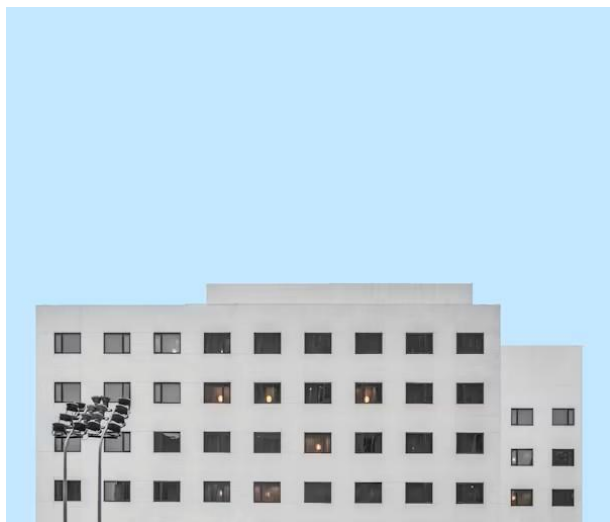


Finally! The Nigerian Tax Reform Acts are Here!



Introduction

Arguably, since August 2023, Nigeria's tax reforms have been on the front burner, shaping every important conversation and business consideration. Despite various controversies surrounding initial proposals, particularly with respect to its potential economic impacts, the proposed increment of Value Added Tax (VAT) rate and sharing formula, the reform efforts finally yielded significant fruit. With the assent of President Bola Tinubu on 26th June 2025 to the four Tax Reform Bills (now Acts) to usher in a new dawn in Nigeria's tax and fiscal regime, Nigeria's tax and fiscal landscape has witnessed a landmark overhaul. Upon the President's assent, the Nigeria Tax Act (NTA), The Nigeria Tax Administration Act (NTAA), the Nigeria Revenue Service Act (NRSA) and the Joint Revenue Board Act (JRBA) collectively referred to as "the Reform Acts" formally became law.

The Reform Acts formally repeals various existing tax laws and consolidates all relevant tax legislations into a single legislative document. The Reform Acts, amongst other things, aim to simplify tax administration, eliminate conflicting or ambiguous tax provisions and provide a

comprehensive and transparent view of tax laws, and frameworks while also enhancing revenue generation, improving compliance and fostering economic growth. Notably, while the formal effective date of the legislation is yet to be communicated, it is anticipated that the Reform Acts would take effect from 1st January 2026. Here, we share some of the key highlights and innovations of these Reform Acts.

Repeal, Revocation, Amendment and Unification of Nigeria's Fiscal Legislations

In line with the objectives of the Reforms, the NTA repeals, and provides in a single document the provisions of, amongst others the Capital Gains Tax Act, Companies Income Tax Act, Personal Income Tax Act, Stamp Duties Act, and Value Added Tax Act while amending various other legislations, such as the Petroleum Industry Act, the Tertiary Education Trust Fund (Establishment, etc.,) Act. The NTA also revokes the VAT (Modification) Order 2021. This move is intended to streamline the tax system by reducing the number of taxes and eliminating duplications, thereby simplifying tax considerations in business operations.

Establishment and Mandate of the Nigeria Revenue Service (NRS)

A pivotal administrative change under the new regime is the establishment of the Nigeria Revenue Service (NRS) – putting an end to the existence of the Federal Inland Revenue Service (FIRS) pursuant to the NRSA. This new agency is designed to be more autonomous and performance-driven, with an expanded mandate that includes the collection of non-tax revenue in addition to taxes. The NRS is to establish a uniform legal and operational framework for tax administration while aiming for greater efficiency in revenue collection.

Clarification and expansion of categories of Taxable Income

The Reform Acts also explicitly broaden the scope of income, profits, or gains subject to tax. This now includes prizes, winnings, honoraria, grants, awards, and specifically, profits or gains from transactions in digital or virtual assets. While

such gains are taxable, any losses incurred from transactions in digital assets can only be deducted against profits derived from the digital assets business. Furthermore, the definitions of "interest" and "dividend" have been expanded to capture a wider range of financial accruals, such as penal interest, foreign exchange differences relating to securities, and distributions of a capital nature for liquidating companies.

