OLANIWUN AJAYI

# Tax

## 2025 WRAP-UP | 2026 OUTLOOK

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# *Content*

# Foreword

Against the backdrop of the ambitious projections of the previous fiscal cycle, **2025** emerged as a transformative year for Nigeria. This was driven by an assertive unprecedented political will, evident in decisive legislative action, intensified enforcement and definitive judicial pronouncements. Together, these developments describe a watershed moment in Nigeria's fiscal history re-echoing the words that ***"nothing is so irresistible as an idea whose time has come."***

This idea finds clear expression in the enactment of four new, interrelated tax laws which captured sustained public attention particularly given their potential impact on the average citizen. These laws changed the public discourse from passive awareness of fiscal obligations to a more deliberate interest in the legislative process, fostering heightened public engagement as stakeholders grappled with the most far-reaching overhaul of the country's fiscal framework in decades.

Parallel to these legislative strides, the judiciary delivered several landmark judgments with profound implications for taxpayers and practitioners alike. Notably, the Tax Appeal Tribunal, (**TAT** or the **Tribunal**), relying on its deemed status as a civil court, affirmed its authority to grant interlocutory injunctive reliefs. In another case, it ruled that share purchase and sale agreements do not qualify as instruments of share transfer eligible for stamp duty exemptions under the applicable law. In a significant jurisdictional ruling, the Court of Appeal upheld the Economic and Financial Crimes Commission's authority to investigate money laundering arising from tax-related offences notwithstanding the statutory responsibilities of the tax authority.

In the regulatory space, 2025 saw the launch of transformative initiatives including the e-invoicing system, tax advocacy podcasts, treasury management and revenue assurance systems. Beyond Nigeria's borders, the signing of a Double Taxation Agreement with Rwanda marked a notable step in strengthening the country's international tax framework.

As the fiscal landscape turns towards 2026, the expectation is that of consolidation, translating these reforms into durable economic gains for growth. 2026 is poised to prioritise non-oil revenue dominance, proactive tax education and resilient budgeting.

In sum, this report delves holistically into the developments that defined 2025 and offers a clear view of what 2026 is poised to bring. It traces the key shifts in law, policy and administration, and highlights the emerging themes— new rules, new structures, and new expectations, that will shape compliance and engagement under the reformed fiscal framework.

Together, these insights provide a grounded narrative of where the tax system stands today and where it is headed.

**Olamide Obajimi**

Partner, Olaniwun Ajayi LP

# Glossary

| Abbreviations | Meaning |
|---|---|
| **AKIRS** | Akwa Ibom State Internal Revenue Service |
| **BOJ** | Best of Judgment |
| **CbCR Regulations** | Income Tax (Country-by-Country Reporting) Regulations 2018 |
| **CETA** | Customs, Excise Tariffs, etc. (Consolidation) Act |
| **CGTA** | Capital Gains Tax Act |
| **CITA** | Companies Income Tax Act |
| **CITMA** | Companies Income Tax Management Act |
| **DISCOs** | Distribution Companies |
| **EDTC** | Economic Development Tax Credit |
| **EDI** | Economic Development Incentive |
| **EFCC** | Economic and Financial Crimes Commission |
| **ESIRS** | Enugu State Internal Revenue Service |
| **FBIR** | Federal Board of Inland Revenue |
| **FCT** | Federal Capital Territory |
| **FHC** | Federal High Court |
| **FIRS** | Federal Inland Revenue Service |
| **FIRSEA** | Federal Inland Revenue Service (Establishment) Act |
| **FZE** | Free Zone Enterprises |
| **GENCOs** | Generation Companies |
| **HESNL** | Halliburton Energy Services Nigeria Limited |
| **HWAL** | Halliburton West Africa Limited |
| **JEDC** | Jos Electricity Distribution Company |
| **JRBNA** | Joint Revenue Board of Nigeria (Establishment) Act |
| **LSBIR** | Lagos State Board of Internal Revenue |
| **MCAA** | Multilateral Competent Authority Agreement |
| **MLPA** | Money Laundering (Prohibition) (Amendment) Act |
| **NBET** | Nigeria Bulk Electricity Trading Company |
| **NCS** | Nigerian Customs Service |
| **NECA** | Nigeria Employers' Consultative Association |
| **NFIU** | Nigerian Financial Intelligence Unit |
| **NFTs** | Non-Fungible Tokens |
| **NoA** | Notice of Appeal |
| **NoRA** | Notice of Refusal to Amend |
| **NIPC** | Nigerian Investment Promotion Commission |
| **NRS** | Nigeria Revenue Service |
| **NRSA** | Nigeria Revenue Service Act |
| **NTA** | Nigeria Tax Act |
| **NTAA** | Nigeria Tax Administration Act |
| **NUPRC** | Nigerian Upstream Petroleum Regulatory Commission |
| **OML** | Oil Mining Lease |
| **OMO** | Open Market Operation |
| **PAYE** | Pay-As-You-Earn |
| **PITA** | Personal Income Tax Act |
| **PPTA** | Petroleum Profit Tax Act |
| **PSI** | Pioneer Status Incentive |
| **SPSA** | Share Purchase and Sale Agreement |
| **TAT** | Tax Appeal Tribunal |
| **TCN** | Transmission Company of Nigeria |
| **TECs** | Tax Exemption Certificates |
| **VASPs** | Virtual Assets Service Providers |
| **VAT** | Value Added Tax |
| **WHT** | Withholding Tax |

# 2025 WRAP UP

PART 01

# LEGISLATIVE DEVELOPMENTS

## *"Law is reason, free from passion" – Aristotle*

Legislation is the embodiment of rational governance, translating societal needs into structured rules that guide behaviour and ensure order. This Part examines the legislative developments, in the 2025 financial year highlighting reforms designed to create clarity, fairness, and predictability in the legal and regulatory framework.

## Chronology Of The New Tax Regime

The most significant legislative development within Nigeria's contemporary tax law landscape was the enactment of four major tax reform laws, which collectively represent the most far-reaching overhaul of the country's fiscal framework in decades. These reforms were not designed in isolation, they were the culmination of a series of coordinated policy actions, institutional initiatives, expert committee recommendations, executive directives, and stakeholder engagements undertaken between 2023 and 2025.

To provide clarity and analytical context, the timeline below sets out a chronological, source-backed account of the key public events, executive decisions, and political milestones that shaped the trajectory of the reform process and ultimately led to the passage of the new tax reform laws. This chronology highlights both the underpinning policy considerations and the legislative pathways through which the reforms were conceived, debated, refined, and enacted.

**JULY 2023**
Inauguration Of The Presidential Committee On Fiscal Policy And Tax Reform At The Presidential Villa

**NOVEMBER 2023**
First Stakeholder's Meeting

**OCTOBER 2024**
Transmission Of The Four Tax Reform Bills To The National Assembly

**MARCH 2025**
House Of Representatives Passes The Four Bills

**MAY 2025**
Senate Passes The Tax Reform Bills

**MAY 2025**
Harmonised Version Of The Tax Reform Bills Transmitted

**JUNE 2025**
President Bola Ahmed Tinubu Signs The Four Tax Reform Bills Into Law

**JANUARY 2026**
Commencement Date

# Understanding the Tax Reform Acts

The tax reform Acts, namely, the Nigeria Tax Act, the Nigeria Tax Administration Act, the Nigeria Revenue Service (Establishment) Act, and the Joint Revenue Board of Nigeria (Establishment) Act, introduce sweeping reforms in the Nigerian tax framework. Essentially,

the Nigeria Tax Act (**NTA**) primarily consolidates and streamlines the Nigeria's tax laws into a single, comprehensive statute with the intention to eliminate the inconsistencies and manage gaps and ambiguities. It also repeals and replaces a wide range of pre-existing tax statutes, such as the Companies Income Tax Act, the Capital Gains Tax Act, the Personal Income Tax, the Petroleum Profits Tax Act, amongst others.

the Nigeria Tax Administration Act (**NTAA**) establishes a uniform legal framework for the administration, assessment and collection of all applicable tax types. It offers insights on tax obligations, compliance and enforcement.

the Nigeria Revenue Service (Establishment) Act (**NRSA**) replaces the Federal inland Revenue Service with the Nigeria Revenue Service, which is granted wider taxation powers.

the Joint Revenue Board of Nigeria (Establishment) Act (**JRBNA**) establishes the Joint Revenue Board to replace the Joint Tax Board and introduces a new administrative body known as the Office of the Tax Ombud.[1]

Some of the salient changes under the new reform Acts that impact individuals and businesses have been categorised per the headings set out below:

## Companies Income Tax

**No separate capital gains tax (CGT) regime** - The NTA harmonises the CGT regime with the income tax framework such that capital gains will now be treated as part of a company's total profits and taxed at the applicable income tax rate.

1. *Section 36 of the JRBNA.*

Companies income tax rate has been set at **a flat rate of 30%** for all companies not being small companies, therefore removing the distinction between large and medium sized companies. Notably, the President may by order further reduce this rate to **25%** on the advice of the National Economic Council.

**Increased threshold for small companies** – small companies have now been defined to mean businesses with an annual gross turnover of ₦100 million or less with total fixed assets not exceeding ₦250 million.

**Expansion of scope of taxable income** to include chargeable gains from the disposal of property, gains from transactions in digital or virtual assets, income from prizes, lottery winnings, games, honoraria, grants, awards, and laurels.

**Revision of exemption regime for capital gains on share disposals** to introduce a dual exemption threshold such that share disposal proceeds less than ₦150 million and not exceeding ₦10 million in chargeable gains within twelve months are exempt, replacing the single ₦100 million proceeds threshold under the CGTA.

**Elimination of minimum tax rate** and introduction of minimum effective tax rate (ETR) of 15% applicable to all constituent entities of multinational enterprises with an aggregate turnover of £750 million or its equivalent, and any company with an aggregate turnover of ₦50 billion or more in any year of assessment. Affected eligible companies with an ETR below 15%, will be required to calculate and pay additional tax to bring its ETR to the prescribed minimum rate.

**Introduction of a development levy** charged at the rate of 4% on the assessable profits of all companies excluding small businesses and non-resident companies.

**Introduction of the economic development tax incentives** (**EDI**) with sunset provisions, to replace the pioneer status incentive. However, the EDI is applicable for a priority period of five years, renewable for an additional five years.

**Introduction of controlled foreign corporation** (**CFC**) rules to tax undistributed profits of foreign subsidiaries controlled by Nigerian companies, where such profits could have been distributed without adversely affecting the subsidiary's business.

**Expansion of the capital gains tax regime to include gains realised by non-residents** from share disposals that result in a change in the ownership of a Nigerian company or its underlying Nigerian assets.

**Restriction of the tax deductibility of expenses to only expenses wholly and exclusively** incurred in the production of income, hence deleting the terms, "reasonably" and "necessarily" previously obtainable.

**Permits the transfer of unutilised capital allowance** to the acquiring or surviving entity in a business reorganisation.

**Re-definition of company to explicitly include limited liability partnerships** which invariably affects the tax treatment of limited liability partnerships**.**

## Personal Income Tax

**Upward revision of personal income tax rates and income bands** resulting in reduced or nil taxes for low-income earners and marginal increases for high income earners with the new rates ranging from 0% to 25%, replacing the previous graduated rates of 7% to 24%.

**Replaces the consolidated relief allowance with rent relief** capped at the lower of ₦500,000 or 20% of annual rent paid.

**Revises the threshold for compensation for loss of office** such that only amounts exceeding ₦50 million will be deemed chargeable gains, thus, replacing the previous ₦10 million threshold.

**Extends taxing rules to income earned by Nigerian residents performing employment duties abroad,** where such income is not subject to tax in the foreign jurisdiction.

## Indirect Taxes

### Value Added Tax

Reclassification and expansion of the scope of VAT exempt and zero-rated goods and services.

