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Policy and Tax Administration

Lagos State Internal Revenue Service Issues Public Notices on Administration and Enforcement of New Tax Laws

The Nigeria Tax Act, 2025 (the “NTA”) and the Nigeria Tax Administration Act, 2025 (the “NTAA”) introduced a revised tax administration and enforcement framework applicable across Nigeria, including Lagos State. In alignment with the NTA and the NTAA, the Lagos State Internal Revenue Service (“LIRS”) has issued series of Public Notices clarifying taxpayers’ obligations, compliance requirements, enforcement timelines, and applicable administrative penalties under the NTAA.

We have highlighted the key points of each public notice and the corresponding compliance considerations for taxpayers operating in Lagos State below:

a. **Public Notice on Mandatory Use of Tax ID in all Official and Transactional Documents**

The LIRS public notice on *Mandatory Use of Tax Identification Number (Tax ID) in all Official and Transactional Documents* (the “**Public Notice**”) mandates the compulsory use of Tax Identification Numbers (Tax ID) in all tax-related, financial, and governmental transactions for all taxpayers, Government Ministries, Departments and Agencies (MDAs), financial institutions, private sector organisations, and other relevant stakeholders.

The Public Notice clarifies that a Tax ID must be stated on all returns, notices, correspondence, and other documents submitted for tax compliance purposes, as well as on any document prepared, issued or submitted to the LIRS in respect of a transaction. Furthermore, possession and use of a Tax ID has been stated to be mandatory condition for entering into contracts with MDAs of State, or Local Governments. In addition, all financial institutions, including banks, insurers, and stockbrokers, are required to ensure that customers provide a valid Tax ID before initiating or maintaining any transaction or account.

The Public Notice further provides that documents, correspondence or applications submitted to the LIRS without a Tax ID may be deemed invalid and may not be processed. MDAs are similarly prohibited from processing or approving contracts, procurement requests, or formal engagements where a valid Tax ID has not been provided. Accordingly, taxpayers are required to ensure that their Tax ID is stated on all official documents and correspondence issued to tax authorities and other relevant stakeholders.

Finally, the Public Notice provides that failure to comply with these requirements may result in administrative sanctions, including delays in processing documents, rejection of documents, or other administrative penalties prescribed by law.

b. Public Notice on the Treatment of Artificial Transactions under the Nigeria Tax Administration Act, 2025

The LIRS public notice on *Treatment of Artificial Transactions under the NTAA* reinforces the power of the LIRS to disregard or make necessary adjustments to any disposition or transaction it considers artificial or fictitious and which has the effect of reducing tax liability. In that regard, transactions between connected persons, including related companies or individuals, may be deemed artificial or fictitious where they are not conducted at arm's length, that is, on terms that would reasonably be expected between independent persons. Upon making any such adjustment, the LIRS may issue a revised assessment, and the taxpayer shall be liable for any additional tax arising therefrom, subject to the taxpayer's statutory right of appeal.

All taxpayers are therefore required to ensure that their transactions are conducted at arm's length and properly documented. This includes full disclosure of relationships with connected persons in compliance with the Income Tax (Transfer Pricing) Regulations, 2018, particularly in respect of transactions involving related parties, including non-corporate entities.

c. Guideline on the Obligation of Taxpayers to Declare Tax Planning Arrangements

The LIRS *Guideline on Obligation of Taxpayers to Declare Tax Planning Arrangements* (the "**Guideline**") reinforces the statutory obligation imposed on taxpayers to disclose any tax planning arrangement, scheme, structure, or transaction that has the effect of obtaining a tax benefit in respect of taxes administered by the LIRS.¹

The Guideline defines a tax planning arrangement to include any action, transaction, structure, or series of steps designed, marketed, or implemented to obtain a tax advantage or reduce a tax liability in respect of any tax administered by LIRS. Specifically, the Guideline mandates taxpayers to disclose transactions that are artificial or contrived to obtain a tax benefit; exploit loopholes or technical defects in in tax laws to reduce liability; involve non-arm's-length dealings between related parties; convert taxable income into non-taxable income; or defer or accelerate income or gains primarily to obtain a tax advantage.

