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2025 in Review: Highlights of Major Tax Developments

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Introduction

The year 2025 was a transformative year for Nigeria's tax landscape. It was characterized by sweeping reforms, landmark judicial decisions, and significant policy initiatives.

The Federal Government, the Federal Inland Revenue Service ("**FIRS**") and some State Governments spearheaded bold legislative, administrative and policy reforms, introducing new tax frameworks and enhancing compliance systems, including updates to the TaxPro-Max platform. These changes were complemented by judicial decisions, which deepened Nigeria's tax jurisprudence and clarified ambiguities in tax laws.

This newsletter highlights the pivotal judicial decisions, legislative measures, and government policies of 2025 with the aim of providing insights into Nigeria's evolving tax landscape and helping stakeholders navigate these changes and understand their broader implications.

Judicial Decisions

1

Jurisdiction of the Tax Appeal Tribunal ("TAT") over taxes accruing to a State Government: Plateau State Internal Revenue Service ("PSIRS") v. Jos Electricity Distribution Plc ("JEDC")[1]

The Court of Appeal in this case conclusively addressed the scope of the TAT's jurisdiction over disputes relating to taxes accruing to State Governments.

PSIRS initiated an appeal at the TAT, claiming against JEDC the cumulative sum of ₦1,823,326,667.87, inclusive of penalty and interest as outstanding tax liability for the 2015 and 2016 financial years. The alleged liability comprised personal income tax of JEDC's employees under the Pay-As-You-Earn ("**PAYE**") scheme, withholding tax ("**WHT**") and development levy.

JEDC challenged the jurisdiction of the TAT to determine the claims.

The TAT overruled JEDC, assumed jurisdiction to entertain the appeal, awarded the sum of ₦128,292,567.55 in favour of the PSIRS and ordered JEDC to deliver its staff payroll and WHT records to the PSIRS within 21 days for a proper assessment of JEDC's liability under the PAYE scheme.

JEDC appealed the decision of the TAT to the Federal High Court ("**FHC**"). In its judgment, the FHC held that jurisdiction to determine disputes relating to taxes due to the Plateau State Government was vested in the Plateau State Revenue Court and that neither the TAT nor the FHC had jurisdiction over such disputes. The FHC therefore set aside the judgment of the TAT for want of jurisdiction. Dissatisfied with the decision of the FHC, the PSIRS appealed to the Court of Appeal.

At the Court of Appeal, PSIRS argued that the TAT had jurisdiction over all disputes arising from the PITA. JEDC, on the other hand, argued that the jurisdiction of the TAT is limited to

[1] (2025) 90 TLRN.

disputes relating to taxes accruing to the Federal Government and that in respect of income taxes under the PITA, the jurisdiction of the TAT was restricted to the taxation of persons employed in the Nigerian Armed Forces, the Nigeria Police, the Nigerian Foreign Service and non-resident persons deriving income from Nigeria.

In resolving the issue of whether the TAT has jurisdiction over taxes accruing to States, the Court of Appeal distinguished income taxes under the Personal Income Tax Act ("**PITA**") (including income taxes of employees under the PAYE scheme and WHT) from other forms of taxes due to the States. The Court of Appeal held that based on Section 60 of the PITA which conferred jurisdiction on the TAT over all disputes arising from the administration of the PITA, the TAT had jurisdiction over disputes relating to income taxes under the PAYE scheme and WHT due to the States. With respect to other forms of taxes and levies, such as development levy, infrastructure maintenance levy etc. introduced by the States Houses of Assembly, the Court held that the National Assembly lacks constitutional powers to legislate on any aspect of these taxes and could not validly confer jurisdiction on the TAT over disputes relating to these taxes. The Court concluded that only the state revenue courts have jurisdiction over disputes relating to such state taxes.

2

Penalty and Interest on outstanding tax liabilities will begin to accrue from the due date of the liability: Federal Inland Revenue Service v. MTN Nigeria Communication PLC (MTN)[2]

This case addressed the question of whether penalty and interest on an outstanding tax liability begins to accrue from the due date of the liability or when an assessment becomes final and conclusive.

