Tax Reforms in Nigeria: Implications for Business Going Forward

LCCI 2025 Mid-Year Review & Outlook Conference

July 2025

Contents

Overview of the Tax Reforms

Overview of the Tax Reforms

The Transformation at a Glance

PUNCH
Most Widely Read Newspaper

Home | News | Featured | Metro Plus | Business | Sports | HealthWise | PUNCH Lite | Editorial | Colun

Federal revenue agencies face shake-up as Tinubu signs tax bills

27th June 2025

Daily Trust

HOME | NEWS | BUSINESS | POLITICS | PODCAST | VIDEOS | AGRICULTURE | SPORTS | OPINION | EDUC

Click Here To Listen To Trust Radio Live

NEWS | TOP STORY

FISCAL POLICY: VAT Remains 7.5%, CIT 30% As Tinubu Signs Tax Reform Bills

Headlines

Tinubu Signs Four Tax Bills Into Law, New Tax Regime Begins Jan 2026

The presidency said the new tax laws will significantly transform tax administration in the country, leading to increased revenue generat

By Lanre Lasisi

Updated June 26, 2025

Vanguard

NEWS | E-EDITIONS | POLITICS | METRO | BUSINESS | SPORTS | EDITORIAL | COLUMNS | ALLURE

HOME » NEWS » TINUBU SIGNS FOUR TAX BILLS INTO LAW

NEWS

June 26, 2025

Tinubu signs four Tax Bills into law

ANDERSEN

Overview of the Tax Reforms

The Signed Acts at a Glance

On June 26 2025, President Bola Ahmed Tinubu signed four transformative tax reform bills into law, marking the most significant overhaul of Nigeria's tax system since independence.

The Four Pillars of Reform includes:

- **Nigeria Tax Act (NTA)** - Comprehensive tax law consolidation.
- **Nigeria Tax Administration Act (NTAA)** - Streamlined administrative framework.
- **Nigeria Revenue Service Act (NRSA)** - Modern revenue collection system.
- **Joint Revenue Board Nigeria Act (JRBA)** – Harmonised dispute resolution arising from revenue administration.

Proposed Implementation Date: January 1, 2026

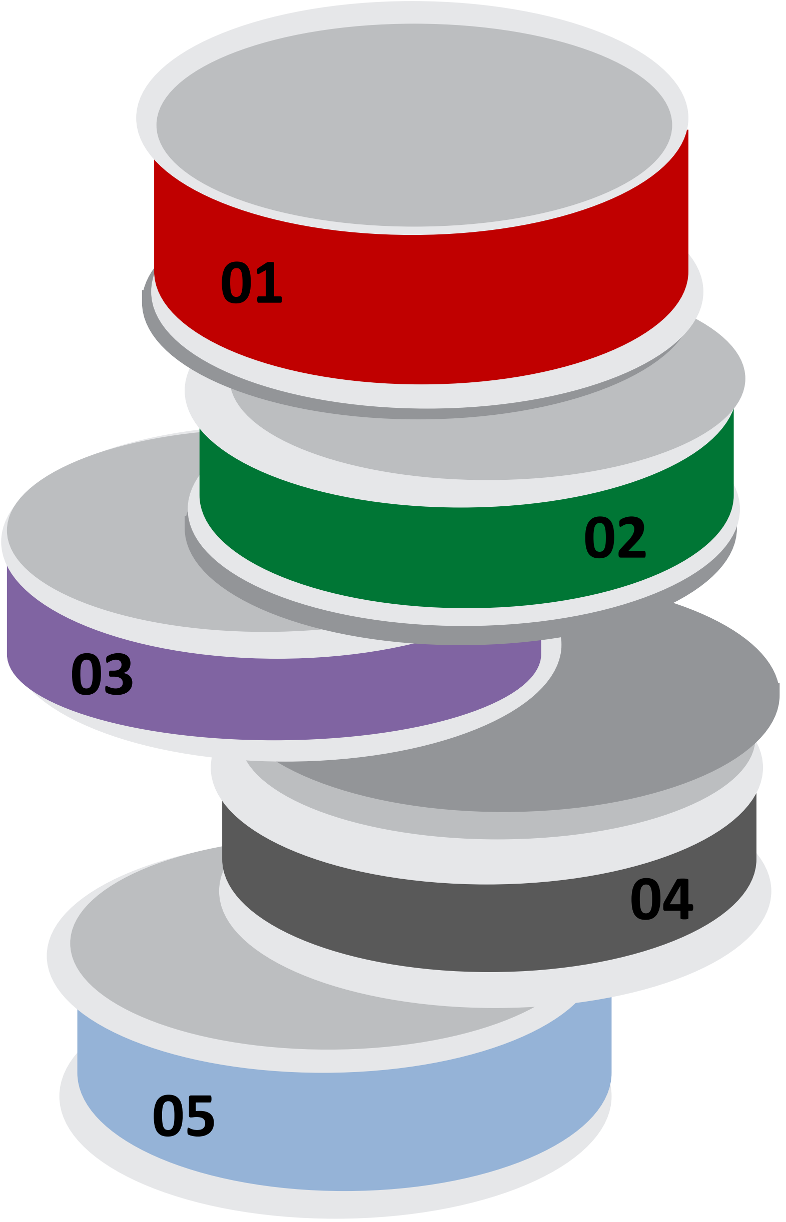
Strategic Objective:
To streamline Nigeria's tax system by reducing the number of taxes to a manageable single-digit figure, enhancing revenue generation, simplifying compliance procedures, and addressing regional disparities in tax administration.

