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# TEMPLARS Transcripts: Tax Digest

## *Policy and Tax Administration*

### **Nigeria Revenue Service commences administration and collection of mineral royalties**

The Nigeria Revenue Service (the “**NRS**”) has assumed responsibility for the administration and collection of mineral royalties from mining operators across Nigeria.

This development has surfaced in a bid to implement the provisions of the new tax laws, which empower the NRS to administer all revenue accruing to the government and to oversee the collection and administration of mineral royalties payable by operators in the mining sector. The development was confirmed following a recent meeting between the Minister of Solid Minerals Development (the “**Minister**”), and the Executive Chairman of the NRS. According to the Minister, the Ministry of Solid Minerals Development (the “**Ministry**”) will, however, continue to play a technical and regulatory role in the sector by providing mineral pricing data, geological information, and broader industry coordination to support the administration of solid mineral royalties.

The NRS and the Ministry also announced plans for close collaboration to ensure effective implementation of the new tax laws. As part of this effort, a nationwide sensitisation programme will be organised to guide mining operators on the filing and payment of solid mineral royalties under the new tax laws. In addition, the NRS and the Ministry plan to develop a modern end-to-end digital solid mineral royalty administration system and hold periodic technical sessions to address operational issues and ensure a smooth transition to the new solid mineral royalty framework.

### **Federal Government to expand tax net with presumptive tax framework for informal sector**

The Federal Government has unveiled plans to introduce a simplified tax framework for businesses operating in Nigeria’s informal sector. According to the Minister of Finance and Coordinating Minister of the Economy (the “**MoF**”), the framework for the informal sector is part of the ongoing tax reforms, with the objective of expanding Nigeria’s tax base without increasing existing tax rates.

Under the framework, informal businesses with annual turnover of up to NGN2 million would be exempt from tax, while other informal businesses would be subject to a presumptive tax of 1% of turnover. The framework aims to simplify tax compliance for micro and small enterprises that generally lack formal accounting systems. In addition, the framework seeks to eliminate arbitrary assessments and harmonise the tax treatment of businesses operating within the informal sector.

The framework also proposes several administrative measures aimed at improving transparency in tax collection. These include prohibiting cash collections by tax officials, banning roadside enforcement or roadblocks for tax purposes, and encouraging the use of digital payment channels.

## Judicial Decision

### **Tax Appeal Tribunal rules that companies engaged in Petroleum Operations at the exploratory stage are required to file petroleum profit tax returns under the Petroleum Profits Tax Act: *Oando Deepwater Exploration Nigeria Ltd v Federal Inland Revenue Service (2025) TAT/LZ/CIT/002/2025***

Oando Deepwater Exploration Nigeria Ltd. (the "**Appellant**") filed its Companies Income Tax (CIT) returns for the 2024 year of assessment. The Federal Inland Revenue Service (now the **NRS**) acknowledged receipt but imposed a late returns penalty of NGN410,000,000 pursuant to section 30 of the Petroleum Profits Tax Act (the "**PPTA**"), on the basis that the Appellant, being engaged in petroleum operations, had an obligation to file Petroleum Profit Tax (PPT) returns rather than CIT returns.

The Appellant contended that it operated under a Production Sharing Contract (PSC) in respect of OML 135 – which was at exploratory stage and had not attained chargeable oil. It argued that under the PSC regime, the obligation to file PPT returns rests with the Nigerian National Petroleum Company Limited (NNPCL) as operator, not the Appellant. The Appellant further relied on the doctrine of legitimate expectation, asserting that the FIRS had consistently accepted CIT returns since 2014 and was estopped from abruptly imposing penalties under the PPTA.

The FIRS submitted that the definition of "*petroleum operations*" under section 2 of the PPTA is broad enough to encompass exploration activities, and that section 30(3) of the PPTA, as amended by the Finance Act, 2023, expressly requires companies yet to commence bulk sales or disposal of chargeable oil to file PPT returns within prescribed timelines. It further argued that joint filing by the NNPCL as operator under a PSC arises only where there is an accounting period involving actual production and disposal of crude oil, which the Appellant admitted had not yet been attained, and that the Deep Offshore and Inland Basin Production Sharing Contracts Act ("**PSC Act**") does not override the obligation to file PPT returns under the PPTA.

The Tribunal upheld the NRS' position, holding that the Appellant's exploratory activities fall within the definition of petroleum operations under section 2 of the PPTA and that section 30(3) imposes a clear filing obligation on companies yet to commence bulk disposal of chargeable oil. The Tribunal further found no inconsistency between the PSC Act and the PPTA, holding that the PSC Act supplements but does not displace the obligation to file PPT returns under the PPTA. The Tribunal also rejected the Appellant's reliance on legitimate expectation, ruling that clear statutory provisions override any prior administrative practice. Accordingly, the Tribunal upheld the imposition of the late returns penalty and dismissed the appeal in its entirety.

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