Tax Alert

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30th June 2025

President Tinubu Signs the Nigerian Tax Reform Acts into Law, Overhauling the Nigerian Tax Regime.

Introduction

On Thursday, 26th June, 2025, President Bola Tinubu signed Four Tax Bills (Now Acts of the National Assembly) into Law. These New Acts, which are projected to transform Nigeria's fiscal and revenue framework, include the Nigeria Tax Act, the Nigeria Tax Administration Act, the Nigeria Revenue Service (Establishment) Act, and the Joint Revenue Board (Establishment) Act. The lauded initiative is part of the President's vision to transform Nigeria's tax administration; it aims to generate more revenue by expanding the tax net, closing loopholes in the tax system, supporting Small and Medium Enterprises (SMEs), and attracting foreign investment.

The new legislation consolidates Nigeria's fragmented tax laws, reducing layers of taxation and eliminating duplications. This will enhance the ease of doing business, lessen taxpayer burdens, broaden the tax base, improve compliance, and foster a sustainable revenue framework to support national development.

General Objectives of the New Tax Reform Acts

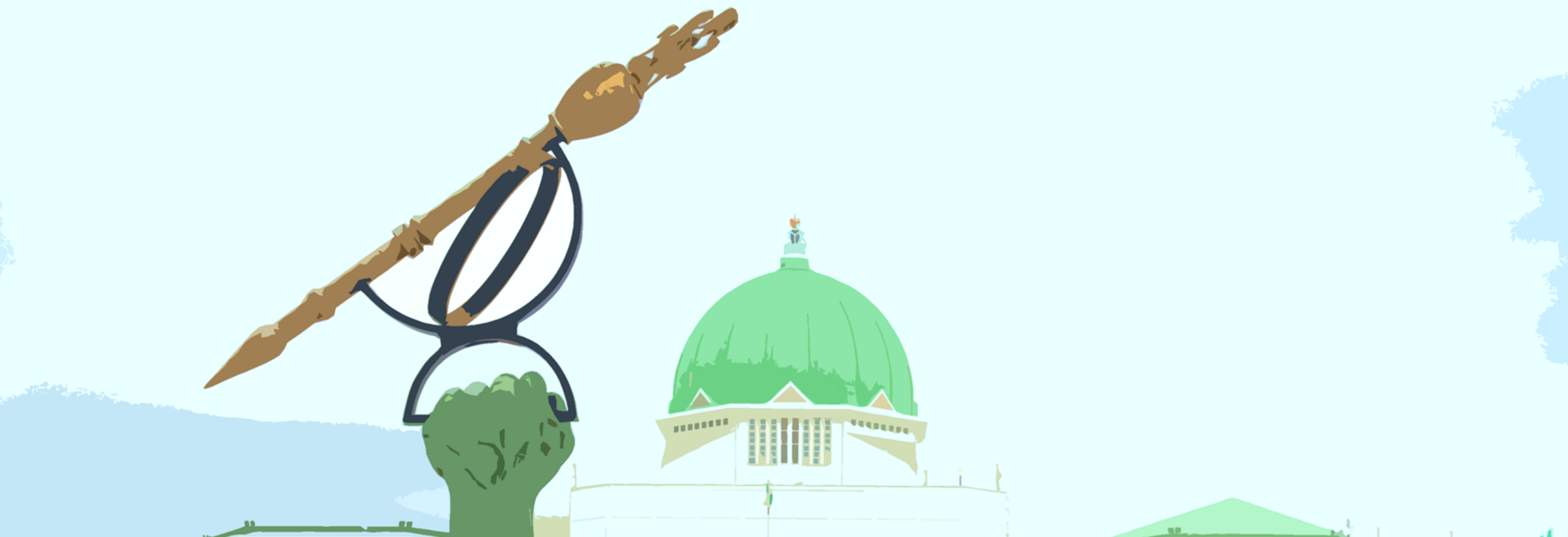
One of the four Acts signed into law by the President is the Nigeria Tax Act 2025 (the NTA), which aims to provide unified fiscal legislation governing taxation in Nigeria. The NTA eliminates over 50 small and overlapping taxes in Nigeria, consolidating the various taxes into a single-digit number, and engendering a more straightforward tax regime. We note that reducing the number of taxes and eliminating duplication will make doing business in Nigeria easier.