Controlled Foreign Corporation (CFC) Rules

The NTA also introduces robust provisions to address profit shifting by its introduction of CFC Rules. By this provision, where a foreign company is controlled by a Nigerian company, and it has not distributed profits, the proportion of those profits attributable to the Nigerian company which could have been distributed without business detriment would be deemed as distributed and included in the Nigerian company's profits for tax purposes. You may read our analysis of the Rule [here](#).

Minimum Effective Tax Rate (ETR):

In alignment with the OECD's BEPS Pillar 2 framework, the Act introduces a tac top-up mechanism by introducing a 15% ETR for companies which are constituent entities of a Multinational Enterprise (MNE) group or have an aggregate turnover of ₦20 billion and above. If the effective tax rate paid by such a company is less than 15%, the Nigerian parent company must pay an additional amount to meet this minimum rate. This measure discourages the use of low-tax jurisdictions for profit shifting.

Wholly and exclusively incurred

In a notable deviation from the extant provisions of the CITA which allow expenses which have been 'wholly,' 'exclusively,' 'reasonably' and 'necessarily' incurred for the purposes of determining taxable profits, the NTA eliminates the requirement for such costs to have been 'reasonably' and 'necessarily' incurred.

Small Companies and CIT Rates

Previously, small companies are defined as companies with a turnover of less than N25,000,000.00 while medium sized companies were companies with annual turnover between

N25,000,000.00 – N100,000,000.00 and subject to CIT at the rate of 20%. However, the NTA has redefined small companies to mean companies with an annual gross turnover of NGN100,000,000.00 and below and total fixed assets not exceeding N250,000,000.00 while deleting provisions for medium sized companies.



Non-Resident Persons (NRPs)

Non-resident persons are chargeable to tax on income, profits, or gains accruing in or derived from Nigeria. The Act sets stricter conditions for deductions for NRPs, making provisions to the effect that only expenses which have been wholly and exclusively incurred for producing taxable profits attributable to their permanent establishment in Nigeria are allowable deductions. Notably, deductions are not allowed for amounts paid or payable by the permanent establishment to the non-resident person or any connected persons by way of royalties, fees, or similar payments for the use of patents or other rights, except for reimbursement of actual expenses. Where total profits cannot be ascertained, a minimum tax of 4% of the total

income generated from Nigeria may be imposed if the income is not liable to withholding tax.

The NTA makes provisions to the effect that notwithstanding a split or offshore element of a contract involving surveys, designs, deliveries, building, construction, assembly, or installation, commissioning or decommissioning or any supervisory activity related to the foregoing, carried on by an NRC, such contract or project would still be deemed to have triggered a Permanent establishment in Nigeria.

Increased Capital Gains Tax (CGT) Rate and CGT on Indirect Share Transfers

The NTA notably increases the CGT rate from 10% to 30%, in alignment with the CIT rates, reducing tax arbitrage which would have been enjoyed in the classification of chargeable gains and trading income.

Similarly, the NTA introduces a CGT on indirect transfer of shares in Nigerian companies so that a Nigerian CGT obligation may be triggered where shares are disposed by a non-resident in a manner that results into a change in the ownership structure or group membership of any Nigerian company; or of ownership of, title in, or interest in any asset located in Nigeria.

Personal Income Tax (PIT) Rates, Rent Reliefs and Exemption Threshold

The NTA introduces a more progressive tax rate for individuals as follows:

Revised Tax Band	Revised Rate
First N800,000	0%
Next N2,200,000	15%
Next N9,000,000	18%
Next N13,000,000	21%
Next N25,000,000	23%
Next N50,000,000	25%

- › Notably, the Consolidated Relief Allowance (CRA) is replaced with a rent relief provision. An individual can claim a deduction of 20% of annual rent paid, subject to a maximum of ₦500,000, whichever is lower. For individuals earning up to ₦1,000,000 annually, this relief can effectively reduce their taxable income to ₦800,000, making them eligible for the 0% tax rate.

Taxation of Professional and Consultancy Services Companies

A notable change impacts companies providing professional and consultancy services. The Act stipulates that such companies are excluded from the "small company" classification, regardless of their annual turnover or total fixed assets. This means that professional service companies, which might previously have been exempt from Company Income Tax (CIT) due to their small turnover, are now explicitly subject to CIT. This provision places a higher tax burden on small professional service companies and could potentially discourage formal business registration in sectors such as legal, financial advisory, accounting, and consulting.