Introduction of e-fiscalisation and electronic invoicing for VATable supplies which has now been progressed by the Nigeria Revenue Service (**NRS**) via the rollout of the Merchant Buyer Solution (MBS) for large and medium taxpayers having an annual turnover of N5 billion.

Removes the restriction on input VAT recovery to allow expanded claim of input VAT on purchases provided the VAT is incurred in the course of making taxable supplies.

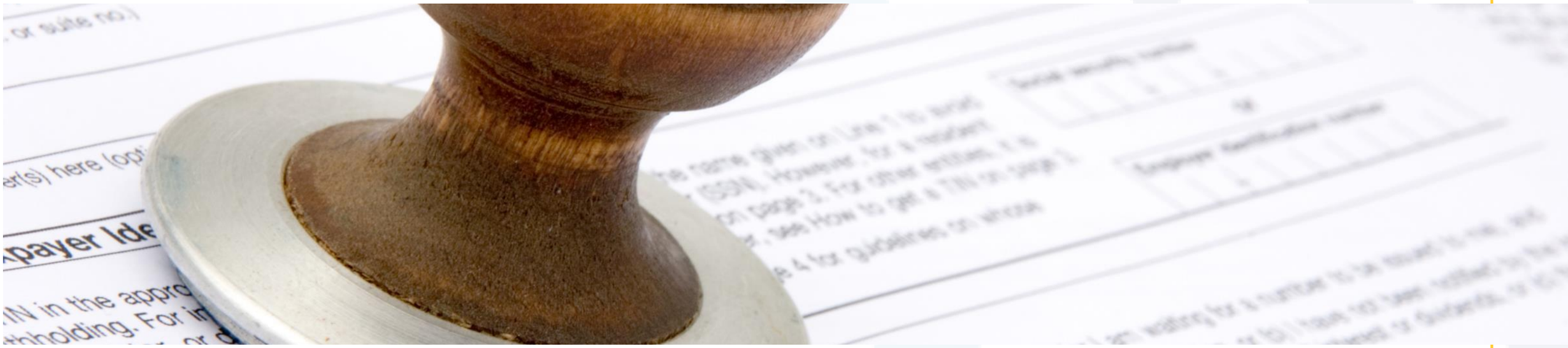
VAT collection on petroleum products (PMS, AGO, ATK, kerosene, locally produced LPG), renewable energy equipment, and other gaseous hydrocarbons is suspended, pending a Ministerial Order in the Federal Gazette reintroducing charges.

Small businesses may now by written notice to the NRS, opt to charge and file VAT returns.

Goods purchased for use in humanitarian donor funded projects are now VAT exempt provided that the humanitarian donor shall first pay the VAT and request a refund from the NRS.

## Stamp Duties

- Prescribes a clearer timeline to stamp dutiable instruments within 30 days after execution of the affected dutiable instrument
- Clarifies and delineates explicitly the responsible party to stamp a chargeable instrument
- Confines conveyance on sale to every transfer of interest or rights in real property alone
- Now imposes an ***ad valorem*** **rate of 2% on agreements for the transfer of mineral assets of any kind.**
- Introduces a stamp duty exemption for lease agreements with an annual value less than ₦10 million or ten times the annual minimum wage, whichever is higher.
- The tax authority now has the mandate to determine which document is the primary instrument for ad valorem duty purposes in cases where a transaction is supported by multiple taxable instruments.
- Prescribes a reduced ***ad valorem*** **rate of 3% for leases above 21 years.**



## Administration, Compliance and Enforcement

01 Rebrands the FIRS as the NRS and designates it as the sole authority responsible for administering taxes and revenues under all laws enacted by the National Assembly.

02 Empowers the NRS to collect petroleum royalties and issue additional royalty assessments where necessary, in place of the Nigerian Upstream Petroleum Regulatory Commission (**NUPRC**).

03 Imposes a mandatory filing of tax incentives returns on all taxable persons benefitting from tax incentives under the NTA.


04 Imposes a mandatory duty to disclose, without request or notice from the NRS, any transaction expected to confer a tax advantage or benefit.

05 Empowers the tax authorities to establish accreditation requirements for tax agents who represent taxpayers in fulfilling their tax obligations

06 Introduces advance rulings for clarity, consistency and certainty regarding the interpretation and application of any tax law in so far as such ruling does not constitute an amendment or replacement of the law.

07 Limits the extension of the 6-year limitation period to cases of deliberate misstatements in contrast to the broader grounds previously obtainable namely, fraud, wilful neglect or default.

08 Delegation of tax administration is permissible on such terms mutually agreed by the tax authorities and subject to the approval of the relevant government.

09 Establishes the Office of the Tax ombud to serve as an independent and impartial arbiter, conduct enquiries, institute legal proceedings on behalf of a taxpayer and serve as a watchdog against any arbitrary fiscal policies, amongst others.

Altogether, these tax reform Acts are expected to foster a more stable business environment in Nigeria and potentially attract increased foreign investment. It is expected that they will simplify compliance, enhance revenue administration, strengthen intergovernmental coordination, and ultimately promote a more business-friendly and investment-ready Nigerian economy.

# 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.

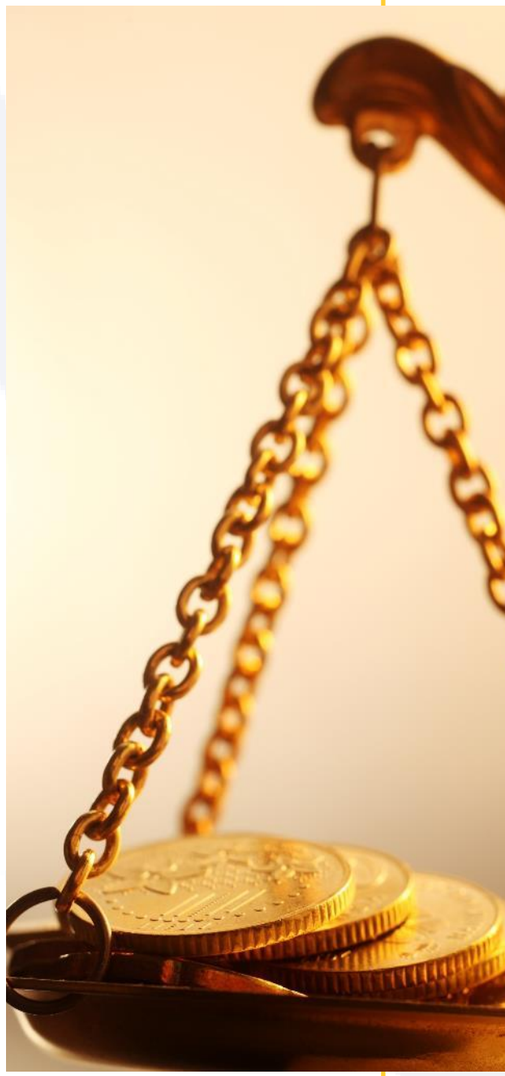
PART 02

# JUDICIAL DEVELOPMENTS

***"The life of the law has not been logic; it has been experience."***

***– Oliver Wendell Holmes Jr***

With each judicial decision, the courts demonstrate that the interpretation and application of tax laws are shaped by practical realities as much as by statutory text. This chapter explores landmark cases decided in the 2025 financial year.



## TAX APPEAL TRIBUNAL (LAGOS ZONE) AFFIRMS JURISDICTION TO GRANT INTERLOCUTORY RELIEFS IN TAX APPEALS

### *CNOOC Exploration and Production Nigeria Ltd v Federal Inland Revenue Service (FIRS) (Appeal No TAT/LZ/SD/042/2024)*

In a considered ruling delivered on 14 October 2025, the Tax Appeal Tribunal, Lagos Zone, dismissed the notice of preliminary objection filed by the Federal Inland Revenue Service (the **Respondent/Applicant**) against CNOOC Exploration and Production Nigeria Ltd (the **Appellant/Respondent**). The Respondent had contended that the originating summons filed by the Appellant at the Federal High Court (**FHC**) in relation to what it believed to be similar issues and subject matter as the appeal before the Tribunal constituted an abuse of court process.

The facts are that on 04.12.2024, the Appellant filed two separate actions regarding a stamp duties assessment viz:


a notice of appeal at the TAT challenging the validity of the assessment (the **TAT appeal**); and

an originating summons at the FHC seeking to restrain FIRS' enforcement powers pending the TAT appeal (the **FHC suit**). In light of the above, the Respondent vide a notice of preliminary objection, sought an order of the Tribunal dismissing the appeal contending that the FHC suit was identical with the TAT appeal.

FIRS argued that such multiplicity of suits was vexatious, a waste of judicial resources, risked contradictory judgments and ultimately an abuse of court process. The basis for FIRS' position was that the Appellant's FHC suit sought to void FIRS' assessment which was the same subject matter disputed before the Tribunal. FIRS further argued that the TAT rules do not limit the powers of the Tribunal to hear interlocutory or interim applications for injunctive reliefs.

In reply, the Appellant argued that the suits were distinct: the FHC suit sought amongst others, an interpretation of FIRS' enforcement powers and statutory rights under the FIRS Establishment Act (**FIRSEA**), specifically whether the FIRS could lawfully abridge the 30-day statutory appeal window by seeking to enforce payment pending appeal, whereas the TAT appeal sought determination of the validity of the stamp duties assessment. The Appellant maintained that the Tribunal is not vested with the coercive powers to grant injunctive reliefs hence the FHC suit to prevent irreparable harm to the Appellant.

In resolving the objection, the Tribunal adopted a two-tiered approach: first, it determined the priority of the suits for the purpose of deciphering which action may be deemed an abuse of court process, and subsequently, ascertained whether the FHC suit was on similar subject matter and reliefs as TAT appeal.

On priority of filing, the Tribunal found that both suits were filed on the same day making it difficult to ascertain the "latter" suit. However, because the FHC suit expressly referenced the pendency of the TAT appeal, the Tribunal ruled that the FHC action was likely later in time.

In relation to the subject matter of the FHC suit, the Tribunal examined Section 59 and the 5th Schedule to the FIRSEA. It held that Paragraph 20 of the 5th Schedule is a substantive "conferment of residual authority" clothing the Tribunal with the power to do anything "incidental or ancillary to its functions", including granting interim or protective injunctive reliefs. It noted that the Tribunal is deemed a "civil court for all purposes" and has the inherent jurisdiction to safeguard procedural rights.

Interestingly, the Tribunal held that despite its powers to entertain interlocutory applications, a concurrent interlocutory application in another court while a substantive appeal is pending at the TAT does not amount to an abuse of court process and therefore cannot justify striking out the TAT appeal.