The Nigeria Tax Administration Act 2025 aims to provide a clear and concise legal framework for the fair, consistent and efficient administration of all tax laws in Nigeria by setting common rules for the collection of taxes across the federal, state, and local governments.

The Nigeria Revenue Service (Establishment) Act 2025, repeals the Federal Inland Revenue Service Establishment Act, No. 13, 2007 and establishes the Nigeria Revenue Service to assess, collect, and account for revenue accruable to the Federal Government of Nigeria (FGN), whilst the Joint Revenue Board of Nigeria (Establishment) Act, 2025, also seeks to establish the Joint Revenue Board, the Tax Appeal Tribunal, and the Office of the Tax Ombudsman for the harmonization, coordination and settlement of disputes arising from revenue administration in Nigeria.

Significantly, the Nigerian Tax Act (NTA) repeals eleven existing tax laws and enactments, while consequently amending thirteen others. The repealed Acts include: the Capital Gains Tax Act; the Casino Act; the Companies Income Tax Act; the Deep Offshore and Inland Basin Act; the Industrial Development (Income Tax Relief) Act; the Income Tax (Authorized Communications) Act; the Personal Income Tax Act; the Petroleum Profits Tax Act; the Stamp Duties Act; the Value Added Tax Act and the Venture Capital (Incentives) Act.

With the introduction of VAT Fiscalization, E-invoicing, and the National Single Window, the tax regime targets to take more advantage of technology in tax administration to ensure compliance and transparency of taxpayer transactions.



Notable Changes Introduced by the NTA 2025 & Implications for Taxpayers

Tax Reductions and Incentives for SMEs and Low-Income Earners:

1. Under the NTA, small companies which are defined in the Act as companies with annual turnover of N50,000,000 or less, with total fixed assets not exceeding N250,000,000 [except businesses providing professional services] will now enjoy zero-rated (0%) income tax (CIT), whilst the CIT rate for companies above the threshold remains at 30%. In this vein, there will be no withholding tax deduction on the business income of small businesses. This also entails an exemption from the requirement to deduct and account for tax on payments to vendors.

2. Further, individuals earning ₦800,000 and below annually are exempt from income tax, whilst individuals who earn above this threshold will be subject to tax at a higher rate up to 25% . The NTA has also increased the exemption threshold for compensation received by individuals for loss of employment, or damages for slander, libel or injury from N10,000,000 to N50,000,000.

3. Essential goods and services, such as basic food items, education materials, tuition fees, medical equipment and services, medical and pharmaceutical products, electricity generation and transmission services, etc., will enjoy zero-rated (0%) Value Added Tax (VAT), while rent, public transportation, and renewable energy are exempted, providing relief for low-income households that spend nearly 100% of their income on these necessities.

4. Significantly, businesses can now recover or claim input tax credits for VAT paid on their purchases, including services, fixed assets, and all expenses incurred to produce VATable goods and services.

Retention of Similar VAT and CIT Rates:

The NTA maintains the VAT rate at 7.5% and the CIT at 30%. The decision to retain the VAT rate at 7.5% and the CIT rate at 30% reflects a commitment to fiscal stability and economic predictability.

By maintaining these rates, the government aims to support business confidence, encourage investment, and avoid placing additional burdens on consumers and enterprises. This strikes a balance between generating revenue and sustaining growth and competitiveness within the domestic economy.

