

# TAX PRACTICE NEWSLETTER



QUARTER ONE

2025

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# GLOSSARY OF TERMS

<b>ABBREVIATION</b>	<b>MEANING</b>
CBN	Central Bank of Nigeria
CITA	Companies Income Tax Act
CETA	Customs, Excise Tariffs, etc (Consolidation) Act
E-Invoicing	Electronic Invoicing
ESIRS	Enugu State Internal Revenue Service
FBIR	Federal Board of Inland Revenue
FG	Federal Government
FHC	Federal High Court
FIRS	Federal Inland Revenue Service
FIRSEA	Federal Inland Revenue Service (Establishment) Act
HWAL	Halliburton West Africa Limited
IRN	Invoice Reference Number
JRBEB	Joint Revenue Board (Establishment) Bill
MDAs	Ministries, Departments and Agencies
NCC	Nigerian Communications Commission
NCS	Nigerian Customs Service
NPA	Nigerian Ports Authority
NTAB	Nigeria Tax Administration Bill
NRS	Nigeria Revenue Service
PIT	Personal Income Tax
PPT	Petroleum Profit Tax
PSSPs	Payment Solution Service Providers
SIRS	State Internal Revenue Service
TAT	Tax Appeal Tribunal
TIN	Taxpayer Identification Number
TMRAS	Treasury Management & Revenue Assurance System
VAT	Value Added Tax
VASPs	Virtual Assets Service Providers
WHT	Withholding Tax

# INTRODUCTION



The strong momentum at the outset of the first quarter of 2025 signals the prospect of a dynamic and eventful year in Nigeria's tax landscape. Though still early days, this quarter has already witnessed intensified legislative engagements and strategic pronouncements which are revenue-fortifying. There have also been administrative measures introduced by the Federal Inland Revenue Service (FIRS) and other regulatory agencies, setting the stage for a year poised to usher in noteworthy events with lasting implications for taxpayers and businesses alike.

As always, we bring you our quarterly newsletter, spotlighting these developments, and delivering, current insightful tax updates—from the Supreme Court's affirmation of tax liability for foreign companies to the rollout of new government policies, such as the FIRS' launch of a new e-invoicing system targeting large taxpayers, and more.

For a comprehensive perspective, this newsletter is divided into three main segments: Part A, which focuses on the judicial pronouncements, Part B on legislative developments, and Part C which highlights key government policies and administrative changes. These insights are designed to equip businesses, legal practitioners, and stakeholders with the knowledge required to navigate Nigeria's evolving tax framework effectively.



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*“A government of laws  
and not of men.”*

**– John Adams**

PART **A**

# JUDICIAL PRONOUNCEMENTS

With every ruling, the judiciary reinforces the principle that tax laws must be interpreted and applied with fairness and precision. This section delves into landmark cases that are refining the contours of tax enforcement and compliance and setting critical precedents for taxpayers and regulators alike.

# SUPREME COURT AFFIRMS THAT FOREIGN COMPANIES ARE LIABLE TO PAY TAX ON ALL INCOME DERIVED FROM NIGERIA

Halliburton West Africa Limited V. Federal Board Of Inland Revenue (SC/311/2015)



The facts relevant to this appeal which had long oared from the body of appeal commissioners, the Federal High Court, the Court of Appeal and finally up to the Supreme Court are that Halliburton West Africa Limited (**HWAL** or the **Appellant**), a company incorporated in the Cayman Islands, engaged in business transactions in Nigeria through its Nigerian subsidiary, Halliburton Energy Services Nigeria Limited (**HESNL**). Under their contractual arrangement, HESNL secured and executed contracts on behalf of HWAL, while HWAL reimbursed HESNL for expenses incurred and paid it a management fee.

Following a tax audit, the Federal Board of Inland Revenue (**FBIR** or the **Respondent**) discovered that HWAL had omitted certain income from its self-assessment tax returns for the years 1996 to 1999. Specifically, HWAL had excluded the recharges and fees paid to HESNL from its reported turnover. FBIR issued notices of additional assessment totalling USD\$6,686,381 to tax these omitted amounts. HWAL challenged the additional assessment, arguing that the FBIR lacked the legal authority to impose it, that the recharges and fees should not be considered part of its taxable turnover, and that the assessment amounted to double taxation.