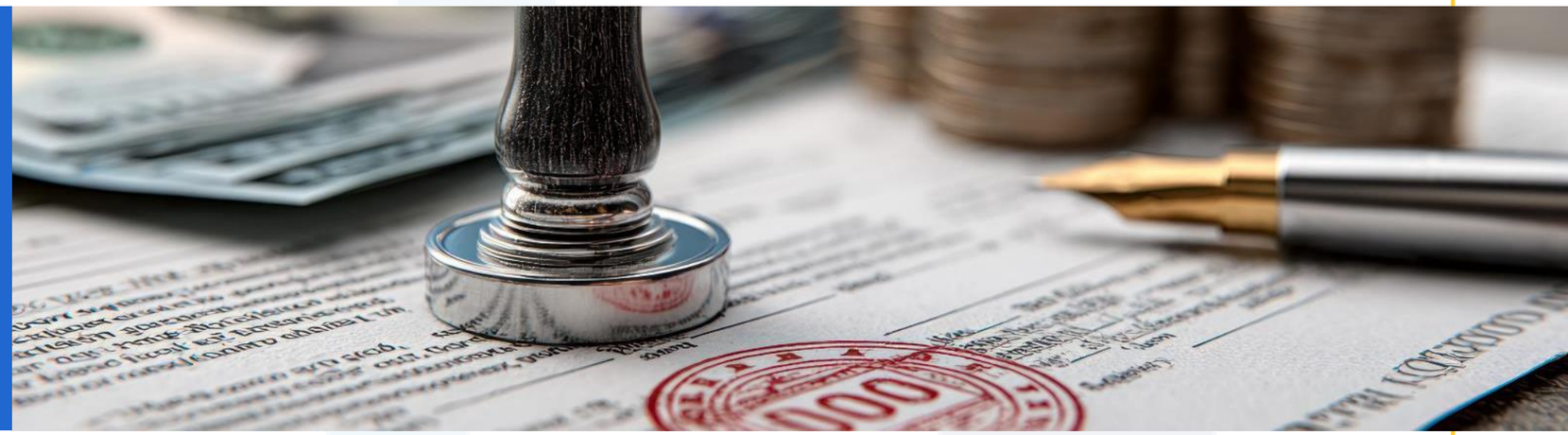
Crucially. the Tribunal emphasised that the allegation of abuse of court process, ought to have been brought before the FHC, in view of the latter proceedings, and not the Tribunal. Consequently, the Tribunal refused and struck out the Respondent's notice of preliminary objection.

This decision is significant in that it reinforces the TAT's position as the primary and appropriate forum for the resolution of tax disputes in Nigeria, including interlocutory applications for injunctive reliefs. Taxpayers are therefore advised to exhaust the dispute resolution mechanisms provided under Nigeria's tax laws before invoking the jurisdiction of the regular courts.

# TAX APPEAL TRIBUNAL UPHOLDS LIABILITY TO PAY STAMP DUTIES ON SHARE ACQUISITION AFFIRMING THE NON-EXEMPT STATUS OF SHARE PURCHASE AND SALE AGREEMENTS

*Oando Oil Limited v. Federal Inland Revenue Service (FIRS)*

*several oil and gas companies had failed to remit stamp duties on transactions relating to the acquisition of Oil Mining Leases (**OMLs**).*



In this appeal, Oando Oil Limited (the **Appellant**) challenged a stamp duties assessment issued by the FIRS (the **Respondent**) by a letter dated 24.06.2024, assessing the Appellant to stamp duties in the sum of USD$88,258,099.32 (Eighty-Eight Million, Two Hundred and Fifty-Eight Thousand, Ninety-Nine United States Dollars, and Thirty-Two Cents).

The assessment arose from an investigation conducted by the Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC), which revealed that several oil and gas companies had failed to remit stamp duties on transactions relating to the acquisition of Oil Mining Leases (**OMLs**). In the Appellant's case, the Respondent identified three Share Purchase and Sale Agreements (**SPSAs**) executed in 2012 and 2014 between named subsidiaries or affiliates of ConocoPhillips Company and the Appellant respectively, covering interests in OMLs 60, 61, 62, 63, 131 and 214, in 2012 and 2014. On this basis, the Respondent sought to recover stamp duties from the Appellant in respect of its acquisition of shares in ConocoPhillips Company, and resulting indirect interests in the OMLs.

Following the rejection of its objection, the Appellant filed a Notice of Appeal, advancing three principal arguments. First, the Appellant argued that it was not a party to the SPSAs and therefore did not acquire any interest in the OMLs in the period under review. The Appellant maintained that it is a separate legal entity and cannot be saddled with tax obligations arising from transactions to which it was not a party.

Second and in the alternative, the Appellant argued that even if it were deemed to have acquired shares in the company that owned the OMLs, such transaction would amount to a transfer of shares, which is expressly exempt from stamp duties under Paragraph 13 of the General Exemption Schedule to the Stamp Duties Act (**SDA**). Accordingly, any instrument related to the transfer of shares should not attract stamp duty.

Third, the Appellant relied on Section 114 of the SDA, which prescribes a five-year limitation period for proceedings to recover unpaid stamp duties. Since the SPSAs were executed in 2012 and 2014, the Appellant contended that the Respondent's assessment was statute-barred.

On the above grounds, the Appellant sought declarations that it was not liable for stamp duties, and an order restraining the FIRS from taking further enforcement steps.

The Respondent opposed the appeal in its entirety. In the main, the Respondent argued that the Appellant had admitted to acquiring shares in the company with vested interests in the OMLs, and that stamp duties were chargeable on such acquisition. The Respondent further submitted that under the SDA it was immaterial that the Appellant was a primary or secondary party. It also contended that the transaction was not a mere transfer of shares and that the Appellant had failed to produce any documentary evidence to substantiate its claims as to the manner of acquisition.

On the issue of limitation, the Respondent relied on Section 35 (2) of FIRSEA, which confers broad investigatory powers on the FIRS without statutory limitations or restrictions *"notwithstanding anything to the contrary"* in any other statute.

In determining the appeal, the Tribunal adopted a single issue for determination namely: *Whether the Appellant is liable to stamp duties in respect of the acquisition and purchase of shares and ownership interest in companies vested with OMLs 60, 61, 62, 63, 131, and 214.*

The Tribunal resolved the issue in favour of the Respondent and dismissed the appeal. On the question of limitation, which it treated as a jurisdictional issue, the Tribunal held that the supremacy clause contained in Section 68 of FIRSEA, as amended, gives the FIRSEA precedence over other statutes in matters relating to tax administration, assessment, and enforcement. Consequently, the Tribunal held that Section 114 of the SDA could not operate to bar the Respondent from recovering outstanding stamp duties.

On the substantive arguments, the Tribunal held, *inter alia* that:

The SPSAs, by their description and nature, clearly constituted contracts for the purchase and sale of shares, not mere transfer of shares, and therefore did not qualify for exemption under Paragraph 13 of the Schedule to the SDA.

The burden of proving separate corporate personality rested on the Appellant, which failed to tender its certificate of incorporation, the incorporation documents of the supposed contracting entities, or the SPSAs themselves, and failed to join the alleged contracting parties to the appeal. In addition, there was no evidence that the affected parties to the SPSAs did in fact pay stamp duties to the FIRS.

There was conclusive and irrefutable admission by the Appellant that it acquired shares in the entity with interests in the OMLs, and there was no dispute that the shares subject to the SPSAs were ultimately domiciled with the Appellant.

That the Appellant failed to join issues with the Respondent in respect of its claims for penalties and interest.

In its final analysis, the Tribunal upheld the stamp duties assessment and dismissed the appeal in its entirety. However, in awarding interest and penalties, the Tribunal relied not only on the SDA on failure to stamp dutiable instruments but also on the provisions of the Nigeria Tax Administration Act 2025, a statute which had not yet to come into force at the time of the decision.

Although the Tribunal's decision raises significant questions on the appropriate interpretation and application of the supremacy clause in Section 68 of FIRSEA, as well as the propriety of relying on a futuristic tax legislation, these issues remain open for further scrutiny in any subsequent appeal. Nonetheless, the decision represents a firm and decisive position on the non-exempt status of SPSAs for stamp duty purposes.

# 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 tax appeal tribunal, 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?"*

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:

| A | B | C | D | E |
|---|---|---|---|---|
| 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 additional assessment was not on the income already declared in the Appellant's original self-assessment; | 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

## NIGERIA EMPLOYERS' CONSULTATIVE ASSOCIATION & ORS V. NIGERIAN CUSTOMS SERVICE BOARD V. (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 (the 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:

1. Whether the NCS could enforce excise duties on non-alcoholic, carbonated, and sweetened beverages without an enabling statute specifically empowering it to do so.
2. 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).
3. 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 FHC held that Section 17 of the Finance Act 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.


> *...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*

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.

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 as the Appellant challenged a part decision of the Tax Appeal 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 and Sections 13(2) and (3) of the Fifth Schedule to the FIRSEA to determine when penalties and interest apply to an outstanding VAT liability, rather than applying the provisions of the Value Added Tax (**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.

# FEDERAL HIGH COURT NULLIFIES THE INCOME TAX (COUNTRY-BY-COUNTRY REPORTING) REGULATIONS 2018

## FIRS V CHECKPOINT SOFTWARE TECHNOLOGIES B.V. NIGERIA LTD (SUIT NO: FHC/L/10A/2023).

By a Notice of Appeal (**NoA**) dated and filed on the 15.09.2023, the Federal Inland Revenue Service (**FIRS** or Appellant) brought an appeal challenging and seeking to set aside the decision of the Tax Appeal Tribunal, which nullified the Income Tax (Country-by-Country Reporting) Regulations 2018 (**CbCR Regulations**). The facts relevant to this appeal are that Checkpoint Software Technologies BV Nigeria Limited (**Checkpoint** or the **Respondent**) had contested administrative penalties imposed by the Appellant for the late filing of its 2019 and 2020 country-by-country (**CbCR**) notifications. In August 2023, the TAT ruled in favour of Checkpoint, declaring the penalties imposed under the CbCR Regulations null and void. The TAT had held that the CbCR Regulations were issued in 2018 during a period when the FIRS had no validly constituted Board, contrary to the express requirements of Section 61 of the **FIRSEA**.

Additionally, the TAT held that the CbCR Regulations, which sought to impose penalties exceeding those permitted under the FIRSEA, were unconstitutional. The TAT further ruled that the CbCR Regulations, which were based on the OECD Country by Country Multilateral Competent Authority Agreement (**MCAA**) could not be enforced in Nigeria in the absence of domestication by the National Assembly.

On appeal before the Federal High Court, the Appellant raised three issues for determination to wit:

Whether the honourable Tribunal was correct in its conclusion, that the CbCR Regulations was null and void on the ground that the Appellant did not have a Board at that material time.

Whether the Tribunal was right in nullifying the penalties contained in the CbCR Regulations imposed against the Respondent on the grounds that they were contrary to the penalties contained in FIRSEA.

Whether the CbCR Regulations is unconstitutional and void as a result of the non-domestication of the MCAA on Country-by-Country Reporting.

In determining the appeal, the Federal High Court adopted the three issues for determination raised by the Appellant and resolved same in favour of the Respondent. In a judgment delivered by Hon. Justice A.O Faji of the Federal High Court, Lagos Division, the Court held on the three issues for determination raised by the Appellant respectively as follows:

On the first issue, the Court held that pursuant to Section 61 of the FIRSEA which requires that all rules and regulations made under the FIRSEA be issued by the Board with the approval of the Minister, the Appellant could not show at the material time that there was a properly constituted Board when the CbCR Regulations were issued. Hence, the CbCR Regulations was *ultra vires*, of no legal effect, and cannot be relied upon by the Appellant in view of the notices it issued to the Respondent.

On the second issue, the Court held that since the penalties prescribed under the CbCR Regulations relate to matters other than tax liability which fall within the scope of Section 26(3) of FIRSEA, the excessive penalties under the CbCR Regulations were inconsistent with the said provision. On this basis, the penalties were declared null and void.

On the final issue for determination, the Court held that the CbCR Regulations were unconstitutional as their legal basis, that is, the OECD MCAA, had not been ratified by the National Assembly. Accordingly, CbCR Regulations were found to contravene Section 12 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) (the **Constitution**) and were declared unconstitutional.

This decision reaffirms the constitutional requirement that international agreements must be ratified and domesticated before forming the basis of binding regulatory frameworks in Nigeria. It also underscores the importance of proper delegation of statutory powers and the limitations of regulatory agencies in imposing penalties not expressly sanctioned by enabling laws.

## SUPREME COURT DELIVERS LANDMARK JUDGMENT ON THE JURISDICTIONAL AND CONSTITUTIONAL STATUS OF THE TAX APPEAL TRIBUNAL

### *TSKJ CONSTRUCOES INTERNACIONAL SOCIADADE UNIPERSSOAL LDA V FIRS (SUIT NO: SC/995/2017)*

In a landmark judgment delivered on 09.05.2025, the Supreme Court of Nigeria laid to rest the long-standing debate on the constitutional status and jurisdiction of the Tax Appeal Tribunal.