Reportable arrangements must be disclosed within prescribed timelines, and disclosures are required to include detailed information on the nature of the arrangement, the parties involved, the legislative provisions relied upon, and the expected or actual tax benefit. The LIRS clarified

¹ Personal Income Tax, Chargeable Gains tax, Stamp Duties on instruments involving individuals, Withholding Tax on payments due to or from individuals or sole proprietors, and any other tax administered by the LIRS.

other regulatory or reporting regimes does not relieve taxpayers of the obligation to disclose under the NTAA.

The Guideline further outlines safe-harbour categories of arrangements that do not require disclosure, such as routine commercial transactions with genuine economic substance; tax planning expressly provided for under law (statutory exemptions, tax credits); transactions fully compliant with arm's-length standards where documentation exists; and internal reorganisations with no tax-avoidance motive and no change in beneficial ownership.

Tax planning arrangements are required to be disclosed to the LIRS within 30 days of the earlier of (a) the date the arrangement is implemented, (b) the date the taxpayer becomes aware of the arrangement, or (c) the date any transactional document or instrument relating to the arrangement is executed. Disclosures must be filed either through the [LIRS e-Tax Portal](#) or by a formal written submission addressed to the Executive Chairman of the LIRS. Disclosures are treated as confidential; however, the information provided may be used by the LIRS for audits, risk assessment, enforcement actions, and inter-agency cooperation, as permitted by law.

d. Public Notice on the Issuance of Administrative Penalties Pursuant to the Nigeria Tax Administration Act, 2025

The LIRS public notice on *Issuance of Administrative Penalties Pursuant to the NTAA* (the "**Notice**") informs taxpayers, employers, agents, and other taxable persons within Lagos State of the commencement of administrative penalties under the NTAA.

The Notice reinforces the LIRS' powers under the NTAA to impose administrative penalties for contraventions and non-compliance with the NTAA. Such contraventions include failure to register; failure to file returns within statutory timelines; failure to deduct and remit withheld taxes; late payment or non-payment of taxes; submission of false or misleading returns; obstruction of authorised tax officers; failure to maintain proper books and records; and non-compliance with data or information requests issued by the LIRS.

Where there are infractions, administrative penalties will be applied in accordance with the NTAA, taking into account factors such as the nature and seriousness of the offence, frequency of non-compliance, amount of tax involved, duration of non-compliance, and whether there was voluntary disclosure of the default. In cases of deliberate evasion, fraud, or persistent non-compliance, LIRS reserves the right to apply maximum penalties or pursue criminal prosecution.

The Notice also provides that taxpayers who voluntarily disclose defaults prior to detection by the LIRS may be eligible for reduced penalties, subject to full disclosure and payment of outstanding tax and interest. LIRS will notify taxpayers of all administrative and taxpayers retain the right to seek clarification, file objections within statutory timelines, request advance rulings, and access dispute resolution mechanisms.

Nigeria Revenue Service Issues Public Notice on the Phased Rollout of the E-Invoicing & Electronic Fiscal System (EFS) Regime

The Nigeria Revenue Service (“NRS”) has issued a Public Notice announcing the implementation timeline for the phased rollout of its E-Invoicing and Electronic Fiscal System (EFS), also known as the Merchant Buyer Solution (MBS). The initiative forms part of the NRS’ statutory mandate under the NTAA and NTA to enhance tax administration, improve transparency, and promote voluntary compliance.

The pilot phase of the EFS commenced on 1 August 2025, following extensive stakeholder consultations and engagements with Large Taxpayers.² The NRS indicated that, following significant progress recorded during the pilot phase, it is proceeding with the phased expansion of the EFS to other taxpayer segments, specifically Medium Taxpayers³ and Emerging Taxpayers.⁴ The phased rollout will follow a structured implementation framework covering the following stages – Stakeholder engagement; Pilot Rollout; Go-Live; Post Go-Live Review; and Compliance Enforcement.

The applicable taxpayer segmentation and corresponding timelines are set out in the table below:

Taxpayer Segment	Annual Turnover Threshold	Stakeholder Engagement	Pilot Rollout	Go-Live	Post Go-Live Review	Compliance Enforcement
Large Taxpayers	Above ₦5 billion	Completed	Completed	Completed	Jan – March 2026	April – June 2026
Medium Taxpayers	₦1 billion - ₦5 billion	Jan – March 2026	April – June 2026	1 July 2026	Oct – Nov 2026	Jan – March 2027
Emerging Taxpayers	below ₦1 billion	Jan – March 2027	April – June 2027	1 July 2027	Oct – Nov 2027	Jan – March 2028

The timelines outlined above are indicative and remain subject to adjustment based on operational readiness and feedback from stakeholder consultations. The NRS has therefore urged taxpayers to identify their applicable category, prepare for onboarding within the prescribed timelines, and engage proactively with the NRS to ensure a seamless transition to the EFS.

