Key facts about proposed e-invoicing in Nigeria

www.pwc.com/ng

In September 2024, the Federal Inland Revenue Service (FIRS) announced plans for a mandatory e-invoicing system as part of its digital tax transformation strategy. Consequently, in March 2025, FIRS held stakeholder engagement sessions with several large taxpayers, tax consulting firms and other key stakeholders, to share ideas and gather input on the new system – called the FIRS Merchant Buyer Solution (FIRSMBS).

The FIRSMBS will replace traditional paper invoices with structured digital invoices for all business transactions. This initiative aims to boost tax compliance, curb revenue leakages, and improve transparency in tax administration by leveraging technology to accurately monitor and evaluate taxable goods and services.

The e-invoice mandate covers Business-to-Business (B2B), Business-to Consumer (B2C) as well as Business-to-Government (B2G) transactions for all transactions taking place in Nigeria.

The FIRS intends to roll out the FIRSMBS system in a phased approach starting with large taxpayers (companies' with an annual turnover of at least NGN 5bn) from July 2025 as the pilot.

During the piloting phase, companies within this group will be required to issue all invoices electronically through the system. This will allow FIRS to fine-tune the process and resolve issues in a controlled environment. Stakeholder feedback from the pilot will guide system improvements before the broader rollout.

We provide answers to frequently asked questions about the upcoming changes, in the following sections of this document.

Why is Nigeria adopting the e-invoicing obligation?

A key goal is to fight the shadow economy and reduce the Nigerian VAT gap. Some countries like Italy, Turkey and Rwanda, among others, demonstrate that the adoption of e-invoicing increases the amount of VAT paid to the government, improves VAT compliance, and reduces errors. E-invoicing forces real-time reporting of transactions, leaving little room to hide sales.

The circulation of structured e-invoices can help the tax authorities analyse and segment taxpayers to run tax controls and encourage voluntary payment of taxes.

The adoption of e-invoicing will also give the tax authorities real-time insights into transactional data.

The increased digitalisation and resulting automation are expected to lead to greater efficiency and significant cost savings for Nigerian businesses. E-invoice processing costs are twice as low as the digitalisation and processing of paper invoices. Also, the adoption of e-invoicing offers other benefits, such as cash flow circulation, timely payments, and fewer errors.

What is the legal basis for e-invoicing?

The existing law empowering the FIRS to deploy e-invoicing is the Federal Inland Revenue Service Act (FIRSEA). Specifically, Sections 25 and 26 of the FIRESEA grant the FIRS powers to "deploy technology to automate the tax administration process including assessment, collection and information gathering..." and mandates taxpayers to grant the FIRS access to relevant information in the taxpayers' devices or cloud computing facilities.

The tax bills also have similar provisions which will become effective after they are passed into law. For example, Section 156 (1-2) of the Nigeria Tax Bill provides that "a taxable person making a taxable supply shall implement the fiscalisation system deployed by the Service in accordance with the Nigeria Tax Administration Act. The fiscalisation system may include fiscal equipment consisting of electronic devices, software solutions or a communication system involving a secured network, or any such combination of the components for electronic invoicing and data transfer as the Service may prescribe or deploy".

The penalties for non-compliance with e-invoicing are included in Section 99 of the Nigeria Tax Administration Bill, which provides "an administrative penalty of N200,000 plus 100% of the tax due and an interest of 2% above the Central Bank of Nigeria Monetary Policy rate per annum".

What does the e-invoicing mandate entail?

Issuing, sending and receiving structured e-invoices will be mandatory for Nigerian companies, as well as non-resident companies that do business in Nigeria and are registered for VAT in Nigeria. According to the FIRS, a structured Universal Business Language (UBL) format invoice is exchanged in line with Pan-European Public Procurement On-Line (PEPPOL) an international framework for e-procurement and e-invoicing.

PEPPOL enables the exchange of electronic business documents between trading partners using standardised protocols. It operates on a "four-corner" model involving the supplier, supplier's access point, customer's access point, and customer. Once connected, businesses can communicate with any other connected partner.

PEPPOL's adoption has grown globally, with millions of transactions processed monthly. With Nigeria's B2B e-invoicing mandate, businesses must choose between becoming System Integrators/Access Point Providers or using e-invoicing service providers.

What is the main impact on businesses?

The impact of these obligations and the work required is often underestimated, while the time available to implement the necessary changes is usually overestimated. With the proposed effective date of the e-invoicing drawing closer, preparations should start as soon as possible.

Invoicing is crucial for business cash flows, and organisations will need to adapt their people, processes, and technology to the upcoming changes. Companies must ensure they understand how these new obligations fit in with their business operations and draw up a plan for achieving readiness and compliance by July 2025.

