Nigerian Tax Reforms, 2025

Tax Insight Series and Sectoral Analysis

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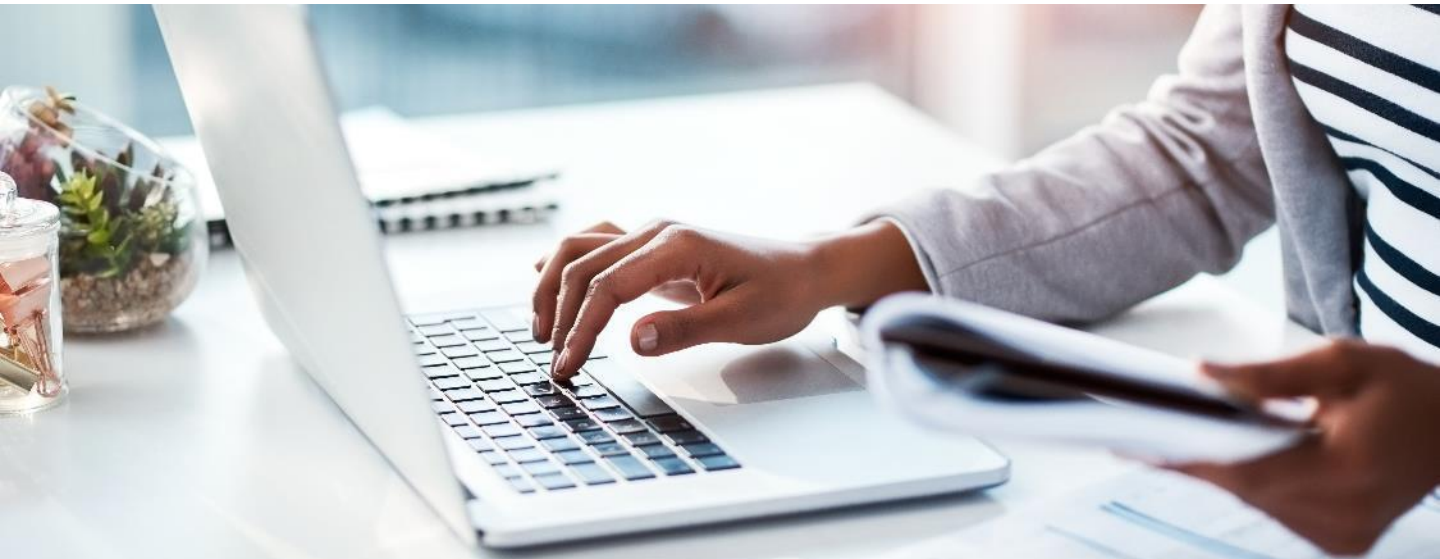
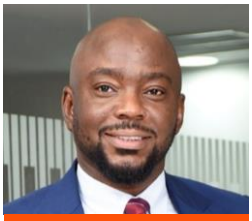


Introduction and foreword



Chijioke Uwaegbute

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Dear Reader,

It is with great pleasure that I welcome you to PwC's insight series on the Nigerian tax reforms. This publication offers a consolidated and in-depth analysis of the landmark changes introduced by the recently enacted tax reform laws, which are arguably the most transformative update to our fiscal framework in recent history.

These reforms signal a bold shift toward modernising tax administration, broadening the tax base, and aligning Nigeria's tax system with global best practices. They touch every corner of our economy, from individuals and SMEs to multinational corporations and public institutions.

In this document, we have curated both general and sector-specific insights to help you understand the implications of the new legislation, including the Nigeria Tax Act (NTA), Nigeria Tax Administration Act (NTAA), Nigeria Revenue Service (Establishment) Act (NRSEA), and the Joint Revenue Board (Establishment) Act (JRBEA).

To make your reading experience seamless, the document is interactive. Each section in the Table of Contents is hyperlinked, allowing you to navigate directly to the topics most relevant to you.

We hope this series serves as a valuable guide as you assess the impact of these reforms and prepare for the new era of tax compliance and strategy in Nigeria.

I hope you enjoy reading!

Regards

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Overview and general implications

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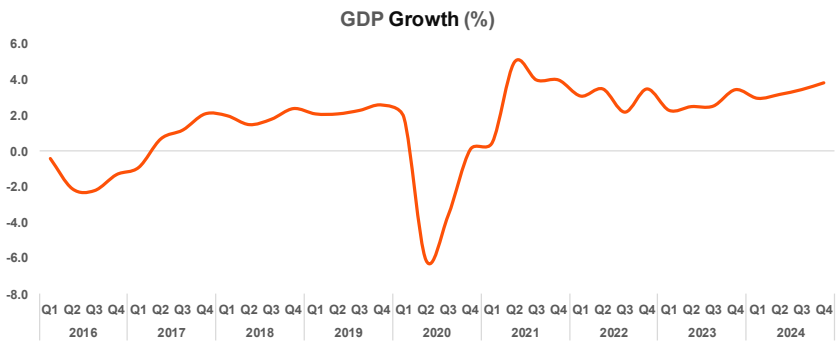
Economic context – Nigeria's economy at a glance

Nigeria's economy demonstrated resilience in 2024, recording an average GDP growth rate of 3.4%, an improvement from 2.7% in 2023. This performance was achieved despite persistent macroeconomic headwinds, and was primarily supported by the services sector, which accounted for 57.4% of total GDP and expanded by 5.4% year-on-year in the fourth quarter.

Within the services sector, financial services and Information, Communications and Technology (ICT) witnessed significant growth; while Mining and Quarrying also recorded notable improvements in the real sector.

Looking ahead, PwC projects a GDP growth rate of 3.3% for 2025, supported by ongoing structural reforms, improved oil sector performance, and a more stable macroeconomic environment. However, sustaining this momentum will require continued policy consistency, investment in infrastructure and targeted support for the real sector, particularly agriculture and manufacturing.



Source: NBS, PwC Analysis

The 2025 Tax Reforms - Overview

Introduction

The 2025 Tax Reforms mark a transformative chapter in Nigeria's fiscal landscape. The overhaul of existing legislation is designed to modernise and simplify the country's tax system, with the aim of enhancing revenue generation and promoting equity. The newly enacted laws as an outcome of the reforms are:

a) The Nigeria Tax Administration Act,
b) The Nigeria Revenue Service (Establishment) Act,
c) The Joint Revenue Board (Establishment) Act, and
d) The Nigeria Tax Act

At the time of this publication, the signed versions of the referenced legislations have not yet been released to the public. Accordingly, our analysis is based on the most recent publicly available drafts, which are widely understood to be the final versions submitted for presidential assent. Therefore, some interpretations and comments in this document may require updates once the official gazetted versions are published.

Additionally, the effective date of the Acts has not been formally announced. However, current indications suggest that implementation will not commence earlier than 1 January 2026.
This document provides an overview of the key provisions and implications of each Act.

Nigeria Tax Act (NTA)

The NTA consolidates the country's tax framework and seeks to align Nigeria's tax system with international best practices while addressing local economic realities. Key changes include:

01

New definition of "Nigerian company" – The Nigerian Tax Act (NTA) expands the definition of a "Nigerian company" to include not only companies incorporated in Nigeria, but also those whose central or effective place of management or control is located in Nigeria. This marks a shift from the current legislation, where only companies or Limited Liability Partnerships set up in Nigeria were considered Nigerian companies for tax purposes. As a result, foreign-incorporated companies that are centrally and/or effectively managed or controlled from within Nigeria will now be subject to tax in Nigeria on their global income (subject to treaty considerations).

02

Increased exemption threshold for small companies - Small companies are now exempt from Companies Income Tax (CIT), Capital Gains Tax (CGT) and the newly introduced Development levy (see below). Small companies are defined as companies with annual gross turnover of NGN50million (previously NGN25million) and below, and total fixed assets not exceeding NGN250million. This means that the income of small companies will also be exempt from withholding tax (WHT) deductions in line with current practice.

03

Increased tax rate on capital gains - The NTA subjects capital gains to tax at the income tax rate. This increases the Capital Gains Tax (CGT) rate from 10% to 30% for large companies. It effectively aligns the CGT and Companies Income Tax rate and reduces any tax arbitrage that could have been unduly enjoyed in the classification between chargeable gains and trading profits. For individuals, capital gains will be taxed at the applicable income tax rate based on the progressive tax band of the individual.

Also, the tax exemption threshold for the sale of shares in Nigerian companies has been increased to NGN150million (from NGN 100 million) in any 12 consecutive months, provided that the gains do not exceed NGN10million. This exemption threshold does not apply to chargeable gains on disposal of shares in a foreign company (that is not tax resident in Nigeria).

In addition, the rollover relief, which allowed businesses to defer capital gains tax when proceeds from the disposal of a business asset were reinvested in a replacement asset, is no longer available under the new Act.

04

Tax on indirect transfer of shares - The NTA introduces capital gains tax on the capital gains derived from indirect disposal of shares in Nigerian companies so that where shares are disposed of in intermediary holding companies offshore, Nigerian CGT is triggered (subject to treaty exemptions).

As earlier highlighted, foreign companies with their central and/or effective place of management or control in Nigeria can also be exposed to CGT in Nigeria on their direct or indirect disposals of equity interest in other foreign companies, considering that the NTA now brings the sellers into the category of "Nigerian companies".

05

Introduction of Development Levy - Nigerian companies except small companies and non-resident companies will pay a "Development Levy" at 4% of their assessable profits (i.e. taxable profits adjusted for capital gains/losses before deducting tax depreciation and trading losses). The Development Levy consolidates the Tertiary Education Tax (TET), Information Technology Levy (IT), the National Agency for Science and Engineering Infrastructure (NASENI) levy and the Police Trust Fund (PTF) levy.

06

Minimum Effective Tax Rate (ETR) - Nigerian companies who are either members of a multinational group or generate annual revenue of NGN20bn and above, will now be subject to a minimum effective tax rate (ETR) of 15% of their "profits".

The minimum ETR is required to be computed by dividing the aggregate covered tax paid by a company for a year of assessment by its profits. Also, covered tax paid means the total income tax paid in a year of assessment. Whilst profit means, net profits before tax as reported in the audited financial statement less 5% of depreciation and personnel cost for the year.

Many countries align with the OECD rules, which include deferred tax (rather than only "tax paid") in ETR calculations to provide a more comprehensive picture of long-term tax obligations. Nigeria's approach may lead to tax cost on notional profits such as revaluation and unrealised exchange gains, and may create a challenge for multinationals which are increasingly subject to international reporting requirement. Also, the reference to tax "paid" may imply that the analysis relates to prior year tax obligations which have been paid. We consider that the intention may have been to refer to the current year obligations.

Excluding a portion of depreciation and personnel costs from the calculations reduces the amount of income subject to the minimum tax rules. This helps reduce the tax impact on genuine business operations tied to real economic activity, including hiring local employees and building infrastructure. This exclusion aligns with the OECD's international tax rules even though there are major differences highlighted above.

The Nigerian parent company of a multinational group will have to pay a top up tax where its subsidiaries have paid taxes below the minimum 15% ETR.

07

Controlled Foreign Company rules - The NTA imposes income tax on the undistributed profits of foreign companies controlled by Nigerian companies, where it is considered that the foreign subsidiary could have distributed dividends without harming its business. This could lead to double taxation as those profits may have been subject to income tax in the hands of the foreign subsidiary in its jurisdiction of tax residence. The tax authority empowered by the law will need to provide implementation rules to avoid double taxation and ensure the policy driving the law is achieved.

08

Taxable profits of non-residents – The NTA expands the scope of the activities of non-resident companies that are subject to tax in Nigeria. Notably, the NTA introduces "force of attraction" rules. Under these rules, certain activities carried out by a non-resident company or its related parties, can be taxed as part of taxable profits for the non-resident company's permanent establishment (PE) in Nigeria, even if those activities are not physically conducted through the PE. In addition, profits from Engineering, Procurement, and Construction contracts can be taxed in Nigeria, even if some of the activities are performed under separate contracts or outside Nigeria.

09

Minimum Tax for Non-resident companies - Non-resident companies who have a taxable presence in Nigeria will now be subject to minimum tax based on the percentage of their earnings before interest and tax (EBIT) to the total income generated from Nigeria. In any case, tax payable by such companies cannot be less than the withholding tax (WHT) rate applicable to the income, or 4% of the income.

There is the question of whether the minimum 15% ETR will apply to PEs of non-residents, and how this will interplay with the specific minimum tax for non-residents. This is because the minimum ETR applies to "constituent entities" of multinational groups, and the term is defined to include a PE. We hope that the tax authorities would issue guidance in this regard.

10

Claim of capital allowances – The NTA provides for capital allowances for all qualifying capital expenditure to be claimed on a straight-line basis, i.e in equal annual instalments over their useful life. This replaces the previous mix of initial and annual allowances that often followed a reducing balance method and is part of the broader goal to simplify tax compliance.

Capital allowances will only be prorated against taxable and exempt income, where the non-taxable income constitutes at least 10% of the total income of a company.

11

Restriction on the tax exemption status of free zone entities – Free Zone companies will continue to enjoy full tax exemption on their free zone activities, exports, or output that go into goods or services eventually exported. Proportionate taxes apply where more than 25% of the Free Zone company's sales are made to the customs territory. From 1 January 2028, profits of Free Zone entities on all profits from sales to the customs territory will be subject to income tax. The President can extend this date to a time not later than 10 years from the effective date of the NTA.

12

Introduction of Economic Development Incentive - The NTA replaces the "pioneer" tax holiday incentive, with an "Economic Development Incentive" (or EDI). This incentive designates certain activities as "priority" products or services and provides eligible companies with a tax credit equal to the tax payable computed on profits from such activities within the priority period. Companies can carry forward unutilised tax credit within five assessment years after the end of the priority period. Any credits still unused after this timeline will expire. The credits cannot be used against any additional tax payable due to minimum ETR adjustments.

13

A more progressive Personal Income Tax (PIT) regime - The NTA changes the income brackets and applicable tax rates for each bracket. Individuals earning NGN800,000 or less per annum will now be exempt from tax on their income and gains, while higher income earners will be taxed at a higher rate up to 25%.

14 **Resident and non-resident individuals defined -** PIT will apply to the worldwide income of a resident individual which is now clearly defined in the new Act. Prior to now there had been varied interpretations due to a lack of proper definition of "residence". The new definition extends to individuals with substantial economic and immediate family ties in a year of assessment, and therefore widens the tax net. Employment income will now be taxed in Nigeria only if the individual is resident in Nigeria or performs duties in Nigeria without paying tax in their country of residence.

15 **Higher exemption threshold for compensation for loss of employment -** The NTA increases the tax exemption threshold for compensation for loss of employment or injury from NGN10million to NGN50million.

16 **Input VAT Recovery** - The VAT rate of 7.5% has been retained. Nigeria now adopts globally recognised VAT principles that allow for the claim of input VAT on all purchases including services and fixed assets. Businesses can now recover input VAT provided that the input VAT is directly related to supplies that are also subject to VAT.

17 **VAT at zero rate on essential goods and services -** The NTA expands the list of zero-rated items to include essential goods and services such as basic food items, medical and pharmaceutical products, educational books and materials, electricity generation and transmission services, medical equipment and services, tuition fees, exports (excluding oil and gas exports) etc. The impact of this is that businesses selling these goods and services can recover their VAT costs, despite the zero rate. This was not possible under the previous law.

