



## *The Nigerian New Tax Laws, Key Innovations and the Challenges Ahead*

**Adebowale Raphael Omolasoye**

LL. B, Adekunle Ajasin University, Akungba-Akoko, Ondo State, Nigeria

*Citation: Adebowale Raphael Omolasoye (2026) The Nigerian New Tax Laws, Key Innovations and The Challenges Ahead. J of Eco and Soc Dynamics. 2(4), 1-27. WMJ/JESD-146*

### **Abstract**

*This paper analyses the 2025 new tax laws in Nigeria which were introduced in 2025 but effective from January 1, 2026, marking the most significant restructuring of the nation's fiscal system since independence, as it consolidates more than ten distinct statutes into four related Acts. It further discusses the key innovations in the tax laws, particularly the Nigeria Tax Act, 2025 as well as the potential challenges that may arise with the implementation and effectiveness of these new tax laws. It concludes by summarily emphasising the importance of the new tax system while also highlighting the need for accountability, transparency and public trust in the pursuit of achieving its transformative goals.*

**\*Corresponding author:** Adebowale Raphael Omolasoye, LL. B, Adekunle Ajasin University, Akungba-Akoko, Ondo State, Nigeria.

**Submitted:** 26.03.2026

**Accepted:** 30.03.2026

**Published:** 30.04.2026

**Keywords:** Tax system, Tax rate, Taxpayer, Implementation.

### **Introduction**

The 2025 Nigerian Tax Laws is a key element of President Bola Tinubu's comprehensive economic reform plan, serving as the financial engine that drives the administration's initiatives across various sectors. The new tax laws in Nigeria include The Nigeria Tax Act, 2025 ("NTA"), the Nigeria Tax Administration Act, 2025 ("NTAA"), the Nigeria Revenue Service (Establishment) Act, 2025 ("NRSA"), and the Joint Revenue Board (Establishment) Act, 2025 ("JRBA").

### **Nigeria Tax Act 2025**

The Nigeria Tax Act (NTA) acts as the foundational legal framework for the new tax system. By repealing and consolidating older laws, such as the Companies Income Tax Act (CITA), Value Added Tax Act (VATA), and Petroleum Profits Tax Act (PPTA), it significantly contributes to the reformed tax landscape. The Act clearly defines taxable income, sets appropriate rates and thresholds, and introduces modern rules for the digital economy, including taxation frameworks for e-commerce and gig work. It incorporates

a progressive tax system aimed at individuals and small to medium enterprises (SMEs), aligning Nigeria with global tax standards, such as a minimum effective tax rate to mitigate base erosion and profit shifting (BEPS).

The Nigeria Tax Administration Act (NTAA) establishes the procedural framework necessary for the efficient functioning of the tax system. By unifying previously disparate provisions from various statutes, it standardizes practices across the federation and creates consistent procedures for assessment, filing, payment, and auditing. The Act mandates a national Taxpayer Identification Number (TIN), requires digital filing systems, and sets clear timelines for audits, appeals, and refunds. It includes strengthened measures against tax evasion and avoidance, along with the codification of taxpayer rights and improved access to dispute resolution mechanisms.

### **Nigeria Revenue Service (Establishment) Act 2025**

This legislation establishes the Nigeria Revenue Service (NRS) as an independent agency responsible for managing federal tax administration, effectively taking the place of the Federal Inland Revenue Service (FIRS). It creates a self-sufficient, professional revenue authority that is protected from political influence and expands its mandate to include all federally collectible revenues, not just traditional taxes. The NRS is designated as the main enforcer of all tax laws in the newly reformed system.

### **Joint Revenue Board (Establishment) Act 2025**

The JRB Act introduces a permanent framework for coordination between federal and state revenue authorities, resolving long-standing jurisdictional conflicts within Nigeria's federal structure. This legislation forms a Board led by the NRS Chairman, with members from all State Internal Revenue Services, creating a cohesive platform for standardizing tax policies and practices across the country.

### **Innovations of The New Tax Laws**

The new tax regime in Nigeria has brought about quite a number of notable innovations, some of which include the following:

**Chargeable Gains and Assets:** As outlined in Section 34 of the Nigeria Tax Act, chargeable assets en-

compass various types of property, such as shares, options, rights, debts, digital assets, intangible property, and foreign currencies. However, profits from selling shares in Nigerian companies are not subject to taxation if:

- The sale proceeds are below ₦150 million, and the chargeable gain does not exceed ₦10 million within a 12-month period,
- The shares are transferred between approved parties in a regulated Securities Lending Transaction, or
- The proceeds from the sale are reinvested in Nigerian company shares within the same assessment year, although any portion not reinvested will be taxed.

