

EXPOUNDING THE SALIENT PROVISIONS OF THE NEW TAX REGIME IN NIGERIA*

Abstract

The 2025 Nigerian tax reform which has taken effect from January, 2026, constitutes a major overhaul, introducing the Nigeria Tax Act, Tax Administration Act, and new, specialized revenue services to modernize the fiscal framework, simplify compliance, and then boost revenue. Thus, the reform aims to enhance efficiency, reduce the tax burden on low-income earners, and therefore align with global standards. In that light, the paper is thus an academic contribution to examine the salient provisions of the new tax regime in Nigeria, and to determine to what extent the taxing authorities are posed to actualize the missions of the newly unveiled tax regime. To carry out the above investigation, the use of doctrinal legal approach, analyzing legislation, case law, constitutional clauses and academic literature were synthesized. It was the findings of the study, among others, that there were some yawning gaps in the enabling legislation that ushered in the new tax regime. To stem the tide, the study advocates an urgent review through proactive legislation, among others.

Keywords: New Tax Regime, Salient Provisions, Economy, Nigeria.

1. Introduction

The 2025 tax laws in Nigeria were enacted primarily to address chronic fiscal challenges, including a historically low tax-to – GDP (gross domestic product) ratio, a fragmented tax system, and an over-reliance on volatile oil revenue¹. The reforms signed into law on June 26, 2025 aim to broaden the tax base, simplify compliance, and create a more transparent and modern fiscal framework². For decades, Nigeria struggled with weak revenue mobilization, with a tax-to-GDP ratio hovering around 10%, significantly below the African average³. The underperformance⁴ stemmed from a maze of overlapping taxes, poor enforcement, and an economy heavily dependent on oil, thus a mono-economy which could power nor instigate envisioned overall infrastructural growth and development. This complexity led to compliance burdens and jurisdictional disputes between federal and state authorities, thus discouraging investments. Hitherto, the previous tax landscape⁵ was complex, governed by over a dozen different statutes (including the Companies Income Tax Act, Personal Income Tax Act, Value Added Tax Act, etc) with conflicting or ambiguous provisions that made compliance difficult which led to jurisdictional disputes and multiple taxation issues. The new tax reform was ignited towards consolidating law and streamlining administration environment to attract local and foreign investment and encourage the formalization of small and medium enterprises (MSMEs).⁶ For this, a Presidential Committee on Fiscal Policy and Tax Reforms was inaugurated in 2023⁷ to propose a wholesale redesign of the system, which culminated in four landmark bills⁸ transmitted to the National Assembly in late 2024⁹ and signed into law in June 2025¹⁰.

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¹Nnamdi Oragwu *et al*, *The Nigerian Tax Reform Act 2025: An In –Depth Guide for Business, Investors and Taxpayers* (Lagos: Multinational publishers, 2025) 19-21.

² *ibid* 34-36.

³ *ibid* 25.

⁴National Bureau of Statistics, Tax – GDP ratio revised computation on Nigeria via <https://www.nigerian.statistics>. Accessed 24 January 2026 at 1.07am.

⁵ *ibid*.

⁶ A Sanni, ‘*An Appraisal of the Legal Framework for Taxation in Nigeria* (2019) *JLPG* 82.

⁷Isiaka Adebisi & Ors, *Role of Multinational Enterprises in Corporate Social Responsibility in Nigeria* (Lagos: Interscience Enterprises Ltd, 2019) 39 – 43.

⁸ President Tinubu Sets up Committee on Tax Reforms via <https://www.statehouse.gov.ng>. Accessed 25 January 2026 at 3.45am.

⁹ *Ibid*.

¹⁰Khadijat Akewushola, *key Provisions of Nigeria’s 2025 Tax Reform Laws* via <https://www.nesgroup.org>. Accessed 10 December 2025 at 5.38pm.

2. The New Tax Regime

The key provisions of the Nigerian tax reform Acts 2025 are as discussed hereunder:

Nigeria Tax Act 2025 (NTA): The NTA¹¹ repeals several tax laws including the Capital Gains Tax Act, the Casino Act, the Companies Income Tax Act, the Industrial Development (Income Tax Relief) Act, Personal Income Tax Act, Stamp Duties Act, Value Added Tax Act and the Venture Capital (Incentives) Act, etc¹². Furthermore, the NTA consolidates statutory provisions on taxation of income, transactions and instruments.

