compliance processes, and seek professional guidance. The tax net is wider, the rules are clearer and enforcement tools are sharper. Early adaption will position taxpayers not only to comply but also to thrive under the new regime.