Nigeria Tax Administration Act (NTAA)

The NTAA governs tax administration across all government tiers (federal, state and local) and consolidates administrative provisions from multiple existing tax laws. Some key provisions:

1. **Registration –** Taxable persons (including individuals, companies, government agencies etc.) are required to register with the relevant tax authority and obtain a Taxpayer Identification Number (TIN). Non-resident persons that only earn passive income from Nigeria are not required to register for taxes but may need to provide some information as may be requested by the tax authorities.

2. **Key filing considerations -**

   - **Monthly returns for royalty and shipping activities:** Monthly returns are now required for petroleum royalties, mineral royalties, and shipping and airline activities carried out by non-resident companies. Petroleum companies must file by the 14th of the following month, while mining companies and non-resident shipping and airline companies are to file by the 21st of the following month. Additionally, petroleum licence holders must submit annual royalty returns within five months after the end of each accounting period.

   - **Simplified tax returns for the informal sector:** The tax authorities may issue guidelines for the filing of simplified income tax returns for low-income earning individuals or those that operate in the informal sector.

   - **Periodic returns for surcharge and VASP activities:** In addition to annual income tax returns, the NTAA introduces new filing requirements for the following activities: fossil fuel activities that are subject to the reactivated 5% surcharge, and transactions in virtual assets carried out by a Virtual Assets Service Provider (VASP). The return for surcharges is required to be filed by the 21st of the month following the month of transaction.

   - **Monthly estimated tax returns and payments for companies involved in liquefaction of natural gas:** Midstream companies engaged in liquefied natural gas operations are required to submit monthly returns of estimated profits or losses by the second month of each accounting period. The first payment is due by the third month of the relevant accounting period.

3. **VAT fiscalisation rules and e-invoicing -** Nigeria has now codified VAT fiscalisation rules and mandatory e-invoicing for businesses operating in the country. Nigeria joins other African countries that have adopted e-invoicing in Africa. Companies in Nigeria are now mandated to implement the fiscalisation system deployed by the tax authority for the collection of VAT.

4. **Update to the VAT sharing formula -** The NTAA reduces the Federal Government's share of VAT from 15% to 10%, while increasing the allocations of states and Local Government Areas to 55% and 35%, respectively. The VAT revenue assigned to states and local governments is further allocated as follows: 50% divided equally, 20% based on population, and 30% based on place of consumption. It is expected that the transparency of data from fiscalisation would allow for more precision in relation to place of consumption.

5. **Disclosure of tax planning arrangements -** The NTAA requires taxable persons to voluntarily and proactively notify the tax authorities of tax planning transactions or schemes which can provide a tax advantage. The term "tax advantage" refers broadly to any situation where a person or entity benefits from a favourable tax outcome. This includes obtaining new or increased tax reliefs, receiving or increasing tax repayments, reducing or avoiding tax charges or assessments, deferring tax payments or accelerating tax repayments, and avoiding obligations to deduct or account for tax. Companies and individuals are also required to file returns of Annual Tax Incentives returns, in addition to their normal tax returns.

6. **Increased penalties for non-compliance -** There is a significant increase in non-compliance penalties and the introduction of new penalties. Some of the updates include increase in the penalty for failure to file returns to NGN100,000 in the first month, and NGN50,000 for every month the failure continues, introduction of new penalties such as penalty of NGN5million for awarding contracts to individuals or entities that are not registered for tax, penalties for failure to grant access for deployment of technology, inducing a tax officer etc.

7. **Joint audits** - The NTAA aims to improve tax enforcement by requiring tax authorities to exchange information and conduct joint audits. This should help make audits more efficient and fosters collaboration and transparency between Tax Authorities within Nigeria.

8. **Taxation of non-residents using their EBIT ratios –** The NTA allows the tax authorities to deem the “profit margin” of non-residents for tax purposes, where the non-resident’s profits are lower than expected. The NTAA defines “profit margin” in this case to mean Earnings Before Interest and Tax (EBIT), effectively not allowing the deduction of finance costs.

9. **Currency of tax payment –** The NTAA retains the requirement for taxes to be paid in the currency of transaction, meaning that taxpayers may have to continue to source for foreign currency to pay certain taxes. This may put a strain on the availability of foreign exchange in Nigeria. It also appears to go against the policy direction of paying taxes in Nigeria Naira for non-oil income.

Nigeria Revenue Service (Establishment) Act (NRSEA)

The NRSEA replaces the Federal Inland Revenue Service (Establishment) Act (FIRSEA), 2007. It establishes the Nigeria Revenue Service (NRS) as a new federal body responsible for administering and accounting for all taxes and revenues under laws enacted by the National Assembly. Some key provisions.

1. **FIRS renamed the Nigeria Revenue Service and SIRS become autonomous -** The Federal Inland Revenue Service (FIRS) has now been renamed the Nigeria Revenue Service (NRS) to reflect its responsibilities as the body to assess, collect and account for revenue due to the government of the federation. The NRSEA also provides that State Internal Revenue Services will be autonomous in the running of their affairs and provides a framework for the NRS to, upon request, support State and Local governments to collect and administer taxes.

2. **Expanded funding for the NRS -** The NRSEA increases the funding for the NRS to 4% of total revenue (less petroleum royalty) collected, plus other sources. This clearer and broader funding base is expected to support and align with the NRS’ expanded responsibilities under the NRSEA.

3. **Assistance in tax collection -** The NRS may assist any State or Local Government to collect or administer tax. The NRS may also assist to collect revenues on behalf of another foreign government in relation to an agreement or arrangement for the avoidance of double taxation.

Joint Revenue Board (Establishment) Act (JRBEA)

The JRBEA provides a comprehensive institutional framework to enhance the efficiency of revenue administration in Nigeria. Key updates:

1. **Establishment of the Joint Revenue Board -** The law creates the Joint Revenue Board (JRB), which replaces the existing Joint Tax Board (JTB). Unlike the JTB, which mainly served as a platform for dialogue and policy coordination among tax authorities but without enforcement authority, the JRB has a stronger mandate. It is now responsible for harmonising and coordinating tax administration across federal, state, and local governments. This helps to reduce conflicts and inconsistencies in the tax system.

2. **Introduction of the Tax Ombuds office -** The JRBEA introduces the Tax Ombuds office to liaise with the tax authorities on behalf of taxpayers and serve as an independent arbiter to review and resolve complaints relating to taxes, levies, duties or similar regulatory charges. However, the Ombud cannot interpret tax laws, determine liabilities, intervene in court cases, or handle internal staff grievances.

Takeaway

The reforms introduce far-reaching changes, including the expansion of the tax net, the simplification of compliance for small and informal sector businesses, and the adoption of digital tools such as e-invoicing and VAT fiscalisation. The establishment of new institutions, such as the Nigeria Revenue Service and the Joint Revenue Board, alongside the introduction of the Tax Ombuds office, is expected to enhance coordination, accountability, and taxpayer protection across all levels of government.

Importantly, the Acts seek to balance the need for increased government revenue with the imperative to foster economic growth and protect vulnerable groups. Measures such as the exemption of small companies from key taxes, the introduction of a more progressive personal income tax regime, and the zero-rating of essential goods and services for VAT purposes, all reflect a commitment to fairness and inclusivity.

Ultimately, the success of these reforms will depend on effective implementation, sustained stakeholder engagement, and institutional capacity. While the legislative framework is now in place, the real work lies ahead in translating these bold provisions into measurable outcomes.

Oil and Gas, Utilities and Mining

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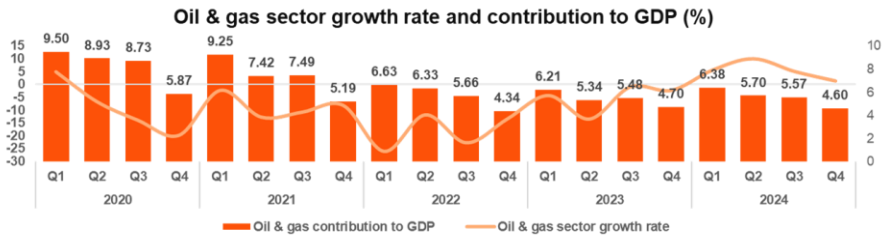
Economic Context

In 2024, Nigeria's oil and gas sector remained central to the economy, generating over 70% of government revenue and 80% of foreign exchange. Despite a modest 1.48% growth in Q4 which was due to a high base in 2023, the sector contributed 4.6% to real GDP, with crude output rising to 1.54 million barrels/day. This was supported by fiscal reforms, improved security, and the launch of the Dangote Refinery.

The gas sector also showed steady recovery, growing from 3.9 to 4.6 bcf/day between 2023 and 2025, driven by the Decade of Gas initiative and $3.1 billion in new investments. Infrastructure projects like the Ajaokuta-Kaduna-Kano (AKK) pipeline and expanded domestic gas networks have also supported output.

However, geopolitical tensions, especially in the Middle East, pose risks to global oil markets. While price spikes may benefit Nigeria short-term, they also heighten fiscal uncertainty, underscoring the need for sustained reforms and investor confidence.



Source: NBS, NUPRC, PwC Analysis

Background

The NTA marks a pivotal evolution in Nigeria's fiscal landscape, building on the foundation of the Petroleum Industry Act (PIA) to deliver a unified, transparent, and modern tax regime. By repealing the Petroleum Profits Tax Act and the Deep Offshore Inland Basin Production Sharing Contract Act, and amending key sections of the PIA, the Act harmonises the oil and gas sector-specific rules with the national tax system, providing much-needed clarity and certainty for businesses and investors. The law also aligns with the transformation in the Electricity sector driven by Electricity Act 2023 and the increased focus of the Government on Mining.

Key Updates

Below are the most impactful updates and their implications for the Oil and Gas, Power, and Mining sectors.

01

Expanded definition of a Nigerian company - The Act broadens the definition of a Nigerian company to potentially include entities incorporated outside Nigeria, based on the place of central and effective place of management and control. This means that group companies must carefully assess where strategic decisions are made, as global profits could become taxable in Nigeria at 30% if effective management and control are exercised within Nigeria. This shift in definition aligns with international tax principles but raises the risk of double taxation for foreign subsidiaries, especially those located in countries that do not have a double tax treaty with Nigeria. However, the Act provides for unilateral tax relief on foreign-sourced income that is also taxed in Nigeria, offering some mitigation to the risk of double taxation.

02

Minimum Effective Tax Rate for companies - The Act enforces a minimum ETR of 15% for companies, including those in the upstream sector (that enjoy tax credits associated with greenfield non-associated gas investment) and those companies benefiting from Economic Development Tax Credits. Power and Mining companies enjoying these credits are not exempt from the minimum ETR, requiring a reassessment of the net impact of such incentives on their overall tax position.

03

Taxation of foreign subsidiaries - Profits of foreign subsidiaries of Nigerian parent companies may be taxed in Nigeria if the effective tax rate abroad is below 15%, or if profits are not distributed when they could be without being detrimental to the business. Such profits can be deemed distributed and taxed at 30% in Nigeria, compelling Nigerian multinationals to review their global profit repatriation and tax planning strategies.

04

Alignment of income tax rates and indirect transfer of shares - The tax on capital gains has been raised to 30%, directly impacting divestments and acquisition transactions, especially as Nigerian ownership in the sector grows. The Act also brings indirect sales of shares within the purview of tax in Nigeria. However, certain matters may need additional clarity from the NRS including the complexities around applying the rule to different entities in a multilayered group and how to determine the capital gain per intermediate holding company. Companies must now factor in higher taxes on capital gains and compare with dividend or interest income which have lower tax rates. Companies should also ensure robust financial reporting and deferred tax disclosures.

05

Tax returns and payments for Midstream LNG and Mining - Midstream LNG companies are now required to file estimated income tax returns and make monthly tax payments, mirroring the obligations of upstream oil and gas operators. Mining companies must also comply with monthly royalty filings and payments.

06

5% Surcharge on fossil fuels - A 5% surcharge on fossil fuel products, previously unimplemented under the Federal Roads Maintenance Agency (FERMA) Act, is now codified and will be administered by the Nigeria Revenue Service. The commencement date will be set by the Minister of Finance, signalling a new cost consideration for fossil fuel producers, importers, distributors and consumers. The surcharge will be levied on the retail price, must be charged at the earlier of supply or payment and returns will be filed monthly under guidelines to be communicated by the NRS. This has far-reaching implications for downstream marketing companies and retail outlets who will have to update their billing systems to accommodate the changes before the commencement date is set. Where bulk or ex-depot contracts are involved, parties must determine whether the agreed ex-terminal price or a subsequently escalated retail price forms the taxable base and should structure commercial terms accordingly. We expect this charge to be tax deductible where it is incurred to generate taxable profits.

07

Business Restructuring Incentives - The Act introduces clear, tax-favourable provisions for group restructuring exercises, allowing the carry-forward of tax attributes such as losses, unutilized capital allowances, and withholding tax credits. The anti-avoidance provision in relation to the 365 days requirement for a tax neutral group reorganisation has been removed. This clarity supports efficient group reorganisations and merger and acquisition activities, reducing the risk of tax leakage during restructuring.

08

Taxation of Non-Resident suppliers and force of attraction rules - The Act expands the tax net for non-resident companies, introducing "force of attraction" rules. Activities by non-resident companies or their related parties can now be taxed as part of the non-resident's Nigerian permanent establishment, even if not physically conducted through the PE. Profits from Engineering, Procurement, and Construction (EPC) contracts are also taxable in Nigeria, regardless of where the work is performed. Companies must structure EPC contracts with tax efficiency and compliance in mind, especially when dealing with connected suppliers.

09

Tax residence of individuals - Personal income tax now clearly applies to the worldwide income of Nigerian residents, with "residence" defined to include substantial economic and immediate family ties. Employment income is taxable in Nigeria if the individual is resident or performs duties in Nigeria without paying tax elsewhere. This expanded definition widens the tax net and requires companies to review the tax status of foreign nationals on their payrolls or working in Nigeria.

10

Removal of 1% capital allowance tax residue - Upstream oil and gas companies are no longer required to maintain a 1% tax residue on qualifying capital expenditure. Full tax deduction for capital costs is now permitted, improving the attractiveness of capital investment in the sector.

11 **Royalties to be paid in cash -** The Act mandates that petroleum royalties be paid strictly in cash, a move that significantly enhances transparency, accountability, and fiscal management. Cash payments ensure a direct, traceable flow of revenue into public accounts, reducing risks of undervaluation, misreporting, or diversion that can occur with in-kind payments. This reform strengthens public financial management and is in alignment with global best practices.

12 **Consolidated incentives for Power, Refining, and Mining -** The Act merges the Pioneer Status Incentive and Gas Utilisation Incentive into a unified Economic Development Incentive for Power (including renewables), Petroleum refining, and Mining. It clarifies eligibility for pipeline investors who are entitled to an additional five (5) years tax incentive and codifies tax credits for greenfield non-associated gas projects, as well as VAT exemptions for natural gas and renewable energy equipment. Existing regulations remain in force, ensuring continuity for ongoing projects.

13 **Abandonment Fund domiciliation -** Companies must now deposit 30% of their decommissioning and abandonment fund with a Nigerian bank, up from the 15% previously discussed by the industry . This requirement, if maintained in the final law, will have significant cash flow and compliance implications for affected companies.

