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TEMPLARS Transcripts: Tax Digest

Policy and Tax Administration

President Bola Ahmed Tinubu signs the four tax reform bills into law

On 26 June 2025, President Bola Ahmed Tinubu gave his assent to four tax bills, enacting them into law: Nigeria Revenue Service (Establishment) Act, Joint Revenue Board of Nigeria (Establishment) Act, Nigeria Tax Act, and the Nigeria Tax Administration Act. The tax reform laws, slated to commence in January 2026, repeal all existing tax laws and consolidate the legal framework relating to taxation in Nigeria, providing a harmonised system for the taxation of income, individuals, assets, transactions, and instruments. They are:

- **The Nigeria Revenue Service (Establishment) Act, 2025:** This Act seeks to modernise and strengthen Nigeria's tax administration by replacing the Federal Inland Revenue Service (Establishment) Act, 2007. It establishes the Nigeria Revenue Service, which assumes all powers, functions, rights, and obligations previously vested in the Federal Inland Revenue Service (FIRS). In addition, the Nigeria Revenue Service is empowered to assess, collect, and account for all revenues due to the Government of the Federation.
- **The Joint Revenue Board of Nigeria (Establishment) Act, 2025:** This Act governs the operations of the Joint Tax Board, the Tax Appeal Tribunal, and the newly established Office of the Tax Ombud. It provides the legal framework for revenue administration, dispute resolution, and the protection of taxpayer rights across Nigeria.
- **The Nigeria Tax Act 2025:** This Act strengthens Nigeria's tax administration framework by consolidating various tax statutes into a single, unified legislation. It repeals and replaces key laws such as the Capital Gains Tax Act, Companies Income Tax Act, Personal Income Tax Act, and Value Added Tax Act, thereby establishing a more cohesive and streamlined tax system. The Act complements other recent reforms, including the Nigeria Tax Administration Act, 2025, and forms part of a broader strategy to enhance compliance, reduce tax evasion, and promote economic development. The transition to a unified tax code underscores the government's intention to

simplifying tax administration, reducing legal ambiguities, and improving enforcement efficiency.

- **The Nigerian Tax Administration Act 2025:** This Act provides for the assessment, collection of and accounting for revenue accruing to the Federal, State and Local Governments. It clearly defines the powers and responsibilities of the relevant tax authorities and addresses related administrative matters.

A comprehensive review of the Tax Reform Acts can be accessed [here](#).

FIRS Begins Renegotiation of Double Taxation Treaty with the Netherlands Amid Sweeping Tax Reforms

The Federal Inland Revenue Service ("**FIRS**") has commenced the renegotiation of the Double Taxation Agreement (DTA) between Nigeria and the Kingdom of the Netherlands. This marks the first treaty renegotiation since President Bola Ahmed Tinubu signed the tax reform bills into law.

At the opening ceremony of the renegotiation hosted by the FIRS, the FIRS Chairman, Dr Zacch Adedeji noted that recent changes such as Nigeria's ongoing tax reforms, international efforts to tackle Base Erosion and Profit Shifting (BEPS), and other global tax standards have made the review of existing tax treaties imperative. He emphasised that the renegotiation aligns with the government's fiscal priorities, which include broadening the domestic tax base, enhancing tax administration, and fostering inclusive economic growth.

The Ambassador of the Kingdom of the Netherlands to Nigeria, Ambassador Bengt van Loosdrecht, in his remarks emphasised the mutual goodwill and professional expertise both countries bring to the table, describing treaty negotiation as a process of "finding common ground." The Ambassador noted that both delegations would arrive at a mutually beneficial agreement, reflective of the strong bilateral relationship between the two nations.

Dr Zacch Adedeji also indicated that the next six months will be crucial in preparing for the January 1, 2026 launch of the Nigeria Revenue Service. During this transition period, efforts will focus on harmonizing tax data, implementing the newly enacted tax legislations and updating existing tax treaties to reflect Nigeria's new tax system.

Federal Inland Revenue Service set to commence E-Invoicing regime on 1 August 2025

The Federal Inland Revenue Service ("**FIRS**") will commence the implementation of a new electronic invoicing system, the *FIRS Merchant Buyer Solution* ("**FIRSMBS**"), from August 2025. This initiative aims to replace paper-based invoicing with structured digital invoices for all business transactions, beginning with large taxpayers through a pilot program.