Fiscalisation of supplies for VAT:

Section 158 of the NTA mandates taxable persons to adopt the fiscal tools deployed by the Nigerian Revenue Service under the Nigeria Tax Administration Act, 2025 (NTAA), including electronic devices and software for invoicing and data transfer. In consonance with Section 158 above, Section 23 of the NTAA mandates that those making taxable supplies must implement an Electronic Fiscal System (EFS) for recording and reporting transactions, where the National Revenue Service (NRS) utilises EFS. An example of this is the VAT automation and e-invoicing system employed by many corporations. Under the provisions, taxable persons must maintain accurate records of all transactions passing through the EFS.

Introduction of Development Levy:

The NTA introduces a 4% development levy, which replaces the Tertiary Education Tax (TET), Police Trust Fund (PTF), and other levies. This levy will be payable by all companies, except small and non-resident companies, from their assessable profits (i.e., taxable profits before deducting depreciation and losses).

Effective Tax Rate (ETR):

A business without taxable profits would no longer be subject to the minimum tax of 0.5% of turnover. However, if the effective tax rate (ETR) of a company is less than 15%, such a company is required to recompute and pay an additional tax that would bring its effective tax rate up to 15%. However, the ETR provision only applies to — (a) a company that is a constituent entity of an MNE [Multinational Enterprise] group; and (b) any other company with an aggregate turnover of ₦20,000,000,000 and above in the relevant year of assessment.

Rent Relief:

In determining the chargeable income of individuals, the NTA has removed the Consolidated Relief Allowance (CRA) and introduced rent relief under Section 30(vi). This rent relief amounts to 20% of the annual rent paid, with a maximum limit of ₦500,000. To qualify for this relief, individuals must declare their actual rent and any other information the tax authority may request in this regard.

Imposition of Surcharge and Exempted Items:

Section 159 of the NTA imposes a 5% surcharge on chargeable fossil fuel products that are provided or produced in Nigeria. This surcharge will be collected at the time a chargeable transaction takes place, and the calculation will be based on the retail price; the NRS will collect this surcharge monthly. However, clean or renewable products, compressed natural gas (CNG), household kerosene, and cooking gas (LPG) are exempt from this surcharge.

Obligation to Stamp and Pay Related Duty

The NTA imposes on the transferee of an interest in real property, the beneficiary of a service for which consideration was paid, or any person taking security in a transaction for which an instrument is executed, the responsibility to stamp the related instrument within 30 days of its execution and pay the applicable duty. This provision has now clarified the hitherto existing confusion on who is responsible for paying duty in certain situations, like real estate sales.

Stamp Duty on Loan Capital

By Section 137 of the NTA, the loan capital of any company is subject to an ad valorem tax, as specified under the 9th Schedule of the Act. These loan capitals include debenture stock, various types of stock, or funded debt, regardless of their designation, as well as any debt raised by any corporation, company, or organisation established in Nigeria. However, this definition excludes overdrafts, loans obtained for a period not exceeding 12 months, and loans obtained for onward disbursement to any other person in an on-lending arrangement. This implies that once the duration of a loan exceeds 12 months, it will be subject to stamp duty.

Reintroduction of Double Taxation Reliefs:

The NTA reintroduced clear reliefs against double taxation. The Act provides that in any year of assessment, if a resident of Nigeria earns income or profit from outside Nigeria that has already been taxed in the source country, that income or profit may also be subject to tax in Nigeria. In this case, the tax paid in the source country can be credited against the tax owed in Nigeria.

Conclusion

The presidential assent to the new Tax Acts marks significant progress in Nigeria's fiscal development. These reforms, by repealing outdated laws and consolidating Nigeria's tax legislation, will enhance transparency, eliminate inefficiencies, address overlapping taxes and administrative complexities that hinder compliance, thereby boosting investment and aligning Nigeria's laws with current economic realities.

Retaining key tax rates, like VAT at 7.5% and CIT at 30% demonstrates a commitment to stability. Renaming the Federal Inland Revenue Service to the Nigerian Revenue Service emphasises efficiency and national identity in revenue collection. These measures aim to foster a predictable fiscal environment and encourage voluntary compliance, with continuous stakeholder engagement essential for widespread acceptance of the tax reforms

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