Nigeria Tax administration Act 2025 (NTAA): The NTAA is focused on the framework for the collection and administration¹³ of taxes. It provides statutory processes and procedures for assessment, collection and administration of tax.

Nigeria Revenue Service (Establishment) Act 2025 (NRSEA): The NRSEA repeals the Federal Inland Revenue Service (Establishment) Act, the Nigeria Revenue Service (NRS)¹⁴ as a replacement for the Federal Inland Revenue Service (FRIS). The mandate of the NRS includes¹⁵ the assessment and collection¹⁶ of revenue due and payable to the Government of Nigeria.¹⁷

Joint Revenue Board of Nigeria (Establishment) Act 2025 (JRBNEA): Above Act established the Joint Revenue Board¹⁸, the Tax Appeal Tribunal¹⁹, and the Office of the Tax Ombud²⁰, with the aim of ensuring a harmonized and coordinated approach to the settlement of tax disputes and also, disputes arising from revenue administration in the country. In view of this encompassing objective, the Joint Revenue Board is statutorily empowered to entertain, deliberate and settle disputes between the NRS and the taxing authorities of the Federating States.²¹

3. Innovations in the New Tax Reform

New Face of Corporate Taxation: A small company was previously defined as a company with an annual gross turnover of N25 Million have been redefined to mean a company with annual gross turnovers of N100 Million and below and total fixed assets not exceeding N250 Million. There is, however, a caveat, that any business providing professional services cannot be classified as a small company under the Act. Small companies are exempted from corporate income tax²². Large companies, on the other hand, are still required to pay income tax at the rate of 30%²³. Again, the modalities for claiming capital allowance have been amended following this recent legislation, initial allowance is no longer claimable on assets, and new restrictions are introduced on allowance claimable on qualifying capital expenditures. Profits or gains derived from digital or virtual asset transactions are now taxable²⁴. Nigerian companies will now have to pay a minimum effective tax rate (ETR) of 15% of their net income if they are part of a multinational group with an annual turnover of N50 Billion or more, or if their total group turnover is EUR 750 Million or more.²⁵ More so, a company registered on Nigeria that has any foreign subsidiary taxed below the 15% threshold will be compelled under the law to make a supplementary tax payment to make up for the shortfall. For company liquidators, there is now an

¹¹ Nigeria Tax Act (NTAA) 2025, preamble & long title.

¹² *ibid*.

¹³ Nigeria Tax Administration Act (NTAA) 2025, preamble & long title

¹⁴ Nigeria Revenue Service (Establishment) Act (NRSEA) 2025 preamble.

¹⁵ *ibid* s 3

¹⁶ *ibid* s 4.

¹⁷ *Ibid*.

¹⁸ Joint Revenue Based of Nigeria (Establishment) (JRBNEA) Act 25 s 3.

¹⁹ *ibid* s 4.

²⁰ JRBEA (n 18).

²¹ NTA (n 11) s 202 (definition section).

²² *ibid* s 56 (a).

²³ *ibid* s56 (b).

²⁴ *ibid* s 4 (i) (i).

²⁵ *ibid* s 57.

obligation to ensure that all taxes that are due, accrued are paid before distributing the assets of the company.²⁶ Any erring liquidator could bear personal liabilities for the outstanding taxes²⁷.

A Brand-New Personal Income Tax (PIT): Under the NTA, individuals with annual income of N800,000 (Eight Hundred Thousand Naira) or less are exempt from paying income tax or capital gains tax²⁸. Payment not exceeding N50,000,000 obtained as confirmation for employment loss or injury suffered on the course of discharge or employment duties are also tax-exempt²⁹. Individuals with annual income higher than the N800,000 (Eight hundred thousand Naira) threshold will be taxed up to a maximum of 25%.³⁰ Again, under the new regime, taxation of employment income is largely predicated on the residence of the taxpayer, that is, whether the individual as resident in Nigeria or whether the employment duties are performed in Nigeria without incurring any tax liabilities in the actual country of residence³¹.