14 **Hydrocarbon tax on deep offshore operations -** Hydrocarbon tax could now apply to PSCs that have converted and operate under the fiscal regime of the PIA. Section 65(4) that mirrors section 260(4) of the PIA which exempts PSC profits from Hydrocarbon tax under the PIA now excludes deep offshore. The industry will need to engage the government on this issue given that the exemption from Hydrocarbon tax has promoted significant final investment decisions in the deep offshore space.

15 **Capital allowance for Productions Sharing Contracts -** Capital allowance claims by PSCs that have converted under the fiscal regime of the Petroleum Industry Act can be contested as section 197 of the NTA amends the PIA by deleting paragraph 14(6) of the PIA. Paragraph 14(6) of the PIA allowed PSC contractors, and not the Concessionaire, to claim capital allowances on Qualifying Capital Expenditures (QCE). The industry will need to engage the government on this issue.

16 **Fiscalisation, input VAT and VAT Refund -** The NTA introduces a robust framework for VAT fiscalisation and mandates e-invoicing for businesses in the Oil and Gas, Power, and Mining sectors. This move is designed to enhance transparency, improve compliance, and streamline tax administration. The Act expands the input VAT mechanism, allowing companies to claim input VAT on both services and fixed assets directly tied to vatable supplies.

Where input VAT cannot be claimed due to the absence of output VAT—either because output VAT is deducted at source by law or the taxpayer lacks output VAT capacity, a VAT refund can be requested from the tax authorities, with a statutory 30-day window for processing. If the refund is not granted within this period, taxpayers are empowered to offset the amount against other tax liabilities due to the Nigeria Revenue Service. This reform not only reduces the risk of cash flow bottlenecks but also incentivises timely compliance and accurate reporting, fostering a more efficient and business-friendly tax environment.

17

Energy transition - The Act demonstrates Nigeria's commitment to a sustainable future by embedding energy transition objectives within its fiscal framework. A 5% surcharge is imposed on fossil fuel products, with explicit exemptions for clean or renewable energy products, household kerosene, cooking gas, and compressed natural gas (CNG). This targeted measure is designed to discourage reliance on high-carbon fuels while promoting the adoption of cleaner alternatives. The Act further incentivises investments in renewable energy, gas pipeline infrastructure, and gas utilization projects through tax exemptions and an additional five-year tax-free period for gas pipeline investors (which has now been defined). Non-associated gas greenfield developments benefit from specific tax credits, positioning gas as a key transition fuel. Renewable energy production and equipment manufacturing are classified as priority sectors, making them eligible for economic development tax incentives. While the government balances energy transition with energy security by recognising coal mining as a priority industry, the groundwork is being laid for a comprehensive carbon tax framework, to be developed by the National Council of Climate Change and the Nigeria Revenue Service under the Climate Change Act 2021.

Key takeaway

The NTA represents a landmark overhaul of the country's fiscal architecture, unifying and modernising tax rules across the petroleum, electricity, and mining sectors. By repealing outdated laws and amending the Petroleum Industry Act, the government has created a transparent, predictable, and investor-friendly tax regime. The Act's alignment with the Electricity Act of 2023 underscores a strategic push to reform the power sector, encouraging private investment, efficiency, and sustainability. In the mining sector, the establishment of the Nigerian Solid Minerals Corporation marks a pivotal step, as the Corporation is tasked with managing the nation's mineral resources and attracting both local and foreign investment. This institutional reform, coupled with the integration of mining taxation into the unified framework, is designed to unlock the sector's vast potential and drive economic diversification.

The Act's provisions ranging from expanded definitions of tax residency and minimum effective tax rates to robust VAT reforms and targeted incentives for energy transition reflect a holistic approach to fiscal policy. By incentivising clean energy, supporting infrastructure development, and ensuring fiscal discipline, the government is positioning Nigeria as a competitive destination for global investment. The law is not perfect, investors and companies will need to engage the relevant stakeholders to ensure that regulations are made to clarify uncertain provisions of the law whilst ensuring compliance in the new era of tax which includes increased and stiff penalties.

Non-resident Companies and the Digital Economy

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Economic context

Nigeria continues to present a dynamic and complex environment for non-resident companies (NRCs) across multiple sectors. Non-resident companies play a significant role in Nigeria's economic landscape, particularly in sectors such as Oil and Gas, Shipping and Airlines, Digital and Financial Services, manufacturing and trade, among others.

NRCs operating in Nigeria often face challenges such as regulatory hurdles, infrastructure limitations, and foreign exchange constraints. In addition, uncertainty around how the tax laws apply to their operations has been a source of frustration for many of them. The recent tax reforms therefore offer an opportunity to create a more stable and predictable business environment, enabling these companies to operate more effectively and contribute more meaningfully to the Nigerian economy.

Background

The taxation of activities of NRCs in Nigeria has evolved significantly in recent years. Given the growing economic footprint of NRCs in Nigeria, there has been a drive to tax an increasing number of their economic activities. For example, in relation to the digital economy, Nigeria introduced the concept of Significant Economic Presence (SEP) in 2020 to tax NRCs that operated from outside Nigeria but earned income from Nigeria through digital activities and certain type of services. Before then, such business activities would only be taxed in Nigeria if the activities were physically carried out in Nigeria. Notably, Nigeria did not adopt the OECD's 2-Pillar solution for taxing the digital economy and instead opted for a unilateral approach.

For NRCs operating in other sectors of the economy, the tax authorities have focused on attributing more profits to Nigeria especially during audits and desk reviews. In addition, there was a marked increase in the demand for these companies to account for Value Added Tax (VAT) and Withholding Taxes (WHT) on their transactions including those with other nonresidents. This often resulted in disputes as some of these obligations were not clearly spelled out in the law. For shipping and airline companies, the major area of dispute has been around the taxation of income ancillary to their transport operations.

The recently enacted tax laws have introduced sweeping changes to how foreign companies and participants in the digital economy are taxed. The key changes are discussed below.

Key updates

01

Some non-resident companies may now be considered resident – The Nigerian Tax Act (NTA) expands the definition of a "Nigerian company" to include not only companies incorporated in Nigeria but also those whose central or effective place of management or control is in Nigeria. This marks a significant shift from the current legislation, where only companies incorporated in Nigeria were considered Nigerian companies for tax purposes. Notably, this revised approach brings Nigeria's tax regime in line with international standards commonly adopted in many advanced jurisdictions, promoting consistency and reducing the potential for tax avoidance through artificial corporate structures.

As a result, foreign-incorporated companies that are effectively managed or controlled from within Nigeria will now be subject to tax in Nigeria on their global income. However, the Act provides for unilateral tax relief on foreign-sourced income that is also taxed in Nigeria, offering some respite.

02

Updated framework for determining taxable NRCs - The NTA revises the rules for determining whether a non-resident company (NRC) has derived business profits from Nigeria and is therefore taxable in Nigeria. The following categories of NRCs are taxable in Nigeria under the NTA.

- **Permanent Establishments (PE):** This has been defined to cover various categories of NRCs that derive profits from Nigeria through a direct or indirect physical presence. The PE concept in the NTA includes the taxable activities existing under the current law such as operating through a fixed base or an authorised agent in Nigeria. However, it also includes additional activities such as furnishing services in Nigeria through a subcontractor. Some of the additional activities that come under the NTA's PE definition deviate from the widely used PE definitions under international tax standards.

- **Significant Economic Presence (SEP):** The SEP rules under the new regime focus on NRCs that remotely carry out digital activities targeted at customers in Nigeria. This contrasts with the previous framework where Technical, Professional, Management or Consulting (TPMC) services were also considered to create an SEP in Nigeria.

- **Remote service providers:** NRCs that receive payments from a Nigerian resident (or the Nigerian PE of a non-resident) for the provision of remote services are taxable in Nigeria. The tax withheld on these payments is, however, the final tax on the NRC. This is similar to the previous framework for taxing remotely provided TPMC services, except that it now covers all types of services and not just TPMC activities.

- **Foreign Insurers:** The NTA now explicitly provides that non-resident companies that receive insurance premiums from Nigeria or income in respect of risks insured in Nigeria, will be taxable in Nigeria.

The above introduce additional clarity on who is taxable in Nigeria. It however widens the nexus for the taxation of NRCs in Nigeria. One key exclusion is that a PE will not apply where an NRC employs a Nigerian resident whose activities are performed primarily for non-Nigerian customers.

03

Expanded definition of PEs – The NTA expands the scope of the activities of non-resident companies that are subject to tax in Nigeria. Notably, the NTA introduces "force of attraction" rules. Under these rules, certain activities carried out by a non-resident company or its related parties, can be taxed as part of the non-resident company's permanent establishment (PE) in Nigeria, even if those activities are not physically conducted through the PE.

In addition, all the activities performed under Engineering, Procurement, and Construction (EPC) contracts will create a PE in Nigeria, making the associated profits taxable in Nigeria. This will be the case even if some of the activities are performed under separate contracts or outside Nigeria. A key impact of the change is that procurement and supply activities that are typically performed outside Nigeria will now be taxable in Nigeria (there will be no change in relation to remotely provided engineering services and local construction as these are already subject to tax under the existing law). As a result, non-residents will need to submit tax returns in Nigeria for the entire EPC activities since these activities will now create a PE.

Also, NRCs will now be taxable in Nigeria in respect of profits earned from services provided in Nigeria through agents or subcontractors. The new rules do not require an assessment of whether the agents or subcontractors are "dependent" on the NRC or conducting the business of the NRC. It therefore potentially creates a PE risk for all activities carried out through agents or subcontractors. As earlier highlighted, the NRC will not be taxable where it employs Nigerian residents in carrying out activities primarily for non-Nigerian customers.

04

Profits attribution/Minimum tax for PEs and SEPs - The taxable profits attributed to a PE or SEP of an NRC will be the actual profits derived from Nigeria. Deductions may be allowed for costs incurred to produce these profits. However, deductions will not be allowed for any charges made by the head office (or any of its related parties) for royalties or any other fees for the use of intellectual property except for the reimbursement of actual expenses. If profits cannot be determined based on these rules, the PE will be deemed to have the same "profit margin" as the non-resident company. The "Profit margin" is defined as earnings before interest and tax (EBIT), effectively disallowing the deduction of interest costs.

The NTA also prescribes a minimum tax for NRCs that have a PE or SEP in Nigeria. This is the higher of:

- the tax due on the sum arrived at by applying the "profit margin" of the NRC to the total income generated from Nigeria; or
- the withholding tax (WHT) applicable to the taxable income; or
- 4% of total income from Nigeria if the income is not liable to WHT.

05

Minimum Effective Tax Rate (ETR) - Nigerian companies who are either members of a multinational group or generate annual revenue of NGN20bn and above, will now be subject to a minimum ETR of 15% of their "profits". "Profits" is defined as the net profits before tax as reported in the audited financial statement, less 5% of depreciation and personnel cost for the year.

Excluding a portion of depreciation and personnel costs from the calculations reduces the amount of profits subject to the minimum tax rules This helps reduce the tax impact on genuine business operations tied to real economic activity, including hiring employees and building infrastructure. This requirement is consistent with the substance carve outs found under the OECD's Pillar 2 initiative.

The Nigerian parent company of a multinational group will have to pay a top up tax where any of its subsidiaries have paid taxes below the minimum ETR of 15%. One area where the Nigerian minimum ETR rules depart from similar rules that have been developed under the OECD's Pillar 2 initiative is that the Nigerian rules do not look to establish the effective tax rate on a jurisdictional basis. Instead, the rules do this on an entity-by-entity basis. This significantly broadens the scope and application of the Nigerian minimum ETR rules. The Nigerian rules however include priority tax sector credits in the determination of covered taxes for the purpose of establishing a company's effective tax rate. This can help ensure that the intention behind providing this incentive to beneficiaries is not undermined.

06

Controlled Foreign Company (CFC) rules – The NTA imposes a tax on undistributed profits of foreign companies controlled by Nigerian companies, where it is considered that the foreign subsidiary could have distributed dividends without harming its business.

There are no clear guidelines on how to assess whether a company could have distributed dividends without harming its business. Companies may now need to pay more attention to their spare liquidity, reinvestment plans, and dividend policies in the light of these rules.

07

Interest deductibility cap extended to Nigerian debt – The cap for interest deduction on debt owed to "foreign connected persons" (i.e 30% of earnings before interest, taxes, depreciation, and amortisation [EBITDA]) has now been amended to apply to all related party debt.

Therefore, companies may no longer be able to rely on the non-discrimination provisions of double tax treaties to avoid applying the cap.

08

Tax on Indirect transfer of shares in Nigerian companies – The NTA introduces tax on the capital gains derived from indirect disposal of shares in Nigerian companies if the sale results in a change in the ownership structure of a Nigerian company, or a change in ownership or interest in assets located in Nigeria (subject to treaty restrictions). Without a clear definition of "ownership structure" the provision can be interpreted to apply CGT on any gains from all indirect sales of shares in Nigerian companies.

09

VAT to be collected by non-residents that earn commission – Where a non-resident that has been appointed to account for VAT on taxable supplies to Nigeria earns a commission in respect of such supplies but does not handle payments from customers in Nigeria, such non-resident will be required to collect the VAT in the same manner in which it receives its commission.

For example, a foreign company that operates an e-commerce platform and earns commissions on supplies facilitated to customers in Nigeria, will be required to collect the VAT on such supplies in the same way it collects its commission even if it did not handle the funds from the underlying transaction between the buyer and seller.

10

Reduced WHT for TPMC services provided to startups – A reduced rate of 5% applies to payments to non-residents that provide technical, professional, management, or consultancy services to labelled startups. This is in contrast to the general 10% rate applicable on such services. Such non-residents will need to be duly registered for taxes in Nigeria for the reduced rate to apply, in line with the WHT Regulations.

11

Non-resident shipping and airline companies – Where the profits of a non-resident shipping or airline company cannot be satisfactorily computed based on the relevant rules, the NTA allows the tax authorities to apply the company's' global EBIT to its Nigerian turnover. This effectively disallows the deduction of interest costs, which should ordinarily be a deductible business expense. Non-resident shipping and airline companies are also now required to pay income tax monthly.

13

Eligibility for treaty benefits – The NTA now clearly requires non-residents to be the "beneficial owners" of relevant income to be able to obtain Double Tax Treaty Agreement (DTA) benefits. While many of Nigeria's existing DTAs already include beneficial ownership provisions, the formal introduction of the beneficial ownership condition in the NTA could be a signal that the NRS will increase its scrutiny of the beneficial ownership of relevant income streams before treaty benefit claims are accepted.

Connecting the Dots

The update to the definition of a "Nigerian company" to include companies whose central or effective place of management or control is located in Nigeria, can have far reaching effects for Nigerian multinationals, in different sectors, including banks and financial services, investment banking, and the oil and gas sector. This is because their foreign related parties may potentially be subject to tax in Nigeria on their global income.