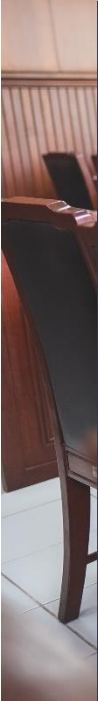
In determining the appeal, the Supreme Court adopted the five issues raised for determination by the Appellant but resolved all against the Appellant. One of the fundamental issues considered was:

“Whether the learned Justices of the Court of Appeal were correct to have come to the conclusion that the Appellant was liable to additional taxation on the ground of undeclared income of HWAL and under Section 26 of the Companies Income Tax Act (**CITA**)?”

In a judgment delivered by Justice Emmanuel Akomaye Agim, JSC on 24.01.2025, the Supreme Court affirmed the decision of the Court of Appeal, holding that, under Section 26 of CITA, the FBIR has the power to issue additional tax assessments where necessary—particularly in cases where it discovers undeclared income.

The Supreme Court found the Appellant's appeal to be fundamentally flawed, as it failed to challenge any specific factual findings of the Court of Appeal. Instead, the Appellant merely contested the overall conclusion, which itself had been drawn from multiple, uncontested factual determinations.

The Supreme Court identified several key findings of the Court of Appeal that the Appellant did not dispute and which both the Appellant and Respondent agree, to wit:



that the recharges and fees paid by the Appellant to its subsidiary were omitted from its original self-assessment returns,

that the additional assessment raised by the respondent was on the said omitted or undeclared recharges and fees,

that the Appellant never argued that its subsidiary had already been assessed and

that the subsidiary was not assessed to tax on the said recharges and fees.

Given that these findings remained unchallenged, the Supreme Court held that the Appellant could not argue that the FBIR had deviated from its alleged standard practice of excluding recharges from a company's turnover.

Further, the Supreme Court rejected the Appellant's claim of double taxation, holding that simply alleging that the subsidiary may have been taxed on the same recharges and fees did not suffice to establish double taxation in the absence of clear and express documentary evidence.

The Court also emphasized that the Appellant had opted for and agreed to a turnover or deemed profit assessment by filing self-assessment returns—yet failed to submit its audited accounts as required under Section 41 of CITA. Given this election, the Appellant could not expect the normal taxation principle of deducting business costs from total income, for the purposes of determining taxable profit to apply. The Supreme Court reaffirmed that a foreign company earning income through its Nigerian subsidiary is liable to tax on the full turnover of that business, though subject to a fair and reasonable percentage which was not the case of the Appellant. Since the Appellant did not challenge the fairness or reasonableness of the additional assessment on its turnover, but rested its entire case on the argument that the recharges and fees did not form part of its turnover—the Supreme Court concluded that the Appellant had no valid grounds to contest the additional tax assessment and dismissed the appeal as baseless and without merit.

Having so held, the Supreme Court ordered HWAL to pay the sum of ₦2,000,000 in costs to the FBIR. This judgment reinforces the position that a parent company and its subsidiary are separate taxable entities, and transactions between them must be properly accounted for, for tax purposes. In addition, foreign companies conducting business through Nigerian subsidiaries would be liable to tax on all income derived in Nigeria from those transactions.

# FEDERAL HIGH COURT RULES AGAINST THE IMPOSITION OF EXCISE DUTIES ON NON-ALCOHOLIC BEVERAGES

Nigerian Customs Service Board V. Nigeria Employers' Consultative Association & ORS (Suit No: FHC/ABJ/CS/2004/2022)

The Nigeria Employers' Consultative Association (**NECA**), along with two major beverage companies, Nigerian Bottling Company Limited and Seven-Up Bottling Co. Limited (altogether the Plaintiffs), filed a suit against the Nigerian Customs Service Board (**NCS**) and the Minister of Finance, Budget, and National Planning (altogether, the **Defendants**) at the Federal High Court (**FHC**), Abuja Division. The Plaintiffs challenged the imposition of excise duties on non-alcoholic, carbonated, and sweetened beverages, arguing that the NCS lacked the statutory authority to enforce such duties. The Plaintiffs also contested the validity of the 'Approval for the Implementation of the 2022 Fiscal Policy Measures and Tariff Amendments' (the **Circular**) issued by the Minister of Finance, (which sought to implement the excise duties), claiming it was issued without proper legal backing and was therefore null and void.



Although the Court had to determine the issue of locus standi raised as a preliminary objection, it adopted the five issues distilled for determination by the Plaintiff in the substantive suit, but we have restricted our highlights to the following:



Whether the NCS could enforce excise duties on non-alcoholic, carbonated, and sweetened beverages without an enabling statute specifically empowering it to do so.



Whether the words "non-alcoholic, carbonated, and sweetened beverages" as used in section 17 of the Finance Act 2021 should be interpreted conjunctively (all three elements must be present) or disjunctively (any one element suffices).