**Corporate Tax Rates:** According to the Act, small companies, which are those with an annual gross turnover of ₦100 million or less and total fixed assets not exceeding ₦250 million, are taxed at 0%, while large companies are taxed at 30%. This 30% rate may be lowered to 25% as of a date determined in an Order issued by the President based on the National Economic Council's advice.

**Individual Tax Rates:** Section 58 of the Act establishes a tax-exempt threshold of ₦800,000 and raises tax rates for higher income earners. The updated tax rates range from 0% to 25%. The Fourth Schedule of the Act illustrates the tax bands and corresponding rates.

**Effective Tax Rate (ETR):** The NTA establishes an ETR of 15% on a company's net income.

In this context, net income is defined as profits before tax reported in the Audited Financial Statements (AFS), excluding franked investment income and unrealized gains and losses. This provision targets companies with a turnover exceeding ₦50 billion and those belonging to a multinational enterprise (MNE) group whose total turnover is at least €750 million or its equivalent. However, the ETR rules do not apply to licensed entities within free trade zones, except for sales within the customs territory or if they are part of an MNE group meeting the turnover threshold.

**Introduction of a Development Levy:** The NTA brings together various taxes and levies currently paid by companies (including the Tertiary Education Tax, Nigeria Police Trust Fund, National Information

Technology Development Agency (NITDA) Levy, and National Agency for Science and Engineering Infrastructure (NASENI) Levy). This section imposes a flat rate of 4% on assessable profits of companies, excluding small and non-resident firms.

**Taxation of Approved Entities in Free Trade Zones:** According to Section 60 and the Second Schedule of the Act, profits made by entities in an Export Processing Zone are exempt from taxation, subject to certain criteria. The exemption applies if:

- All sales by the entity come from exporting goods or services or supplying inputs solely used for producing goods or services for export.
- No more than 25% of total sales are directed to the customs territory in Nigeria.
- Any sales to the customs territory are made to entities involved in petroleum or gas operations at any stage (upstream, midstream, or downstream).

**Fiscalisation of VAT Supplies:** According to Section 157 of the Nigerian Tax Act (NTA), taxable individuals are required to utilize fiscal tools mandated by the tax authority, which may include electronic devices or software for electronic invoicing and data transmission. Additionally, Section 23 of the NTA states that anyone making taxable supplies must use the Electronic Fiscal System (EFS) for recording and reporting transactions once the Nigeria Revenue Service (NRS) implements such a system.

**Stamp Duty Obligation:** Section 125 stipulates that the recipient of a real property interest, anyone benefiting from a paid service, or any individual securing a transaction through an executed instrument must affix a stamp to the relevant document within 30 days and pay the corresponding duty.

**Loan Capital Stamp Duty:** Section 136 indicates that a company's loan capital will be subject to ad valorem tax. The NTA defines loan capital as including debenture stock, other similar debts, and any funding obtained by entities established in Nigeria, excluding overdrafts and loans lasting no longer than 12 months. The critical point is that loans exceeding 12 months will now incur stamp duty.

**Surcharge Imposition:** Section 158 establishes a 5% surcharge on chargeable fossil fuel products pro-

duced or provided in Nigeria, to be collected at the time of the transaction. The surcharge will be calculated based on the retail price, with the NRS collecting it on a monthly basis. However, this surcharge does not apply to clean or renewable products, household kerosene, cooking gas (LPG), and compressed natural gas (CNG).

### Potential Challenges of The New Tax Laws

While Nigeria's 2025 tax laws mark a significant advancement, their successful implementation is not assured. Various serious challenges, both political and logistical in nature, may pose risks to effective implementation. Industry leaders, civil society members, policy analysts are voicing these issues in public discussions throughout the country.

A primary concern revolves around political and institutional opposition. Established interests at the state level may severely undermine the new tax system. Governors and local governments might resist federal control exerted through the Nigeria Revenue Service (NRS), particularly if they worry about losing authority over their income sources. This conflict jeopardizes the potential for harmonization, as states might hinder centralized collection efforts or fail to fully cooperate in integrated systems.