Introduction of a Development Levy

A new Development Levy of 4% is imposed on the assessable profits of all companies chargeable to tax under Chapters Two and Three of the Act. This levy consolidates and replaces several previous earmarked taxes and levies, such as the Tertiary Education Tax, National Information Technology Development Agency (NITDA) Levy, and National Agency for Science and Engineering Infrastructure (NASENI) levy. Small companies and non-resident companies are exempt from this levy, and it is not imposed on assessable profits computed for hydrocarbon tax purposes.

Value Added Tax (VAT) Provisions

The VAT rate remains at 7.5% with an expanded list of zero-rated items. Essential goods and services, including basic food items, medical and pharmaceutical products, educational books and materials, healthcare services, and residential rent, are now zero-rated items. Hence, allowing

suppliers of these goods and services to recover their VAT costs. This is expected to lower the cost of living for many Nigerians, as these categories account for a substantial portion of average household spending. Additionally, the scope for input VAT claims has been broadened to include VAT incurred on services and fixed assets utilized for making taxable supplies, while taxable persons are now mandated to implement fiscalization systems for electronic invoicing and data transfer.

Economic Development Tax Incentives (EDI)

The NTA replaces the Pioneer Status Incentive (PSI) with the Economic Development Incentive (EDI) regime under Part II of Chapter Eight. This new scheme introduces a targeted incentive model that provides an Economic Development Tax Credit (EDTC). Companies in specified priority sectors (listed in the Tenth Schedule) that incur qualifying capital expenditure (QCE) meeting minimum investment thresholds are eligible for an EDTC of 5% per annum on the QCE for a period of five years, extendable by another five years. Agricultural businesses, including crop production, livestock, aquaculture, and forestry, are granted a five-year income tax exemption from the commencement of their business. Furthermore, companies can claim an additional 50% deduction for wage awards/salary increases (up to ₦100,000 gross monthly remuneration) and for salaries of new employees (representing a net increase in employment) incurred in 2023-2025.

Other Notable provisions

Other notable provisions include the introduction of the Tax Ombuds Office which is to liaise with tax authorities on behalf of taxpayers while acting as an independent arbiter to resolve tax-related issues. Similarly, the NTA makes provisions to the effect that employment income will be taxed in Nigeria where the individual is resident in Nigeria or where in the case of a non-resident individual, performs the duties of the employment in Nigeria without paying tax in their country of residence.

Further, the Reform Acts makes significant punitive provisions, including the increment of penalties and the introduction of new penalties – such as provisions penalizing the award of contracts to individuals or entities not registered for tax in Nigeria.

What Next?

These comprehensive reforms, while presenting potential implementation challenges, are designed to create a fairer, more efficient, and robust tax system in Nigeria, fostering economic growth and improving the ease of doing business.

As a next step, taxpayers must immediately conduct a holistic analysis, review tax strategy and obtain sound tax advice in this times in order to ensure efficient implementation of the changes introduced by the Reform Acts.

Our Team at **WTS Blackwoodstone** is available to walk you through as you navigate and implement these changes optimally.





Author

Kelechi Okparaocha

Kelechi@wtsblackwoodstone.com

About WTS Blackwoodstone

WTS Blackwoodstone is an international business law firm that provides innovative business solutions for clients with diverse needs. The Firm's core practice areas include Corporate and Commercial law, Tax Advisory & Compliance and Transactional Services to resident and non-resident companies doing business in Nigeria. Our practice is based in Lagos and Abuja and is strategically placed to offer hands on legal services to our clients in the major economic hubs of Nigeria and the rest of Africa.

Our clients include locally headquartered multinationals, medium and small local and international clients, family-owned businesses, government agencies and high net worth individuals.

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About WTS Global

With representation in over 100 countries, WTS Global has already grown to a leadership position as a global tax practice offering the full range of tax services and aspires to become the preeminent non-audit tax practice worldwide. WTS Global deliberately refrains from conducting annual audits in order to avoid any

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Imprint

WTS Blackwoodstone

Unit 12, No 8 Office Apartments, Plot 8, Rasheed Alaba Williams, Lekki, Lagos
Nigeria

T: +234 9033 501 613

www.wtsblackwoodstone.com |

info@wtsblackwoodstone.com

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