Whether the Circular issued by the Minister of Finance, which expanded the scope of excisable beverages, was valid and enforceable under the law.

On the first issue, the Federal High Court held that Section 17 of the Finance Act 2021 which amended Section 21 of the Customs, Excise Tariffs, etc (Consolidation) Act (**CETA**) by adding a new section 21(3) is not a standalone provision but must be read in conjunction with Section 21(2)(3). The Court reasoned that the legislative intent behind the amendment was to specifically impose excise duty on manufacturers of non-alcoholic, carbonated, and sweetened beverages.



On this basis, the FHC resolved this issue against the Plaintiffs, noting that there was no contention by the Plaintiffs that the legislature lacked the legislative competence under the Constitution of the Federal Republic of Nigeria 1999 (as amended) to make such an amendment. Furthermore, the Court rejected the Plaintiffs' argument that the rates chargeable on non-alcoholic, carbonated, and sweetened beverages needed to be further specified under the Fifth Schedule to CETA. There would appear to be a conflict much later as the FHC, in granting the Plaintiffs' reliefs in part, held that the NCS lacked the power to enforce the collection of excise duties on non-alcoholic, carbonated, and sweetened beverages without an enabling statute specifically empowering it to do so.

On the interpretation of the phrase "non-alcoholic, carbonated, and sweetened beverages," the Court ruled that the phrase should be interpreted conjunctively, meaning that all three elements (non-alcoholic, carbonated, and sweetened) must be present for a beverage to be subject to excise duty. Emphasising that the word "and" in the statute is conjunctive, and must be given its ordinary and natural meaning, the Court rejected the argument that the phrase could be interpreted disjunctively, as such interpretation would go against the plain meaning of the statute. In reaching this conclusion, it relied on the well-established principle that tax statutes must be strictly construed, with any ambiguity resolved in favour of the taxpayer. Therefore, only beverages containing all three elements can be subject to excise duty under the Finance Act 2021.

Regarding the validity of the Circular issued by the Minister of Finance, the FHC declared the Circular invalid and ultra vires the Minister's powers. The Court held that the Circular, which sought to implement the excise duties, was not issued under the hand of the President as required under CETA. Specifically, Section 13 of CETA empowers only the President, not the Minister, to vary, impose, or remove any import or excise duty and to delete or substitute any tax schedule under CETA, upon the recommendation of the Tariff Review Board. Since the Circular was issued by the Minister and not the President, and there was no evidence that the President acted on the recommendation of the Tariff Review Board, the Court declared the Circular null and void. The Court also emphasized that when a statute prescribes a specific procedure for doing an act, any act done contrary to that procedure is null and void.

It is perhaps on the basis of this finding that the FHC ultimately held that the NCS was not empowered under CETA to enforce the new excise duty rates in the absence of a Presidential order and the apparent non-compliance with Section 13 of CETA. In granting the Plaintiffs' reliefs in part, the FHC ordered the NCS to cease its collection of excise duty on non-alcoholic, carbonated and sweetened beverages pending compliance with Section 13 of CETA. Additionally, the Court awarded costs of ₦200,000 in favour of the Plaintiffs.

## FHC RULES THAT PENALTIES AND INTERESTS APPLY TO DISPUTED VALUE ADDED TAX LIABILITIES

Federal Inland Revenue Service V MTN (Suit No: FHC/L/1A/2024)

In an appeal before the Federal High Court, Lagos division, the Federal Inland Revenue Service (**FIRS**), as the Appellant challenged a part decision of the Tax Appeal Tribunal (**TAT** or the **Tribunal**). Specifically, the FIRS contested the Tribunal's refusal to uphold the interest and penalties reflected in the assessment it had raised against MTN (the Respondent), despite the Tribunal's finding that the Respondent's activities qualified as VATable transactions.

The Appellant's grievance was that the TAT erroneously relied on Section 76 of the Companies Income Tax Act (**CITA**) and Sections 13(2) and (3) of the Fifth Schedule to the Federal Inland Revenue Service (Establishment) Act (**FIRSEA**) to determine when penalties and interest apply to an outstanding VAT liability, rather than applying the provisions of the VAT Act, which is the primary statute governing VAT. Conversely, the Respondent argued that interest and penalties could only accrue once an assessment issued by the tax authority had become final and conclusive, in accordance with the FIRSEA. The Respondent further contended that, in the event of any inconsistency between the FIRSEA and any other legislation, the FIRSEA would prevail.