The new rules generally seek to tax profits on certain payments from Nigerian sources, in contrast to standard international tax rules which for the most part allow a country to tax business profits only if the income producing business activities are carried on inside that country For example, the expanded PE rules potentially create a PE for several activities that may not necessarily be done inside Nigeria. This will increase the exposure of NRCs to tax in Nigeria.
Similarly, the rules provide that the profits of PEs and SEPs cannot be lower than the NRCs entity-wide profit margin. While it may be reasonable to apply the entity-wide profit margin in situations where it is difficult to determine the actual profit margin attributable to the NRCs Nigerian operations, it does not appear ideal to apply this as a minimum tax provision, considering that the entity-wide profit margin includes contributions from sources other than Nigeria. The use of the entity wide profit margin to determine a minimum taxable profit also creates a situation where an NRC may be taxed on profits that are more than the actual profits that it makes from its Nigerian operations.

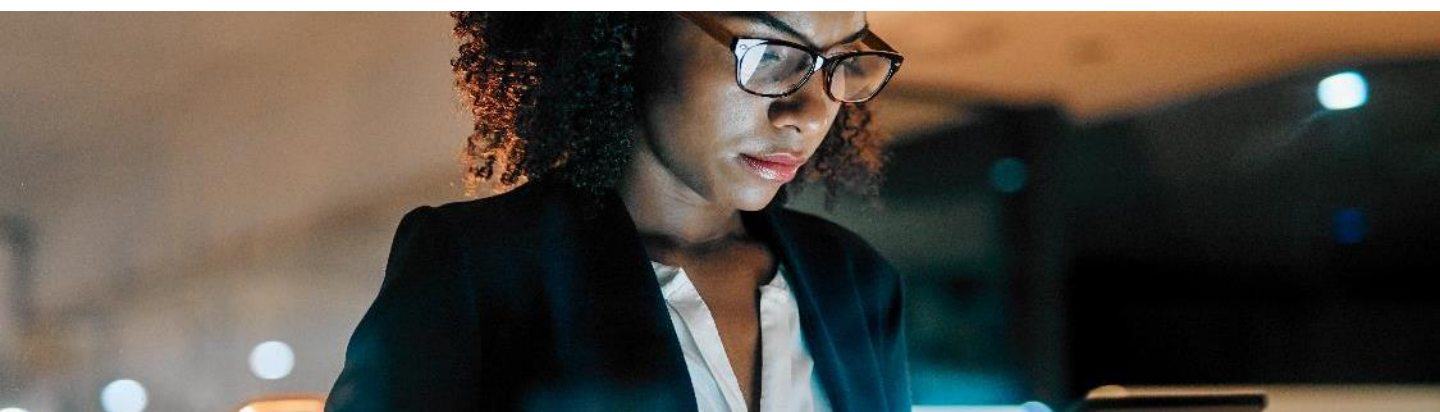
In addition, defining the "Profit margin" as EBIT effectively disallows the deduction of interest costs, which should ordinarily be a deductible business expense. This places a higher tax burden on NRCs when compared to Nigerian registered companies who are not affected by similar blanket restrictions.

Similarly, the other minimum tax rules for non-residents of either 4% of sales or the applicable WHT, may not provide a level playing field when compared to Nigerian resident companies.

That said, the new rules offer greater clarity and could help reduce the uncertainty that previously surrounded the taxation of non-resident companies (NRCs).

Key takeaway

Overall, while the new changes enhance Nigeria's ability to tax cross-border and digital transactions, they also introduce new compliance challenges and burdens for affected taxpayers. Non-resident companies will need to carry out an impact assessment and determine how best to respond to these changes.



Information, Communication and Telecommunications Sector

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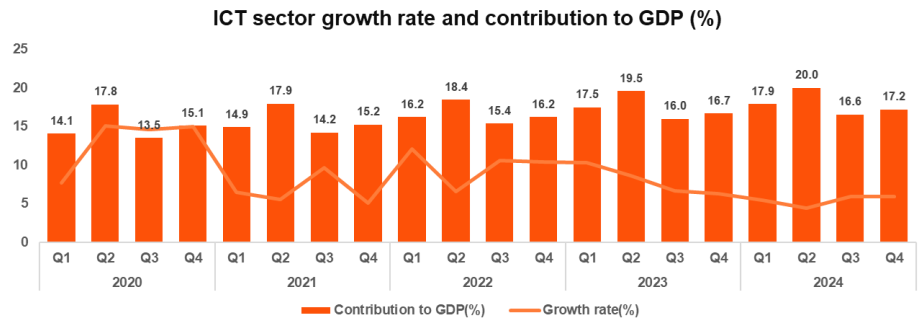
Economic Context

Nigeria's ICT sector saw its growth slow from 6.3% to 5.9% year-on-year between Q4 2023 and Q4 2024, largely due to rising costs and economic pressures. The 50% increase in telecom tariffs in early 2025 by the Nigeria Communications Commission (NCC) may have made ICT services less affordable for many consumers. Operators also faced higher costs from naira depreciation, inflation, and fuel subsidy removal among other pressures.

Despite the slower growth, the sector's contribution to GDP increased from 16.7% in Q4 2023 to 17.2% in Q4 2024, underscoring its growing importance to the Nigerian economy. This rise can be attributed to a combination of factors such as the large base effect from previous years of rapid expansion, and the capital-intensive nature of ICT, which amplifies its economic footprint. Additionally, the sector's maturity means it now underpins a wide range of economic activities, from digital payments to e-commerce and remote services.

Looking ahead, the outlook for the ICT sector remains positive. Improved infrastructure expansion, supportive policy initiatives, and technological innovation are expected to unlock new growth opportunities. As more consumers and businesses adopt digital platforms, the sector is well-positioned to drive financial inclusion, enhance service delivery, and boost productivity across the economy.



Source: NBS, PwC Analysis

Background

Nigeria's ICT sector faces a complex fiscal environment. Companies have been subject to a 30% Corporate Income Tax (CIT) in addition to a patchwork of sector-specific levies, including a 1% Information Technology (IT) Tax and a 0.25% National Agency for Science and Engineering Infrastructure (NASENI) Levy. These levies, each calculated on different profit bases, have created significant compliance complexity and increased the cost of doing business. The Nigeria tax reforms aim to address some of these issues and streamline tax administration for the sector. Key changes include:

Key updates

01

A unified Development Levy - The Act consolidates several overlapping levies (also called "earmarked taxes")—including the Tertiary Education Tax, IT Tax, NASENI Levy, and Police Fund Levy—into a single Development Levy imposed at 4% of assessable profits (i,e. tax profits before deducting tax depreciation and losses). The revenue from the Development Levy is earmarked for strategic national priorities: education (50%), student loans (15%), technology development (8%), science and engineering infrastructure (8%), technology incubation (4%), defense and security (10%), and cybersecurity (5%).

This consolidation is particularly beneficial for ICT companies, which were previously subject to multiple overlapping levies. From an administrative and compliance standpoint, the unified levy simplifies obligations.

From an actual business cost standpoint, how favourably the Development Levy expense will compare to the earmarked taxes, will depend on business' profitability and the materiality of their fixed assets costs. This is because the Development Levy applies on taxable profits before deducting tax depreciation and losses, while IT levy and NASENI levy both apply on accounting profits. However, it is generally expected that ICT businesses are likely to benefit under the new regime.

02

Claim of capital allowances – The NTA provides for capital allowances for all qualifying capital expenditure to be claimed on a straight-line basis, i.e in equal annual instalments over their useful life. This replaces the previous mix of initial and annual allowances that often followed a reducing balance method and is part of the broader goal to simplify tax compliance. Capital allowances will only be prorated against taxable and exempt income, where the non-taxable income constitutes at least 10% of the total income of a company.

With respect to communications infrastructure, the NTA now classifies "Mast Expenditure" as Qualifying Capital Expenditure, making it eligible for capital allowances on a 10% straight-line basis. Previously, such infrastructure benefited from capital allowances under the plant and machinery category, typically over a four-year useful life. Given the capital-intensive nature of the sector, this change may prompt industry players to reassess their investment strategies and projected cash flow benefits. This is particularly relevant for entities structured as real estate investment vehicles in other jurisdictions, where regulatory frameworks may require more frequent dividend distributions.

03

Economic Development Incentive Status – The NTA and NTAA reinforce incentives from the Nigeria Startup Act 2022. Notably, capital gains from the sale of assets by investors (such as angel investors, Venture Capitalists and incubators) are exempt from tax if the assets relate to a labelled startup and have been held in Nigeria for at least 24 months. Additionally, non-resident companies providing technical, professional management or consulting services to labelled startups are subject to a final withholding tax of 5% on income earned from such services.

04

Fiscalisation and ability to claim input VAT - The NTA introduces mandatory e-invoicing and VAT fiscalisation. It expands the scope for claimable input VAT to also cover VAT incurred on services and fixed assets, which relate to vatable supplies. Where supplies are made to Telecoms customers (who are mandated to deduct VAT at source), recovery of input VAT may be difficult. In such cases, companies can apply for a VAT refund, which must be processed within 30 days. If not refunded, the amount can be offset against other federal tax liabilities.

This reform not only reduces the risk of cash flow bottlenecks but also encourages timely compliance and accurate reporting, fostering a more efficient and business-friendly tax environment.

05

Virtual Asset Service Providers (VASP) – The NTAA formally brings Virtual Asset Service Providers (VASPs) into the tax net, reflecting the government's recognition of virtual assets as a critical part of the financial ecosystem. VASPs are defined as entities involved in the exchange, custody, or management of virtual assets such as cryptocurrencies. These entities (whether local are foreign) are now required to register with the Securities and Exchange Commission (SEC) and with the tax authorities.

In addition to annual income tax returns, VASPs are required to file monthly returns and report significant transactions. This move aligns with broader efforts to improve transparency, combat illicit financial flows, and ensure that digital asset activities are subject to the same regulatory scrutiny as traditional financial services.

Connecting the dots

The NTA marks a decisive shift towards a more unified, transparent, and modern fiscal regime for the ICT sector. By consolidating multiple levies into a single Development Levy, the Act simplifies compliance, reduces administrative burdens, and aligns tax revenue with national priorities that are directly relevant to the sector's growth and sustainability.

The Act's decision not to impose excise duties on telecommunications services may be considered by many as a welcome development, reducing the tax burden on a critical component of Nigeria's digital infrastructure and supporting further investment in the sector. However, there are other factors that may affect investment in the sector such as the reduction in the useful life for capital allowance claims.

Consumer and Industrial Products and Services

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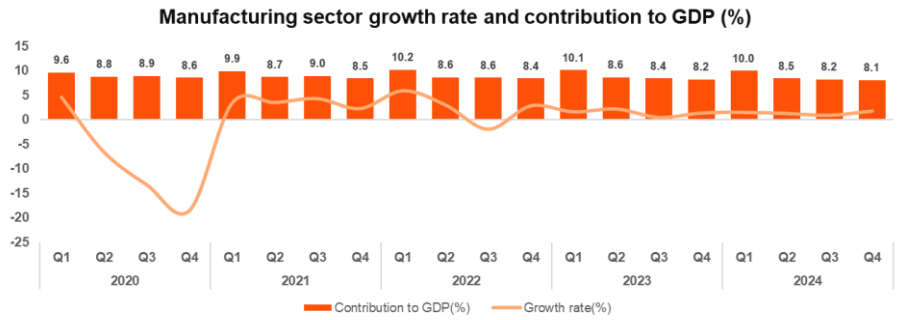
Economic context

Between Q4 2023 and Q4 2024, Nigeria's manufacturing sector experienced modest real GDP growth, rising from 1.5% to 1.8%. However, its contribution to overall GDP slightly declined from 8.2% to 8.1%, underscoring persistent underperformance. The sector continued to face structural challenges including high production costs, foreign exchange shortages, unreliable electricity supply, and subdued consumer demand c. Although reforms such as the removal of fuel subsidies and unification of foreign exchange rates were introduced, their impact was limited due to broader macroeconomic instability and weak policy coordination.

Future growth hinges on effective reforms, infrastructure upgrades, and support for local production. Initiatives like the National Infrastructure Plan, power sector reforms, and improved access to finance and raw materials could ease bottlenecks. However, persistent structural challenges and economic headwinds may keep growth modest in the near term.



Source: NBS, PwC Analysis

Key updates

01

New definition of "Nigerian company" – The Nigerian Tax Act (NTA) expands the definition of a "Nigerian company" to include not only companies incorporated or registered under any law in Nigeria, but also those whose central or effective place of management or control is in Nigeria.

This marks a shift from the current legislation, where only companies or Limited Liability Partnerships set up in Nigeria were considered Nigerian companies for tax purposes. As a result, foreign-incorporated companies that are centrally and/or effectively managed or controlled from within Nigeria will now be subject to tax in Nigeria on their global income (subject to treaty considerations). The definition underscores the importance of evaluating the actual substance of foreign companies in Nigerian headquartered groups, particularly in relation to governance structures and the location where strategic decisions are made.

02

Introduction of Development Levy – Nigerian companies except small companies and non-resident companies, will pay a "Development Levy" at 4% of their assessable profits (i.e. taxable profits adjusted for capital gains/losses before deducting tax depreciation and trading losses). The Development Levy consolidates the Tertiary Education Tax (TET), Information Technology Levy (IT), the National Agency for Science and Engineering Infrastructure (NASENI) levy and the Police Trust Fund (PTF) levy.

03

Controlled Foreign Company rules – The NTA imposes a tax on undistributed profits of foreign companies controlled by Nigerian companies, where it is considered that the foreign subsidiary could have distributed dividends without harming its business.

It is not clear how the rules may play out if the dividends are eventually brought into Nigeria; considering the separate rules that exempt dividends brought into Nigeria through the banks from tax. This may imply that the companies would need to obtain a refund from the NRS.

Also, there are no clear guidelines on how to assess whether a company could have distributed dividends without harming its business. Companies may now need to pay more attention to their spare liquidity, reinvestment plans, and dividend policies in light of these rules.

04

Tax on indirect transfer of shares in Nigerian companies - The NTA introduces tax on the capital gains derived from indirect disposal of shares in Nigerian companies if the sale results in a change in the ownership structure of a Nigerian company, or a change in ownership or interest in assets located in Nigeria (subject to treaty restrictions). Without a clear definition of "ownership structure" the provision can be interpreted to apply CGT on any gains from all indirect sales of shares in Nigerian companies.

05

Full input VAT recovery on services and fixed assets – The NTA now permits full claim of input VAT against output VAT on taxable goods and services. The previous VAT Act restricted such claims to goods purchased or imported directly for resale and goods forming the stock-in-trade used for direct production of any new product bearing an output tax. Deduction of input tax will be restricted to the proportion relating to making taxable supplies, and this can be enjoyed for a period of five years after it was incurred.

Lower input costs may translate to reduced consumer prices, improved cashflow and profitability for businesses in this sector. Service providers can also now reclaim VAT on overheads and fixed assets which had to be expensed or capitalised under the VAT Act to be repealed.

06

Fiscalisation – The Act requires suppliers making taxable supplies to apply the Electronic Fiscal System deployed by the NRS for the purpose of recording and reporting all supplies. Non-compliance attracts a penalty of NGN200,000 along with the tax due at an interest rate of 2% above the monetary policy rate.

The system has been rolled in a phased approach starting with large taxpayers (companies with an annual turnover of at least NGN 5bn), from July 2025. The pilot phase will allow for the process to be fine-tuned and issues to be resolved in a controlled environment. The tax authorities are expected to issue guidelines on the modalities for full implementation.

