



Tax Alert

E-Invoicing in Nigeria: A Practical Guide for Your Business



Introduction

The Federal Inland Revenue Service (FIRS) is changing how businesses issue invoices and report Value Added Tax (VAT). The new mandatory electronic invoicing (e-invoicing) system introduced by the FIRS Public Notice issued on 9 July 2025, officially announced the commencement of the National E-Invoicing Regime after the pilot phase held in November

2024. The system connects business accounting software directly to FIRS, thus replacing traditional paper-based invoicing to a real-time digital process. This new e-invoicing system is called the FIRS Merchant Buyer Solution (FIRS MBS).

This guide explains what this means for businesses in practical terms.

What is E-Invoicing?

E-invoicing is the automated exchange of invoice data between a supplier and a buyer, processed through a centralized government platform. It is simply an automated process of validating business transactions with the government.

In the past, company's sales records and the FIRS' tax records were two separate books. At the end of the tax period, businesses will copy information from sales records and submit it to FIRS. With e-invoicing, this is eliminated. Once a business issues an invoice, the accounting system

automatically sends the key details to the FIRS' central platform. The FIRS system instantly validates the invoice and sends back a unique authentication code. This invoice with the unique authentication code (invoice reference or authentication number) becomes the final invoice sent to the customer. As such, an invoice without this FIRS authentication is not considered valid for tax purposes. This prevents discrepancies from the start because there is only one, jointly witnessed record.

Why the Drive for Transparency and Revenue?

The objective is to solve specific, long-standing problems with the VAT system:

a. Curbing VAT Evasion:

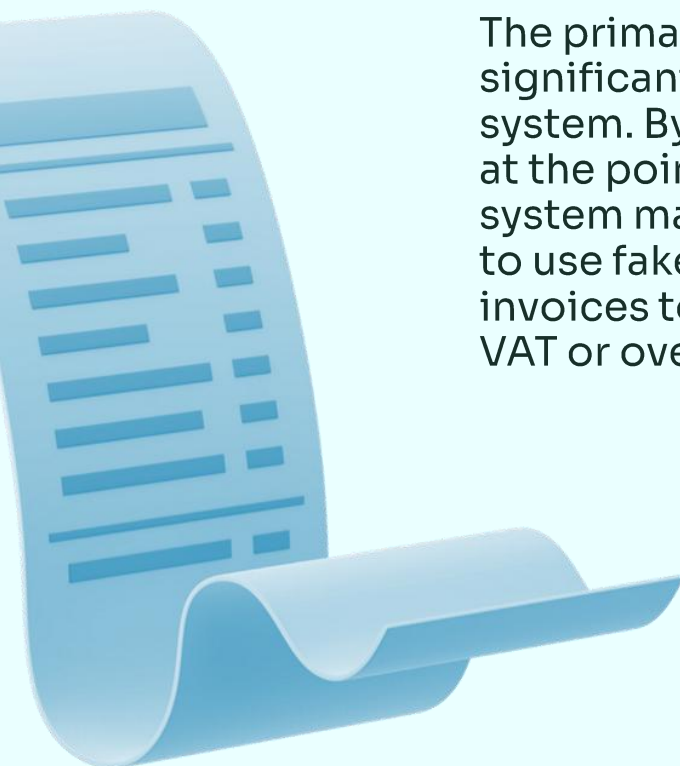
The primary goal is to plug significant leakages in the VAT system. By validating transactions at the point of payment, the system makes it extremely difficult to use fake or manipulated invoices to under-declare output VAT or over-claim input VAT.

b. Streamlining Audits:

With a verifiable digital trail of every transaction, tax audits will become faster, more targeted, and less intrusive for compliant taxpayers.

c. To Ensure Accurate Tax Collection:

The system gives the government an accurate picture of economic activity, which helps in revenue planning and ensures that VAT revenue is collected more efficiently.



The Legal Background

The FIRS MBS mandate is grounded in the following legislative and regulatory framework:

FIRS Establishment Act 2007- (Sections 25 and 26):

These sections authorize the FIRS to implement electronic tax systems, enabling digital tax administration and compliance processes, including e-invoicing and data integration mandates.

National Information Technology Development Act 2007 (NITDA):

This Act provides the legal foundation for developing national IT infrastructure, supporting initiatives like e-invoicing and the technological backbone for its operations.