By a Notice of Assessment dated 14 April 2022, the FIRS assessed MTN to additional VAT liability of $135,697,755 inclusive of interest and penalty. In an appeal against the assessment, the TAT upheld the principal VAT liability but set aside the penalty and interest on the principal liability on the grounds that (i) penalty and interest only accrue on an outstanding tax liability when an assessment has become final and conclusive, and (ii) the assessment in this case did not become final and conclusive because MTN promptly objected to the assessment and appealed within time. The FIRS appealed the decision setting aside the penalty and interest to the FHC.

In a judgment dated 24 January 2025, the FHC held that penalty and interest begin to accrue from the due date of a tax liability and not when an assessment becomes final and conclusive. Accordingly, the FHC set aside the decision of the TAT and upheld the penalty and interest assessment.

[2] Suit No: FHC/L/1A/2024.

3

Validity of the Country-by-Country Reporting (CbCR) Regulations, 2018: Federal Inland Revenue Service v. Checkpoint Software Technologies B.V Nigeria Limited (Checkpoint) [3]

The FIRS issued notices of administrative penalties dated 10 March and 15 March 2022 to Checkpoint for late filing of Country-by-Country Notifications in line with the Income Tax Country-by-Country reporting Regulations, 2018 ("**Regulations**"). Checkpoint challenged the validity of the penalties and the Regulations on the grounds that (i) by Section 61 of the Federal Inland Revenue Service (Establishment) Act, 2007 ("**FIRS Act**"), only the Board of the FIRS was empowered to make regulations with the approval of the Minister of Finance, (ii) the Board of the FIRS had not been reconstituted at the time the Regulations were made and the Regulations could therefore not have been validly issued by the FIRS, (iii) the penalties were excessive in the sense that they were beyond the amounts prescribed by the FIRS Act for non-compliance with filing obligations, and (iv) the OECD Country-by-Country Multilateral Competent Authority Agreement ("**CBC MCAA**") pursuant to which the Regulations were issued had not been domesticated by the National Assembly in line with Section 12 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) (the "**Constitution**") and was therefore unenforceable in Nigeria.

The TAT agreed with Checkpoint and held that the Regulations were invalid and accordingly allowed the appeal and set aside the notices of administrative penalties. The FIRS appealed the decision to the FHC.

In a judgment dated 5 May 2025, the FHC held that the FIRS did not have a Board at the time the Regulations were made. The FHC also held that the CBC MCAA having not been domesticated in line with Section 12 of the Constitution, had no force of law in Nigeria and cannot be implemented through the Regulations. The decision of the TAT invalidating the Regulations was accordingly affirmed.

4

Validity of the appointment of non-resident suppliers of taxable goods or services via digital means as VAT collection agents in Nigeria: Bolt Operations O.U ("Bolt") v. Federal Inland Revenue Service[4]

The FIRS appointed Bolt as an agent for the collection and remittance of VAT on services rendered by drivers and food vendors via its digital platform pursuant to Section 10 of the VAT Act.

Bolt appealed the appointment to the TAT where it argued that (i) its appointment as an agent to charge, collect and remit VAT on supplies made by Nigerian resident suppliers to their Nigerian consumers is against the provisions of the VAT Act, and (ii) the provisions of the Guidelines on Simplified Compliance Regime for VAT for Non-Resident Supplies ("**Guidelines**") that deemed Bolt as the supplier and the party primarily responsible to charge, collect, and remit VAT on the domestic transactions between the drivers and food vendors and their Nigerian customers are ultra vires the provisions of Section 10 of the VAT Act.

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[3] Suit No: FHC/L/10A/2023.
[4] Suit No: FHC/L/10A/2023

The TAT dismissed the appeal and upheld the FIRS' authority to make the appointment. Bolt appealed the decision to the FHC.