07

5% Fossil Fuel Surcharge – The NTA introduces a new fiscal instrument—a 5 percent surcharge ("Fossil-Fuel Tax") on chargeable fossil-fuel products provided or produced in Nigeria (Sections 159-162). Although brief in its drafting, the measure will have wide-ranging consequences across both consumer-facing and industrial value-chains **once the Minister publishes an effective date in the Official Gazette.**

Chargeable fossil fuel products include refined petroleum products and other hydrocarbons sold for combustion and energy generation. They exclude clean or renewable energy products. Household kerosene, compressed natural gas and cooking gas.

There are several implications that may extend to how businesses now transit to cleaner energy supplies, optimise value through incentives under the EDTI framework and the impact on the consumer prices of products. Passenger-transport operators (road, air, sea) are likely to factor the additional cost into fares, heightening inflationary pressures.

08

Minimum Effective Tax Rate - Nigerian companies who are either members of a multinational group or generate annual revenue of NGN20bn and above, will now be subject to a minimum ETR of 15% of their "profits". "Profits" is defined as the net profits before tax as reported in the audited financial statement less 5% of depreciation and personnel cost for the year.

Excluding a portion of depreciation and personnel costs from the calculations reduces the amount of income subject to the minimum tax rules This helps reduce the tax impact on genuine business operations tied to real economic activity, including hiring local employees and building infrastructure. This amendment aligns with the OECD's international tax rules.

The Nigerian parent company of a multinational group will have to pay a top up tax where its subsidiaries have paid taxes below the minimum 15% ETR.

09

Deduction for Research and Development- Companies engaged in research and development (R&D) are allowed to deduct up to 5% of their turnover. However, proceeds from subsequent sale of the R&D outcomes would be taxable.

10

Economic Development Tax Incentive (EDTI) - The NTA replaces the "pioneer" tax holiday incentive, with an "Economic Development Tax Incentive" (or EDTI). This incentive designates certain activities as "priority" products or services and provides eligible companies with a tax credit equal to the tax payable computed on profits from such activities within the priority period. Companies can carry forward unutilised tax credit within five assessment years after the end of the priority period. Any credits still unused after this timeline will expire. The credits cannot be used against any additional tax payable due to minimum ETR adjustments

To benefit from the EDTI, companies in the specified sectors are required to invest specified amounts over a specific period (sunset clause).

The table below shows some of these activities, amount required and sunset provision:

Activities	Amount (NGN)	Sunset clause
Specific aquaculture activities	500m	20
Manufacture of refined petroleum products	100b	20
Manufacture of electric motors, generators, transformers, distribution and control apparatus	20b	20
Manufacture of basic metals, iron and steel	5b	15
Manufacture of domestic appliances	5b	15
Music production	250	20
Manufacture of chemical and pharmaceutical products	20b	15
Waste management	2b	12
Renewable energy	100b	20
Manufacture of textiles and leather	2b	12
Manufacture of sportswear	500m	20
Manufacture of pulp, paper and paper products	1b	10
Business Process Outsourcing	2b	10

Selected activities contained in the Ninth Schedule of the Nigeria Tax Act, 2025

11

Contracting with an unregistered vendor - The NTAA introduces a penalty of NGN5,000,000 to a company that awards contracts to unregistered vendors or suppliers.

Key takeaway

Nigeria's outdated tax laws have long hindered investment in key sectors such as manufacturing, agriculture, agro-processing, airlines, logistics, consumer goods, and retail. Businesses across these industries have faced persistent challenges including multiple taxation, difficulty in obtaining tax refunds, inability to claim input costs, and high interest rates. The newly enacted Tax Reform Acts aim to address these systemic issues by streamlining tax administration, introducing clearer compliance frameworks, and reducing the overall cost of doing business. These reforms are expected to stimulate investment, enhance productivity, and create a ripple effect across the economy—contributing to inflation reduction, job creation, and poverty alleviation.

The fiscalisation initiative, in particular, is expected to curb tax evasion, improve revenue collection, and reduce audit burdens. It also enables the tax authority to better target non-compliant taxpayers while rewarding those who comply.

Overall, the reform is a positive step in the right direction towards attaining the administration's 8-point agenda with specific reference to job creation, economic growth, poverty eradication, and food security. As with any reform, the real test lies in implementation.

Implications for Banks and other Financial Institutions

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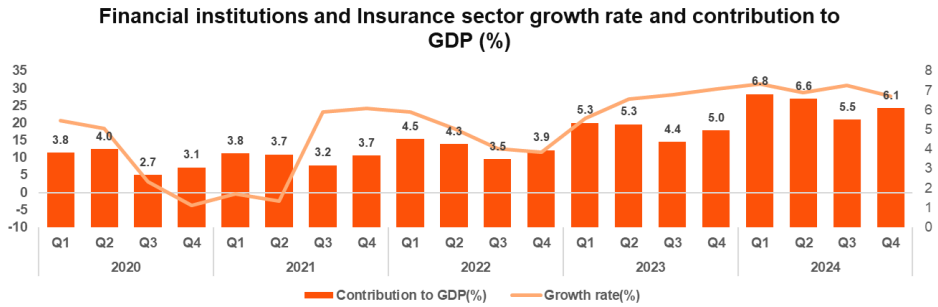
Economic context

Nigeria's banking and financial services sector has shown strong growth, increasing its GDP contribution from 5% in Q4 2023 to over 6.1% in Q4 2024, with a growth rate exceeding 30%. This reflects rising economic activity and the sector's expanding national impact.

Key drivers include digital adoption, reforms by the Central Bank f Nigeria (CBN), fintech innovation, and improved insurance penetration. Investor confidence in digital banking and mobile money also boosted performance.

Although inflation and foreign exchange volatility may pose challenges, the outlook for the sector remains positive. Growth is expected to continue, supported by financial inclusion, digital infrastructure, and regulatory reforms.



Source: NBS, PwC Analysis

Key updates

1) Key tax obligations and compliance Changes

The NTA and NTAA collectively represent a paradigm shift in Nigeria's approach to tax administration and financial sector regulation. By expanding the regulatory perimeter, recalibrating reporting requirements, and embracing the realities of digital finance, these Acts position Nigeria to better safeguard its fiscal interests, promote financial integrity, and foster a more transparent, inclusive, and resilient financial system. Financial institutions must view these reforms not merely as compliance obligations, but as strategic imperatives that will shape the future of banking and finance in Nigeria.

a) Use of Taxpayer Identification Number (TIN)

The NTAA mandates that all financial service providers—including banks, insurance companies, stockbrokers, and other related entities—ensure that every taxable person, whether an individual or a business, supplies a valid TIN. This comprehensive approach underscores the government's commitment to fostering transparency, improving tax compliance, and mitigating illicit financial flows across the entire financial services ecosystem.

b) Information to be delivered by bankers and others

The recent enactment of the NTA and the NTAA heralds a new era of regulatory rigor and tax transparency for banks and other financial institutions operating in Nigeria.

i. Expansion of Reporting Obligations and Institutional Scope
Historically, the obligation to report customer transactions above certain thresholds was confined primarily to banks, as stipulated under the Finance Act 2020. The NTAA fundamentally redefines this landscape by extending these obligations to encompass all financial service providers—including insurance companies, stockbroking firms, and any other entities classified as financial institutions. This expansion is a direct response to the increasingly complex and interconnected nature of financial markets, where non-bank financial institutions play a pivotal role in capital flows and risk intermediation.

ii. Recalibration of Reporting Periodicity and Thresholds
The NTAA introduces a shift from quarterly to annual reporting for returns on customer transactions, clearly to streamline compliance and reduce administrative friction. However, this annual cycle is not absolute; the NTAA empowers tax authorities to require more frequent or ad hoc submissions through the issuance of notices, rules, or guidelines. This dual approach balances efficiency with regulatory agility, enabling authorities to respond dynamically to emerging risks or intelligence.
Crucially, the NTAA also recalibrates the transaction thresholds that trigger reporting. For individual customers, the threshold moves from single transactions of NGN5 million to cumulative monthly transactions of NGN50 million. For corporate customers, the threshold is raised from NGN10 million per transaction to NGN250 million in cumulative monthly transactions. This transition from a transaction-based to an aggregate, risk-based reporting model is designed to capture broader patterns of financial activity, thereby enhancing the detection of tax evasion, money laundering, and other illicit financial flows.

iii. Enhanced Data Granularity and Customer Due Diligence
The NTAA mandates the collection and submission of more granular customer data, including names, addresses (domestic and foreign), and other identifying information for both new and existing customers whose transactions meet the specified criteria. This increased level of detail is intended to strengthen the Nigeria Revenue Service (NRS) ability to trace financial flows, map customer relationships, and enforce tax compliance across the entire financial ecosystem.

c) Comprehensive Disclosure in Annual Tax Returns of insurance companies

Under the NTA, insurance companies are subject to increased transparency and compliance standards, particularly in relation to their relationships with intermediaries such as agents, loss adjusters, and brokers. A key provision of the NTA mandates that every insurance company must include, as part of its annual tax return, a detailed schedule listing all such intermediaries engaged during the relevant tax period. This schedule is not a mere formality; it is a substantive compliance obligation designed to provide tax authorities with granular visibility into the operational and financial ecosystem of the insurance sector.

d) Integration of Virtual Asset Service Providers (VASPs) into the Regulatory Perimeter

A particularly forward-looking aspect of the new regime is the explicit inclusion of Virtual Asset Service Providers (VASPs) within the compliance net. The NTAA and NTA require VASPs—entities engaged in the exchange, custody, or management of virtual assets—to register with the relevant tax authority and adhere to robust reporting and customer due diligence standards. VASPs must submit detailed monthly returns, including transaction descriptions, values, counterparties, and comprehensive customer identification (including Tax ID and national identification number). They are also subject to stringent anti-money laundering (AML) and know-your-customer (KYC) requirements, including the obligation to report suspicious transactions to the Nigerian Financial Intelligence Unit (NFIU) within 48 hours and to maintain transaction records for at least seven years.

Non-compliance by VASPs attracts significant administrative penalties, including monetary fines and potential suspension or revocation of operating licenses by the Securities and Exchange Commission. This integration of digital asset intermediaries into the mainstream regulatory framework reflects Nigeria's recognition of the growing significance of virtual assets in the financial system and the attendant risks and opportunities they present.

2. Key direct and indirect Tax changes

a) Direct Tax change

i. Some non-resident companies may now be considered resident – The NTA expands the definition of a "Nigerian company" to include not only companies incorporated in Nigeria but also those whose central or effective place of management or control is in Nigeria. This marks a significant shift from the current legislation, where only companies incorporated in Nigeria were considered Nigerian companies for tax purposes. Notably, this revised approach brings Nigeria's tax regime in line with international standards commonly adopted in many advanced jurisdictions, promoting consistency and reducing the potential for tax avoidance through artificial corporate structures.

As a result, foreign-incorporated companies that are effectively managed or controlled from within Nigeria will now be subject to tax in Nigeria on their global income. However, the Act provides for unilateral tax relief on foreign-sourced income that is also taxed in Nigeria, offering some respite

ii. Controlled Foreign Company (CFC) Rules - The NTA introduces CFC rules in line with the OECD's BEPS Action Plan. Nigerian parent companies are now required to include in their taxable profits any undistributed profits of foreign subsidiaries that could have been distributed without detriment to the foreign company's business. Additionally, if the ETR paid by a foreign subsidiary is less than 15%, the Nigerian parent must pay the shortfall to bring the ETR up to 15%. This aligns Nigeria with global minimum tax standards and aims to curb profit shifting and tax base erosion by multinational groups.

iii. Minimum Effective Tax Rate - Nigerian companies who are either members of a multinational group or generate annual revenue of NGN20bn and above, will now be subject to a minimum ETR of 15% of their "profits". "Profits" is defined as the net profits before tax as reported in the audited financial statement less 5% of depreciation and personnel cost for the year.

Excluding a portion of depreciation and personnel costs from the calculations reduces the amount of income subject to the minimum tax rules This helps reduce the tax impact on genuine business operations tied to real economic activity, including hiring local employees and building infrastructure. This amendment aligns with the OECD's international tax rules.

iv. Consolidation of Levies - The NTA consolidates several sectoral levies (such as the Tertiary Education Tax, NITDA Levy, Police Trust Fund Levy, and NASENI Levy) into a single development levy at 4% of assessable profits (excluding small companies). This streamlines the tax burden and simplifies compliance for financial institutions.

v. Tax on the disposal of shares - The threshold for taxing capital gains on the disposal of shares has been revised. Gains are now taxable if the disposal proceeds are NGN 150 million or more and the chargeable gain is at least NGN 10 million within any 12-month period. The chargeable gain is taxed at the corporate income tax rate (30%), and forms part of the company's taxable income.

vi. Premiums paid to Non-Resident Insurers - The NTA specifically addresses the tax treatment of insurance premiums paid to non-resident insurers. Under the new regime, such payments are subject to withholding tax in Nigeria. This means that when a Nigerian entity (including banks and insurance companies) pays insurance premiums to a non-resident insurer, the payment is treated as Nigerian-source income and is subject to tax deduction at source. The relevant provision ensures that Nigeria captures tax revenue from outbound payments that would otherwise escape the domestic tax net.

In addition, premiums paid to non-resident insurers are only deductible if the withholding tax has been properly accounted for and remitted.

vii. Taxation of Insurance Companies - The NTA provides a comprehensive framework for the taxation of insurance businesses, distinguishing between general (non-life) and life insurance operations.

- **Composite Insurance company:** a company that has Life and non-life businesses must keep separate books and are assessed separately; losses from one class cannot offset profits from another.
- **General Insurance Companies:** Taxable profits are determined by taking gross premium and other income receivable, less reinsurance, and deducting reserves for unexpired risks and outstanding claims, as well as other allowable deductions. The reserve for unexpired risks must be calculated on a time-apportionment basis, and only actual claims and outgoings are deductible. Any amount not utilized for claims is added back to profits in the following year.
- **Life Insurance Companies:** Taxable profits are based on investment income and other income, less management expenses (including commissions). Any dividend distributed from actuarial revaluation of unexpired risks is deemed part of total profits and is taxable.
- **Reinsurance Companies:** Allowed to deduct up to 50% of gross profits to a general reserve fund if below statutory minimum paid.

b) Indirect Tax Changes

i. Value Added Tax (VAT) Fiscalisation and Input VAT Claims— The NTA amends the VAT regime by allowing input VAT incurred on services and fixed assets to be claimed against output VAT, not just on goods for resale or production. This broadens the scope for VAT recovery and can improve cash flow for financial institutions. Additionally, the NTA mandates the implementation of an electronic fiscalisation system (e-invoicing) for VAT collection and reporting, with a transition to real-time reporting expected from July 2025.

ii. Stamp Duty Reform—
The scope of stamp duty has been expanded to cover a wider range of financial instruments, including all forms of mortgage arrangements, refinancing loan capital, contract notes, covenants, guarantees, and letters of credit. The rates and exemptions have been updated to reflect current market realities, with specific exemptions for low-value transactions and intra-bank transfers.

Connecting the dots

The NTA and NTAA collectively represent a paradigm shift in Nigeria's approach to tax administration and financial sector regulation. By expanding the regulatory perimeter, recalibrating reporting requirements, and embracing the realities of digital finance, these Acts position Nigeria to better safeguard its fiscal interests, promote financial integrity, and foster a more transparent, inclusive, and resilient financial system.