The sole issue adopted by the FHC for determination was, "*whether the TAT erred in law when it set aside the penalty and interest imposed by the Appellant on the Respondent's principal VAT liability?*".

After careful consideration of the issue, the FHC overturned the Tribunal's decision on interest and penalty holding that once tax becomes due and payable, interest and penalties must follow. To rule otherwise, the Court reasoned, would be to deny the government of revenue which at the material time was legally due.

Notably, the FHC concurred with the Appellant's position that the provisions of CITA and FIRSEA do not specifically govern VAT and as such, cannot regulate value added tax assessments. The Court clarified that the Fifth Schedule of the FIRSEA, primarily addresses dispute settlement, and the role of the TAT under Section 59 of FIRSEA, rather than the assessment or imposition of tax. Accordingly, since the Fifth Schedule does not stipulate who bears the tax burden, when the tax is due, or how it is to be computed, it does not function as a charging provision for tax purposes.

In rejecting the Respondent's argument regarding the primacy of the FIRSEA over the VAT Act, the FHC held that the VAT Act, as the more specific legislation, takes precedence. Hence, the provisions of the VAT Act on the imposition of interest and penalties apply to VAT assessments issued where a taxpayer defaults. Additionally, the FHC noted that Section 68 of the FIRSEA recognises the specific areas of application of various tax laws, including the VAT Act but merely seeks to ensure uniformity in their application.

This decision reinforces FIRS' authority in tax administration, particularly VAT enforcement and significantly limits taxpayers' ability to defer penalties by disputing assessments.



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*"The best way to predict  
the future is to create it.*

**– Abraham Lincoln**

PART **B**

# LEGISLATIVE DEVELOPMENTS

Legislative developments are the architects of the future, molding policies that steer the course of progress. This part examines the legislative trajectory at both the national and state level highlighting targeted reforms aimed at bolstering government revenue.

## GOVERNOR MBAH OF ENUGU SIGNS INTO LAW, BILL TO GRANT AUTONOMY TO ENUGU INTERNAL REVENUE SERVICE



The Executive Governor of Enugu State, on 04.02.2025 signed into law a bill which grants full autonomy to the Enugu State Internal Revenue Service (ESIRS) to operate independently of the State government and establishes a one-stop shop for taxation in the State. The law, titled, "Enugu State Internal Revenue Service (Establishment and Consolidation of Revenue Administration) Law, 2025" (**the Law**), is intended to significantly reduce multiple taxation, streamline revenue collection point and promote the ease of doing business in the State.

This move aims to resolve the numerous complaints from the business community, the organised private sector and the traders, who have consistently raised concerns about fragmented revenue collection structures, harassment by tax collectors and the high compliance burden. With the ESIRS now empowered to make decisions on revenue collection, staffing, and incidental activities without dependence on the State government, Enugu is set to experience an increase in its internally generated revenue, resulting from plugging revenue leakages, improved efficiencies, deployment of technology, among others.

With the passage of this Law, Enugu State joins other states such as Akwa Ibom State, Ondo State and Kwara State, that have granted autonomy to their respective State Internal Revenue Services.

## UPDATES ON THE TAX REFORM BILLS

In a significant legislative session of the House of Representatives, the lawmakers unanimously adopted the recommendations made by the House Committee on Finance which introduced several amendments to the tax reform bills. Some of the key amendments and resolutions made to the Nigeria Tax Bill and Nigeria Tax Administration Bill include:

### Value-added Tax

- taxable supplies are to be attributed to their place of consumption, rather than where returns are filed;
- the House retained the current VAT rate at 7.5%, rejecting the proposed increase to 12.5% by 2026. The distribution of VAT revenues was adjusted to

30%

to be allocated based on consumption, i.e. derivation (55% was previously proposed);

50%

equally among all states;

20%

based on population

### Excise Duty

the provisions relating to excise duties, particularly on telecommunications and foreign exchange transactions, were removed to prevent potential adverse economic impact.

### Inheritance Tax

in determining income, profits or gains chargeable to tax, the House amended the bill to clarify that income from inherited assets shall not be subject to tax until such assets are distributed. This effectively excludes, from taxable income, any earnings derived from inherited property prior to its distribution among beneficiaries.

### Company income tax rate

the proposed reduction in the company income tax rate from 30% to 27.5% in 2025 and 25% in 2026 was removed, maintaining the rate at 30%.

### Non-resident shipping and air transport companies

not required to present tax clearance certificates, therefore, a proposed elimination of the burden involved in processing TCC.

### Threshold for small companies

was increased to a gross turnover of ₦100 million or less per annum with total fixed assets not exceeding ₦250 million.