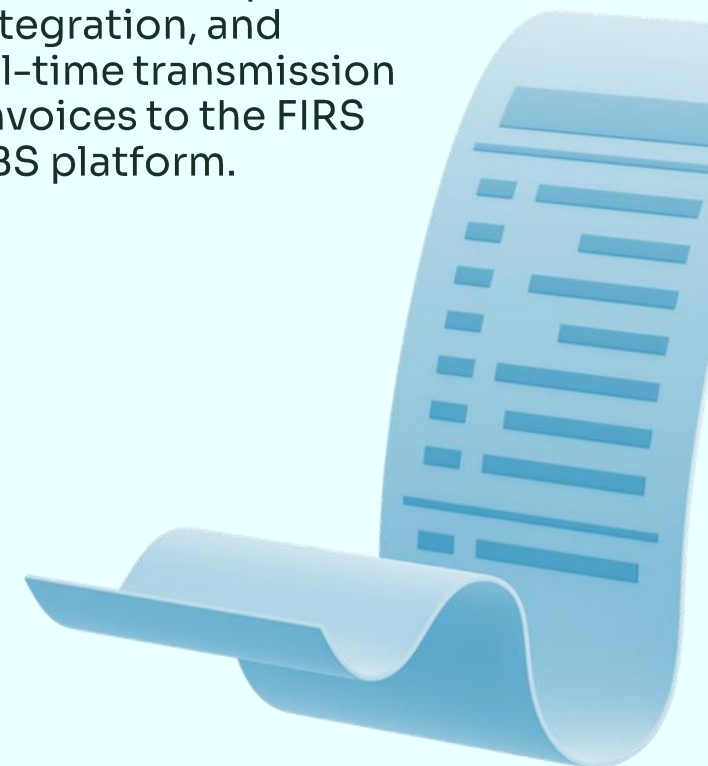
NITDA Regulatory Guidelines for e-Invoicing (2024): These guidelines prescribe the accreditation and operational standards for Access Point Providers (APPs) and System Integrators (SIs), ensuring secure, standardized integration of taxpayer invoice data into the MBS platform.

Who Does This Apply To & Timeline?

The e-invoicing mandate is being rolled out in phases. Currently, the rule applies to large taxpayers with an annual turnover of N5,000,000,000 (Five Billion Naira) and above. While the initial focus is on businesses meeting this threshold, the long-term plan is to expand the system.

On the timeline, the FIRS commenced the pilot phase of the e-Invoicing solution in November

2024, with the voluntary pilot period scheduled to conclude on 1st August 2025. However, large businesses have been given until 1st November 2025 to complete onboarding, integration, and commence real-time transmission of electronic invoices to the FIRS through the MBS platform.



How Does the Process Work?

- An invoice is created in the company's Enterprise Resource Planning (ERP) system.
- The ERP automatically sends the invoice data to the FIRS platform through the secure Application Programming Interface (API)
- The FIRS system instantly checks the data for correctness, verifying details like the Tax Identification Numbers (TIN) of both the seller and the buyer.
- If the data is valid, the FIRS system generates a unique Invoice Authentication Number (IAN) and sends it back to the company's ERP.
- This IAN is embedded onto the final invoice. It is now considered legally valid document for all tax purposes.

Note that if the FIRS system finds an error, the invoice is not authenticated. Hence, a business' customer cannot use such unauthenticated invoice to claim their input VAT. This will lead to payment delays and disputes, directly affecting the company's cash flow.

What to do?

If you are a large business, your company is now sending sensitive financial data to a government server. There is need for compliance with the Nigerian Data Protection Act. Secondly, existing contracts with customers and

vendors may need to be updated. This is to forestall instances where customers/ vendors do not have valid TINs leading to failure to authenticate invoices, and to prevent future payment dispute.



Conclusion

The move to e-invoicing is not an isolated policy. It is a cornerstone of Nigeria's broader tax reform agenda, driven by bodies like the Presidential Committee on Fiscal Policy and Tax Reforms. The goal is to increase Nigeria's tax-to-GDP ratio by expanding the tax net and improving collection efficiency.

For support in ensuring compliance and updating existing contracts with customers and vendors to reflect the requirements of the FIRS; kindly send an email to contact@strenandblan.com, our Team Lead, **Marvis Oduogu** on Marvisoduogu@strenandblan.com or our Senior Associate **Omolola Ambrose** on omololaambrose@strenandblan.com.

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