The cumulative effect of these reforms is a marked elevation of the compliance bar for all financial institutions. The broadened scope of obligated entities, the shift to aggregate transaction monitoring, and the enhanced granularity of required data collectively signal a move towards a more sophisticated, intelligence-driven approach to tax administration and financial sector oversight. These measures are designed not only to widen the tax net and combat illicit financial activity but also to align Nigeria's regulatory framework with global best practices, including the OECD's Base Erosion and Profit Shifting (BEPS) standards and the Financial Action Task Force (FATF) recommendations.

Financial institutions must view these reforms not merely as compliance obligations, but as strategic imperatives that will shape the future of banking and finance in Nigeria. The changes necessitate significant investments in compliance infrastructure, data management, and staff training. Institutions must ensure that their onboarding, transaction monitoring, and reporting systems are capable of capturing and transmitting the requisite information in a timely and accurate manner. The integration of VASPs and the focus on digital assets further underscore the need for technological agility and proactive risk management.

Individuals, Family Businesses and SMEs

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Economic context

Nigeria's economic landscape is undergoing a profound transformation, shaped by the evolving dynamics of wealth creation and management. At the heart of this shift are high-net-worth individuals (HNIs), family-owned enterprises, and a vast network of small and medium-sized enterprises (SMEs) that form the backbone of Nigeria's informal economy.

In the 2024 Africa Wealth Report published by Henley & Partners in collaboration with New World Wealth, Nigeria is cited as home to approximately 8,200 HNWIs (Individuals with over $1million in liquid assets) placing it third in Africa behind South Africa and Egypt as of 2024. In the last two years, the naira performed poorly against the dollar with over 60% depreciation. This will reduce the numbers of HNIs save for those who have proactive wealth protection strategies. Though foreign exchange rate is seemingly stable now with Central Bank of Nigeria interventions, wealth management in Nigeria has experienced a huge setback for individual assets with store of value in the local currency.

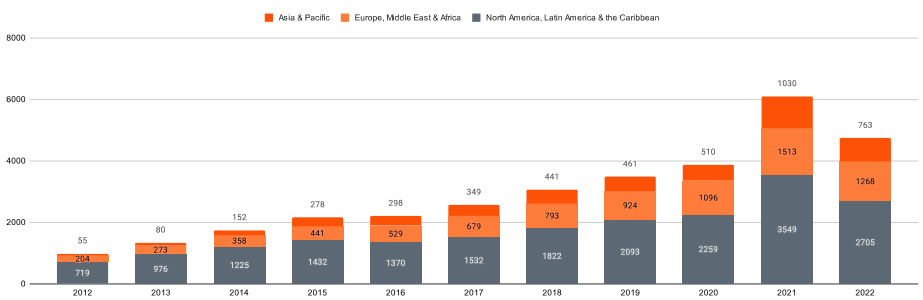
Traditionally, wealth in Nigeria has been concentrated in sectors like oil and gas, real estate, and trade. However, a new generation of entrepreneurs—largely under 40—is redefining this narrative. These innovators are building scalable businesses through digital platforms such as e-commerce, mobile banking, and blockchain, contributing to a vibrant fintech ecosystem that attracted over $2 billion in investment in 2024 alone.

Family businesses, long a cornerstone of Nigerian wealth, are also evolving. Increasingly (though at its early stage in Nigeria compared to global standards), they are establishing family offices to manage investments, engage in philanthropy, and ensure intergenerational wealth preservation. This shift is driven by global data showing the absence of structured planning which hinders the sustainable growth of local family business brands.

Meanwhile, SMEs continue to thrive in Nigeria's informal economy, which remains largely untaxed and unregulated. This has contributed to a persistently low tax-to-GDP ratio, prompting the government to introduce sweeping tax reforms aimed at broadening the tax base and increasing compliance.

Against this backdrop, tighter tax regulations—such as mandatory global income reporting and offshore asset disclosures—are reshaping how Nigeria's wealthy manage their finances. Many are relocating, restructuring their assets, or diversifying into virtual investments. Philanthropy remains a strong pillar, with prominent foundations investing in healthcare and education, reflecting a broader shift toward impact-driven wealth strategies.

Regional startup investments by family offices



*Source: PwC's proprietary family office database, matched with Pitchbook data, as of 20 February 2023

Introduction

The Nigeria tax reform introduces notable changes for individuals and owner-managed family businesses. With expanded definitions of residence, stricter compliance mechanisms, and a sharpened focus on wealth transparency, the new regime signals a decisive pivot toward progressive taxation and fiscal accountability. For Nigeria's elite, the question is no longer whether the tax landscape is changing, it is how prepared they are to navigate it.

This insight series unpacks the key provisions of the Act, explores its implications for individuals, and offers strategic insights on how to stay compliant, optimise tax positions, and lead in this new era of fiscal accountability.

Key updates

01

Residence and Source Rules - The Act now clearly defines residency and introduces the concept of worldwide income taxation for Nigerian residents. A resident individual is taxed on worldwide income, while non-residents are taxed only on income derived from Nigeria. Residency is determined by factors such as domicile, habitual abode, and the duration of stay in Nigeria (at least 183 days in a 12-month period). A resident individual is an individual that is domiciled in Nigeria, has a permanent place available for his domestic use, has a place of habitual abode, has substantial economic or immediate family ties, in Nigeria for at least 183 days in a 12-month period, or serves as a diplomat of Nigeria in another country in any year of assessment. A non-resident is anyone below these defined thresholds.

A non-resident individual who derives employment income is only liable to tax in Nigeria if he performs employment duties in Nigeria without paying tax in their country of residence. Where double taxation exists because an individual is subject to tax on the same income in another jurisdiction. unilateral and double tax treaty credits are available to claim.

Individuals with global income or dual residency must carefully manage cross-border tax exposure and documentation.

02

Expanded definition of a Nigerian company - The Nigerian Tax Act (NTA) expands the definition of a "Nigerian company" to include not only companies incorporated in Nigeria but also those whose central or effective place of management or control is in Nigeria. This marks a significant shift from the current legislation, where only companies incorporated in Nigeria were considered Nigerian companies for tax purposes.

As a result, foreign-incorporated companies that are effectively managed or controlled from within Nigeria will now be subject to tax in Nigeria on their global income. This change can be critical especially for some family businesses that are managed and controlled from Nigeria. However, the Act provides for unilateral tax relief on foreign-sourced income that is also taxed in Nigeria, offering some respite.

03

Broader Definition of Chargeable Income - The Act expands the definition of chargeable income to include digital assets, prizes, grants, awards, honoraria, income from disposal of securities and money instruments, and income from derivatives and hedging instruments. This means greater scrutiny and taxation of alternative income streams, especially from digital and financial instruments.

04

Increased Capital Gains Tax rates and Indirect Transfers - The capital gains tax (CGT) regime in Nigeria has undergone significant changes. For individuals, the CGT rate has increased from a flat 10% to the individual's applicable personal income tax rate. For companies, the rate has risen to 30%.

The NTA ensures that CGT applies not only to direct disposals but also to indirect transfers that result in a change in the ownership structure of Nigerian companies or assets. This is particularly relevant for high-net-worth individuals (HNIs) and investors with foreign holding structures tied to Nigerian assets. If more than 50% of the value of a foreign entity is derived from Nigerian assets at any point within the 365 days preceding the disposal, CGT may be triggered, even if the transaction occurs entirely outside Nigeria

There are still exemptions retained where the proceeds are reinvested in a Nigerian company. A new exemption clause has been extended where proceeds do not exceed N150m and the gains are N10m and below.

05

Income Tax Bands - The Act introduces a more progressive tax system increasing the tax burden on higher income earners. Individuals earning the minimum wage or less and those earning below N800,000 per annum are exempt from tax. The income bands increase progressively with the first taxable band at 15%. Individuals earning over ₦50 million annually will face an increase in their effective tax burden, exceeding 3%, due to two major changes introduced in the 2025 tax reforms. First, the top marginal personal income tax rate has been raised from 24% to 25% for high-income earners. Second, the widely applied Consolidated Relief Allowance (CRA)—which previously allowed taxpayers to deduct about 21% of gross income—has been replaced with a Rent Relief Allowance capped at ₦500,000 or 20% of annual rent paid, whichever is lower.

> This shift significantly reduces the allowable deductions for many taxpayers, especially property owners and those not paying rent, effectively increasing their taxable income and overall tax liability. For property owners, their mortgage interest on their owner-occupied property remains an eligible deduction for tax purposes.

Current - PITA	New - NTA
First N300,000 @ 7%	First N800,000 at 0%
Next N300,000 @ 11%	Next N2,200,000 at 15%
Next N500,000 @ 15%	Next N9,000,000 at 18%
Next N500,000 @ 19%	Next N13,000,000 at 21%
Next N1,600,000 @ 21%	Next N25,000,000 at 23%
Above N3,200,000 @ 24%	Above N50,000,000 at 25%

06

Exempt Income - The Act retains the exemption of income earned from federal government bonds and extends the exemption to state bonds. The exemption does not extend to corporate bonds. Dividend received from wholly export oriented businesses are exempt as well as foreign earned dividends, rent, interest and royalty repatriated into Nigeria. The profits of export-oriented companies are also exempt if the export proceeds are repatriated through official channels. Profits of a company engaged in sporting activities are exempt from tax. Interest accruing on foreign currency domiciliary accounts are no longer exempt.
A welcome addition is that the wages and salaries of Military Officers are exempt under the NTA. For other professions, the amendments are the reverse. Previously PITA exempted income earned from abroad by an author, sportsman, playwright, musician, artist if they were repatriated to Nigeria in foreign currency domiciliary accounts. The NTA no longer includes this exemption so that authors, sportsmen, musicians and other creatives who are resident persons in Nigeria must pay tax on their worldwide income.

07

Deductions and Reliefs - The Act removes the Consolidated Relief Allowance, which can amount to 21% of an individual's income, and replaces it with a rent relief for eligible taxpayers, set at 20% of the annual rent paid subject to a maximum of N500,000.
Other reliefs under PITA have been retained as eligible deductions. These include the deduction of life insurance premiums, mortgage interest on an owner-occupied house, National Housing Fund and pension contributions. Deductions are subject to submitting documentary evidence. This change increases the tax burden on HNWIs by removing significant tax relief (CRA) previously enjoyed. Individuals who are considered high networth will see their effective tax rates increase with the reduced rent relief.

08

Valuation of accommodation benefits and work tools - The Tax Act introduces new rules for taxing benefits in kind, particularly housing and work-related tools. Section 14(6) caps the taxable value of housing benefits at 20% of an individual's gross income. This is particularly beneficial for individuals who may receive accommodation benefits which exceed 20% of their gross income in value, thus shielding a substantial portion from tax.
Additionally, Section 14(3) expands tax exemptions to include work tools and specialised equipment necessary for certain jobs. This measure benefits employees in the technical and industrial sectors. However, there may be challenges in consistently applying the housing benefit cap and verifying which tools qualify for exemptions across diverse industries.

09

Increase in the tax exemption threshold for compensation for loss of employment - Section 50(1) of the NTA revises the exemption threshold for compensation for loss of office, increasing it from ₦10 million to ₦50 million. This means that compensation up to ₦50 million will now be exempt from tax. The exemption also extends to compensation for any wrong or injury suffered as a result of libel, slander, or enticement. Any amount exceeding the ₦50 million threshold will be subject to personal income tax, effectively at 25%.

10

Broader coverage for Trusts and Estates - The NTA introduces a new section that taxes the income from trusts, estates, and family settlements based on the residence of the persons involved. Resident persons are taxed on their worldwide income while nonresident persons are taxed on income sourced from Nigeria, brought into or received in Nigeria.

In the case of a revocable trust or one where a settlor continues to control and manage assets of the trust, the worldwide income of the trust will be taxed in Nigeria if the settlor is resident in Nigeria. A foreign trust which qualifies as a nonresident person will only be taxed on Nigerian sourced income or those received or brought into Nigeria.

The estate of deceased individuals will also be taxed based on the residence of the persons involved. Income and relief will be proportionately apportioned to beneficiaries as required with credits available to avoid double taxation. Exemptions still exist for foreign dividends, interest, rent and royalty repatriated to government approved channels.

Trustees and executors are responsible for tax compliance and must prepare accounts until final distribution. The permutations as it relates to trusts, estates and settlements are far and varied as such a detailed review will be required for all persons involved including executors and corporate entities acting as nominees or trustees.

11

Principal private residences - The Act introduces limits on exemptions for principal private residence, personal chattels, and motor vehicles. Capital gains from the disposal of a principal private residence are exempt only if the property is a dwelling house with up to one acre of adjoining non-commercial land. The exemption is limited to once in an individual's lifetime, and if the property is partly used for business or only partially disposed of, the gain must be apportioned - only the residential portion qualifies for exemption.
By contrast, Section 37 of the CGT Act provided a more generous and open-ended exemption. It allowed repeated claims, had no lifetime restriction, and permitted larger land areas if deemed necessary for the enjoyment of the residence. However, it lacked clarity on how to handle partial business use or partial disposals.
Ultimately, the tax reform is designed to make the system more equitable, targeting larger estates and preventing people from claiming the exemption repeatedly. This may affect HNIs with frequent asset disposals or luxury asset holdings.

12

Deemed distributions from closed companies - Dividends are now taxed more comprehensively, including deemed distributions which can now be taxed in the hands of shareholders in closely held Nigerian companies i.e. companies controlled by no more than five shareholders. The tax authorities can deem the distributions where they opine that such profits could have been distributed without detriment to the business. The NTA states that the tax authorities must do this no later than three years after receipt of the duly audited accounts of the company for that period.
Family businesses and startup companies could very well be exposed to this and must relook their dividend policies and board resolutions to ensure proper documentation that supports business decisions taken. e.g. reinvestment plans or shareholder loans.
Franked investment income remains exempt from further tax, but with stricter definitions.

13

Taxation of virtual assets – The NTA establishes a comprehensive regime for the taxation of virtual assets, treating profits and gains from their disposal as taxable income and providing rules for their valuation and location. "Digital assets" means digital representation of value that can be digitally exchanged, including crypto assets, utility tokens, security tokens, non- fungible tokens (NFT), such other similar digital representation.

The Act recognises profits or gains from transactions in digital or virtual assets as taxable income for individuals and companies. Losses from digital asset transactions can only offset gains from similar transactions. The NTA provides specific rules on the valuation of the assets, where there are non-monetary considerations and the location of the assets as follows:

- **Market Value Principle:** For the purposes of computing chargeable gains, the market value of a virtual asset is the price it might reasonably be expected to fetch on a sale conducted at arm's length or in the open market [(Section 45(1))]
- **Non-Monetary Consideration:** Where a virtual asset is disposed of for non-monetary consideration, the value is deemed to be the market value of the asset on the date of disposal [(Section 36(2)(b))].
- **Location of Assets:** Virtual assets are deemed to be located in Nigeria if the person who holds direct or indirect beneficial ownership, control, or interest over the right or property is resident in Nigeria or has a permanent establishment in Nigeria to which the property is connected [(Section 46(n))].
- **Indirect Transfers:** Gains from the disposal of shares by a non-resident are taxable if the disposal results in a change in the ownership structure of a Nigerian company or of ownership of, or title in, any asset located in Nigeria, including virtual assets [(Section 47)].

