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TEMPLARS Transcripts: Tax Digest

Policy and Tax Administration

- **The Senate Passes Tax Reform Bills**

The Nigerian Senate has passed the four Tax bills proposed by the Presidential Committee on Fiscal Policy and Tax Reforms, marking a significant milestone in Nigeria's fiscal reform. The passed bills—the Nigeria Tax Bill, the Joint Revenue Board Establishment Bill, Nigeria Revenue Service (Establishment) Bill and the Nigeria Tax Administration Bill were passed following a comprehensive review of the bills by the Nigerian Senate.

The Senate President, Senator Godswill Akpabio, who presided over the session, hailed the passage of the bills as the first time Nigeria would have a unified, modernised tax legal framework. He announced the constitution of a conference committee which harmonised the Senate versions of the bills with those passed by the House of Representatives in March. The harmonised bills have now been transmitted to President Bola Ahmed Tinubu for assent.

Significant changes to the passed bills included the review of VAT distribution. While the Nigeria Tax Administration Bill initially proposed a 15–50–35 percent sharing formula among the federal, state, and local governments, respectively, the committee revised it to 10 percent for the federal government, 55 percent for states and the FCT, and 35 percent for local governments. Further, the bill proposes that 50 percent of states' VAT allocation be shared equally, 20 percent by population, and 30 percent based on the place of consumption.

Senator Sani Musa, Chair of the Senate Finance Committee, explained that input from over seventy stakeholder groups helped shape the final drafts. He confirmed the removal of contentious provisions such as development levies and inheritance tax, while recommending the establishment of an ombudsman and a functional tax tribunal. With harmonisation underway, the bills are expected to modernise revenue collection, improve fiscal efficiency, and align Nigeria's tax system with international standards.

Lagos Internal Revenue Service Issues Public Notice "Clarification on Withholding Tax Regulations 2024"

The Lagos State Internal Revenue Service (LIRS) has issued a public notice clarifying the administration of the Withholding Tax Regulations, 2024 (the "**Public Notice**").

Among other things, the Public Notice reiterates that winnings from gaming and reality shows, fees for co-location and telecommunication tower services, brokerage fees are now subject to withholding tax (WHT). The Public Notice further outlines the revised WHT Rates as follows:[1]

i. Director fees – 15%
ii. Construction of road, bridged, building and power plant – 2%
iii. Any other form of construction activities – 5%
iv. Supply of goods other than by manufacturer or producer – 2%
v. Other supply or rendering of services – 2%

The Public Notice also restates that employers are under a statutory obligation to deduct WHT on compensation for loss of employment, remit the tax, and file relevant returns no later than the 10th day of the month following the payment.[2]

Businesses and individuals are required to comply by registering with the LIRS and ensure correct remittance of taxes using the assigned revenue codes. The Public Notice also provides that the appropriate portal for registration, filing returns and payment of WHT is the LIRS eTax platform via www.etax.lirs.net.

Tax Market Review

Proposed U.S. Remittance Tax Threatens Nigeria's Forex Inflows

Lawmakers in the United States, on 12 May 2025, introduced a draft bill seeking to impose a 5 percent excise tax on remittances sent abroad. If passed, the measure could significantly impact immigrant communities, including Nigerians, many of whom send remittances to support families back home. The bill, introduced in the U.S. House of Representatives, proposes that the tax be paid by senders of remittances, with quarterly remittances made to the Secretary of the Treasury. While verified U.S. citizens will be exempt and allowed to claim the tax as a credit, millions of non-citizens could be affected.

According to Central Bank of Nigeria (CBN) Governor, Olayemi Cardoso, $4.22 billion was received through international money transfer operators (IMTOs) between January and October 2024 alone. Broader estimates indicate that Nigeria's total remittance inflows reached $20.9 billion in 2024—about 12% of Nigeria's nominal gross domestic product. If the bill is passed into law, the tax may threaten the country's balance of payments and naira stability at a time of economic fragility.