The dispute before the Supreme Court arose from a contract executed by the Appellant, a Portuguese company, on behalf of NLNG for a liquefied natural gas project. In the course of executing the contract, the Appellant incorporated a Nigerian subsidiary, TSKJ Nigeria Limited, to provide logistical and support services, for which it received “recharges” from the parent company. The Appellant, adopting the deemed/turnover assessment method, treated the said recharges as deductible expenses in its self-assessed tax returns. However, the Respondent upon review, disallowed the deductions and issued additional assessments totalling USD$12,924,947 for the 2004–2007 financial years. The Appellant’s objection was rejected via a Notice of Refusal to Amend (**NoRA**), prompting an appeal to the Tax Appeal Tribunal, which dismissed the appeal. The Appellant then approached the Federal High Court, which held in its favour, declaring the assessments invalid and affirming that the Tribunal lacked jurisdiction under Section 251(1)(b) of the Constitution.

On further appeal, the Court of Appeal reversed the Federal High Court's decision, holding that the appeal was incompetent since the grounds of appeal raised issues of mixed law and fact, contrary to Paragraph 17 of the Fifth Schedule to the FIRSEA, and reinstated the Tribunal's decision. The Appellant, dissatisfied, appealed to the Supreme Court.

The central issue before the Supreme Court revolved around whether the TAT is a constitutionally valid body for adjudicating tax disputes, and whether taxpayers could be required to exhaust the TAT process before approaching the Federal High Court.

In delivering its lead judgment, Justice Hannatu Sankey, JSC, affirmed that the TAT is not a court within the meaning of Section 6(3) and (5) of the Constitution, but rather an administrative tribunal performing quasi-judicial functions. The Supreme Court reached this conclusion after considering several factors such as the composition of the TAT, and the appointment mechanism of the members of the Tribunal and held that as a non-judicial body, the TAT, does not usurp the jurisdiction of the Federal High Court. Rather, it operates as a condition precedent and a specialised fact-finding body to be approached before tax matters proceed to judicial courts.

The Supreme Court equally held that the TAT's existence and powers are not incongruous or incompatible with the judicial authority of the Federal High Court but exists to complement the dispute resolution framework under the FIRSEA. Importantly, the Court noted that the TAT as a fact-finding tribunal comprising tax experts, is not bound by the strict rules of evidence under the Evidence Act, so long as it adheres to established principles of fair hearing.

The judgment reaffirms TAT's legitimacy and underscores its critical role as a specialised forum for addressing tax matters. By conclusively determining the status of the Tribunal, albeit as an administrative body within Nigeria's legal architecture, the Supreme Court has strengthened the foundation for tax justice and removed the long-standing uncertainty that had clouded tax dispute resolution in Nigeria.

## COURT OF APPEAL OVERTURNS FEDERAL HIGH COURT'S DECISION RESTRICTING EFCC'S POWERS IN TAX AND MONEY LAUNDERING CASES

### *ECONOMIC AND FINANCIAL CRIMES COMMISSION V INSURANCE RESOURCERY AND CONSULTANCY SERVICE LIMITED APPEAL NO: CA/ABJ/CV/803/2023*

On 27.06.2025, in a significant decision, the Court of Appeal, Abuja Judicial Division, overturned a Federal High Court judgment that had restrained the Economic and Financial Crimes Commission (EFCC) from investigating Insurance Resourcery and Consultancy Service Limited (the Respondent) for tax evasion and money laundering. The appeal was centered on the scope of the EFCC's investigative powers, particularly concerning tax-related offenses as predicate crimes for money laundering.

The case originated when the Respondent sued the EFCC on the ground that the latter lacked the statutory power to invite, investigate, or prosecute it for tax evasion or any tax-related offense. The Respondent contended that such powers were exclusively reserved for the FIRS and that the EFCC's investigation into money laundering, with tax evasion as the predicate offense, following a previous arraignment for criminal breach of trust, constituted an abuse of process.

The FHC agreed with the Respondent, holding that the EFCC was not empowered to investigate tax evasion and thus could not extend its investigation to money laundering where tax evasion was the predicate offense. According to the FHC, *"if taxation is legislative driven…by law it is the FIRS, administered by the Federal Inland Revenue Service (Establishment) Act that is charged with the powers to assess, collect and account for revenue accruable to the Government."* Consequently, the trial court granted a perpetual injunction, restraining the EFCC from further investigating the Respondent on these matters.

The EFCC challenged the trial court's decision, raising two core issues before the Court of Appeal:

Whether the EFCC had the statutory power to investigate money laundering when tax evasion is a predicate offense; and

Whether the trial court was right to issue a perpetual injunction restraining the EFCC

The CoA undertook a thorough examination of the arguments, and on the first issue, the Court found that the trial court's reasoning contained "apparent contradictions." This is because while Section 46 of the Economic and Financial Crimes Commission (Establishment) Act (the EFCC Act) clearly defines "tax evasion" as an economic and financial crime which the EFCC is empowered to investigate, the trial court still erroneously concluded that the EFCC lacked the statutory power to investigate tax assessment.

The CoA clarified that there is no legal contradiction between the EFCC Act and the FIRSEA. Instead, Section 68(5) of the FIRS Act supports inter-agency collaboration, mandating that any agency aware of tax incidents should refer them to FIRS or collaborate with FIRS. In addition, the EFCC had presented unchallenged evidence of collaboration with FIRS and the Nigerian Financial Intelligence Unit (NFIU).

The Court emphasized that money laundering is a derivative offense requiring a predicate offense, and tax evasion is listed as a predicate offense under the Money Laundering (Prohibition) (Amendment) Act (MLPA). Therefore, the EFCC has the power to investigate money laundering arising from tax evasion, even if the FIRS also has specific powers over tax matters.

Flowing from the above reasons, the Court resolved this issue in favor of the EFCC, holding that the EFCC indeed has the statutory power to investigate money laundering where tax evasion is a predicate offense.

On the second issue, the Court addressed the validity of the perpetual injunction ordered by the trial court restraining the EFCC from furthering its investigation on the Respondent. While the matter was under trial, the Respondent had argued that the EFCC, in attempting to investigate and assess the tax liability of the Respondent, demanded the same documents used in a previous criminal breach of trust case involving both the Appellant and Respondent regarding the same transaction, thus leading to an abuse of investigative powers by the EFCC. However, upon construction of the evidence, the Court found that the two offenses being investigated (tax evasion and money laundering) in this current matter, were distinct from the criminal breach of trust offense, which had been instituted in the High Court, Federal Capital Territory (FCT), thus no abuse of investigative powers had occurred.

Upon a comparison of EFCC's invitation letter and the previous charge sheet (labelled Exhibits ‘A’ and ‘A2’ respectively), the Court concluded that the documents requested for both matters were not the same. While Exhibit 'A' requested tax-related documents, Exhibit 'A2' contained company registration documents. The CoA then ruled that the trial court's grant of a perpetual injunction was perverse as it was not supported by evidence.

The judgment of the FHC delivered on 28.07.2022, was set aside in its entirety, reaffirming the EFCC's broad mandate to combat economic and financial crimes, including tax evasion as a predicate offense for money laundering, often through inter-agency cooperation.

# TAX APPEAL TRIBUNAL (LAGOS ZONE) AFFIRMS LSBIR'S ASSESSMENT AGAINST TAXPAYER FOLLOWING PERSISTENT NON-ENGAGEMENT

*Lagos State Board of Internal Revenue v Noble Vine School Appeal No: TAT/LZ/PIT/016/2023*


*litigation is not a "game of hide and seek," and any party who fails to file a defense or appear in court effectively admits the opposing party's claims*

In a decisive judgment delivered on 9 September 2025, the Tax Appeal Tribunal , Lagos Zone ruled in favour of the Lagos State Board of Internal Revenue (the **Appellant**), affirming the principle that a failure to contest a claim is considered an admission of liability.

The matter arose from Noble Vine School's failure to remit various taxes for the 2016 year of assessment, in breach of its statutory obligations under the Personal Income Tax Act (**PITA**) and other applicable laws. As a registered entity, the school was required to deduct and remit Pay-As-You-Earn (**PAYE**) tax on employees' salaries.

In 2017, the Lagos State Board of Internal Revenue (**LSBIR**) initiated a tax audit of the school's 2016 financial records. Despite repeated notifications, the Respondent failed to cooperate. Consequently, the LSBIR issued a Best of Judgment (**BoJ**) Assessment of NGN695,573.90 (Six Hundred and Ninety-Five Thousand, Five Hundred and Seventy-Three Naira and Ninety Kobo) on 07.05.2018.

Upon receipt of the BoJ, the Respondent objected, with the aid of support documents attesting to its claims in the objection letter. After careful examination of these, by the LSBIR, the assessment was revised to NGN276,373.90 (Two Hundred and Seventy-Six Thousand, Three Hundred and Seventy-Three Naira and Ninety Kobo) on 11.01.2019, with a demand for payment within seven days. The Respondent neither paid the sum nor lodged a further objection. Following a final notice on 01.06.2023, warning of distraint proceedings, and given the continued default, the LSBIR escalated the matter to the Tribunal via a Notice of Appeal filed on 26.10.2023.

The record before the TAT however revealed a consistent pattern of non-engagement by the Respondent. In addition, despite being duly served with the Notice of Appeal and subsequent hearing notices, the Respondent failed to file a reply, appear in person, or engage and be represented through legal counsel.

The Respondent kept up nil appearances before the court and with the Appellant, which led the matter to a definite hearing before the TAT. As it stood before the TAT at the date of the definite hearing, the Appellant's case, supported by documentary evidence and the testimony of its sole witness, remained unchallenged.

The Tribunal thus went ahead to distil the dispute into a single issue for determination: *"Whether this Honourable Tribunal ought to grant the reliefs sought by the Appellant."* Relying on established legal principles, the TAT held that litigation is not a *"game of hide and seek,"* and any party who fails to file a defense or appear in court effectively admits the opposing party's claims, as rightly supported by the TAT (Procedure) Rules.

Accordingly, the Tribunal resolved the issue in favour of the LSBIR and made the following declarations:

Noble Vine School is liable for unremitted PAYE and Withholding Tax (WHT) for the relevant period;

The outstanding tax liability of NGN276,373.90, less the NGN82,912.10 already paid, is confirmed as due and payable to the Lagos State Government; and

Interest shall accrue on the outstanding balance at prevailing commercial bank rates up to the date of judgment, and thereafter at 6% per annum until full liquidation.

This judgment is significant because it underscores the critical importance of responding to tax assessments and complying with statutory duties. It also serves as a stern reminder to taxpayers that engagement with tax authorities is not optional.

PART 03

# GOVERNMENT POLICY AND TAX ADMINISTRATION

***"The ultimate test of a government is the welfare of its people" – Mahatma Gandhi***

Government policy and administration are the instruments through which societal well-being is advanced. This chapter explores key policy initiatives and administrative reforms at both national and state levels, in the 2025 fiscal year that were designed to enhance efficiency, improve service delivery, and strengthen the impact of government programs on citizens' welfare.

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

In a significant move to simplify Nigeria's tax administration, the FIRS (now NRS) introduced the merchant buyer solution (**MBS** or **e-invoicing**) system, with the pilot phase which became mandatory for large taxpayers from 1st November 2025. 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.