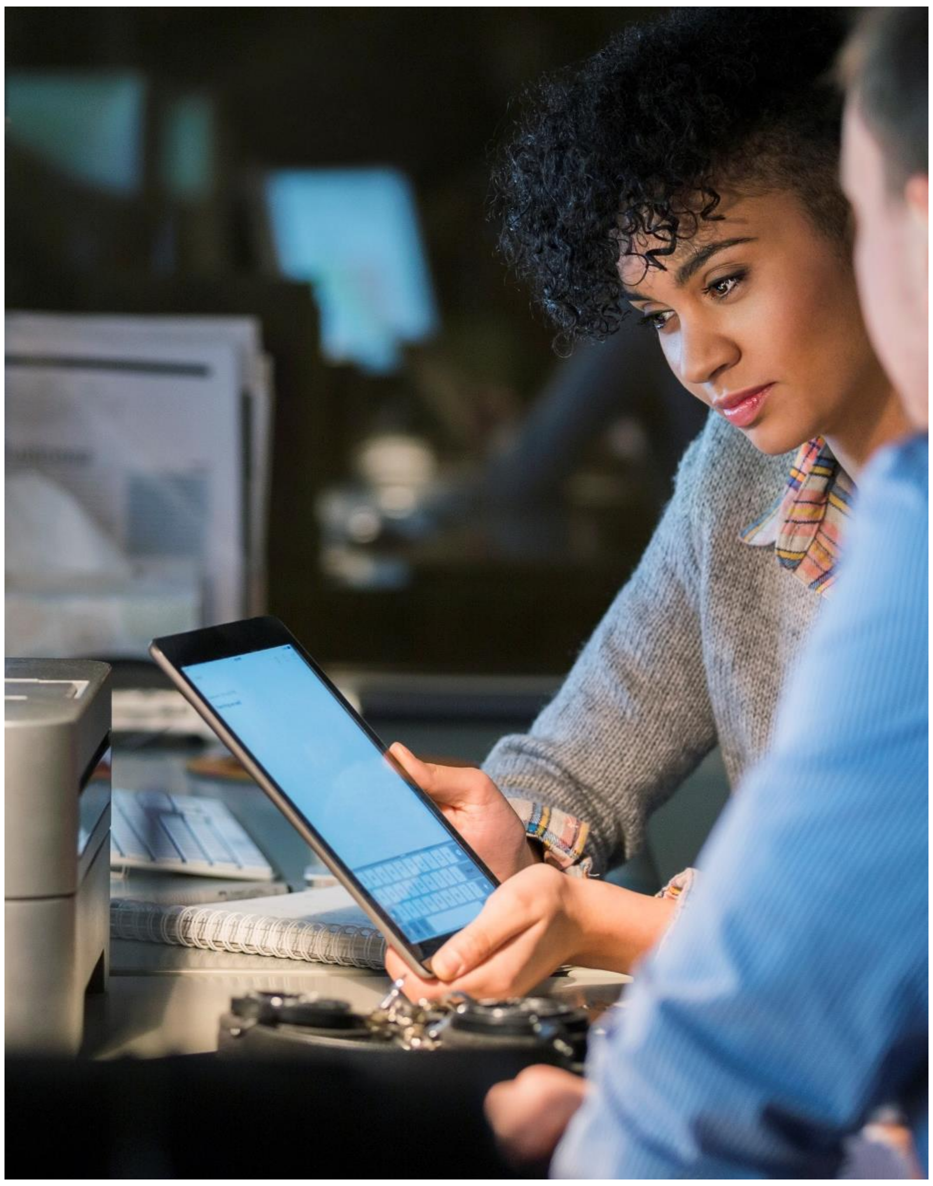
The upcoming changes will affect multiple teams within your organisation including Tax, Finance, IT, and others, significantly impacting existing processes and technology. If the adoption process is not managed properly, organisations may incur significant extra costs.

The importance of an e-invoicing process that meets VAT requirements cannot be overestimated. Failure to adopt e-invoicing may lead to significant sanctions and put your input tax recovery at risk.

How secure will the system be?

The FIRS highlighted that data security and confidentiality are critical, and officials are bound by strict secrecy laws. Any unauthorised disclosure of taxpayer information carries significant penalties. The e-invoice data will be transmitted and stored in encrypted form, ensuring that only authorised parties (the taxpayer, the buyer, and the tax authority) can access the invoice details. The system's purpose is to ensure tax compliance without intruding into other sensitive business information such as customer details and proprietary business processes.

Furthermore, the FIRS has adopted international standards such as ISO 27001 for information security management, which provides a robust framework for maintaining data confidentiality, integrity, and availability.



What are the next steps?

To get prepared for the implementation, organisations will need to do the following:

- Identify ways of engaging your current accounting system and other systems to implement e-invoicing
- Devise a plan for the adoption of e-invoicing to make sure you are ready and compliant by 1 July 2025 if you are a large taxpayer, or further down the line for other companies
- Identify your staff competences and access to resources during the implementation
- Validate your accounting data to the PEPPOL e-invoicing standard and the UBL format for invoice generation
- Develop the architecture for your e-invoicing solution and achieve integration with the "e-address" or with an e-invoicing service provider
- Agree with your trading partners on e-invoicing channels and possibly amend your contracts
- Make sure your e-invoices are duly archived and can be converted into a human-readable format
- Revise or modify your paper invoicing process flow
- Other activities specific to each organisation

Ignite

Build awareness and generate momentum for your e-invoicing and e-reporting journey

Assess

Create a shared understanding of people, processes and technology that are or will be affected by your current and future obligations

Evaluate

Define your future technology strategy and find a solution that best suits your business needs based on your short–term and long-term goals

Implement

Integrate e-invoicing solution with existing systems, train staff on how new system and establish monitoring mechanisms

Future-proof

Pursue a future-proof e-invoicing compliance strategy that will help you stay operational and compliant in case of change

Who can help you with this?

PricewaterhouseCoopers Nigeria can help you achieve impactful results by using our phased and modular approach. Fully tailored to your special needs and requirements, our assistance will provide effective solutions helping you grow your business and achieve long-term success.

Contact details

Kenneth Erikume
Partner
kenneth.y.erikume@pwc.com

Tim Slloma
Partner
timothy.s.siloma@pwc.com

Emeka Chime
Associate Director
chukwuemeka.x.chime@pwc.com

Tunde Adedigba
Associate Director
tunde.adedigba@pwc.com

Oputa Chukwuma
Senior Manager
oputa.chukwuma@pwc.com

Abraham Ogbumah
Manager
abraham.ogbumah@pwc.com

Israel Obadina
Manager
israel.obadina@pwc.com