## Executive Limits

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amendments were made to require the President or State Governors to obtain approval from the National Assembly or State Houses of Assembly as the case may be before granting tax exemptions to any person or on any class of income.

## Timeline for issuing tax identification numbers

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this was increased from two to five working days.

## Information to be delivered by banks

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information of customers to be delivered or provided by banks with respect to reportable transactions shall be restricted to tax purposes only. The qualifying threshold for these reportable transactions were increased from ₦25 million to ₦50 million for individuals, and from ₦100 million to ₦250 million for corporate entities.

Other general amendments include the reduction of the filing period for companies that had ceased operations from six months to three months; introduction of fines and penalties for non-compliance by Virtual Assets Service Providers (**VASPs**); the reduction of excessive references to other bills, particularly the Nigeria Tax Bill, by clearly stating the relevant stipulations and provisions, rather than referring to sections in other bills; and interest rates to be maintained at the prevailing CBN monetary policy rate, rather than the initially proposed 2% above the prevailing rate.

Under the Nigeria Revenue Service Bill (**NRS**), Section 4 of the NRS Bill was amended to exclude individual taxpayers in states and the federal capital territory from the scope of NRS' administrative purview thereby limiting the focus of the NRS to federal tax collection. In addition, the NRS board structure was revised to include six executive directors to be appointed by the President, representing the six geopolitical zones on a rotation basis.

New qualifications for the secretary to the Board were included in section 13 of the NRS Bill. The secretary must now either be a lawyer, chartered accountant, or a chartered secretary at the level of an Assistant Director or above. Moreover, amendments to the funding of the NRS introduced a fixed cost-of-collection rate of 4%, subject to National Assembly appropriation.

For the Joint Revenue Board (Establishment) Bill (**JRBEB**), adjustments were made to better define the role of the board in harmonising tax administration across various levels of government. Deeming it irrelevant, the requirement for tax appeal commissioners to have experience managing a business or trade was expunged. Additionally, an independent funding structure was established for the Tax Appeal Tribunal which will be funded directly from the Consolidated Revenue Fund.

Having passed albeit with amendments at the House of Representatives, the tax reform bills await consideration and approval by the Senate before any final conclusions can be drawn.



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*“Revenue is the chief  
preoccupation of the state.”*

**– Edmund Burke**

PART C

# GOVERNMENT POLICIES AND ADMINISTRATION

Tax policies and administrative reforms continue to be the backbone of Nigeria's economic strategy. This section reviews key government initiatives aimed at strengthening tax collection, closing loopholes, and enhancing digital integration in tax administration.

## FIRS LAUNCHES E-INVOICING SYSTEM TARGETING LARGE TAXPAYERS FOR PILOT PHASE



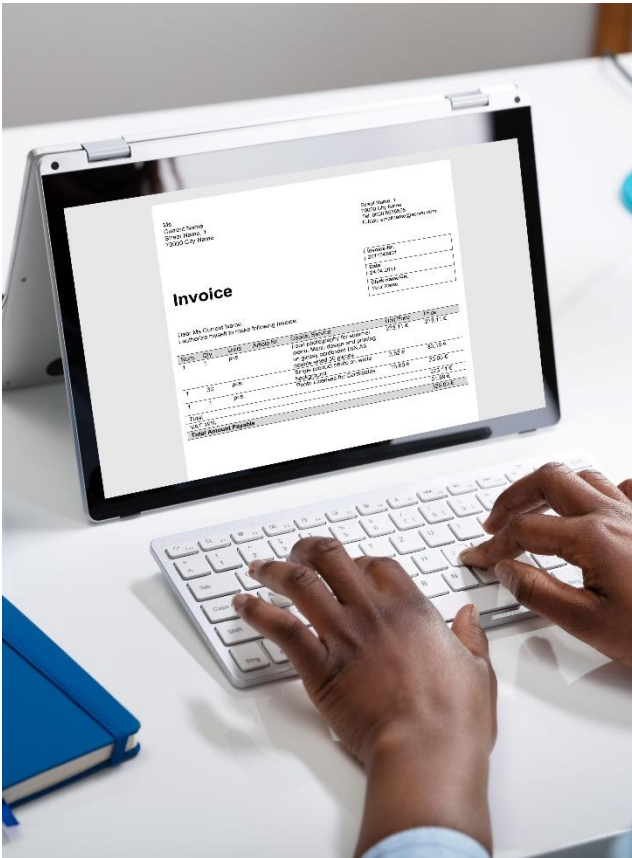
In a significant move to simplify Nigeria's tax administration, the FIRS introduced the merchant buyer solution (**MBS or e-invoicing**) system, with the pilot phase targeting large taxpayers. This initiative is part of FIRS' ongoing digital transformation strategy aimed at modernising fiscal and transactional processes in Nigeria, ensuring ease of compliance, and improving revenue collection efficiency.