Leaders from the private sector also express apprehension that the ambitious reforms may not adequately address multiple taxation issues. At a stakeholders' meeting, business groups voiced strong concerns regarding the significant hike in Capital Gains Tax (CGT) from 10% to 30%, warning that this may diminish competitiveness and impose heavy burdens on firms already facing financial challenges. These worries indicate that compliance might decline or that businesses could react politically.

Technological and infrastructural challenges add to the complexity. Although the reforms promote e-filing, e-invoicing, and data integration, many states, particularly poorer or rural areas, lack dependable broadband, modern tax facilities, or skilled workers. It has been noted that fragmented digital systems create "data silos" and inconsistent tax identification management, hampering coordination and immediate monitoring. Without a cohesive and robust infrastructure, the potential benefits of digitization could be severely limited.

Another crucial issue involves public trust. Many taxpayers are doubtful that increased tax payments will lead to improved public services. This skepticism is understandable; in some areas, residents feel they are paying multiple taxes without seeing enhancements in basic services. Unless the government ensures transparency, such as providing public dashboards detailing tax expenditures, many Nigerians may persist in resisting or evading taxes.

The capacity and institutional readiness also pose significant challenges. The reforms introduce new entities such as the Joint Revenue Board and the Office of the Tax Ombudsman, but their effectiveness relies on competent leadership, sufficient funding, and strong collaboration among governments. Without proper training for tax officials, clear transitional guidelines, and a rigorously enforced system, some states or local governments may struggle with implementation or revert to outdated collection methods.

Lastly, social and political dangers are significant. A contentious aspect of the reform is the planned 5% fuel surcharge, which many fear could exacerbate Nigeria's already high cost of living. This incident highlights the sensitivity of fiscal policy in the current economic environment, especially as citizens are already burdened by inflation and the removal of subsidies.

### Conclusion

The new tax laws could represent a pivotal moment for Nigeria's financial framework. When implemented thoughtfully and transparently, these reforms could enhance government revenue, foster growth outside the oil sector, and establish a more equitable tax system. However, without a commitment to accountability, digital advancement, and fairness backed by political resolve and public trust, the lasting effects of the reforms may not fulfill their intended transformative goals [1-27].

### References

1. KPMG (2025) "The Nigeria Tax Administration Act (NTAA)"
2. Ibid.
3. S A Abdulmudallib (2025) "Tax Law Rewrite and Simplification: A Critical Assessment of the Nigerian Tax Reform ACTS, 2025"
4. KPMG (2025) "The Joint Revenue Board Establishment Act (JREA)"
5. Nigeria Tax Act, 2025, Section 34.
6. KPMG (2025) "The Nigeria Tax Act (NTA)"
7. Nigeria Tax Act, 2025, Section 56.
8. Nigeria Tax Act, 2025, Section 58.
9. Nigeria Tax Act, 2025, Section 57(1)(a).
10. Nigeria Tax Act, 2025, Section 57(1)(c).
11. Nigeria Tax Act, 2025, Section 57(2).
12. Nigeria Tax Act, 2025, Section 57(3).
13. Nigeria Tax Act, 2025, Section 59.
14. Nigeria Tax Act, 2025, Section 60.
15. Nigeria Tax Act, 2025, Section 157.
16. Nigeria Tax Act, 2025, Section 23.
17. Nigeria Tax Act, 2025, Section 125.
18. Nigeria Tax Act, 2025, Section 136(1).
19. Nigeria Tax Act, 2025, Section 136(2).
20. Nigeria Tax Act, 2025, Section 158.
21. Nigeria Tax Act, 2025, Section 159 (2).
22. KPMG, Ibid.
23. A I Ewang (2025) "Nigeria's 2025 Tax Reform: The Road to Fiscal Resilience or Another Policy Mirage?" (2025), *Journal of Accounting and Financial Management*, 62-68 65.
24. U Udofiaa "The 2025 Nigerian Tax Reform Acts: Analysis of Key Provisions and Implementation Challenges," (2025) 2(6) *Journal of Business and Econometrics Studies* 1-11, 9.
25. Ewang, Ibid.
26. Udofiaa, Ibid 10.
27. A P Folorunsho (2026) "Analysis of Nigeria's New Tax Law Vis-à-vis the Previous Tax Regime with Identification of Key Improvements,"