[1] Paragraph 2 of the Public Notice
[2] Paragraph 3 of the Public Notice

Category	Details
Proposed Tax Rate	3.5% excise tax on remittances sent by non-U.S. citizens, green-card holders, and visa holders—set to take effect January 1, 2026, under the "One Big Beautiful Bill".
Legislative Context	Passed by the U.S. House (May 22, 2025); now awaiting Senate decision. Senate discussions have considered raising it to 5%.
Revenue Impact (U.S.)	Expected revenue: ~$26 billion over 10 years.
Nigeria's Remittance Volum	Official remittances (2024): $20.93 billion.
Share of Informal Flows	Approximately 50% of remittances to Nigeria bypass formal channels due to exchange rate divergence.
Nigeria's U.S. Remittances	Historically: Nigerians in the U.S. sent over $6 billion (est. 2015).
Impact Risk	A 3.5% levy may reduce formal inflows, push senders to informal channels, and pressure FX liquidity and household support in Nigeria.

Experts have opined that the increase in the cost of sending money home may push Nigerian migrants to resort to informal and unregulated channels. This could erode financial transparency, complicate the monitoring of cross-border flows, and reduce the efficiency of government efforts aimed at leveraging diaspora capital for national development. The remittance tax, which aligns with broader U.S. immigration and fiscal policies, has been criticized for potentially targeting migrant communities under the guise of revenue generation.

Stakeholders raise concerns over Nigeria's 70% Tax Revenue Gap; Targets $3bn Monthly Revenue from Technology-Driven Tax System

At the 27th Annual Tax Conference of the Chartered Institute of Taxation of Nigeria held between 12 – 16 May 2025, the Chairman of the Presidential Committee on Fiscal Policy and Tax Reforms, Mr Taiwo Oyedele revealed that Nigeria currently collects only 30% of its potential tax revenue, leaving a 70% gap – one of the highest globally. Highlighting the inefficiencies in the system, Mr Oyedele cited policy loopholes, misuse of waivers, and weak enforcement as key factors undermining revenue. He called for the elimination of tax deductions on imports without duty payment and advocated the use of intelligent tax technologies for real-time inventory and lifestyle monitoring to flag tax evasion.

In addition, the Minister of State for Finance, Dr. Doris Uzoka-Anite (who represented the President of the Federal Republic of Nigeria) announced plans to raise monthly tax revenue to $3 billion through digitisation and policy reforms. She described tax as a developmental tool, not just a revenue stream, and reaffirmed the government's commitment to progressive taxation and inclusive policies.

State governors in attendance also backed the reform drive, calling for investments in modern tax infrastructure and legal frameworks. They stressed that taxation must follow wealth creation, and reforms should protect the poor while ensuring compliance. The conference concluded with calls for trust, fairness, and coordinated action at all levels to position taxation as a catalyst for national growth.

Judicial Decision

***Federal Inland Revenue Service v Checkpoint Software Technologies BV*: Federal High Court Upholds the Nullification of the FIRS Country-by-Country Reporting Regulations**

The Federal High Court in Lagos ruled in favour of Checkpoint Software Technologies BV, dismissing the Federal Inland Revenue Service's (FIRS) appeal against a Tax Appeal Tribunal decision. The court found that the FIRS lacked a valid Board when the Country-by-Country Reporting Regulation (CbCR) was enacted, making the regulation invalid. Additionally, the penalties imposed under the CbCR Regulation were deemed excessive and beyond the limits of the principal tax legislation, leading to their nullification.

Furthermore, the court declared the CbCR Regulation unconstitutional because it was based on the OECD Multilateral Competent Authority Agreement (MCAA), which has not been ratified by Nigeria's National Assembly. This judgment emphasises the need for proper legislative backing for international agreements and regulations in Nigeria, highlighting the importance of due process and legislative compliance in tax administration.