Key contacts

Dipo Komolafe
Partner and Head
Tax
isaac.komolafe@templars-law.com

Igonikon Adekunle
Partner
Dispute Resolution and Tax
igonikon.adekunle@templars-law.com

Sesan Sulaiman
Partner
Dispute Resolution and Tax
sesan.sulaiman@templars-law.com

Client Alert

Understanding the New Nigerian Tax Regime: *Key changes and impact*

Introduction

Nigeria's tax framework has changed. On 26 June 2025, President Bola Ahmed Tinubu signed into law, four significant tax legislations – the Nigeria Tax Act, 2025, the Nigeria Tax Administration Act, 2025 the Joint Revenue Board of Nigeria (Establishment) Act, 2025 and the Nigeria Revenue Service (Establishment) Act, 2025 (the "**Tax Laws**"). Together, these enactments introduce far-reaching changes aimed at streamlining tax administration, enhancing compliance, and reforming the Nigerian tax regime. The new regime is expected to take effect from 1 January 2026.

While stakeholders await the gazetted versions of the new laws, this update provides a summary of selected key changes and emerging implications for taxpayers[1].

Selected Key Changes

The Nigeria Tax Act (the NTA)

- **Consolidation of Tax Legislations:** Before the enactment of the NTA, various taxes were governed by separate, distinct legislations. The NTA now consolidates the statutory framework for taxing corporate and individual incomes, chargeable gains, transactions, and instruments

[1]The views expressed in this thought piece is subject to the contents of the finalised version of the said tax laws as will be contained in the gazetted copies.

into a single legislation. This unification offers a comprehensive view of tax laws and eliminates overlaps and inconsistencies across separate statutes.

- **Unified Taxation on All Sources of Income:** Under the NTA, the taxable profits of companies and individuals now comprise the total assessable profits from all sources, including chargeable gains. By implication, a company's total profits now include chargeable gains, which are taxed at 30%. For individuals, capital gains are assessed at their applicable personal income tax rates. Previously, income and capital gains were taxed under separate laws and at differing rates — 30% under Companies Income Tax Act ("**CITA**") for companies and 10% under the Capital Gains Tax Act ("**CGTA**") for capital gains.

- **Imposition of an Effective Tax Rate (ETR):** The NTA imposes an effective tax rate ("**ETR**") of 15% on any company that: (i) forms part of a Multinational Enterprise ("**MNE**") group, and (ii) meets the prescribed financial threshold in the relevant year of assessment. This ETR applies in any year where the company's ETR falls below 15%.[2]

  The Federal Inland Revenue Service ("**FIRS**") is mandated to issue regulations specifying the companies to which this provision applies and to provide guidance on how the tax payable will be determined.

- **Introduction of Controlled Foreign Company Regime:** The NTA curbs profit shifting by Nigerian multinationals through a new Controlled Foreign Company ("**CFC**") regime. Nigerian companies with controlling interests in foreign subsidiaries may now be taxed on the subsidiaries' undistributed profits, unless they can prove that distributing such profits would be detrimental to the CFC.

- **Flat Tax Rate for Companies [Excluding Small Companies]:** The NTA simplifies the corporate tax structure by replacing the previous tiered tax rates with a flat 30% corporate tax rate for all companies, except small businesses (with turnover below the prescribed threshold), which remain exempt at 0%.

- **Taxation of Non-Resident Entities:** The NTA introduces two key measures for taxing non-resident entities earning income in Nigeria: the **Global Profit Margin Rule** and the **Minimum Tax Threshold Rule**.

  Under the **Global Profit Margin Rule**, where a non-resident's actual profits from Nigerian operations (e.g., through a permanent establishment or significant economic presence) cannot be determined, the tax authority may apply the non-resident's global profit margin to its Nigerian revenue to calculate taxable profits.

  The **Minimum Tax Threshold Rule** ensures that the tax payable by a non-resident is not less than the amount withheld at source. Where withholding tax is not applicable, a minimum tax of 4% on total Nigerian-derived income will be imposed.

[2] Section 57 of the Bill. The NTA defines effective tax rate to mean the rate produced by dividing the aggregate covered tax paid by a company for a year of assessment by the profits of the company. Thus, where upon this calculation, the rate produced is less than 15%, a company will be required to pay additional taxes to bring the effective tax rate to the 15% threshold.

- **Economic Development Tax Incentive:** The NTA replaces the pioneer status incentive with the Economic Development Tax Incentive ("**EDTI**") Scheme, offering a five-year tax credit and additional credit on qualifying capital expenditure for companies in designated priority sectors. To qualify, companies must have their capital expenditure verified by the Industrial Inspectorate Department. Extensions are only allowed if profits earned during the incentive period are reinvested in expanding the same products. Unutilised tax credits can be carried forward for five years, after which they will lapse.

- **Introduction of a Development Levy on Companies:** The NTA introduces a 4% development levy on the assessable profits of all companies, other than profits of small companies, non-resident companies, and profits assessed for hydrocarbon tax purposes. The levy replaces the erstwhile 1% NITDA levy, 0.25% NASENI levy, 0.005% Police Trust Fund levy, and the 3% Education Tax.

- **Changes to Capital Allowance Framework:** The NTA streamlines the capital allowance regime by eliminating initial allowances and retaining annual allowances, thereby reducing the claimable allowances in the first year of incurring the qualifying capital expenditure. It also clarifies the administration of capital allowances by requiring immediate deduction of capital allowance claims, allowing the carry-forward of unclaimed capital allowances, and pro-rating capital allowances on assets which are not held for the full period of assessment.