Key Changes Introduced

Key Changes Introduced by the NTA

01 – Capital Gains Tax Rate

Capital Gains Tax (CGT) rate has been increased from 10% to 30% for large companies, equating it with the standard CIT rate and closing opportunities for tax arbitrage between capital gains and trading income



02 – Introduction of VAT Fiscalisation and E-Invoicing

The NTA requires mandatory e-invoicing systems for all registered businesses. Businesses must now adopt electronic invoicing tools approved by the tax authority, aligning Nigeria with global best practices in VAT administration.

03 – Effective Minimum Tax Rate

This applies to companies that are either part of a multinational group with global turnover of €750 million or more, or have an annual Nigerian turnover of at least N50 billion. If a foreign subsidiary of a Nigerian company (or a group member) pays less than the minimum ETR of 15%, the Nigerian parent must pay the shortfall.

04 – Economic Development Incentives

This replaces the Pioneer Status Incentive (PSI). The scheme introduces a targeted incentive regime aimed at stimulating capital investment in defined priority sectors, which should accelerate industrial growth.

05 – Deduction for Research & Development (R&D)

To boost innovation and local productivity, the NTA introduces a tax deduction on R&D expenditure incurred. This is restricted to 5% of turnover of the company in a particular year.

Implications for Business Going Forward

Implications for Business Going Forward

01 – Enhanced Taxpayer Services

- The reforms improve taxpayer services through better dispute resolution, clearer guidance, and enhanced communication, reducing compliance uncertainty and supporting tax planning.

02 – Input VAT Recovery

- Nigeria now adopts globally recognised VAT principles that allow for the claim of input VAT on all purchases including services and fixed assets. Businesses can now recover input VAT provided that the input VAT is directly related to their supplies that are also subject to VAT

03 – Compliance System Upgrades

- Businesses must upgrade compliance systems through technology, training, and process changes to meet new requirements, leading to long-term efficiency, cost savings, and competitive advantage.

04 – Increased Penalties for Non-compliance

- Stricter penalties for non-compliance means that businesses must prioritize compliance. The cost of even small errors can multiply quickly, forcing businesses to reassess their approach to tax processes..

05 – Digital Economy Integration

- The digital integration creates opportunities for real-time tax monitoring and compliance. Companies embracing digital transformation may gain competitive advantages through improved operational efficiency and enhanced regulatory compliance.

Implications for Business Going Forward

Sector-Specific Implications and Opportunities

Manufacturing and Industrial Development

The reforms provide significant advantages for manufacturing companies. Zero-rating of essential manufacturing inputs reduces production costs while supporting import substitution objectives.

Manufacturing companies can leverage these incentives to enhance competitiveness while contributing to national development goals. The reforms particularly benefit companies engaged in value-added production, creating opportunities for vertical integration and supply chain optimization.

Implications for Business Going Forward

Sector-Specific Implications and Opportunities

Agriculture and Food Processing

The agricultural sector continues to enjoy significant tax advantages, with expanded zero-rating for essential food items and enhanced incentives for agro-processing activities. These provisions support food security objectives while encouraging agricultural value addition.

Companies engaged in food processing benefit from reduced input costs through VAT zero-rating of essential food items. The reforms also support export-oriented agricultural activities through improved incentive structures.

Implications for Business Going Forward

Sector-Specific Implications and Opportunities

Services Sector Transformation

Service companies benefit from simplified compliance procedures and reduced withholding tax burdens (courtesy of WHT Regulation 2024). The digital economy provisions create opportunities for technology-enabled service delivery while ensuring appropriate tax treatment for digital services.

Professional service firms must adapt to new withholding tax requirements while leveraging simplified compliance procedures to reduce administrative costs. The reforms also create opportunities for consulting services related to tax compliance and digital transformation.

Recommendations and Conclusion

Recommendations

1

Immediate Action Requirements

- Management needs to be aware of the changes to the tax laws.
- Companies must conduct comprehensive impact assessment including impact on current operating structure, and commercial arrangements like acquisition and divestments, review potential incentives that could be explored.
- Review tax strategy due to the changes in the tax law such as VAT fiscalisation.
- Engage qualified tax professionals to ensure comprehensive understanding of new obligations while identifying optimization opportunities.

2

Strategic Implementation Framework

- Successful adaptation requires a structured implementation framework that addresses system upgrades, compliance process modifications, etc.
- The implementation framework must also address stakeholder engagement, including employees, customers, and business partners. Clear communication regarding tax-related changes helps maintain business relationships while ensuring compliance with new requirements.

3

Building Sustainable Tax Capabilities

- Companies must invest in building internal tax capabilities to manage the new compliance requirements. This includes training your people to ensure seamless transition to the new tax system.
- Companies with strong internal tax capabilities can respond more quickly to regulatory changes

Conclusion - Embracing the New Tax Era

The Nigeria Tax Act 2025 signals a new era for the Nigerian tax regime, offering a mix of incentives and obligations that can reshape industrial growth if property leveraged. At the same time, the Acts demands greater compliance discipline, including mandatory e-invoicing and stricter reporting requirements.

To fully benefit businesses must act swiftly by reviewing their tax strategies, updating internal systems, and ensuring their teams understand the new rules. Businesses that stay updated early will be best positioned to ensure compliance.