Individuals with complex investment portfolios including offshore or digital assets may face increased tax liabilities and reporting obligations. The unique characteristics of virtual assets—volatility, anonymity, cross-border mobility, and evolving regulatory status—pose significant challenges for both taxpayers and tax authorities. Addressing these challenges will require ongoing regulatory development, taxpayer education, and investment in enforcement capabilities to ensure effective taxation of virtual assets in Nigeria.

14

Tax exemption on personal effects not exceeding ₦5 million - According to Section 32 of the NTA, gains from the disposal of personal chattels (tangible movable property) are exempt from CGT only if the transaction value does not exceed ₦5 million or three times the annual national minimum wage, whichever is higher. This marks a clear shift from Section 38 of the CGT Act, which provided a threshold of ₦1,000 for personal and domestic effects.
This benefits Individuals by allowing tax-free disposal of assets below the new threshold, such as luxury goods.

15

Anti-Avoidance and Disclosure rules - Transfer pricing is reinforced with stricter arm's length requirements. Tax authorities have broader powers to disregard or recharacterise artificial transactions. Undistributed profits in closely held companies may be taxed as if distributed. Aggressive tax planning strategies, particularly those involving family trusts or offshore entities, will now need to be disclosed and may face increased scrutiny.

16

Increased Compliance and Reporting - Mandatory documentation is required for all deductions and exemptions. Presumptive taxation is introduced for individuals with inadequate records. Fiscalisation requires electronic invoicing and real-time reporting for VAT and income tax, compelling high-net-worth individuals to maintain thorough documentation and potentially invest in tax technology and advisory services.

17 **Increase in threshold for small businesses -** The new tax laws increase the threshold for small companies and businesses and define them as those with an annual turnover of ₦50 million and below, with total fixed assets not exceeding ₦250 million. Small companies are exempt from Companies Income Tax, the newly introduced development levy, and withholding taxes (manufacturers already benefit from this under the 2024 Withholding Tax Regulations)

18 **Supply threshold for registration and filing of VAT returns -** In addition to the benefit identified earlier, small businesses (except for companies engaged in petroleum operations) are not required to file VAT returns, until they exceed the thresholds. However, they can voluntarily opt in to comply with VAT requirements.

19 **Additional deductions on net employment and wage increase –** The NTA introduces targeted tax incentives to encourage companies to increase staff remuneration and expand employment. Specifically, the Act provides for an additional deduction of 50% of certain employment-related costs incurred by companies, subject to defined conditions and timeframes tabled below.

Qualifying Cost Category	Conditions	Applicable Years
Wage awards, salary increases, transport allowance/subsidy for low-income workers (≤₦100,000/month)	Applies only if gross monthly remuneration does not exceed ₦100,000 after increase	Any 2 years (2023-2025)
Salaries of net new employees	Net increase in 2023/2024 over average of prior 3 years; employees not involuntarily disengaged within 3 years	2023 and 2024

By allowing an additional deduction on qualifying costs, the Act aims to promote job creation, improve employee welfare, and support economic growth, while ensuring that the benefits are targeted at genuine net employment increases and wage enhancements for lower-income earners.

Key takeaway

The new provisions represent a significant shift towards a more transparent, equitable, and globally consistent tax framework. By redefining tax residency, enforcing global income taxation, and extending regulatory reach to include offshore trusts, estates, and cross-border asset transfers, the legislation directly addresses the sophisticated tax planning strategies employed by HNIs. These reforms close long-standing loopholes, introduce higher tax rates for top earners, set clearer limits on property-related exemptions, and impose stricter disclosure requirements. With these changes, the Federal Government is sending a clear message that wealth will be subject to greater scrutiny.

As the tax landscape evolves rapidly, individuals with complex financial profiles must reassess their strategies. What follows may fundamentally reshape wealth management practices in Nigeria. This is not a time for reactive tax planning or superficial adjustments; rather, it calls for proactive engagement, sophisticated structuring, and a deep understanding of the evolving tax ecosystem.

The most successful HNIs in this new era will not be those who resist change, but those who anticipate it, aligning their wealth strategies with the spirit of the law, not just the letter.

As Nigeria seeks to broaden its tax base and build a more equitable economy, HNIs have a unique opportunity to lead by example by embracing compliance, investing in local enterprise, and contributing meaningfully to national development. In doing so, they not only protect their wealth, but they also play a crucial role to shape the future of a more resilient and inclusive Nigeria.

Implications for Public Sector Organisations

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Background

The enactment of the Nigeria Tax Administration Act, the Nigeria Revenue Service (Establishment) Act, and the Joint Revenue Board Act (the "Acts") signals a transformative era for public sector organisations in Nigeria's tax landscape. Historically, Ministries, Departments, and Agencies (MDAs), as well as State and Local Governments, have operated with limited coordination and accountability in tax matters. These new laws aim to streamline tax administration across all levels of government, clearly define the roles of public sector organisations, and promote greater transparency in revenue collection. By integrating these entities more fully into the national tax framework, the reforms seek to build a more unified, efficient, and accountable system. Public sector organisations will now be held to the same standards as private businesses and are expected to play a more active role in achieving national tax goals.

Key updates

01

Creation of the Nigeria Revenue Service (NRS) with a refreshed Mandate - Federal Inland Revenue Service (FIRS) and assumes comprehensive responsibility for federal tax collection, while coordinating with State and Local Tax Agencies. All relevant updates have been detailed in a dedicated section on the NRS Act.

The Acts also raise the funding allocation for the NRS to 4% of total revenue collected, excluding petroleum royalties, in addition to other sources of funding. This approach differs from the historical standard set by the National Assembly, which prescribed a funding allocation of 4% of non-oil revenue. This clearer and broader funding base is expected to support and align with the NRS' expanded responsibilities under the NRSEA.

The NRS is also empowered to establish and operate a National Single Window Portal to enhance revenue assurance, streamline import and export processes, and facilitate international transit operations, thereby ensuring efficiency and transparency in trade and revenue administration. The Portal will serve as a single-entry platform for all persons involved in import, export, trade, and transit processes to electronically submit documents, make payments, and provide relevant trade-related information.

02

Creation of a framework for autonomous State Tax Administration - The NTAA establishes autonomous State Internal Revenue Services responsible for assessing, collecting, and enforcing state taxes. Each State Service is governed by a Management Board and supported by a Technical Committee for policy and technical matters. The Bill details registration requirements, taxpayer identification, and the appointment of an Executive Chairman for each State Service, who oversees daily administration. State Boards are empowered to set staff terms, approve strategic plans, and recommend tax policy reforms. The Bill allows for the delegation and reversal of tax authority decisions and asserts its supremacy over conflicting laws.

03

Establishment of the Office of the Tax Ombud - The Office of the Tax Ombud has been created to safeguard taxpayer rights and independently address complaints against tax authorities through informal, cost-effective mechanisms such as mediation.

The Ombud is empowered to inspect tax offices, summon witnesses, recommend actions to revenue authorities, initiate legal proceedings on behalf of taxpayers, raise awareness of taxpayer rights, and monitor systemic tax issues and arbitrary fiscal policies. This office serves as the first point of contact for citizens seeking clarity or redress on tax and fiscal policy matters.

04

Establishment of the Joint Revenue Board - The law creates the Joint Revenue Board (JRB), which replaces the existing Joint Tax Board (JTB). Unlike the JTB, which mainly served as a platform for dialogue and policy coordination among tax authorities but without enforcement authority, the JRB has a stronger mandate. It is now responsible for harmonising and coordinating tax administration across federal, state, and local governments. This helps to reduce conflicts and inconsistencies in the tax system. It is also vested with the authority to resolve disputes between federal and state revenue authorities, as well as among state revenue authorities.

05

Joint audits and accelerated resolution of tax audits and disputes - The Acts require tax authorities to share information and conduct joint audits. If one authority identifies a taxpayer's non-compliance with another tax obligation, they can collaborate to ensure proper enforcement. This approach enhances streamlining, resolves disputes between authorities, and helps prevent multiple incidences of tax.

The reforms also introduce a clear timeline for resolving tax disputes. If a tax authority fails to respond to a taxpayer's objection within 90 days of receipt, the objection is automatically upheld. This provision is intended to ensure timely and efficient resolution of tax audits and disputes, reducing uncertainty and administrative bottlenecks for taxpayers.

06

Establishment of subnational tax structures - Every Local Government is now mandated to establish a Local Government Revenue Committee, which will be responsible for the assessment, collection, and accounting of local taxes. This committee is to operate independently from the Local Government treasury and will manage the day-to-day administration of the Treasury Department. This structural change is aimed at improving the efficiency, autonomy, and accountability of tax administration at the local level.

07

Stricter penalties for non-compliance in public procurement - The requirement for contractors to possess a valid Taxpayer Identification Number (TIN) has been reinforced. Statutory bodies that award contracts to entities not registered for tax purposes now face a significant administrative penalty of NGN 5 million, to be imposed by the Nigeria Revenue Service (NRS). This measure is designed to ensure that only tax-compliant entities can participate in public procurement, thereby enhancing the integrity and transparency of government contracting processes.

08

Revised penalty regime for withholding and remittance failures - MDAs remain responsible for deducting and remitting withholding tax (WHT) and value added tax (VAT) on payments to contractors and service providers, as well as for filing monthly returns. The penalty regime for non-compliance has been substantially strengthened: failure to deduct the relevant taxes now attracts a 40% administrative penalty, while failure to remit amounts already deducted incurs a 10% penalty. This is a significant escalation from the previous flat 10% penalty, reflecting a more rigorous enforcement approach intended to drive higher compliance rates. Historically, enforcement of these penalties was infrequent, but the new laws signal a shift towards stricter oversight and accountability.

09

Expanded powers of the Accountant-General - The Accountant-General is now authorised, within 30 days of receiving a warrant signed by the Chairman of a relevant tax authority and a Judicial Officer, to deduct unremitted revenue directly from an MDA's budgetary allocation or any other revenue accruing to the MDA and remit it to the tax authority. This provision is designed to ensure prompt remittance of due revenues, bypassing bureaucratic delays and reducing the risk of funds being diverted or misapplied.

Connecting the Dots

a. These reforms fundamentally redefine the role of public sector organisations in Nigeria's tax system. By mandating strict remittance obligations for MDAs, State, and Local Governments, the reforms ensure that all government bodies are held to the same standards of compliance and transparency as private sector entities. This framework also ensures that federal government parastatals can no longer evade or delay the remittance of taxes due to state tax authorities. The process effectively removes the ability of MDAs to exert undue leverage over state tax authorities by withholding or failing to remit collected or due taxes without consequences. The direct deduction mechanism enforces compliance, promotes fiscal discipline, and strengthens the revenue collection powers of state tax authorities.

b. The recent reforms fundamentally reshape the responsibilities of public sector organizations within Nigeria's tax system. By imposing stringent remittance obligations on Ministries, Departments, and Agencies (MDAs), as well as State and Local Governments, these reforms ensure that all government entities are held to the same standards of compliance and transparency as their private sector counterparts. This framework eliminates the possibility for federal government parastatals to evade or delay the remittance of taxes owed to state tax authorities. The introduction of a direct deduction mechanism enforces compliance, promotes fiscal discipline, and significantly enhances the revenue collection capabilities of state tax authorities by removing the leverage previously held by MDAs through delayed or withheld remittances.

c. The reforms establish a harmonized and efficient tax administration system at the state level, grounded in constitutional authority and the supremacy of National Assembly legislation for collection of taxes. State Internal Revenue Services (SIRSs) are empowered to autonomously manage state taxes but must do so within the framework set by the National Assembly. In the event of any legal conflict, the provisions of the NTAA will supersede any inconsistent state legislation, thereby ensuring a uniform approach to tax administration across the country.

d. The requirement for joint audits represents a significant advancement, promoting more efficient audit processes and reducing both time and costs for stakeholders. While a 2017 Memorandum of Understanding (MoU) between the Federal Inland Revenue Service (FIRS) and SIRSs, coordinated by the Joint Tax Board (JTB), aimed to facilitate joint audits, it faced challenges such as aligning the interests of all SIRSs and effective coordination. With the new legal mandate, it is anticipated that clear modalities will be introduced to address potential challenges, including standardizing review approaches, integrating systems, and building staff capacity.

e. The introduction of mandatory Tax Identification Number (TIN) registration as a prerequisite for government contracts serves as a robust compliance checkpoint, minimizing opportunities for tax evasion and encouraging the formalization of contractors and service providers.

The enhanced penalty regime for non-compliance with withholding and remittance obligations is designed to close revenue gaps and ensure more accurate and timely tax remittances, thereby improving overall government revenue collection. Additionally, the expanded authority granted to the Accountant-General to deduct unremitted taxes directly from MDA allocations further reinforces enforcement and reduces the risk of revenue diversion or delay.

f. The establishment of the Tax Ombud and the National Single Window Portal marks a significant step towards greater transparency, taxpayer protection, and public confidence in the tax system. These mechanisms provide accessible avenues for redress, oversight, and systemic improvement, which are essential for building trust and encouraging voluntary compliance. However, it remains to be clarified whether the National Single Window Portal will operate alongside the existing Nigeria Trade Portal managed by the Nigerian Customs Service or if it will consolidate both platforms.

Key Takeaways

Ultimately, these tax reforms redefine the public sector's role in fiscal governance. Their success will hinge on diligent implementation, ongoing capacity development, and unwavering commitment to transparency at all levels of government.

Major Income Tax Incentive regimes: Free Zone Entities and Priority Industries

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The Nigerian government has embarked on a significant overhaul of its tax incentive framework, signalling a strategic shift toward greater economic impact and fiscal responsibility. Central to this reform is the replacement of the Pioneer Status Incentive (PSI) with the newly introduced Economic Development Tax Incentive (EDTI), designed to align tax reliefs with industries of national priority.

Similarly, amendments to the Nigeria Export Processing Zones Act (NEPZA) aim to restore the original intent of export-led growth by tightening regulatory inconsistencies and redefining the tax obligations of Free Zone Entities (FZEs). Together, these reforms reflect a broader policy direction focused on curbing revenue leakages, enhancing transparency, and ensuring that tax incentives are both targeted, and performance driven.

We have outlined additional insights and implications below.

Overview of Nigeria's Export Processing Zones (EPZs) in Nigeria

Nigeria's Export Processing Zones (EPZs), managed by the Nigeria Export Processing Zones Authority (NEPZA), are central to the country's industrialisation and export diversification strategy. As of 2025, NEPZA oversees over 400 licensed zones, with active operations in more than 50 across all six geopolitical zones.

Over 5,800 enterprises operate in sectors like manufacturing, oil and gas, Information Communications Technology (ICT), and logistics. These businesses benefit from incentives such as duty-free imports, tax holidays, profit repatriation, and immigration waivers, while also integrating with the local economy through supply chains and workforce development.

EPZs have created over 250,000 direct jobs and many more indirectly. Zones like Lekki, Kano, and Calabar have become industrial hubs supporting petrochemicals, agro-processing, and light manufacturing.

Though export-specific data is still being consolidated, NEPZA reports over $30 billion in FDI attracted to date. EPZs have significantly contributed to non-oil export growth, with Nigeria's total trade reaching ₦36.6 trillion in Q4 2024—a 68.3% year-on-year increase.