Bolt argued that the conditions precedent to the exercise of the power to appoint an agent by the FIRS were not satisfied because the suppliers are independent food vendors and drivers, and that Bolt could not issue tax invoices for taxable supplies it did not make. Bolt further argued that the Guidelines were ultra vires Section 10 of the VAT Act for deeming non-resident suppliers to be suppliers of the goods and services provided by independent Nigerian suppliers.

On its part, the FIRS argued that Section 10(3) of the VAT Act empowers the FIRS to appoint any person including Bolt as VAT collection agent and that the appointment and the Guidelines are consistent with the VAT Act.

The FHC upheld the TAT's finding that the FIRS validly appointed Bolt as a VAT collection agent under Section 10(3) of the VAT Act. The Court stated that the section clearly empowered the FIRS to designate a third party, like Bolt, to collect and remit VAT on taxable supplies. The FHC affirmed the TAT's decision and upheld the appointment.

5

Taxation of undistributed profits under Section 21 of the CITA: Rand Merchant Bank Nigeria Limited ("RMB") v. Federal Inland Revenue Service[5]

The FIRS exercised its power under Section 21 of the CITA to deem the undistributed profits of RMB for the 2017 financial year as distributed and assessed RMB to an additional WHT liability of ₦602,590,813.53, inclusive of penalty and interest, on the deemed distributed profits.

RMB appealed the assessment to the TAT where it argued that (i) Section 21 of the CITA was an anti-avoidance provision and was only applicable where the purpose of the non-distribution of profits was aimed at tax evasion or avoidance, and (ii) the FIRS failed to issue a direction in compliance with Section 21(3) of the CITA which sets out the information that should be contained in any direction issued under Section 21 (1) of the CITA.

In its judgment, the TAT held that once the FIRS takes the view that the profits of a company could have been distributed without detriment to the company, the company bears the burden of proving that the distribution would have been detrimental and that the discretion of the FIRS under Section 21 is beyond judicial scrutiny. The TAT further held that Section 21 of the CITA does not prescribe the form in which a direction must be issued, and that FIRS' letter of 22 October 2019 qualified as a direction which was issued within two years of receipt of the financial statements. The TAT concluded that RMB failed to discharge the burden of proof to show that the distribution of the 2017 profits would have been detrimental to its business and that it was liable to pay the assessed WHT. RMB appealed the decision to the FHC.

[5] Suit No: FHC/L/4A/2024.

The FHC allowed the appeal and held that (i) undistributed profits can only be deemed distributed if the non-distribution was aimed at tax evasion or avoidance and the FIRS bore the burden of proving that the distribution was aimed at tax evasion or avoidance, (ii) the FIRS' power to deem undistributed profits as distributed is not absolute but subject to judicial review, (iii) the FIRS failed to issue a direction in line with Section 21(3) of the CITA within two years from the date of receiving RMB's 2017 financial statement and was barred from exercising its power to deem the undistributed profits of RMB for the 2017 financial year as distributed, and (iv) penalties and interest on deemed WHT liability could only apply if the underlying direction or assessment issued under Section 21 of the CITA becomes final and conclusive.

It is worth mentioning that Section 10 of the Nigeria Tax Act, 2025 ("**NTA**") similarly empowers the Nigeria Revenue Service ("**NRS**") to deem undistributed profits of closed companies as distributed and tax the deemed distributed profits. However, the provision only applies to closed companies controlled by individuals. The language of the provision also indicates that the power can be exercised irrespective of the motive or reason behind the non-distribution, provided that the profits could have been distributed without detriment to the company's business. Finally, it extends the limitation period for exercising this power from two years (which applied under the CITA) to three years from the date of receiving the financial statement of the relevant company.

6

Validity of the Rivers State Pollution Compensation Tax Law: Shell Petroleum Development Company of Nigeria Limited (SPDC) v. Attorney General of Rivers State & 2 Ors[6]

SPDC challenged the validity of the Pollution Compensation Tax Law of Rivers State further to which the Rivers State Internal Revenue Service imposed the sum of ₦7,096,601,969 on SPDC as alleged outstanding pollution compensation tax.