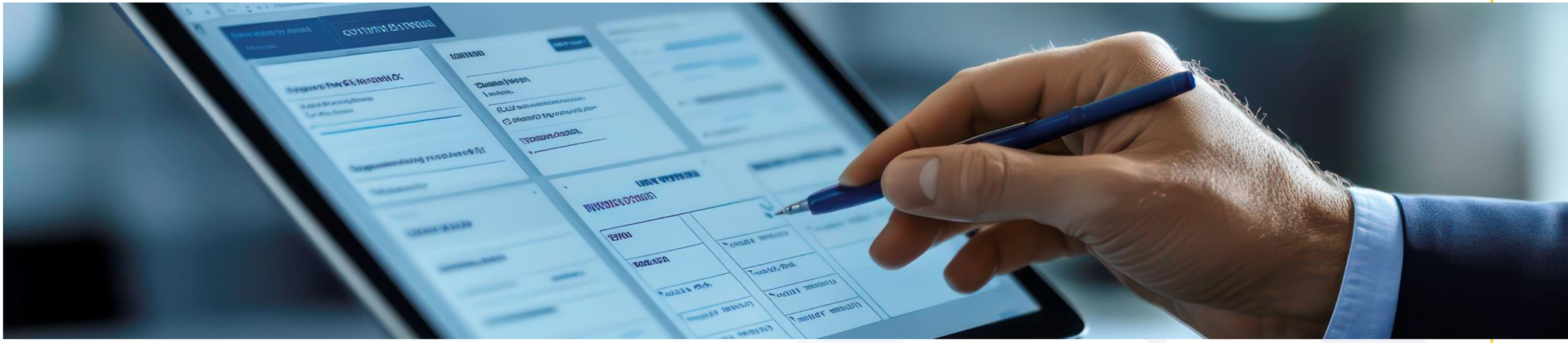
The introduction of e-invoicing aligns with global best practices in tax administration, providing a more transparent and efficient method of tracking economic activities. According to the FIRS, the new system is designed to enable the creation, validation, and exchange of electronic invoices, serving 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 contains 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.

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 overtime



## 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 (FG) LAUNCHES THE TREASURY MANAGEMENT AND REVENUE ASSURANCE SYSTEMS (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 are:


**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: which is set to commence on 01.06.2025, expands the functionality of TMRAS to include foreign exchange transactions and integration with 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 (IGR), 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 Central Bank of Nigeria (**CBN**) licensed PSSPs approved by the Office of the Accountant General of the Federation are permitted to collect government revenue.

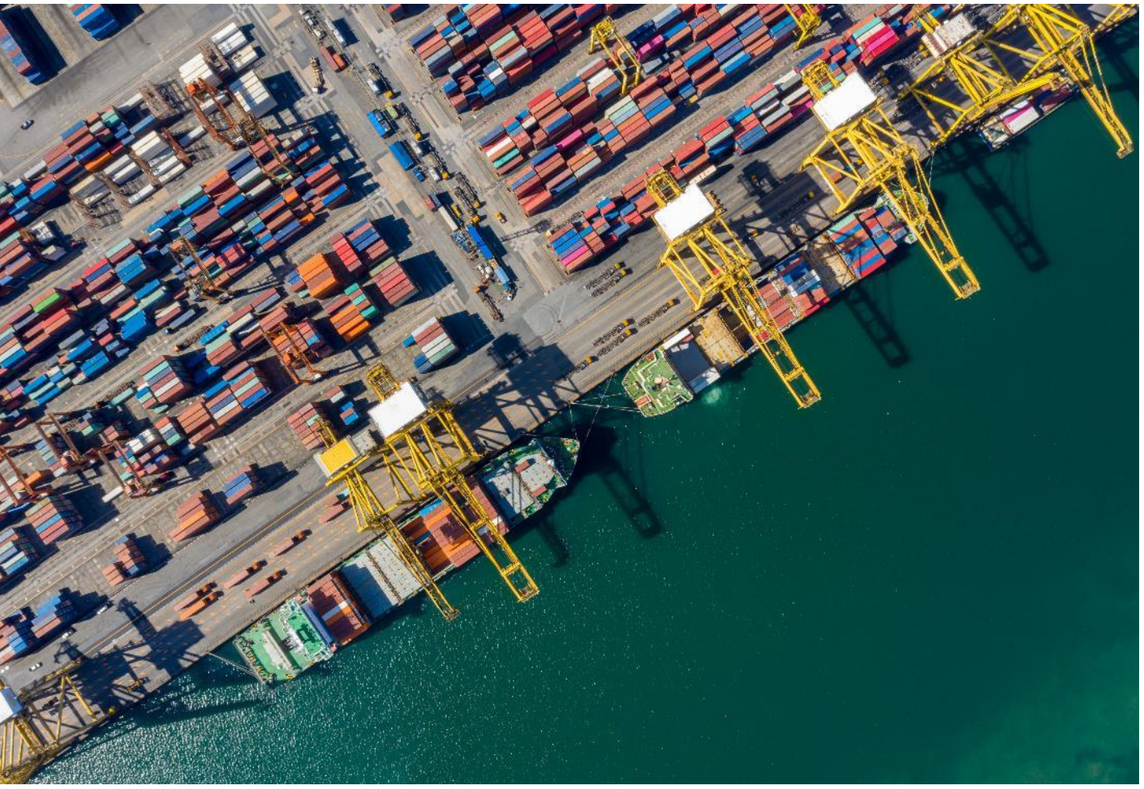
This reform underscores the FG's commitment to integrating internal technology systems for seamless tax administration.

# 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.[2] 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 business costs and operational strategies.



# NIGERIA PORTS AUTHORITY INCREASES TARIFFS

The Nigeria Ports Authority (**NPA**) 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 costs of doing business, especially for shipping and logistics business, others are of the view that the increase is a necessary measure to ensure the competitiveness and sustainability of Nigeria's ports.

The tariff increase has been since been effected resulting in higher operational costs, with corresponding implications on profitability and the deductibility of those costs for corporate tax purposes.

2. *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 WHT REGULATIONS

In its customary manner, the FIRS has by an information circular no.01/2025 published on the 24.02.2025, issued its "Guidelines on the Implementation of the Deduction at Source (Withholding) Regulations 2024 (the **Guidelines**). These Guidelines, seems to have been necessitated by the provisions of Paragraph 11 of the Deduction 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 clarification made by the Guidelines include -

## Implementation Date of the WHT Regulations

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 adjustment in this regard.

## When to Deduct Tax

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 the 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 party shall bear thus obligation and must withhold on the date payment is made.

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

## Obligations of Persons Authorised to Deduct Tax

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; and
- Submit returns to the relevant tax authorities as required showing evidence of remittance.

**Penalties** - The Guidelines bifurcate the penalty regime for both the FIRS and the State Internal Revenue Service (SIRS). Thus, for the FIRS, failure to deduct attracts an administrative penalty of 10% of the tax, while for the SIRS, this penalty is the higher of 10% of NGN5,000 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 CBN re-discount rate. A similar offence at the SIRS shall incur a fine at the higher of 10% of NGN5,000 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.

# NIGERIA AND RWANDA SIGN DOUBLE TAXATION AGREEMENT

Following the Afreximbank Annual Meeting 2025 (**AAM2025**) that held in Abuja, Nigeria's Minister of Finance and Coordinating Minister of the Economy, Mr. Wale Edun, and Rwanda's Minister of Finance and Economic Planning, Mr. Yusuf Murangwa, on 27.06.2025, signed the Agreement on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to income taxes. The Double Taxation Agreement (**DTA**) between Nigeria and Rwanda primarily aims to prevent income taxed in one signee country from being subject to tax in the other.

The DTA aligns closely with the message of AAM2025, which emphasized the promotion of intra-African trade and featured multiple speakers calling for treaties among African nations to facilitate cross-border commercial transactions. Bilateral tax treaties like the DTA are strongly encouraged, as their absence often leads to double taxation, thereby creating a disincentive for investment and trade that would otherwise occur.

Upon ratification, Rwanda will become the second African country, after South Africa, with which Nigeria has signed a double taxation agreement. Rwanda will also join the list of Nigeria's bilateral tax treaty partners, which includes the United Kingdom, Belgium, Canada, China, the Czech Republic, France, Pakistan, the Netherlands, and others.

# FIRS LAUNCHES GENDER DESK AND WOMEN'S NETWORK TO DRIVEN INCLUSIVE TAX GOVERNANCE

As part of its commitment to foster inclusive leadership and tax governance, the FIRS on 29.04.2025, officially launched its Gender Desk and Women Network (**WoN**) initiatives marking a significant step towards promoting gender equality and inclusion within the Service.

Whilst these initiatives may appear administrative and internally focused on persons within the Service, they align with Nigeria's National Gender Policy (2021-2026) and advance the sustainable development goals on gender equality, decent work, economic growth and partnerships. Thus, they position the FIRS as a pioneer in transforming fiscal institutions into inclusive and gender responsive organisations. It is intended that the Gender Desk will coordinate gender mainstreaming actions including shaping policy, workforce inclusivity and gender responsive reporting. Conversely, the WoN will focus on providing mentorship, professional development and leadership support to female staff within the FIRS.

By spotlighting female leadership, mentorship and career development, these initiatives serve as a catalyst for promoting long-term gender parity in Nigeria's public sector.

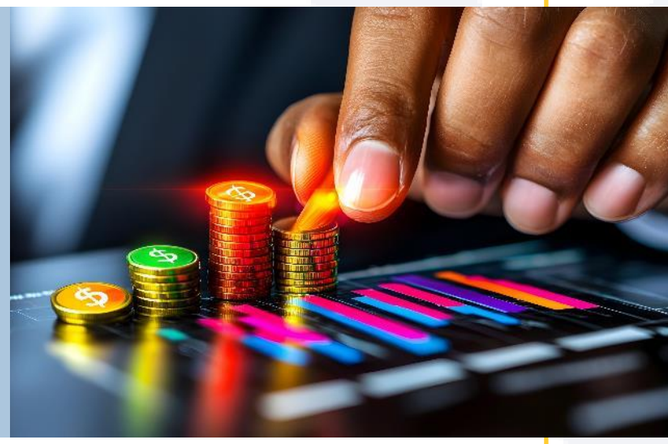
# FG INTRODUCES PERFORMANCE-BASED TAX INCENTIVE FOR OIL AND GAS SECTOR

President Bola Ahmed Tinubu has signed an Executive Order, titled, "Upstream Petroleum Operations (Cost Efficiency Incentives) Order 2025" (the Order) aimed at reducing operating costs in Nigeria's upstream oil and gas sector through performance-based tax incentives. The Order applies to lessees, licensees, and their contractors operating in the petroleum sector provided they achieve cost reduction targets and any appropriate cost benchmarks set by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC). Although the Order was formally gazetted on 15.05.2025, it takes effect retroactively from 30.04.2025.

The key highlights of the Order include:

The establishment of a Cost Efficiency Incentive (CEI) framework aimed at improving efficiency in the global oil and gas sector by:

- Reducing operating costs in the upstream petroleum operations through achievable cost reduction measures, strategies and targets;
- Promoting cost discipline among stakeholders in the upstream petroleum operations;
- Improving operational performance and streamlining contract cycles;
- Maximizing economic value from the oil and gas sector; and
- Offering tax incentives to companies which achieve or surpass cost reduction targets.



**Regulatory Oversight**: the NUPRC is to play a central regulatory oversight role in the implementation of the Order by setting cost benchmarks for upstream petroleum operations, monitoring the cost structures of upstream companies, verifying the extent of cost savings claimed by the operators before grant of tax credits by the FIRS and conducting comprehensive industry-wide audit of upstream oil measurement systems.

**Tax Credit Incentives**: Companies that meet or exceed the benchmark set by the NUPRC can claim tax credit of up to 50% of the incremental government revenue generated by their cost savings, although, total credits are capped at 20% of a company's annual tax liability ensuring the continuity of public revenue. These incentives are valid for a period of ten (10) years from 30.04.2025 till 31.05.2035, unless extended by the President

**Implementation Guidelines**: According to the Order, the FIRS and the NUPPRC, shall with approval of Minister release implementation guidelines within thirty (30) days of the Order's effective date (30.04.2025). The Guidelines will include benchmarks, targets and cost matrices to assess upstream operational costs, data submission requirements, list of qualifying companies and tax incentives computation methodology. As at the time of writing, the Guidelines are yet to be released.