The introduction of e-invoicing aligns with global best practices in tax administration, providing a more transparent and efficient method of tracking transactions. According to the FIRS, the new system is designed to enable the creation, validation, and exchange of electronic invoices, serving as a database for tracking issuance, receipt and payment of invoiced amounts. At the core of this initiative is the need to integrate taxpayers' internal invoicing process with that of the FIRS to facilitate secured exchange of data as it relates to invoicing of transactions using licensed access point providers, eliminate invoice falsification, and ensure real-time monitoring of business transactions and the relevant taxes applicable at the point of exchange. Large corporate entities, particularly those in oil and gas, banking, telecommunications, and manufacturing, have been identified as the first group of taxpayers required to comply with this new e-invoicing system.

The e-invoicing system has been modelled to be easily accessible to taxpayers on their phones, tablets, and computers. It applies to e-invoicing for both Business to Business (**B2B**) and Business to Consumer (**B2C**) transactions. For B2B transactions, the e-invoice is transmitted directly from the supplier's system to the buyer's system without any human interaction. The e-invoice issued for B2B transactions is referred to as a "tax invoice" and includes essential details such as the seller's and buyer's information, date, invoice number, description of goods or services, quantity, price, applicable taxes and total amount.

For B2C transactions, the supplier issues a "simplified tax invoice" to the consumer, which contain simplified information such as seller's details, date, invoice number, description of goods or service and applicable taxes among other essentials.

Additionally, the MBS system introduces an Invoice Reference Number (**IRN**)—a unique identification code assigned to each invoice—and a QR code, which facilitates validation of e-invoices. These features enable buyers, sellers, tax administrators, and financial institutions to verify the authenticity of an invoice at any time and from any location, thereby enhancing transparency and compliance.



The implementation of e-invoicing in Nigeria follows similar successful models in Chile and Italy, where electronic invoicing has significantly boosted revenue collection and reduced tax fraud. With the MBS system set to roll out by mid-year, businesses are advised to align their invoicing processes with the new compliance requirements.

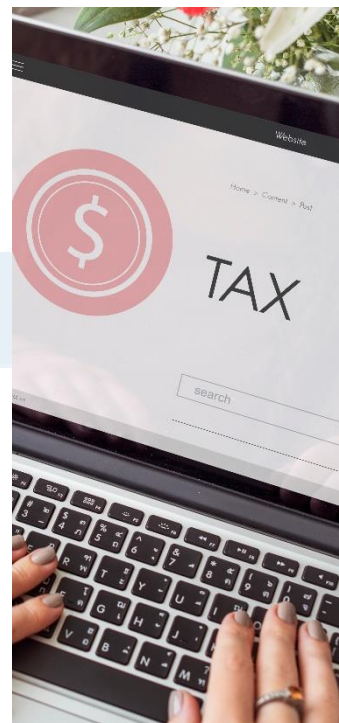
The MBS system represents a strategic step in Nigeria's digital tax reform efforts particularly given its long-term benefits for both taxpayers and the government. This new e-invoicing system is expected to foster taxpayer confidence, minimise risk of loss of records, promote greater transparency, simplify compliance, and improve revenue collection in the country. It is anticipated that the success of this initiative will drive the expansion of the MBS system to include medium and small-scale enterprises over time.

## FIRS PARTNERS WITH FLUTTERWAVE TO ENHANCE DIGITAL TAX COLLECTION

In what should be regarded as yet another significant step towards a digital tax administration system, the FIRS has partnered with Flutterwave, a leading payments technology company, to facilitate seamless tax payments. This collaboration is aimed at simplifying the tax remittance process, improving compliance, and leveraging technology to enhance efficiency in revenue collection.

With the increasing need for a more transparent and accessible tax system, FIRS' partnership with Flutterwave now offers a wide range of electronic payment methods to taxpayers, an innovative payment solution, currently being used by over one million businesses.

This translates to faster and efficient payment platforms with fewer complications for taxpayers, and in turn, makes voluntary compliance easy. From a regulatory perspective, the collaboration between FIRS and Flutterwave highlights Nigeria's commitment to leveraging fintech solutions in public financial management to streamline tax processing and reconciliation issues, albeit in compliance with existing fiscal framework.