SPDC argued that the Pollution Compensation Tax Law which requires the payment to the Government of Rivers State of a percentage of the compensation paid to victims of oil pollution is ultra vires the powers of the Rivers State House of Assembly in view of Sections 4(3) of the Constitution and Items 39, 59, and 68 of the Exclusive Legislative List thereto. SPDC argued that (i) the compensation tax, being a tax on income is not within the legislative competence of a State House of Assembly, and (ii) the Rivers State House of Assembly lacks the constitutional powers to make laws in respect of mines and minerals, including oil fields, oil mining, geological surveys, and natural gas and on any matters incidental or supplementary to those items.

The Attorney-General of Rivers State and the Rivers State Internal Revenue Service argued that the pollution compensation tax, not being a tax under the Exclusive or Concurrent List, is a residual matter on which the Rivers State House of Assembly was empowered to legislate.

In its decision, the FHC held that the Rivers State House of Assembly lacks the constitutional power to enact laws on mines and minerals as well as taxation of income and capital gains, having regard to the provisions of Section 4 of the Constitution and Items 39 and 69 of the Exclusive Legislative List. The Law was accordingly voided by the Court.

[6] Suit No: FHC/PH/CS/261/2022.

7

Recharges are not deductible under the turnover (deemed profit) basis of assessment: Halliburton West Africa Ltd. (Halliburton) v. Federal Board of Inland Revenue[7]

Halliburton had always assessed itself to tax on a turnover basis. The FIRS discovered through a tax audit that Halliburton's tax returns for 1996, 1997, 1998 and 1999 periods excluded recharges paid to Halliburton Energy Services Nigeria Limited ("**Halliburton Nigeria**") as the costs or expenses incurred by Halliburton Nigeria in executing contracts on behalf of Halliburton.

Following the discovery, the FIRS made an additional assessment of USD6,927,248 (Six Million, Nine Hundred and Twenty-Seven Thousand, Two Hundred and Forty-Eight US Dollars) for the 1996, 1997, 1998, and 1999 periods. Halliburton appealed to the Body of Tax Appeal Commissioners, where it argued that the additional assessment amounted to double taxation. The appeal was dismissed by the Body of Tax Appeal Commissioners.

Halliburton appealed to the FHC, which held that the assessment was invalid on the basis that the recharges to Halliburton Nigeria were allowable deductions. Dissatisfied with the judgment of the FHC, the FIRS appealed to the Court of Appeal.

The Court of Appeal held that the FIRS rightly disallowed the deduction of the recharges and issued the additional assessment on Halliburton. The Court of Appeal accordingly set aside the judgment of the FHC and restored the judgment of the Body of Appeal Commissioners. Halliburton further appealed to the Supreme Court.

In its judgment, the Supreme Court held that the turnover of a company's business is the total receipts or income or gross revenue, including the costs of generating the income and that under the turnover basis of assessment, expenses, including recharges are not deductible from the revenue. It therefore held that the recharges formed part of Halliburton's turnover and were non-deductible in calculating corporate income tax under the turnover basis of assessment. The Supreme Court accordingly dismissed the appeal and affirmed the decision of the Court of Appeal which upheld the additional assessment.

8

Power of the Economic and Financial Crimes Commission to Investigate Tax Evasion: Economic and Financial Crimes Commission v Insurance Resourcery and Consultancy Service Limited[8]

The Economic and Financial Crimes Commission (the "**EFCC**") invited the Insurance Resourcery and Consultancy Service Limited ("**IRCSL**") to provide documents and attend an interview in connection with an investigation into alleged tax evasion and money laundering. IRCSL challenged this action at the FHC, contending that by virtue of the FIRS Act as amended by the Finance Act 2021, the FIRS had exclusive statutory authority to investigate and prosecute non-compliance with tax obligations.

[7] (2025) LPELR-80533 (SC)
[8] Appeal No: CA/ABJ/CV/803/2023

The FHC agreed with IRCSL and held that EFCC lacked the power to investigate tax-related offences and granted, amongst other reliefs, a perpetual injunction restraining EFCC from inviting or investigating IRCSL on tax issues. The EFCC appealed to the Court of Appeal.