**Calculation for Incentives**: The Order sets out the formula for determining the applicable incentives, taking into account among other factors, cost savings, as well as the actual and target operating costs of the company in the computation.

This Order, by balancing economic incentive with the government's revenue generation drive, renews investor confidence as incentivizing efficient operations sends a strong signal of Nigeria's commitment to greater accountability and fiscal responsibility. Additionally, the imposition of a 20% cap on the tax credits mitigates government risk and ensures that public revenue is protected.

# FIRS INCREASES TAX EDUCATION DRIVE, LAUNCHES TAX ADVOCACY PODCAST AND GRASSROOTS RADIO PROGRAMME

A well-informed taxpayer is less likely to fall foul of the law. Although a coined expression, this principle supports FIRS' efforts in driving tax advocacy and education, having launched a bi-weekly "tax advocacy podcast" aimed at improving tax literacy and voluntary compliance. This podcast is set to premier every two weeks covering evolving tax topics relevant to Nigeria's taxpayers such as the innovations in revenue administration, technological developments, the critical role taxation plays in national development and the strategic direction of FIRS. A part of FIRS' commitment to ensuring that taxpayers from all segments of society have access to and gain basic knowledge of Nigeria's tax system, the podcasts will be broadcast in multiple local languages to maximize reach and inclusivity across communities.

This podcast promises to enhance public engagement by rendering tax information more accessible and boost compliance culture. In addition, regular educational content may contribute to a reduction in non-compliance among taxpayers. It is expected that this podcast will evolve into a go-to platform for reliable information and sustained public participation.

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

The Lagos State Internal Revenue Service (**LIRS**) has issued guidelines for the implementation of the Deduction at Source (Withholding) Regulations 2024 (WHT Regulations 2024). These guidelines on Withholding of Regulations 2024 (the **LIRS Guidelines**) reiterates the provisions of the Withholding Regulations 2024.[3]

The key highlights of the LIRS Guidelines, which were issued as Public Notice No: LIRS/PN/001/04/2025 on 30.04.2025 are discussed below:


**Widening of the WHT Regime and Revised WHT Rates:** the LIRS Guidelines explains that the income susceptible to WHT obligations has been expanded under the WHT Regulations 2024 to include winnings from gaming and reality shows, fees for co-location and telecommunication tower services and brokerage fee.

In addition, it clearly delineates the transactions for which WHT rates have been revised as documented in our previous publication on the WHT Regulations 2024.

**Requirement for Registration:** Asides from reiterating the new rates and additional heads of income chargeable under the WHT Regulations, the LIRS Guidelines also mandates businesses and individuals involved in the relevant sectors to register with the LIRS online and ensure that they utilize the correct revenue codes on the site to effect payment.

**Compensation for Loss of Employment:** The LIRS Guidelines clarify that employers are now responsible for withholding the CGT due on compensation for loss of office and then remitting same to the LIRS. This obligation will function similarly to the Pay-As-You-Earn system as employers are required to file returns and remit taxes on such compensation not later than the 10th day of the month following the month of payment.

3. *Paragraph 11 Deduction at Source (Withholding) Regulations 2024*

**Credit Notes and Receipts:** The LIRS Guidelines reiterate the obligation of collecting agents to issue receipts to beneficiaries upon deducting tax, noting that the collecting agents will be held responsible where remittances cannot be confirmed.

**Taxpayer Identification:** The LIRS Guidelines require all businesses and individuals in Lagos State to register for a LIRS Payer ID, which serves as the official taxpayer identification for filing returns on withheld taxes. However, a Tax Identification Number (**TIN**) issued by the Joint Tax Board (**JTB**) will also be accepted for this purpose. The Guidelines, in line with the Withholding Regulations 2024, emphasize that where a supplier (i.e., the recipient of payment), involved in an eligible transaction for the supply of goods or services that generates non-passive income does not have a TIN, the applicable WHT rate will be doubled.


# FIRS HALTS ISSUANCE AND RENEWAL OF TAX EXEMPTION CERTIFICATES

The FIRS has announced that it will no longer issue tax exemption certificates to any category of taxpayers. The public notice (the **Notice**) titled "*Discontinuation of Issuance of Tax Exemption Certificates*," was signed by the Executive Chairman of the FIRS, Zacch Adedeji, and addressed particularly to pioneer status companies, non-governmental organisations (NGOs), and free zone entities. The Notice clarified that while no new certificates or renewals of existing certificates will be granted, all currently valid exemption certificates will remain in effect until their expiry dates.

This discontinuation follows the enactment of the NTA, which introduced a new incentive framework for the affected entities. Specifically, the Pioneer Status Incentive (PSI) will lapse come January 2026, following the repeal of the Industrial Development (Income Tax Relief) Act (**IDITRA**) and the introduction of the Economic Development Incentives (**EDI**) by the NTA. The EDI which works as a tax credit available to be set off against the tax payable of companies within the priority sector, was introduced due to the difficulty experienced by the federal government in quantifying revenue losses from tax incentives. The EDI is designed to ensure that tax reliefs are directly tied to verifiable investments and measurable economic benefits rather than broad, upfront exemptions. Similarly, the NTA has deleted Sections 8 and 18 of the NEPZ Act[4] which provides tax exemption for entities in the free trade zones.

It is understood that the Notice is aimed at positioning affected companies for a smooth transition into the incoming regime by halting new applications under the existing framework until 01 January 2026.

4. *Section 197(2) Nigeria Tax Act*

# FIRS ORDERS FINANCIAL INSTITUTIONS TO WITHHOLD 10% TAX ON INTEREST FROM SHORT-TERM SECURITIES

In a bid to strengthen revenue mobilisation and enforce compliance with extant tax laws, the FIRS issued a public notice directing all financial institutions — including banks, discount houses, stockbrokers, corporate bond issuers, and primary dealer market makers — to deduct and remit 10% withholding tax on all interest payments derived from short-term securities.

The directive, issued pursuant to Sections 78(1) and 81(1) of the Companies Income Tax Act , as amended, and the Deduction of Tax at Source (Withholding) Regulations 2024, mandates that WHT be deducted at the point of payment on all interests paid to corporate and non-corporate investors on instruments such as treasury bills, promissory notes, corporate bonds, financial papers, and bills of exchange.

The notice further clarifies that:

- Interest on bonds issued by the Federal Government remains exempt from WHT;
- Interest on Open Market Operation (**OMO**) Bills issued by the Central Bank of Nigeria (**CBN**) is not liable to tax deduction; and
- Tax deducted must be remitted to the FIRS no later than the 21st day of the month following the month in which payment was made.

Under the directive, taxpayers from whom WHT is deducted are entitled to a tax credit certificate equivalent to the amount withheld and remitted, except where the tax deducted constitutes a final tax.

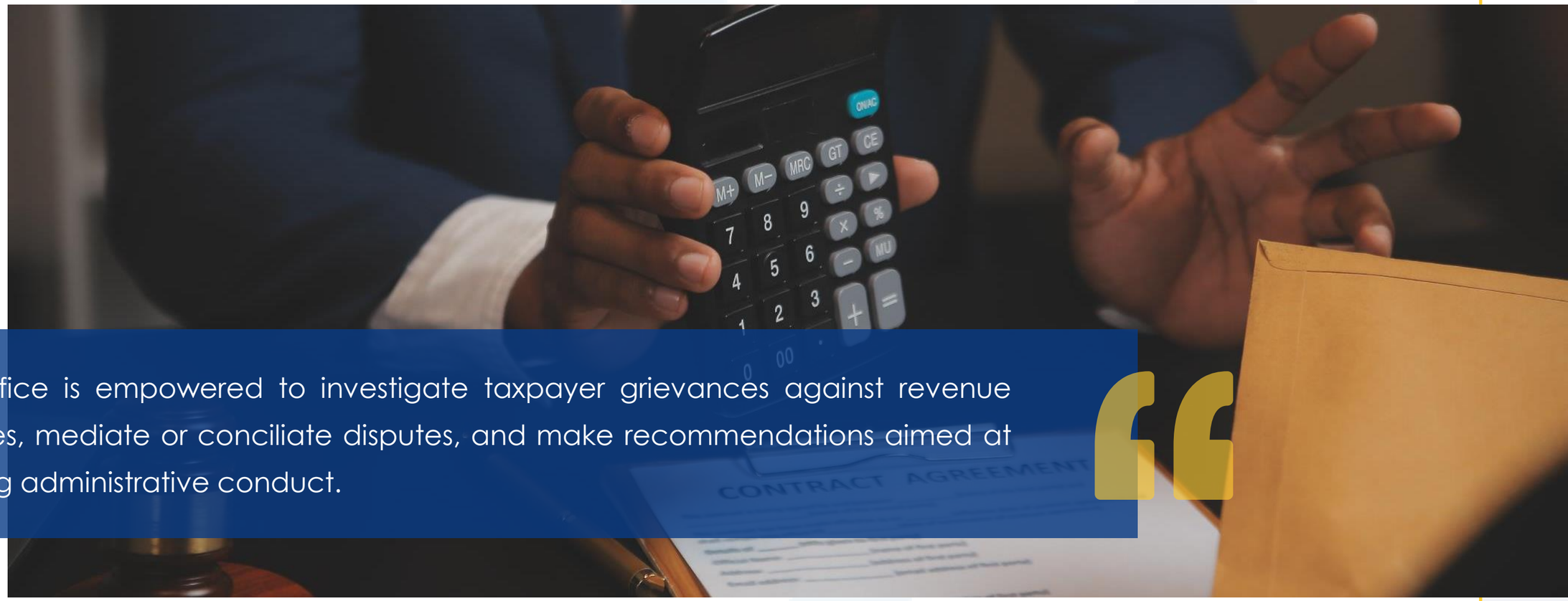
The notice, signed by the executive chairman of FIRS, Dr. Zach Adedeji, supersedes the earlier publication of 18th September 2025, and reaffirms FIRS' commitment to tighten compliance monitoring across the capital and money markets.

# PRESIDENT BOLA AHMED TINUBU APPOINTS DR. JOHN NWABUEZE AS TAX OMBUDSMAN

Pursuant to Section 37 of the Joint Revenue Board of Nigeria (Establishment) Act, 2025, the President appointed Dr. John Nwabueze as the Tax Ombud. The appointment underscores Government's commitment to deepening trust in the tax administration system and reinforcing mechanisms that ensure equitable treatment of taxpayers.

The Office of the Tax Ombud (**Office**) has been established as an independent and impartial institution with a mandate to review and resolve complaints arising from the administration of taxes, levies, customs duties, and excise matters. In carrying out its functions, the Office is empowered to investigate taxpayer grievances against revenue authorities, mediate or conciliate disputes, and make recommendations aimed at improving administrative conduct. Notably, the Ombudsman may also issue directives or orders as may be necessary to resolve taxpayers' complaints, thereby serving as an effective check on potential administrative excesses.

Beyond dispute resolution, the Tax Ombud is expected to play a systemic role in identifying recurring issues within Nigeria's tax ecosystem, advising on reforms to strengthen fiscal administration, and functioning as a watchdog against arbitrary or unfair practices. This institutional innovation forms a critical component of the Federal Government's broader fiscal reform agenda, which prioritises taxpayer protection, administrative fairness, and improved confidence in the revenue system.



> ...the Office is empowered to investigate taxpayer grievances against revenue authorities, mediate or conciliate disputes, and make recommendations aimed at improving administrative conduct.