## FEDERAL GOVERNMENT UNVEILS NEW PERSONAL INCOME TAX (PIT) CALCULATOR

In anticipation of approval by the Senate and assent by the President of the new tax reform bills, the Federal Government has introduced a new personal income tax calculator to assist taxpayers understand the impact of the proposed changes on their tax obligations. This calculator will allow taxpayers make a comparison of their current tax payments under the extant laws against what their tax payments will be under the tax reform bills, providing taxpayers with a numerical but clear representation of their tax obligations.

The PIT calculator is user-friendly and aimed to enhance transparency and taxpayer awareness, enabling Nigerians to plan their finances effectively as the tax climate changes. This development is part of the FG's efforts to ensure tax compliance and proper tax planning.



# FEDERAL GOVERNMENT LAUNCHES THE TREASURY MANAGEMENT AND REVENUE ASSURANCE SYSTEM (TMRAS)

The FG has introduced the Treasury Management & Revenue Assurance System (**TMRAS**), a new platform designed to enhance the efficiency of revenue collections and payments across federal ministries, departments and agencies (**MDAs**) to replace Remita. The key points to note about this system include:

## Phased Implementation:

The rollout of TMRAS is structured in two phases:

**Phase one** - unveiled on 04.03.2025, was focused on naira-denominated transactions, enabling MDAs to generate bank statements, monitor balances and automate tax deductions and remittances associated with vendor and contractor payments such as value added tax, withholding tax and stamp duty.

**Phase two** - set to commence 01.06.2025, expands the functionality of TMRAS to include foreign exchange transactions and integration with the MDA's enterprise resource planning systems. This phase also introduces budget modules for MDAs not included in the national budget, enforcing stricter budgetary controls

## Automated Revenue Splitting:

TMRAS is designed to automatically divide internally generated revenue, ensuring immediate remittance to both federal accounts and the respective MDA accounts. This feature promotes transparency and accountability in revenue management.

## Exclusive Processing of Extra-Budgetary Payments:

all extra-budgetary transactions, including those from special accounts, will be processed exclusively through the TMRAS, eliminating manual mandates and enhancing the effectiveness of public fund management.

## Integration with Approved Payment Solution Service Providers (PSSPs):

only CBN licensed PSSPs approved by the Office of the Accountant General of the Federation are permitted to collect government revenue.

## Transition Period:

to ensure a smooth transition, TMRAS will initially operate concurrently with Remita from its launch date to 04.05.2025. After this period, TMRAS will become the sole platform for revenue collection.

This reform underscores the FG's commitment to integrating internal technology systems for seamless tax administration.

## THE NIGERIAN COMMUNICATIONS COMMISSION APPROVES A 50% INCREASE IN CALL, DATA, SMS TARIFFS.

On 20.01.2025, the Nigerian Communications Commission (**NCC** or the **Commission**) approved an increase in the tariffs paid by consumers on calls, data, and SMS capped at 50% of the erstwhile tariff costs. This increase followed requests from telecommunication operators citing rising operational costs and the unsustainability of the previous rates. The new adjustment now affects telecommunication services with the minimum rates for phone calls increasing from ₦6.40 to ₦9.60 per minute, ₦4.00 to ₦6.00 per SMS, and the cost of 1GB of data from ₦350.00 to ₦525.00.

The Commission stated that the tariff adjustments will remain within the tariff bands established in the 2013 NCC cost study, and will be subject to a case-by-case review under the “NCC Guidance on Tariff Simplification, 2024”, which among other provisions, mandates telecommunications operators to publish their call, SMS, and data tariffs/rates.

While the increase is positioned as a measure to sustain the telecom industry, public reaction to the tariff increase has largely been negative, given the broader implications for small businesses and digital service providers who may face higher communication costs.<sup>3</sup> Additionally, the development raises questions about potential tax implications, including VAT on telecom services, the deductibility of increased operational expenses for corporate tax purposes, and the impact on compliance costs for businesses reliant on telecommunications. Businesses are therefore advised to assess how these changes affect their tax planning and operational strategies.

## THE NIGERIA PORTS AUTHORITY INCREASES TARIFFS

The Nigeria Ports Authority (**NPA**) has announced a 15% tariff increase—the first adjustment in over three decades—citing the need to address rising operational costs and upgrade port infrastructure. The revised tariffs are expected to fund improvements in cargo handling, storage facilities, and security, aligning with broader modernization efforts aimed at enhancing Nigeria’s competitiveness in international trade.