At the Court of Appeal, the EFCC argued that Section 46 of the EFCC Act expressly defines tax evasion as an economic and financial crime, thereby empowering the EFCC to investigate it. The EFCC also argued that there was no conflict between the EFCC Act and the FIRS Act, as the latter encourages collaboration between agencies.

IRCSL, on the other hand, contended that the FIRS Act and the CITA confer exclusive powers on the FIRS to investigate and prosecute tax evasion. It argued that EFCC's invitation was unlawful and amounted to abuse of power.

The Court of Appeal held that the EFCC has statutory authority to investigate tax evasion as an economic crime under Section 46 of the EFCC Act. The Court of Appeal noted that Section 68(5) of the FIRS Act expressly provides for collaboration between the FIRS and other agencies and that there was no conflict between the FIRS Act and the EFCC Act.

Consequently, the Court of Appeal allowed the appeal, set aside the judgment of the FHC, and affirmed the EFCC's investigatory power over tax evasion.

9

Jurisdiction of the TAT over state taxes, and best of judgment assessments under the PAYE scheme: Central Bank of Nigeria v Plateau State Internal Revenue Service[9]

The Plateau State Internal Revenue Service ("**PSIRS**") issued a best of judgment assessment ("**BOJA**") on the Central Bank of Nigeria ("**CBN**") in the sum of ₦63.8 million, comprising unpaid personal income tax of CBN's employees under the PAYE scheme, WHT, development levy, and penalties and interest for the years 2017–2018. Subsequently, the PSIRS commenced proceedings before the TAT to recover the assessed taxes. The TAT upheld the PSIRS' claim, and the TAT's decision was affirmed by the FHC. CBN further appealed to the Court of Appeal.

CBN contended that the TAT lacked jurisdiction because the claim included development levy which is a state tax. CBN further argued that by Sections 54 and 81 of PITA, best of judgment assessment is not applicable to the PAYE scheme because the tax liability under the PAYE scheme is borne by the employee and employers only act as agents for deduction and remittance.

The PSIRS on its part argued that under Section 60 of PITA, the TAT had jurisdiction over all cases arising from the PITA, including disputes involving state tax authorities and the TAT rightly exercised jurisdiction to determine PSIRS' claims. On the validity of the BOJA, the PSIRS argued that the assessment was valid because CBN failed to provide documents.

The Court of Appeal allowed the appeal and set aside the judgment of the FHC. It held that while the TAT has jurisdiction over disputes under PITA, it cannot adjudicate disputes arising

[9] 2025) LPELR-81633(CA)

from state taxes such as development levy. Since PSIRS lumped all claims together in a single relief, neither the TAT nor the Plateau State Revenue Court could entertain the claim as constituted.

The Court also held that the tax being remitted under the PAYE scheme is that of the employee and that only the employee bears the tax liability. An employer only acts as an agent for the purpose of deducting and remitting the tax of the employee and that a best of judgment assessment cannot be issued on an employer for the tax liability of an employee. The Court therefore held that the BOJA was ultra vires.

10

Jurisdiction of the TAT Viz-a-Vis the Federal High Court – TSKJ Construcoes Internacional Sociadade Uniperssoal LDA ("TSKJ") v. FIRS

TSKJ made a self-assessment under the deemed profit basis and paid tax on revenue derived from the execution of a liquified natural gas project for the Nigerian LNG Limited. In executing the contract, TSKJ incorporated TSKJ Nigeria Limited ("**TSKJ Nigeria**") to provide local logistics and other support services and paid recharges to TSKJ Nigeria. It deducted the recharges in its self-assessment, but the FIRS subsequently disallowed the deductions on the basis that the recharges were not deductible under the deemed profit basis of assessment and assessed TSKJ to additional liabilities based on the disallowance of the deductions.