Federal Government of Nigeria Confirms Discontinuance of Road Infrastructure Tax Credit Scheme

The Federal Government of Nigeria has announced the discontinuance of the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme – a programme that allowed companies to fund road infrastructure in exchange for tax credits. The decision was disclosed by the Executive Chairman of the NRS (the “Chairman”), during a media briefing.

According to Chairman, the discontinuation was driven by constitutional and administrative considerations relating to the mandate of tax authorities. He explained that the core responsibility of the NRS is to assess, collect, and account for taxes, while the appropriation of public funds rests with

² Companies with annual turnover above ₦5 billion.

³ Companies with annual turnover between ₦1 billion - ₦5 billion.

⁴ Companies with annual turnover below ₦1 billion

constitutionally designated bodies. In the Chairman's view, permitting tax credits for infrastructure effectively amounted to an appropriation of public revenue outside the established constitutional process, particularly as tax revenues are required to be paid into the Federation Account for distribution in accordance with applicable laws.

The Chairman further noted that the scheme also raised operational concerns, as the NRS does not possess the technical competence to evaluate or supervise infrastructure construction. The Federal Government has therefore indicated that infrastructure development should proceed through the conventional budgetary and appropriation framework, ensuring that the funding and execution of such projects remain within the established constitutional and institutional structures.

Judicial Decision

Tax Appeal Tribunal rules that unchallenged tax assessments constitute a liquidated debt recoverable under the Summary Appeal Procedure: *Federal Inland Revenue Service v Jampaac Geosurvey Nigeria Limited (2025) 95TLRN 38.*

The Federal Inland Revenue Service, now the NRS, issued Notices of Additional Assessment imposing additional tax Value Added Tax and Companies Income Tax liabilities on Jampaac Geosurvey Nigeria Limited (the "Respondent") for the 2023 year of assessment. Subsequently, the NRS issued a letter of reminder as well as a final demand/notice of intention to commence enforcement proceedings. The Respondent neither responded to the letters nor objected to the assessments within the statutory timeframe. Consequently, the NRS commenced proceedings before the Tax Appeal Tribunal (the "Tribunal") by way of a Summary Appeal under Order XVI of the Tax Appeal Tribunal (Procedure) Rules 2021 ("TAT Rules"). Despite being duly served with the Notice of Appeal and hearing notices, the Respondent did not file a Notice of Intention to Defend or enter an appearance.

The NRS contended that the Summary Appeal Procedure under Order XVI of the TAT Rules is designed to enable the Tribunal to enter judgment without necessarily proceeding to trial where the claim relates to a liquidated money demand or debt and the Respondent has no defence. Relying on section 34(1) of the Federal Inland Revenue Service (Establishment) Act, 2007 (the "FIRSEA"), the NRS argued that any tax due constitutes a debt recoverable by civil action once it becomes final and conclusive. The NRS submitted that the Respondent's failure to object to the Notices of Additional Assessment within the statutory period rendered the assessments final and conclusive. The NRS further argued that the Respondent's failure to respond to various demand letters and to file a defence to the appeal was indicative that the Respondent neither had a real nor good defence to the appeal and, therefore, should not be allowed to prevent the NRS from obtaining judgment.

The Tribunal upheld the NRS's position and held that the appeal was properly brought under the Summary Appeal Procedure. The Tribunal found that the Respondent was duly served with the Notices of Assessment and demand letters and that, having failed to object within thirty days of receipt, the assessments became final and conclusive. Having become final and conclusive, the assessed tax constituted a debt for which a claim could be maintained under section 34(1) of the FIRSEA. On this basis, the Tribunal held that there was indeed a debt and an agreed liquidated money demand, which justified commencement of the matter under the Summary Appeal Procedure. Accordingly, the Tribunal entered judgment in favour of NRS for the assessed tax liabilities, together with applicable penalties and interest.

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