Nigeria's Tax Reform Transition: What the New Guidelines Mean for Taxpayers

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Introduction

The General Transition Guidelines for the Tax Acts 2025 provide a roadmap for taxpayers, tax authorities, and other stakeholders navigating the shift from the repealed tax laws to the new tax framework. More importantly, they offer clarity on how existing obligations, disputes, incentives, and transactions will be treated during the transition period, while reinforcing a key principle of the reforms, that the new tax laws will not apply retrospectively.

The Non-Retroactivity Principle Takes Centre Stage

One of the most significant features of the Guidelines is the clear confirmation that the new tax laws will operate prospectively from the commencement date, 1 January 2026 unless where expressly provided in the Acts.

Under the Guidelines, the general principle is that:

a. No tax, penalty, surcharge, interest, or administrative obligation created under the new Acts will apply to periods before the commencement.

b. Transactions, assessments and enforcement actions relating to pre-2026 periods will continue to be governed by the repealed laws.

This approach provides certainty for taxpayers and reduces the risk of retrospective assessments or compliance disputes arising from the transition.

Key Changes Taxpayers Should Note

a. Income Tax Transition Rules

For individuals, employment income earned and taxed under PAYE up to December 2025 will continue to be assessed under the repealed laws, even where annual returns are filed in 2026. Income earned from January 2026 onwards will be subject to the new tax regime.

Similarly, direct assessment taxpayers will be taxed under the repealed laws for income earned in 2025 and due for filing in 2026, while income generated from January 2026 will fall under the new Acts.

For companies, the determining factor will be the accounting period:

i. Basis period ending before 1 January 2026 will be governed by the repealed Companies Income Tax framework notwithstanding time for filing and payments.

ii. Basis period ending after commencement will be taxed under the new legislation.

b. Development Levy Replaces Multiple Earmarked Taxes

The Guidelines confirm that taxes such as the TETFund levy, NASENI levy, and NITDA levy will continue to apply only to accounting periods ending before commencement. For accounting periods ending after 1 January 2026, the new Development Levy regime introduced under the Tax Reform Acts will apply instead.

c. Transaction Taxes Will Follow Timing of Supply

The Guidelines provide clarity on the treatment of VAT, withholding tax, and stamp duties during the transition period. Transactions involving goods delivered or services rendered on or before 31 December 2025 will remain subject to the repealed laws, regardless of when payment is made.

However, contracts entered before commencement date but executed after, only the portion executed after will be subject to the new tax laws.

d. Filing Obligations

The Guidelines clarify that tax returns due before 1 January 2026 must be filed in accordance with the forms and procedures prescribed under the repealed tax laws. Returns due on or after the commencement date will be governed by the new Acts, although existing filing processes may continue temporarily until new forms, schedules, and electronic templates are introduced by the relevant tax authorities.

f. Treatment of Pending Disputes and Appeals

To ensure continuity and certainty, objections and appeals initiated before the commencement of the new tax regime will continue to be determined under the repealed legislation. However, objections lodged after 1 January 2026 will follow the procedural framework established under the new Acts, regardless of the tax year under dispute, thereby creating a uniform dispute resolution process going forward.

g. Transition for Incentives, Exemptions and Reliefs

The Guidelines preserve existing incentives, exemptions, and reliefs granted under the repealed tax laws by allowing them to continue until their approved expiration dates. However, any new applications, as well as applications that remain pending as of 1 January 2026, will be assessed and administered in accordance with the provisions of the new Tax Acts.

What This Means for Businesses

The transition rules create both compliance obligations and planning opportunities.

a. Review Accounting Periods and Tax Positions

Companies should evaluate how their accounting periods align with the commencement date to determine which tax regime applies.

b. Assess Long-Term Contracts

Businesses operating under contracts that extend beyond 1 January 2026 should review their arrangements to identify how supplies, services, and payments will be allocated between the old and new tax regimes.

c. Revisit Incentives and Reliefs

Existing incentives granted under the repealed laws will remain valid until expiration. However, pending and future applications will be governed by the new Acts. Businesses should assess the applicability of the new tax reforms to their business.

Additional Safeguards for Taxpayers

The Guidelines also introduce taxpayer-friendly provisions aimed at reducing uncertainty.

Notably:

a. Any conflict within the new Acts should be interpreted in a manner that promotes legislative intent, economic neutrality, and administrative simplicity.

b. Where provisions of the Acts are clearly inconsistent, the conflict is to be resolved in favour of the taxpayer.

These safeguards may provide additional comfort to taxpayers navigating areas of uncertainty during the early stages of implementation.

Conclusion

For businesses, the transition period presents an opportunity to review tax positions, reassess contractual arrangements, evaluate incentive structures, and strengthen compliance processes. Organisations that prepare early will be better positioned to manage risks, maximise available benefits, and navigate the transition to Nigeria's new tax framework with confidence.

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