This announcement has sparked mixed reactions from the masses. While concerns loom over the potential increase in the cost of doing business—especially for shipping and logistics companies—others view the move as a necessary measure to ensure the competitiveness and sustainability of Nigeria’s ports.

The tariff increase is expected to take effect in the coming months, giving businesses time to assess their potential tax implications, making adjustments for increased customs duties, VAT on port services, and the deductibility of higher costs for corporate tax purposes.

3. NCC’s subscriber/network data annual reports, shows that, there were about 195,463,898 active voice subscriptions, 141,959,496 data subscriptions, and about 19,818,602,804 SMS messages sent and received in 2021 alone. See, Nigerian Communications Commission, ‘Year-End Performance Report 2021’ (NCC, 2021). <<https://ncc.gov.ng/market-data-reports/annual-reports>> accessed on 20 March 2025.

# FIRS ISSUES GUIDELINES ON THE IMPLEMENTATION OF THE WITHHOLDING TAX REGULATIONS

In the typical fashion that has become customary for the Federal Inland Revenue Service, the FIRS by an information circular No.01/2025 published on 24.02.2025, issued its "Guidelines on the Implementation of the Deduction at Source (Withholding) Regulations 2024" (the **Guidelines**). These Guidelines, it would seem, were necessitated by the provisions of Paragraph 11 of the Deduction of Tax at Source (Withholding) Regulations 2024 (the **WHT Regulations**) requiring the relevant tax authority, with the approval of the Minister to issue guidelines for the effective implementation of the WHT Regulations, and to, where the circumstances warrant, prescribe modalities permitting the early application of the provisions of the WHT Regulations.

Key clarifications made by the Guidelines include:

## Implementation Date of the WHT Regulations

01

Interestingly, the Guidelines make no provision for an earlier application of the WHT Regulations but retains the implementation date of the WHT Regulations at 01.01.2025. It may well be the case that there were no peculiar circumstances warranting an adjustment in this regard

## When to Deduct Tax

02

As indicated under Paragraph 6 of the WHT Regulations, tax must be deducted at the earlier of when payment is made or the amount due is otherwise settled. Whilst the WHT Regulations is remarkably silent on what it means for a transaction to be settled, the Guidelines identify the following instances when a transaction can be said to have been settled. For instance:

in a transaction settled by barter, the giver of the barter is obligated to withhold on the date of such barter.

in a stock transfer transaction, it is the person who relinquishes stock or equity that bears this obligation and same must be fulfilled on the date of such stock transfer.

for debt swaps, this obligation lies to the debtor as on the date of the swap. and

in a transaction authorising a third party to make payment, then the authorised third party shall bear this obligation and must withhold on the date payment is made.

At all times and in whatever instance, the tax deductible shall be computed at the applicable rate on the transaction amount.

## Obligations of Persons Authorised to Deduct Tax

03

Entities authorised to deduct tax must:

timeously deduct tax at the applicable rate;



remit the deducted tax to the relevant tax authorities within the stipulated time;



maintain proper records of tax deductions;



submit returns to the relevant tax authorities as required showing evidence of remittance.



## Penalties

04

The Guidelines bifurcate the penalty regime for both the FIRS and State Internal Revenue Service (SIRS). Thus, for the FIRS, failure to deduct tax attracts an administrative penalty of 10% of the tax, while for the SIRS, this penalty is the higher of 10% of ₦5,000 or 10% of the amount not deducted.

In the case of failure to remit tax deducted, the penalty for the FIRS shall be 10% of the tax not remitted, in addition to the tax withheld but not remitted plus interest at the prevailing Central Bank of Nigeria (CBN) re-discount rate. A similar offence at the SIRS shall incur a fine at the higher of 10% of ₦5,000 or 10% of the amount not deducted, in addition to the amount of tax deducted but not remitted, plus interest at the prevailing commercial rate.



# CONCLUSION

As we step into the second quarter of 2025, the tax reform bills are poised to take shape, with the Senate's approval and the President's assent marking a decisive moment in Nigeria's tax transformation. These landmark reforms will not only reshape Nigeria's legal framework but also set the tone for the coming years, signaling a new chapter for tax policy in the country.

Looking ahead, stakeholders must brace for continued judicial decisions, legislative and administrative changes, each carrying the potential to further redefine tax enforcement and compliance. The implications of these changes will unfold in real-time, demanding swift adaptation and proactive engagement from businesses, taxpayers, and regulators alike. As Nigeria's tax environment continues to evolve at an unprecedented pace, staying informed and prepared will be critical to navigating the complexities of this dynamic landscape.

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