# 2026 OUTLOOK

# OUTLOOK FOR 2026

***"The future belongs to those who prepare for it today."***
***– Malcolm X***

## **THE TAX REFORM ACTS** – PERSPECTIVES AND MISCONCEPTIONS

The introduction of the new tax reform laws marks a significant turning point for tax administration and practice in Nigeria. Across both the formal and informal sectors (companies, individuals, and business owners alike), there is heightened dread and uncertainty as the new tax regime takes effect. We have highlighted some of the perspectives and misconceptions recorded from a random sampling of anonymous persons in the society, including students, public servants, entrepreneurs, and industry experts across all geopolitical zones.

### Nigerians Speak: Perspectives on the 2025 Tax Regime

#### A. *Questions Posed*

*First Segment:*

1. How familiar are you with the new tax laws and how do you think they will affect your means of livelihood/business?
2. What strategies have you adopted to prepare your business for the tax reforms?

*Second Segment:*

1. Have you heard about the new tax laws that were signed this year, and what's the one change that you think this will affect you or your business most?
2. What's your main concern or hope about how these tax changes will play out in 2026?

## Bi. *Responses to First Segment:*

### Emma, Remote Worker

1. *Very familiar, it will reduce my earning for no just cause, I provide light for myself (I have less than 10 hours of light daily) so I had to install an expensive solar system, I provide water for myself, I suffer with payment processors because we don't even have PayPal as Nigerians, and now they're going to be taking a chunk of my money to enrich themselves and their families. If you believe your taxes will be used to improve your standard of living think about if the removal of fuel subsidy affected you in any positive, quantifiable way. SMH.*
2. *My strategy is that I am leaving the country. I've had enough*

### Ishmael – Oil and Gas Inhouse Executive, Port-Harcourt.

*Honestly, I am not very familiar with the new tax laws*

### Iya Adija, Market Woman, Lagos State

*I don't know anything. All I know is that Tinubu wants to tax me. It is not good for me. How will I survive?*

### Oga Hassan – Butcher, Kwara State

*I have BVN but not TIN. Is there a difference between TIN, BVN, and NIN? Do I need all three?*

## Bii. *Responses to Second Segment*

### Ifeanyi – University Student, Enugu State

1. *Yes, I've heard about the tax laws that were signed this year into law by His Excellency, President Bola Tinubu. Amongst the several innovations that were introduced into the Nigerian Tax Regime by the law, one of the changes that I think will affect me and my business is the new personal income tax regime. The general view is that, with the new tax rates— 800,000 (0%) and all, we do not have anything to worry about. However, I am highly concerned about this because there's no clearcut way of ascertaining these figures. As a student, I get allowances from family and friends. Similarly, I get my accommodation allowance from my family, and also money for general upkeeps and provisions. All these can sum up to 800,000 or more. Does it now mean I'm supposed to pay tax? If I pay for my house rent with 500k, pay school fees with 100k, amongst other miscellaneous things that may not necessarily profit me, my bank statement will be reading more than 800k. Additionally, I do side freelance writing. Does it mean I'll be taxed? When I clearly do not have a job yet, or a steady source of income? These are pressing concerns about the changes introduced by the new tax laws that I think will affect me. How will they ascertain my income? Is it based on my bank statements?*
2. *I hope that the new tax reforms will finally ease financial burdens for students, who do not have a steady income. With increased exemptions for low-income earners and more supportive rules for small businesses, many students like me who depend on freelancing, side projects, or allowance from sponsors can earn income without heavy tax burdens.*

## Michael, Fintech Employee, Lagos State

1. *Yes, I've heard about them. The biggest change that might affect me is the adjustment in corporate tax deductions.*
2. *My main concern is how the new rules will be implemented in 2026 and how it might affect the complexity of compliance*

## Reverend Jerome, Kano State

1. *I have not followed the tax reform Acts closely from the time it was initiated to the time it was enacted.*
2. *From the little I know, the new tax Acts is a welcome development especially as it exempts the Church from tax. It is in line with the whole essence and spirituality of the Church which gives meaning to life especially in rural communities.*


The above survey reveals a concerning knowledge gap, almost verging on the terrain of misconception, among Nigerian taxpayers ahead of the 2026 implementation date. While a minority of respondents demonstrate substantive familiarity with the reforms, the majority exhibit limited understanding marked by anxiety about increased tax burdens without a clear grasp of their actual obligations, potential benefits, or compliance requirements.

With implementation just days away, a comprehensive and sustained taxpayer education strategy must be deployed now—not as an afterthought to enforcement, but as the foundation to achieving a successful reform. Targeted education can transform fear into understanding, promote voluntary compliance, and generate significant returns in revenue.

The question is therefore, not whether Nigeria can afford to invest in taxpayer education; the question is whether it can afford not to.

# INFORMED PROJECTIONS FOLLOWING IMPLEMENTATION OF THE TAX REFORM ACTS IN 2026

## *Transitional Implications of the Tax Reform Acts on Compliance Obligations*

A central issue that will influence tax administration in 2026 is determining which legal regime governs compliance obligations arising from income activities earned in 2025 financial year. On one hand, the effective date of 1 January 2026 suggests that the new regime should apply prospectively, beginning with income earned in the 2026 financial year. This position is supported by the principle against retrospective taxation, reaffirmed in ***Accugas Limited v. FIRS,***[11] where the court held that amendments enacted after a financial year could not be used to assess tax for an earlier period.

On the other hand, some may argue that because the reforms restructure administrative processes, certain provisions could influence assessments relating to 2025 financial year, particularly for taxpayers whose accounting periods straddle year-end. This has already sparked debate among practitioners as to whether the new laws may have transitional effect on ongoing assessments or filings connected to the 2025 financial year.

Given these competing interpretations, we anticipate a wave of lawsuits seeking judicial clarification on the applicable law and the extent to which the new Acts can influence assessments for business activities arising in the immediately preceding year, in order to resolve this emerging conundrum.

## *Regulatory Clarifications and Interpretive Guidance*

The introduction of new provisions—such as surcharges, controlled foreign corporation rules, and other substantive reforms—will likely necessitate extensive interpretive guidance from the tax authorities. Accordingly, a significant volume of regulations, circulars and administrative directives can be expected in 2026 to address ambiguities and ensure consistent application of the new Acts.


## *Tax Registration Surge*

Whilst several misconceptions abound, we can expect to see a large-scale increase in taxpayer registrations. This surge is expected to be driven by several factors, including the introduction of new registration categories, such as Virtual Asset Service Providers (VASPs), the mandatory nature of tax registration and the huge penalties for non-compliance, among others.

## *Operation of the Tax Ombud*

The operationalization of the Tax Ombud under the new reform Acts following the appointment of the Tax Ombud is expected to introduce an independent mechanism for addressing taxpayer grievances. The office is likely to serve as a first point of contact for disputes related to assessments, administrative delays, and perceived inequities in enforcement. Its effective functioning could enhance taxpayer confidence, improve compliance, and reduce the burden on courts. However, the scope, capacity, and efficiency of the office in its initial phase will be critical factors in determining its impact on the overall tax landscape.

## *Intensified Implementation of the VAT Fiscalisation*

With the kick-off of e-invoicing in the last quarter of 2025, we expect increased issuance of electronic invoices by large taxpayers, providing regulators with real-time access to sales data. Fiscalisation efforts are also expected to be intensified, with stricter enforcement and broader coverage, including smaller businesses, to strengthen compliance, expand the tax base, and enhance revenue administration.

# CONSTITUTIONAL AMENDMENT TO HARMONISE NIGERIA'S TAX SYSTEM

One of the most consequential fiscal developments heading into the 2026 fiscal year is the advancement of the Constitutional Amendment Bill aimed at resolving, amongst others, Nigeria’s long-standing problem of multiplicity of taxes. The Bill, which continues to gain momentum at the National Assembly represents a decisive step towards restructuring Nigeria’s tax framework, strengthening fiscal federalism, and resolving long-standing conflicts among taxing authorities.

At its core, the proposed amendments seek to clarify taxing powers across the federal, state, and local governments, directly addressing the administrative inefficiencies that have plagued Nigeria's tax ecosystem for decades. The amendment outlines clear objectives that, if successfully enacted, will harmonise taxation efforts across the federal and state levels.

The proposed amendments seek to achieve, amongst others, the following key objectives:

- Clear Delineation of Taxing Powers Across All Levels of Government
- A Comprehensive List of Taxes and Levies for Each Tier of Government
- Prohibition of Unlawful Outsourcing of Revenue Collection
- Introduction of a Tax Ceiling for Income, Consumption and Property Taxes
- Elimination of Nuisance Taxes and Protection Against Tax Harassment
- Strengthening Transparency and Fiscal Accountability

The amendments also align with the spirit of the tax reform Acts and geared towards simplifying compliance and administration, emphasising digital systems, and improving Nigeria's overall revenue efficiency.


# FOCUSED HIGHLIGHTS OF THE 2026-2028 MEDIUM TERM EXPENDITURE FRAMEWORK AND FISCAL STRATEGY PAPER

The 2026-2028 Medium Term Expenditure Framework and Fiscal Strategy Paper (**MTEF/FSP**) is a technical, but strategic pre-budget statement that lays the foundation for the 2026 Appropriation Bill. Amongst others, it provides a comprehensive analysis into the government's fiscal policies, recovery efforts and macroeconomic projections over a three-year timeline. With detailed reports on global and domestic economic trends, prior year budget reviews and implementation, macroeconomic projections and fiscal strategy, analysis of potential risks and challenges, this review focuses on select critical projections and goals of the 2026 – 2028 MTEF/FSP.

# The 2026 – 2028 Macro-Fiscal Framework and Revenue Assumptions

The 2026 – 2028 projections and assumptions are built on a conservative and realistic macroeconomic framework designed to balance growth aspirations with fiscal prudence. They include:

## *Key Macroeconomic Indicators*

**GDP growth**

real economic growth (real GDP) is projected to rise steadily at 4.7% in 2026, 6% in 2027, and 7.9% in 2028, through increased productivity and strategic investments. In nominal terms, Nigeria's GDP is expected to increase to US$363.8 billion in 2026 from US$348.4 billion in 2023.

**Inflation rate**

this will decline remarkably from between 23.2% - 21.9% in the first half of 2025, to an average of 16.5% in 2026, 13.0% in 2027 and 9.0% in 2028. The projected decline is expected to be driven by a combination of foreign exchange stability, tighter monetary policy, and improved fiscal–monetary coordination amongst others.

**Exchange rate**

this is forecasted to average ₦1,512 per US dollar in 2026 and appreciate to NGN1,432.15 in 2027. In the medium term, exchange rate is projected to average ₦1,442, assuming improved economic activities, growing non-oil exports, stronger remittances inflow, and increased domiciliary account conversions.

## *Oil Revenue Assumptions*

Crude oil price benchmark is expected to moderate slightly at US$64.90 per barrel, about 14% lower than the US$75.00 per barrel in 2025.

Crude oil production capacity for 2026 is benchmarked at 1.84 million barrels per day (mbpd) in 2026, 1.85 mbpd in 2027, and 1.89 mbpd in 2028. These estimates are lower than the actual production targets (i.e. 2.06, 2.10 and 2.14 mbpd respectively) to account for potential disruptions. Gas production is projected to reach 10 billion cubic feet (bcf) per day by 2027 and 12 bcf by 2030. This optimistic crude oil outlook assumes continuous implementation of the reforms under the Petroleum Industry

## *Non-Oil Revenue Assumptions*

Expected to be the primary driver of GDP growth during this period, non-oil revenue for 2026–2028 assumes:

Effective implementation of the new tax Acts, including the Nigeria Tax Act aimed at broadening the tax base, modernising administration, improving compliance, and increasing collections;

Successful integration of the informal sector into the tax net and use of digital automation to close revenue leakages; and

Increase growth across multiple heads of tax including companies' income tax, value added tax, stamp duty, import duties, amongst others, supported by increased nominal consumption expenditure which is driven by higher disposable income.