TSKJ's appeal against the assessments to the TAT was dismissed and the assessments were upheld. In a further appeal to the FHC, TSKJ challenged the jurisdiction of the TAT over matters pertaining to the revenue of the Federation and taxation of companies and the FHC held that by virtue of Section 251(1) of the Constitution, the FHC had exclusive jurisdiction over civil causes and matters pertaining to the revenue of the Federation and the taxation of companies, and that the TAT lacked jurisdiction over any disputes relating to these matters. The FHC accordingly issued an order directing the Minister of Finance to disband the TAT and issued an injunction restraining the TAT from exercising jurisdiction over disputes pertaining to the revenue of the Federation and taxation of companies. It also voided the additional assessments.

The FIRS appealed to the Court of Appeal which held that the TAT was not a court, but an administrative tribunal and that its jurisdiction does not interfere with the jurisdiction of the Federal High Court. The Court of Appeal concluded that the TAT had jurisdiction to determine the appeal and accordingly reversed the decision of the FHC and restored the TAT's decision.

On further appeal to the Supreme Court, TSKJ argued that by Section 59 of the FIRS Act, the TAT is deemed to be a civil court and not a mere administrative tribunal and that being a court, the TAT cannot entertain disputes pertaining to the revenue of the Federation and taxation of companies. The FIRS on the other hand argued that the TAT is an administrative body established to determine the correctness of tax assessments and that its jurisdiction does not interfere with or usurp the jurisdiction of the FHC, particularly because its decisions are appealable to the FHC.

In its judgment, the Supreme Court held that the TAT is a mere administrative tribunal and not a court. It further held that the jurisdiction of the FHC over disputes pertaining to the revenue of the Federation and taxation of companies is only exclusive to other courts. The TAT not being a court, is not subject to the exclusion in Section 251(1) of the Constitution. Accordingly, the Supreme Court affirmed the decision of the Court of Appeal and dismissed the appeal.

11

Ad valorem duty on share purchase agreements - Oando Oil Limited v Federal Inland Revenue Service

The FIRS assessed Oando Oil Limited ("Oando") to stamp duty liability of $88,258,099.32, inclusive of penalty and interest on certain Share Purchase and Sale Agreements ("SPSAs") executed in 2012 and 2014 between ConocoPhillips entities and certain related companies of Oando.

Oando appealed the assessment on the grounds that (i) the SPSAs are exempt from stamp duty because documents relating to transfer of shares are exempt from stamp duty, (ii) it was not a party to the SPSAs, and (iii) as the transaction occurred in 2012/2014 and the FIRS' power to recover the alleged stamp duty was statute barred under Section 114 of the Stamp Duties Act.

The FIRS countered that only share transfer instruments are exempt from stamp duty. The transactions were not mere transfers of shares but were an acquisition of shares and the SPSAs were therefore dutiable. In addition, the FIRS argued that by Section 68 of the FIRS Act, the FIRS Act takes precedence over the Stamp Duties Act. Therefore, Section 114 of the Stamp Duties Act cannot restrict the FIRS' investigative and enforcement powers under the FIRS Act.

The TAT held that Share Purchase Agreements (as opposed to share transfer instruments) are dutiable instruments and that the SPSAs were subject to ad valorem duty. The TAT further held that the FIRS Act takes precedence over the Stamp Duties Act and that Section 114 of the Stamp Duties Act cannot bar the FIRS from recovering stamp duty from Oando on the SPSAs. The TAT therefore upheld the assessment and dismissed the appeal.

It is worth mentioning that the NTA does not prescribe an ad valorem duty for share sale and purchase agreements. Therefore, we do not consider that the decision of the TAT will constitute binding precedent on the stamp duty treatment of share sale and purchase agreements under the NTA.

1. Tax Reform Acts

The Tax Reform Acts comprise four taxation statutes – the NTA, the Nigeria Tax Administration Act, 2025 ("NTAA"), the Nigeria Revenue Service (Establishment) Act, 2025 ("NRSA") and the Joint Revenue Board (Establishment) Act, 2025 ("JRBA"). The Tax Reform Acts were signed into law on 26 June 2025 with the NRSA and the JRBA becoming effective on the same date while the NTA and the NTAA became effective on 1 January 2026.