To boost competitiveness, the government is investing in infrastructure, regulatory reforms, and digital integration, aligning with the African Continental Free Trade Area (AfCFTA) Agrement goals to position Nigeria as a regional trade leader.

However, inconsistencies between the NEPZA Act (1992) and its 2004 Regulations—particularly regarding domestic market access—have diluted the zones' export focus. The NTA addresses this by repealing key tax exemptions and redefining FZE obligations, aiming to restore the original export-driven intent of the EPZ framework.

Key updates

Full exemption

An FZE will enjoy full exemption if:

a. its total sales arise from the export of goods or services, or serve as inputs into goods or services exclusively for export
b. not more than 25% of its sales arise from the sale of goods or services to the Customs Territory
c. the goods and services are sold to persons engaged in upstream, midstream or downstream petroleum or gas operations

Partial exemption - FZEs will enjoy partial exemption where in any year of assessment, more than 25% of the sales of an export processing zone entity/FZE arise from the sale of goods or services in the Customs Territory, income tax shall apply on the profits in respect of its total sales to the Customs Territory.

No exemption - Effective 1 January 2028, the profit of a FZE will be fully subject to tax if there is any sale (regardless of percentage) to the Customs Territory.

Relationship with related parties - Where a FZE contracts manufacturing of any of its approved activity to a related or connected resident company (i.e. a company incorporated and operating in the Customs Territory), all income derived from the sale by the FZE shall be treated as income of the related or connected resident company, except the Federal Inland Revenue Service is satisfied that the transaction was conducted at arm's length.

Additionally, where a resident company provides services other than manufacturing services to a related or connected entity in the Zone, the provisions of the Transfer Pricing Regulations shall apply to the transaction.

Tax Obligations - All FZEs are required to comply with the tax registration and filing obligations as stipulated in the NTAA. The obligations include deduction at source for qualifying transactions.

FZEs procuring services from the Customs Territory are liable to pay Value Added Tax (VAT) and Stamp Duty as applicable.

Connecting the dots

a. **Deletion of sections 8 and 18(1)(a) NEPZA**— The referenced sections provided FZE with full exemption from Federal, State and Government taxes, levies, rate and foreign exchange regulations. Based on the Act, a FZE will only be able to enjoy exemption where the prescribed conditions discussed above are satisfied. It appears that the incentives in section 18(1)(b)- (h) NEPZA are preserved except to the extent that section 18(1)(e) has been amended to subject the profit of a FZE (who sells 25% to the Customs Territory) to tax proportionately until 1 January 2028 when full income tax will be applicable regardless of threshold of sale.

b. **Exchange Control Regulations**— In Nigeria Exchange Control Regulations are mostly manifest in form of documentation required to repatriate or make payments offshore.

FZEs were exempt from the requirements to obtain a Certificate of Capital Importation (for repatriation of capital/investments), NOTAP (payment for technology and technical services) and policies relating to dollarisation of the Nigerian economy (i.e. the Central Bank's directives that goods and services should be priced and invoiced in Naira).

Considering the broad exemption from exchange control regulations under section 18 (1) (a) has been deleted, FZEs will only be able to enjoy these benefits, if similar exemptions exist in other sections of NEPZA; or other pieces of legislation (which is not subsidiary/inferior to the Act).

c. **Compliance with TP Regulations**— FZEs who transact with related parties (resident and non-resident entities) are required to comply with Transfer Pricing Regulations.

d. **Preserved Incentives:** Notwithstanding the new conditions for full tax exemption, all FZEs shall continue to enjoy the following incentives:

   i. 100% foreign ownership
   ii. repatriation of capital and return on investment
   iii. exception from import or export licenses
   iv. exemption from Immigration restrictions (allowance to employ foreign managers and qualified personnel)

Overview of the Priority Industries Framework

The NTA introduces transformative reforms to the tax incentive previously known as the Pioneer Status Incentive **("PSI")** by repealing the Industrial Development (Income Tax Relief) Act. The Act establishes the Economic Development Tax Incentive **("EDTI"),** a new incentive program specifically tailored to industries of economic significance.

The transition from PSI to EDTI reflects a deliberate effort by the Federal Government to tighten eligibility requirements, reduce revenue leakages, and realign tax incentives with sectors capable of delivering measurable socio-economic impact. The mode of application remains similar to that of the repealed framework; however, the qualifying criteria and regulatory framework have been substantively revised.

Key updates

a. **What is considered priority sector**— Priority sectors are sectors classified as such under the Ninth Schedule to the Act. EDTI is available to industries that are considered a 'priority sector'.
Priority period is an initial period of five years, extendable for additional five years on the condition that the priority company invests 100% of its profits during the incentive period for expansion of the same product(s).

b. **Economic Development Tax Credit** — The Acts replace the "pioneer" tax holiday incentive, with an "Economic Development Incentive" (or EDI). This incentive designates certain activities as "priority" products or services and provides eligible companies with a tax credit equal to the tax payable computed on profits from such activities within the priority period. Companies can carry forward unutilised tax credit within five assessment years after the end of the priority period. Any credits still unused after this timeline will expire. The credits cannot be used against any additional tax payable due to the minimum ETR adjustments.

c. **Introduction of higher capital thresholds and new priority sectors**— The Act sets out specific priority industries deemed essential to national development. For each sector, a minimum capital investment threshold now applies, ranging from ₦30 million to ₦200 billion, depending on the industry's assessed strategic value.

d. **Sunset periods for priority sectors**— Each priority sector has been assigned a sunset period - a fixed duration from the date of commencement of the Act during which an industry will qualify as a priority sector. After the expiration of the sunset period, the sector will no longer enjoy priority designation unless re-evaluated and approved by the President.

Connecting the dots

a. **Transition provisions**— Companies who have been granted a Pioneer Status Incentive under the Industrial Development (Tax Incentives) Act will continue to enjoy the applicable reliefs for the unexpired portion of their approved term.

b. **No grandfathering provisions for ongoing PSI applications**— The Act does not provide transitional or saving clause for companies whose Pioneer Status Incentive applications are still pending at the time of its commencement. It appears these applications will automatically lapse, especially if the industry no longer qualifies as a priority sector. Where an applicant has made statutory payments in pursuit of this application, it will be equitable for the Government to consider a refund or convert same to a tax credit.

c. **Exclusion from other incentives**— A company who is granted economic development tax credit will not be able to enjoy any other similar incentive under the Act.

d. **Procedure for amending the list of Priority Sectors**— The Act grants the President exclusive authority to amend the list of priority sectors under the Economic Development Tax Incentive. This provision allows the President to add or remove sectors or products, adjust minimum qualifying capital requirements, and modify sunset periods as economic priorities evolve. This provision ensures that the incentive remains flexible and responsive, without requiring a lengthy legislative intervention each time a policy adjustment is needed.

Key takeaway

The NTA introduces a recalibrated approach to fiscal incentives, balancing the need to attract investment with the imperative of safeguarding national revenue. While the Act repeals certain tax exemptions under the Nigeria Export Processing Zones Act (NEPZA), it does not eliminate all benefits associated with Free Zone Entity (FZE) status. Key incentives remain intact, preserving the potential to drive investment into Nigeria's Export Processing Zones, a positive step toward restoring the original export-oriented intent of the framework.

The key changes to the incentive framework underscore the need for FZEs and other affected licensees to reassess their value chains and consider restructuring their operations for effective tax planning.

More broadly, the Act signals a strategic shift in Nigeria's incentive regime from broad-based tax holidays to targeted, performance-driven reliefs under the new Economic Development Tax Incentive (EDTI) framework. Priority industries must now demonstrate clear economic significance to qualify. Businesses considering expansion or new projects in Nigeria should promptly evaluate their alignment with the revised criteria and prepare their applications accordingly. For new entrants, timing, compliance, and strategic alignment are critical. For existing PSI beneficiaries, the Act provides a stable transition path.

Punitive measures

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Overview and Context

The NTAA, together with the NTA introduces a robust and modernized penalty and interest regime for tax non-compliance. The reforms are designed to enhance compliance, deter tax evasion, and ensure timely remittance of taxes across all sectors, including specialized provisions for petroleum and mineral operations. The new regime significantly increases penalties, clarifies enforcement mechanisms, and ties interest on late payments to prevailing financial benchmarks, reflecting both economic realities and international best practices.

Structure and Substance

1. Penalty Regime

a) General Non-Compliance Penalties—

- Failure to register for tax: ₦50,000 for the first month, ₦25,000 for each subsequent month.
- Awarding contracts to unregistered persons: ₦5,000,000 per infraction.
- Failure to file returns or filing inaccurate/incomplete returns: ₦100,000 for the first month, ₦50,000 for each subsequent month.
- Failure to keep/provide records: ₦50,000 (companies), ₦10,000 (individuals).
- Denying access for tax automation: ₦1,000,000 (first day), ₦10,000 (each subsequent day).
- Not using fiscalisation system (for VAT): ₦200,000 plus 100% of tax due and interest at the CBN Monetary Policy Rate (MPR).
- Failure to deduct tax at source: 40% of the undeducted amount.
- Failure to remit tax deducted/self-account: Amount not remitted plus 10% per annum administrative penalty and interest at the prevailing CBN MPR; up to 3 years imprisonment possible.
- Non-compliance with information requests: ₦100,000–₦1,000,000 (first day), ₦10,000 (each subsequent day).
- VASP (Virtual Asset Service Provider) non-compliance: ₦10,000,000 (first month), ₦1,000,000 (each subsequent month), with possible license suspension.
- Failure to notify change of address/cessation: ₦100,000 (first month), ₦5,000 (each subsequent month).
- General penalty for unspecified offences: ₦1,000,000 or up to 3 years imprisonment (or both).

b) Petroleum and Mineral Sector-Specific Penalties—

- Late filing of returns: ₦10,000,000 (first day), ₦2,000,000 (each subsequent day).
- Late payment of tax/royalties: 10% of unpaid amount plus daily penalties (₦10,000,000 first day, ₦2,000,000 each subsequent day), with possible asset distrain or license cancellation.
- Incorrect accounts/false information: ₦15,000,000 plus 1% of undercharged tax (whichever is higher).
- Failure to pay mineral royalties (30 days late): 10% of royalty due plus interest.

2. Interest Payment Regime

a) General Taxes (Non-Petroleum)—

- Interest on unpaid tax is calculated at the prevailing CBN Monetary Policy Rate (MPR) plus a spread determined by the Minister, accruing from the due date until payment is made.
- For foreign currency remittances, interest is at the prevailing Secured Overnight Financing Rate (SOFR) or any successor rate, plus a ministerially determined spread.

b) Petroleum and Mineral Sectors—

- For Naira transactions: Interest at 2% above the prevailing CBN MPR.
- For foreign currency transactions: Interest at the prevailing SOFR or any successor rate plus 10%.
- These interest charges are in addition to fixed monetary penalties and daily fines for continued non-compliance.

c) Failure to Remit Tax Deducted at Source—

- Administrative penalty of 10% per annum of the tax deducted but not remitted, plus interest at the prevailing CBN MPR.

Takeaway

The 2025 reforms have raised the bar for tax compliance, making it crucial to stay on top of regulations to avoid significant repercussions. Proactive compliance, accurate record-keeping, and timely engagement with tax authorities are essential to avoid severe financial and operational consequences.

Actionable Insights

1. **Immediate registration and compliance**— All taxable persons and entities must register for tax and obtain a Taxpayer Identification Number (TIN) to avoid substantial initial and recurring penalties. Awarding contracts to unregistered persons now attracts a significant ₦5,000,000 penalty.
2. **Timely and accurate filing**— Ensure all tax returns are filed accurately and on time. Delays or inaccuracies trigger escalating monthly penalties, which can quickly accumulate to substantial amounts.
3. **Maintain Proper Records**— Companies and individuals must keep and provide adequate records. Failure to do so results in immediate penalties and can hinder the ability to defend against further assessments or audits.
4. **Enable Tax Technology and Fiscalisation**— Grant access for tax automation and use the prescribed fiscalisation systems for VAT and other taxes. Non-compliance leads to high daily penalties and additional interest on tax due.
5. **Deduct and remit taxes at Source**— Entities responsible for withholding taxes must deduct and remit them promptly. Failure to do so results in a 40% penalty on the undeducted amount, plus interest and possible criminal liability.
6. **Monitor and respond to information requests**— Respond promptly to all tax authority requests for information. Non-compliance now attracts significant daily penalties.

1. **Special attention for Petroleum and Mineral Operators**— Operators in these sectors face some of the highest penalties for late filing and payment, including daily fines, interest at premium rates, and the risk of asset distrain or license cancellation. Ensure all sector-specific obligations are met without delay.
2. **Interest accrual is substantial**— Interest on unpaid taxes is not a flat rate but is tied to prevailing financial benchmarks (CBN MPR or SOFR) plus a spread, compounding the cost of late payment. This can significantly increase total liabilities over time.
3. **Comprehensive Risk Management**— Taxpayers should implement robust compliance systems, including calendar reminders for all filing and payment deadlines, regular internal audits, and prompt responses to tax authority communications.

Conclusion and next Steps

In view of the changes introduced by the Acts, companies and businesses need to:

Become aware

- Sensitise management – Organise sensitisation workshops for relevant board committees and executive management on the impact of the reforms on your business.
- Empower your people – Train and upskill staff to ensure seamless adoption of new tax laws in specific roles and processes that are impacted.

Assess

- Carry out a holistic impact analysis – Proactively assess the corporate structure, operational, financial and compliance implications arising from the tax laws. This can also include considering the impact on supply chains, commercial arrangements such as acquisitions and divestments, incentive regimes and so on.

Articulate

- Reframe tax strategy– Reframe your tax strategy to align with the commercial goals of the business. More will be expected from the tax function to protect business value amidst the various changes arising from the new laws or technology changes such as the VAT fiscalisation.
- Set up a Tax Risk Register – Implement a living risk register to continuously identify, monitor, and control tax risks and opportunities that have been triggered by the reforms in real time.

Operationalise and implement

- Update compliance processes– Taxpayers will need to update their compliance processes in line with the tax laws. For example, taxpayers will need to update their systems to cater for new rates, revised compliance obligations and filing requirements, information sharing, claim of input VAT etc.
- Execute your implementation plan– Achieve tasks in your implementation plan effectively and efficiently in line with your strategic objectives.
- Leverage technology– Update the logic in accounting software and ERP to align with the new rules. Ensure processes and technology align to ensure end-to-end compliance and prepare for changes such as einvoicing.
- Optimise tax governance & management frameworks– Evaluate, expand, or eliminate tax functions and processes for effectiveness and efficiency, closing compliance gaps and embedding robust internal controls.

Engage

- Engage stakeholders– Determine a communication strategy and protocol for key internal and external stakeholders. Some examples include: Shareholders – ROI impact, Employees – PAYE impact, Customers – e-invoicing processes, Vendors – KYC and validation, Tax authorities – rulings on new risks, host communities etc to ensure a smooth transition and adoption process.

Monitor

- Stay updated– Regularly monitor official communications, information circulars or regulations from the government authorities issued pursuant to the Tax laws.
- Manage change– Apart from training and upskilling, there should be a deliberate change management plan to drive behaviour, review and monitor the transition and adoption of the new rules.

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