## *Revenue Targets*

### Federation Account Revenue

Total net accruals are estimated at ₦50.74 trillion with oil revenues comprising ₦25.24 trillion, translating to 49.7% of total receipts and non-oil revenue at 50.26%. This represents a moderation in oil related inflows and steady increase in non-oil revenues.

### FGN Revenue

this is projected at ₦34.33 trillion, representing a decrease of ₦6.55 trillion (i.e. 16.0%) over the 2025 budget estimate.

Of the total projected revenue, ₦12.24 trillion (35.6%) is expected to be derived from oil-related sources, and ₦22.09 trillion (64.4%) from non-oil sources. Key components of non-oil revenue include:

I. Non-oil tax revenues at ₦8.87 trillion

II. Independent revenues from government-owned enterprises (GOEs) at ₦4.31 trillion

III. Other revenues (grants and donor-funded projects, dividends, minerals and mining, etc) at ₦8.91 trillion.

## *FGN Expenditure*

Aggregate expenditure for 2026 is ₦54.46 trillion for 2026, including capital expenditure at ₦22.37 trillion (being 14.6% lower than the capital allocation in the 2025 budget); statutory transfers at ₦3.15 trillion; ₦15.91 trillion in debt service; ₦15.27 trillion in non-debt recurrent spending, with personnel and pension costs of ₦10.76 trillion.

## *Fiscal Deficit and Deficit Financing*

The 2026 fiscal deficit is projected at ₦20.12 trillion compared to ₦14.10 trillion in 2025, driven by higher wages, pension costs, and debt service amid elevated interest rates. The deficit will be financed mainly through domestic borrowing with only limited and cautious external borrowing, ultimately structured to reduce refinancing and sustainability risks. Over the medium term, fiscal consolidation will be driven by non-oil revenue growth, spending discipline, and more efficient capital projects supported by tax reforms and improved GOE remittances, etc.

## Key Macroeconomic Objectives and Strategies

Over the medium term, macroeconomic objectives will be directed to:

- **Strengthen macroeconomic stability** by moderating inflation, stabilising the exchange rate through market-driven reforms, improving infrastructure, and maintaining prudent fiscal and debt management to support investment and inclusive growth.
- **Improve the business and investment environment** through regulatory and tax reforms, infrastructure expansion (energy and digital infrastructure), increased private-sector participation, and improved access to finance for SMEs.
- **Achieve high, sustained and inclusive economic growth** driven by agriculture, industry and services through targeted green initiatives and climate-resilient investments, diversification, value-chain development and digitalisation to support private-sector-led growth.
- **Accelerate job creation and harness demographic dividends** by equipping youths with sustainable and relevant technical, vocational and digital skills through training and education, expanding entrepreneurship opportunities and boosting economic growth.
- **Improve human capital development and social protection** by scaling up investments in health, nutrition, education, and social safety nets in order to improve productivity, protect vulnerable populations and ensure inclusive, equitable growth.

# *Fiscal Objectives and Strategies*

Following the enactment of four interrelated tax laws effective 1 January 2026, the Government outlines its fiscal objectives and strategies for building a coherent, equitable, and sustainable fiscal system

## Enhancing Government Revenue

**Objective:** To increase and diversify revenue to support fiscal sustainability and reduce borrowing.

**Strategy:** Some of the delineated strategies to achieve this objective include:

- Strengthening oil revenue by curbing theft and vandalism, deploying production-monitoring technology, and implementing the host community trust fund.
- Expanding non-oil revenue through simplified tax laws and compliance, formalisation of informal businesses, broader tax bases, VAT automation, and reduced exemptions.
- Improving tax administration through digital platforms (federal treasury receipt, central billing systems, RevOp), risk-based audits, data-driven enforcement, and inter-agency data integration.
- Enhancing customs revenue through full automation (UCIS/e-Customs), stronger risk management and post-clearance audits, improved border surveillance, and anti-smuggling measures.
- Optimising independent revenues by enforcing GOE remittances, mandatory Treasury Single Account (TSA) compliance, budget integration, stronger oversight, and sanctions for revenue diversion.
- Protecting businesses from illegal and exploitative informal taxes imposed by non-state actors.
- Adopting a risk-based, data-driven approach to compliance monitoring, enforcement, audits, and investigations, with focus on high-risk sectors and taxpayers.
- Enhancing stakeholder collaboration, taxpayer education, and public engagement through sustained outreach and enlightenment programmes.

## Improving Expenditure Management

**Objective:** Ensure efficient, disciplined, and results-oriented public spending.

**Strategy:** Restore the January – December budget cycle, curtail budget extensions, prioritise productive capital spending, conduct personnel audits to curb waste and strengthen payroll integrity, and implement data-driven budget

## Increasing Fiscal Space for Infrastructure and Human Capital Investments

**Objective:** To increase investment in infrastructure, health and education.

**Strategy:** Enforce full revenue remittances, prioritise public-private partnerships (**PPPs**), private-sector financing, and project-tied multilateral and bilateral loans. Strengthen concession frameworks, implement the Highway Development and Management Initiative (**HDMI**), leverage concessional and donor funding and promote domestic production of essential healthcare products.

## Promoting Fiscal Prudence and Transparency

**Objective:** Improve fiscal discipline, value for money, and public trust

**Strategy:** Tighten MDA oversight, cut non-essential spending, prioritise high-impact projects, review fiscal incentives, increased transparency in public-sector operations, and strengthen treasury controls to detect, eliminate, and sanction financial waste, misappropriation, and corruption.

## Ensuring Sustainable Deficit and Debt Levels

**Objective:** Maintain debt sustainability and reduce fiscal risks

**Strategy:** Moderate deficits through revenue growth and subsidy reform, restructure and refinance expensive debt, prioritise concessional and long-term borrowing, and direct borrowing to productive, growth-enhancing investments.

## *Monetary Policy Objectives and Strategy*

Monetary measures to be undertaken by the Central Bank of Nigeria (CBN) are aimed at reducing policy inconsistencies and minimize overreactions to short-term volatility. To address persistent inflation, CBN is transitioning to an Inflation Targeting (IT) framework, introducing annual inflation targets to enhance commitment and accountability. Monetary projections assume moderate oil prices and rising production, gradual growth in government spending, stable but flexible exchange rates, improving foreign reserves, reduced credit to government, and stronger private-sector credit growth

These projections assume the expected outcomes of fiscal, oil sector, and monetary reforms, deviations in reform effectiveness may lead to revisions.

## Risks and Mitigation to the Medium-Term Outlook

The 2026-2028 MTEF/FSP highlights key risks to the effective implementation of the macroeconomic framework and sets out measures to mitigate them. These risks include election-related spending which has the potential of raising demand-side inflation, exchange rate fluctuations, oil price volatility, social cost of reforms, and insecurity. debt servicing pressures, and domestic production shocks, revenue shortfalls, and rising debt service costs.

Key risk mitigation measures include:

- **Fiscal Discipline and Sustainability** - Strengthening fiscal rules across all tiers of government, improving subnational fiscal management and incentivizing fiscal discipline.
- **Prudent Debt Service and Refinancing** - Emphasizing concessional borrowing, debt reprofiling, and strict adherence to the medium-term debt strategy and continuous market monitoring.
- **Macroeconomic Stability and Inflation Control** - Centered on enhanced monetary-fiscal coordination, money supply management, exchange rate stabilization, and structural reforms, particularly in agriculture and domestic production.
- **Social Protection and Inclusiveness** - Deploy targeted cash transfers, subsidized public transport, supported by investment in social services, to cushion social impact post subsidy removal and reforms.
- **Revenue Mobilisation and Diversification** - Improve tax administration and compliance, enhance revenue monitoring, diversify the economic base, optimise oil-sector revenues, and reduce dependence on volatile oil receipts.
- **Security Stabilisation** - Employing sustained security interventions through dialogue and military response and socio-economic programmes.
- **FX Stability Measures** - Improve FX market transparency, build reserves buffer, and adopt conservative FX assumptions.

# HIGHLIGHTS OF THE 2026 APPROPRIATION BILL

On 19 December 2025, President Bola Ahmed Tinubu presented the 2026 Appropriation Bill to a joint session of the National Assembly titled the “Budget of Consolidation, Renewed Resilience and Shared Prosperity”. The budget aims to build on ongoing macroeconomic reforms, deepen fiscal discipline, and translate recent stabilization gains into sustainable, inclusive growth. In his address, the President emphasised that the 2026 budget marks a decisive shift toward stronger execution discipline, putting an end to overlapping budgets and perpetual rollovers. He framed the budget as a culmination of two and a half years of deliberate reform, designed to solidify economic gains while prioritising security, infrastructure, human capital development, and productive investment.

President Tinubu explained that the 2026 budget is guided by four clear objectives:

01

solidate macroeconomic stability achieved through structural and fiscal reforms.

02

Improve the business and investment environment, fostering confidence and competitiveness.

03

Promote job-rich growth and reduce poverty through targeted interventions.

04

Strengthen human capital development while protecting vulnerable citizens.

The President highlighted the progress under the ongoing reform agenda, noting that they laid the foundation for sustained economy expansion, continued disinflation and stronger external economic buffer.

## Assumptions of the MTEF/FSP

The budget proposal draws upon crucial assumptions outlined within the Federal Government 2026 – 2028 MTEF/FSP. These assumptions form the macro-fiscal foundation upon which the revenue, expenditure and deficit projections in the 2026 budget are anchored. These assumptions fix the price of crude oil at US$64.90 per barrel for 2026, representing a notable 14% downward adjustment from the US$75 per barrel benchmark used in 2025, with a crude oil production rate of 1.84 mbpd. Additionally, the MTEF/FSP projects an exchange rate of approximately ₦1,442 per US dollar over the medium term, and an average inflation rate of 16.5%. Real GDP growth is projected at 4.7% in 2026 and a pivot towards non-oil revenue sources.

## Revenue Projection and Fiscal Balance

The 2026 Budget projects aggregate revenue of ₦34.33 trillion, highlighting the Federal Government's continued emphasis on strengthening revenue mobilisation. The projected fiscal deficit stands at ₦23.85 trillion, representing 4.28% of GDP. This contrasts with the MTEF/FSP. The highlights a persistent reliance on borrowing, with 80% of new financing expected to be sourced from the domestic market. To address the revenue gap, the government is placing a heightened focus on the end-to-end digitization of revenue mobilization and the implementation of new tax laws. This strategic shift aims to seal leakages and ensure that government-owned enterprises meet their targets, reflecting a determined effort to foster fiscal discipline and drive sustainable development in the year

# Conclusion

As 2025 concludes, the Nigerian tax landscape prepares for significant changes introduced by the 2025 tax reforms, as well as other significant judicial decisions, budget and fiscal projections. Key developments in 2026 will shape compliance and administration across sectors. Stakeholders should monitor these developments closely and plan accordingly to align with the new framework.

OLANIWUN AJAYI

# CONTACT US


**Lagos**
The Adunola, 401 Close,
Banana Island, , Ikoyi,
Lagos, Nigeria
*lawyers@olaniwunajayi.net*

**Abuja**
4th Floor Leadway House,
Plot 1061, Cadastral Avenue,
Central Business District,
Abuja, Nigeria.
*ap@olaniwunajayi.net*

**Port Harcourt**
17, Road 315, Flat 5, BICS
Suites, 25 Herbert Macaulay
Street, Old GRA, Port
Harcourt, Rivers State,
Nigeria

**London**
29th Floor, 30 St Mary Axe,
London. EC3A 8AF, United
Kingdom
+44 (0) 207 337 6012



www.olaniwunajayi.net

+234 1 270 2551