- **Amendment to Research and Development (R&D) Deductions:** The NTA caps deductible R&D expenses at 5% of a company's turnover (previously 10% of total profits under the repealed CITA and removes the 20% investment tax credit for R&D undertaken for commercial purposes).

- **Taxation of Export Processing and Export Free Zone Entities:** Under the NTA, tax exemption applies only to profits from goods that are (i) exported outside Nigeria or (ii) used as inputs for goods exclusively meant for export. Profits from non-qualifying supplies are taxable on a proportional basis.

- **Relief from Double Taxation**: The NTA broadens Nigeria's double taxation relief by allowing Nigerian taxpayers to claim a foreign tax credit for taxes paid on income earned abroad, even from countries without a tax treaty with Nigeria. This departs from the previous CITA regime, which limited relief to Commonwealth countries and treaty partners.

- **New Condition for Decommissioning and Abandonment Fund Deductions:** The NTA restricts petroleum companies, operating under the PIA, from claiming tax deductions for decommissioning and abandonment fund contributions. To qualify, a specified portion of the contribution must be deposited in a Nigerian bank escrow account accessible to the Nigerian Upstream Petroleum Regulatory Commission ("**NUPRC**") or the Nigerian Midstream and Downstream Petroleum Regulatory Authority ("**NMDPRA**").

- **Comprehensive Reform of Stamp Duties:** The NTA overhauls Nigeria's stamp duties framework, introducing a clearer, structured regime with defined chargeable instruments, rates, and payer obligations.

- **Taxation of Digital Assets**: Previously, the tax treatment of gains from digital asset disposals lacked clarity. The NTA now expressly provides for the tax treatment of profits and gains from digital asset transactions, removing ambiguity.

- **Modification to Taxation of Share Disposal Proceeds**: Gains from the disposal of shares, where the disposal proceeds are less than ₦150 million and the chargeable gain does not exceed

₦10 million in any 12 consecutive months are now exempt from tax. This raises the previous threshold from ₦100 million and introduces an additional condition that the gains must not be more than ₦10 million. The NTA also introduces an indirect share transfer taxation regime by stipulating that CGT may apply on certain disposals of shares in intermediary holding companies.

- **Electronic Fiscal System for VAT Compliance:** The NTA and Nigeria Tax Administration Act introduces the use of a mandatory Electronic Fiscal System ("**EFS**") for VAT administration. All taxable persons making taxable supplies must now implement the EFS to record and report transactions.

- **Expanded VAT Exemptions and Zero-Rated Items:** The NTA broadens the list of items exempted from VAT and those classified as zero-rated. Under the new framework, certain goods previously zero-rated are now exempt, while some exempt items have been reclassified as zero-rated.

  Exempt items now include oil and gas exports, crude petroleum oil, feedgas for processed gas. Zero-rated items now cover essential goods and services including basic food items, medical and pharmaceutical products, educational books, fertilizers, medical services, exported services, and exported goods (excluding oil and gas).

- **Recovery of Input VAT on Services and Assets:** The NTA now allows taxpayers to deduct input VAT paid on services and fixed assets from their output VAT, provided that it is directly related to their taxable supplies and it is claimed within five years from the end of the relevant tax period. Where input VAT relates to both taxable and non-taxable supplies, only the portion attributable to taxable supplies is deductible.

The Nigeria Tax Administration Act (NTAA)

- **Advance Tax Rulings:** The NTAA introduces a framework for advance tax rulings, enabling taxpayers to seek formal guidance on the interpretation and application of tax laws to specific transactions. Although these rulings are not binding on the Nigerian Revenue Service, they offer valuable clarity and help reduce uncertainty in tax planning and compliance.

The Joint Revenue Board of Nigeria (Establishment) Act (the JRBA)

- **Establishment of the Tax Ombud Office:** The JRBA establishes the Office of the Tax Ombud to address complaints against tax officials and authorities. Designed to enhance taxpayer protection and promote accountability in tax administration, the Ombud focuses on resolving administrative and procedural grievances. However, it cannot interpret tax laws or interfere with matters under the jurisdiction of the Tax Appeal Tribunal. The Tax Ombud plays a key role in resolving administrative and procedural tax-related grievances.

The Nigeria Revenue Service (Establishment) Act (the NRSA)

- **The Nigeria Revenue Service ("NRS") replaces the Federal Inland Revenue Service:** The NRSA dissolves the FIRS and establishes the Nigerian Revenue Service as its successor. The NRS is vested with broader powers to collect and administer taxes, duties, levies and other revenues for the federal government, positioning it as the central agency under Nigeria's reformed tax framework.

Transition to the New Tax Regime

With the new tax laws set to taking effect on 1 January 2026, the next five months present a critical window for taxpayers, businesses and stakeholders to prepare for compliance. To ensure a smooth and effective transition, businesses should:

a) Assess impact – evaluate how the new laws affect existing structures, operations and transactions.
b) Update policies and contracts – align internal frameworks with revised compliance requirements.
c) Enhance systems – Upgrade tax compliance systems and processes.
d) Build capacity – Train staff and brief management to foster awareness and preparedness.
e) Seek expert guidance – engage legal and tax advisors to navigate implications for ongoing and future transactions.

If you require any further clarification, do not hesitate to contact us.