According to the FIRS, the initiative aligns with global best practices and will in the initial phase, apply to transactions involving business to business (B2B) and business to government (B2G), before extending to transactions involving business to consumer (B2C). The e-invoicing system is designed to enhance tax administration by improving transparency, reducing revenue leakages, and increasing tax compliance. Under the Scheme, each invoice will carry a reference number, QR code, and digital signature.

While this transition offers benefits such as cost reduction and streamlined processes, challenges remain, particularly around infrastructure, data privacy, and ease of compliance for small businesses. *Businesses are encouraged to commence the preparation of their internal systems and operations ahead of the August 2025.*

Judicial Decision

Plateau State Internal Revenue Service (PSIRS) v Jos Electricity Distribution Plc (JEDC): Court of Appeal Affirms the Tax Appeal Tribunal's Jurisdiction over PAYE and WHT Disputes under the Personal Income Tax Act

The Plateau State Internal Revenue Service (PSIRS) had filed an appeal before the Tax Appeal Tribunal (the "Tribunal") in 2021 claiming ₦1,823,326,667.87 (One Billion, Eight Hundred and Twenty-Three Million, Three Hundred and Twenty-Six Thousand, Six Hundred and Sixty-Seven Naira, Eighty-Seven Kobo) from Jos Electricity Distribution Plc (JEDC) in respect of unremitted pay-as-you-earn (PAYE), withholding taxes (WHT) on contracts and consultancy fees, development levy, and associated penalties and interest for the 2015 and 2016 financial years. JEDC denied the alleged liability and raised a jurisdictional objection, arguing that the Tribunal lacked jurisdiction over disputes involving taxes collectible by a state government.

The Tribunal assumed jurisdiction over the appeal and granted the reliefs sought by PSIRS. Dissatisfied, JEDC appealed to the Federal High Court (FHC), which held that the Tribunal lacked jurisdiction to hear disputes relating to taxes due to the Plateau State Government. The FHC held that under the Plateau State Revenue (Consolidation) Law, 2020, jurisdiction in such matters resided exclusively in the Plateau State Revenue Court. Consequently, the FHC set aside the Tribunal's decision for want of jurisdiction.

PSIRS thereafter appealed to the Court of Appeal, contending that the Tribunal is vested with jurisdiction to hear disputes arising under the Personal Income Tax Act (PITA) pursuant to Sections 59 of the Federal Inland Revenue Service (Establishment) Act (FIRS Act) and 60 of the PITA (as amended by the PITA Amendment Act, 2011). PSIRS argued that PAYE and WHT were federal taxes imposed by federal legislation, and although collection had been delegated to the States, this did not alter their character as federal taxes. It maintained that Section 60 of the PITA expressly granted the Tribunal jurisdiction over all disputes arising from the operation of PITA, regardless of whether the revenue authority involved was federal or state.

Conversely, JEDC argued that the Tribunal's jurisdiction, as derived from Section 59 of the FIRS Act and the First Schedule thereto, was limited to tax disputes involving the Federal Inland Revenue Service (FIRS). It asserted that the reference to "Service" in both the FIRS Act and the Tax Appeal Tribunal (Procedure) Rules meant only the FIRS, excluding State Internal Revenue Services. JEDC also submitted that the Tribunal could only adjudicate disputes relating to the taxation of persons under the authority of the FIRS, such as members of the armed forces, the police, foreign service officers, and non-resident persons.

The Court of Appeal in its decision, acknowledged that while the FIRS Act established the TAT and defined its jurisdiction, the power of the National Assembly to legislate on taxation of income or profits (as set out in the Exclusive Legislative List) was key. The Court of Appeal held that the PITA, being a federal law enacted pursuant to this power, retains its character as federal legislation even when the authority to collect personal income tax is delegated to State Boards of Internal Revenue under the Concurrent Legislative List. The Court clarified that there is a distinction between the power to impose tax (which remains federal) and the power to collect tax (which may be delegated to States). Hence, income taxes such as PAYE and WHT, though collected by States, are still taxes arising under PITA and fall within the jurisdiction of the Tribunal as amended by Section 60 of the PITA.

Further, the Court of Appeal drew a boundary by holding that while the Tribunal has jurisdiction over PAYE and WHT disputes under PITA, even if the taxes are collectible by States, it does not have jurisdiction over other state specific taxes and levies. Taxes such as development levies, infrastructure maintenance levies, and land use charges, which are creations of State legislation, fall outside the scope of the Tribunal's jurisdiction. Disputes relating to such levies must be resolved before State High Courts or Magistrate Courts as provided by State laws.

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