The Tax Reform Acts repeal all principal tax statutes, amend the fiscal provisions of other enactments, and provide for the taxation of income, profits, and gains of companies, partnerships, trusts, families and individuals, as well as the taxation of instruments, and transactions in Nigeria. The Tax Reform Acts introduce major changes to the Nigerian tax system and have significant potential implications for individuals and businesses, and all aspects of the Nigerian economy. Some of the significant changes introduced by the Tax Reform Acts are highlighted below.

Taxation of undistributed profits of non-resident companies controlled by Nigerian companies

The NRS may deem as distributed, the undistributed profits of a non-resident company controlled by a Nigerian company and tax the proportion of the deemed distribution attributable to the Nigerian company, provided that the non-resident company could have distributed the profits without detriment to its business.

Taxation of undistributed profits of Nigerian companies controlled by individuals

Under Section 21 of the CITA, the FIRS was empowered to deem as distributed, the undistributed profits of a Nigerian company controlled by five or less shareholders (otherwise called a closed company) in certain circumstances and tax the deemed distributed profits. The reenactment of Section 21 of the CITA in the NTA now makes it clear that the five or less shareholders must all be individuals for the provision to apply. The restriction of the application of the deemed distribution basis of taxation of Nigerian companies to companies controlled by individuals introduces an important change to the previous system which applied to companies controlled by individuals or corporate entities.

Taxation of Nigerians working in international organisations

The employment income of Nigerians working abroad for international organisations who enjoy immunity from taxation in their host countries pursuant to an international agreement to which Nigeria is a party will be taxable in Nigeria. The implication is that Nigerians who work in international organisations such as the World Bank will now be subject to tax in Nigeria irrespective of their country of residence.

Minimum tax on profits of non-residents attributable to a permanent establishment

The NTA introduces a minimum tax on the profits of a non-resident from a trade, business, vocation or profession carried on in Nigeria to the extent that such profits are attributable to a permanent establishment of the non-resident in Nigeria. The minimum tax shall not be less than the amount withheld under Section 51 of the NTAA. Where such profits are not liable to deduction under Section 51 of the NTAA, the minimum tax shall be 4% of the profits.

Simplification of the test for deductibility of expenses

Unlike the old rules for deduction of expenses which required expenses to be wholly, exclusively, necessarily and reasonably incurred for the purpose of generating taxable income to be deductible, under the new regime, expenses only need to be wholly and exclusively incurred in the production of income to qualify for deduction. Taxpayers would therefore no longer need to prove, for deductibility purposes, that business expenses were necessarily and reasonably incurred.

Disallowance of expenses on which VAT or import duty is outstanding

Expenses on which VAT or import duty is outstanding would no longer be deductible in computing taxable profits of a trade, business, profession or vocation.

Rent relief allowance for individuals

The NTA provides for a 20% rent relief allowance for annual rent paid by an individual, subject to a maximum of ₦500,000 in computing the chargeable profits of the individual. This relief replaces the consolidated relief allowance under the PITA.

Increase in the tax-exempt threshold of share transfers

The NTA increases the exempt threshold for disposal of shares from ₦100,000,000 to ₦150,000,000 and limits the exemption to transactions where the chargeable gain does not exceed ₦10,000,000. Where the proceeds of the disposal are reinvested in a Nigerian company, the threshold does not apply, and the entire reinvested amount shall be exempt while the sum not reinvested shall be subject to CGT.

Taxation of gains arising from indirect transfers of ownership of companies and assets by a non-resident

Gains accruing from the disposal of shares by a non-resident shall be chargeable in Nigeria where the disposal results in a change: (i) in the ownership structure or group membership of any Nigerian company; or (ii) of ownership of, title to, or interest in any asset located in Nigeria.

Increase of tax-exempt threshold of compensation for personal injury, including loss of office or employment

The NTA increases the tax-exempt amount of compensation for loss of office or employment from ₦10,000,000 to ₦50,000,000. It also imposes a ₦50,000,000 limit on the amount of compensation for injury or wrong suffered by an individual to his person, office or vocation that would be exempt.