New Features of Capital Gains Tax: Small companies are also exempted from Capital Gains Tax. Interestingly, the NTA increases CGT rate to 30% for ‘large’ companies³². Previously, CGT was chargeable at the rate of 10% under the repealed CGT Act. Likewise, CGT rate for individuals is now aligned with the modalities for commuting PIT under the newly enacted NTA.

Introduction of Development Levy: The development levy³³ consolidated the Tertiary Education Tax (TET), National Information Technology Development Agency (NITDA), Police Trust Fund (PTE) Levy etc. The development levy is a replacement³⁴ for these abolished earmarked taxes.

Modernization of Value Added Tax (VAT) Through Technology Development: The amount of VAT rate (i.e 7.5%) is preserved under the NTA³⁵. Under the new law, more items deemed essential for daily living have been designated as ‘zero-rated’ items for VAT purposes, excepting exporting oil and gas, etc³⁶. Also, Input VAT is now claimable on all purchases, including VAT paid by businesses for service delivery³⁷. VAT focalization rules are contained in the NTA, and businesses are now statutorily required to comply with e involving requirements and modalities³⁸. The Acts increase state and local government area VAT allocations to 55% and 35%, respectively, while decreasing the Federal Government’s share from 15% to 10%³⁹. There has been a significant increase⁴⁰ in non-compliance penalties and the introduction of novel penalties that did not exist under the old regime.⁴¹ Again, taxpayers could also incur penalties where they refuse to grant access for the deployment of technology, etc⁴².

²⁶ NTA (n 13) s53 (1).

²⁷ *ibid* s 53 (2).

²⁸ NTA (n 11) s 58 and para (a) of the Fourth Schedule.

²⁹ *ibid* s 50.

³⁰ *ibid* s 58 and para (b) – (4) of the Fourth Schedule

³¹ *ibid* s 13 (2) (1).

³² *ibid* s 39.

³³ *ibid* s 56 (3).

³⁴ *ibid* s 59 (3).

³⁵ *ibid* s 148.

³⁶ *ibid* s 187.

³⁷ *ibid* s 159.

³⁸ *ibid* 153.

³⁹ NTAA (n13) s 81 (1).

⁴⁰ *ibid* chapter four, paras 1 1&2; covering sections 100-137.

⁴¹ *ibid* s 100.

⁴² *ibid* s 103.

4. Constraints to Actualization of New Tax Reform

Specific constraints include:

Public Distrusts and Accountability Issues: A significant lack of confidence⁴³ in the government's ability to utilize tax revenue for public services leads to resistance with citizens viewing taxes as a 'double burden'.

Economic Pressures on Citizens: High inflation, unemployment, and poverty rates tend to mar implementation⁴⁴ of the new tax reform.

Allegations of Discrepancies: The tax laws passed by the lawmakers have been alleged to be at variance⁴⁵ with the gazetted version by the parliament.

Prevalence of Multiple Taxation: Despite efforts to harmonize taxes, yet the prevalence of multiple taxes and levies across⁴⁶ different tiers of government appears to remain a major challenge to a seamless implementation of the ongoing tax reforms.

5. Conclusion and Recommendations

The legal frameworks of the new tax reform are the Nigeria Tax Act, Nigeria Tax Administration Act, Nigeria Revenue Service and Joint Revenue Tax Board, etc. Furthermore, be that as it may, the impediments to the new tax reforms appear to stem from intense political conflicts over the Value Added Tax (VAT), sharing formula, deep-seated mistrust in government accountability, fears of increased economic hardship *et al.* In view of the foregoing, the author advocates, and in strong terms too, that the current implementation to arrest the impediments to a seamless administration of the new tax reform shall aim at resolving the procedural, legal, and economic challenges to ensure that the new tax agenda achieves its goals of a modern, fair, and efficient tax system, going forward.

⁴³ *ibid.*

⁴⁴ Walsh Medical Media, Lack of significant resistance to government's new tax agenda <<https://www.walshmedicalmedia.com>> accessed 16 February 2026 at 9.15 am.

⁴⁵ *ibid.*

⁴⁶ Abdulsamad Dasuki, 'Tax Laws passed by n' assembly differ from gazetted copy via <<https://www.thecable.ng>> accessed 17 February 2026 at 3.40pm.