New personal income tax rates

The NTA, prescribes the following personal income tax rates which would apply to the income of individuals, families, and trusts:

- First ₦800,000 at 0%;
- Next ₦2,200,000 at 15%;
- Next ₦9,000,000 at 18%;
- Next ₦13,000,000 at 21%;
- Next ₦25,000,000 at 23%; and
- Above ₦50,000,000 at 25%.

4% development levy

Companies (other than small companies) shall be subject to a 4% development levy on their profits. This levy consolidates and replaces various taxes/levies such as Tertiary Education Tax, National Information Technology Development Levy, Cybersecurity Levy etc.

Mandatory disclosure of tax planning arrangements

Parties to any arrangement, agreement or transaction whose principal purpose is to enable a party to obtain a tax advantage would be required to disclose such arrangement, agreement or transaction to the relevant tax authority in a manner to be prescribed by regulations issued by the relevant tax authority.

Economic development tax incentive

Companies investing in priority areas of the economy may be granted, subject to the fulfilment of certain conditions, an economic development tax credit that can be utilised to offset the tax liability for any year of assessment within the priority period. Unutilised credit can be carried forward to not more than five years after the end of the priority period. This incentive replaces pioneer status incentives under the Industrial Development (Income Tax Relief) Act.

2. Ekiti State Revenue Administration Law, 2025

The Governor of Ekiti State, Mr. Biodun Oyebanji, on Tuesday, 23 December 2025, signed into law, the Ekiti State Revenue Administration Law, 2025 ("**EKSRAL**").

The EKSRAL mandates an electronic system for payments, billing, and receipts to prevent leakages. The law also repeals the Ekiti State Board of Internal Revenue Law, 2019, the Ekiti State Board of Internal Revenue (First Amendment) Law, 2020 and the Hotel Occupancy and Restaurant Consumption Tax Law, 2022.

The EKSRAL provides for the designation of some Magistrate Courts in the State as Revenue Magistrate Courts and at least one State High Court as Revenue High Court which shall give priority to matters relating to and affecting the revenue of the State and relevant Local Government Councils. In the same vein, the law establishes mobile revenue courts for the purpose of enforcing the provisions of the Law and other relevant laws.

Additionally, the First Schedule to the EKSRAL provides for the harmonised list of taxes and levies which are collectible in the State by both the State and Local Governments.

3. Upstream Petroleum Operations Cost Efficiency Incentives Order 2025

On 30 April 2025, the President issued the Upstream Petroleum Operations (Cost Efficiency Incentives) Order, 2025 (the "**Order**") which introduces a cost efficiency tax incentive regime in the form of a tax credit aimed at encouraging operators to adopt cost efficient measures in their upstream petroleum operations.

Operators that reduce their annual operating cost below the annual cost benchmark set by the Nigerian Upstream Petroleum Regulatory Commission ("**NUPRC**") would be entitled to claim a tax credit that can be utilized to offset an operator's ultimate tax liability on a relevant asset.

The FIRS (**now NRS**), in collaboration with the NUPRC and with the approval of the Minister, was required to issue guidelines to implement the Order within 30 days of the Order's effective date. However, as of the date of this publication, the implementation guidelines are yet to be issued.

Conclusion

The year 2025 was a defining year for Nigeria's tax system, marked by significant reforms, landmark judicial decisions, and strategic policy initiatives, but the most significant of these changes are the Tax Reform Acts. These laws will, in many ways, impact previous judicial decisions, significantly influence taxpayer behaviour and affect almost all aspects of the Nigerian economy.

Given the far-reaching nature of the changes introduced by the Tax Reform Acts, it is critical for businesses, tax administrators, tax practitioners and the judiciary to properly understand the changes and their economic and social implications. It is imperative for businesses to conduct comprehensive reviews of existing structures, transactions, and business models to remain tax efficient and compliant. More than ever, businesses need to work with their tax advisors to efficiently navigate the new tax landscape.

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