

M. J. Numa & Partners LLP  
Trial Attorneys & Transaction Advisors

# TAX

# The Nigerian Tax Reform Acts 2025:

## Fiscal Harmonisation or a Quiet Rewriting of Federalism?



Odiyowwi Oyovwi Osusu JNR  
*Senior Associate*



[www.mjnuma.com](http://www.mjnuma.com)

M. J. Numa & Partners LLP  
Trial Attorneys & Transaction Advisors

# THE NIGERIA TAX REFORM ACTS 2025: FISCAL HARMONISATION OR A QUIET REWRITING OF FEDERALISM?

## INTRODUCTION

The Nigeria Tax Reform Acts 2025, comprising the Nigeria Tax Act, the Nigeria Tax Administration Act, the Nigeria Revenue Service (Establishment) Act, and the Joint Revenue Board Act,<sup>1</sup> represent the most far-reaching restructuring of Nigeria's fiscal framework in decades, and their significance for legal practitioners, commercial enterprises, and the architecture of the federation itself should not be underestimated. Signed into law in June 2025 and effective from 1 January 2026,<sup>2</sup> the reforms seek to consolidate a fragmented legislative landscape into a unified framework, improve administrative efficiency across the entire tax system, broaden the tax base in ways that will reach previously untaxed sectors, and enhance national revenue generation at a time of acute fiscal pressure.

Yet beyond their technical objectives lies a deeper constitutional and structural question that demands sustained legal analysis, whether these reforms amount not merely to fiscal modernisation, but to a subtle and consequential recalibration of Nigeria's federal balance. This article advances the position that whilst the reforms are in many respects necessary and analytically progressive, their implementation raises unresolved constitutional tensions, practical compliance challenges of considerable magnitude, and a significant potential for litigation that will define the contours of Nigeria's tax jurisprudence for years to come.

## HARMONISATION AND ITS DISCONTENTS

At the core of the reforms is the concept of harmonisation, the consolidation of previously fragmented tax regimes into a unified legislative and administrative framework, which the relevant advisory literature has described as the most comprehensive statutory consolidation in Nigeria's fiscal history.<sup>3</sup> In theory, harmonisation reduces costly duplication of obligation, simplifies compliance for taxpayers operating across jurisdictions, and promotes the kind of transparency that underpins investor confidence and sustainable revenue generation. For taxpayers and tax authorities alike, a single coherent code is manifestly preferable to the disjointed patchwork of statutes, practice notes, and administrative circulars that preceded it.

However, harmonisation is rarely, if ever, a neutral exercise. Where it is accompanied by centralised administration, uniform application across jurisdictions with materially different fiscal capacities, or the expansion of federal revenue instruments beyond their previously understood scope, it may carry structural implications that extend

---

<sup>1</sup>Nigeria Tax Act 2025 (NTA 2025); Nigeria Tax Administration Act 2025 (NTAA 2025); Nigeria Revenue Service (Establishment) Act 2025 (NRSA 2025); Joint Revenue Board Act 2025 (JRBA 2025). All four Acts were enacted together as part of a single legislative reform package.

<sup>2</sup>The four Acts were assented to by President Bola Ahmed Tinubu on 26 June 2025. The commencement date for the substantive provisions of the NTA 2025 and the NTAA 2025 was 1st January 2026.

<sup>3</sup>PricewaterhouseCoopers, 'Nigeria Tax Reform Acts 2025: Key Highlights and Analysis' (PwC Nigeria, 2025). PwC describes the NTA 2025 as consolidating and repealing multiple earlier tax statutes into a unified legislative framework.

well beyond its stated objectives. In a federation such as Nigeria, where revenue allocation and taxing powers are historically contested and politically sensitive, a reform of this breadth inevitably invites (and properly requires) sustained scrutiny of its constitutional dimensions.

## **FEDERALISM UNDER PRESSURE**

The constitutional allocation of taxing powers in Nigeria is governed by the Constitution of the Federal Republic of Nigeria 1999 (as amended), and in particular by the provisions of the Exclusive and Concurrent Legislative Lists contained within its Second Schedule.<sup>4</sup> The reforms intersect directly with longstanding debates on fiscal federalism, including the fundamental question of how far federal legislative competence over taxation extends before it encroaches, in substance if not in form, upon the fiscal autonomy of state governments that are themselves constitutionally recognised organs of the federation.

The recent history of VAT administration in Nigeria illustrates with particular clarity the fragility of the existing federal-state balance, and the readiness of state governments to assert their constitutional position through litigation. The constitutional challenge brought by Rivers state government in ***Attorney General of Rivers State v. Federal Inland Revenue Service & Attorney General of the Federation***<sup>5</sup> demonstrated the depth of jurisdictional sensitivity surrounding revenue collection, and distribution. The Tax Reform Acts, which expand certain federal revenue mechanisms and introduce new centralised administrative structures that will govern taxpayers across the federation, are likely to revive these debates in new and more technically complex forms.

The critical question is not whether the federation may legislate on taxation (it clearly may, and has done so extensively) but whether the manner of implementation under the new framework genuinely preserves the constitutional autonomy of states within Nigeria's federal structure, or whether, in operational reality, it diminishes that autonomy in ways that the statutory text does not openly acknowledge.

## **KEY INNOVATIONS OF THE ACT**

Beyond its implications for fiscal federalism, the tax reform package introduces several substantive legislative innovations that will reshape the tax landscape for companies, investors, and individuals operating in Nigeria. Each of these measures carries distinct legal and commercial consequences, and together they represent the most significant expansion of Nigeria's substantive tax law in a generation. The principal innovations are examined in turn below.

### **The 4% Development Levy**

One of the more debated features of the Nigeria Tax Act is the introduction of a development levy of 4%, imposed on the assessable profits of all companies

---

<sup>4</sup> Section 4 and Second Schedule of the Constitution of the Federal Republic of Nigeria 1999 (as amended). Taxation generally appears on the Exclusive Legislative List, subject to specific sharing arrangements with the states.

<sup>5</sup> *Attorney General of Rivers State v. Federal Inland Revenue Service & Attorney General of the Federation* (Unreported) Suit No: FHC/PH/CS/149/2020 Coram: Hon. Justice Stephen Daylop Pam delivered on the 9th day of August 2021. The Federal High Court in this landmark decision considered the constitutional distribution of fiscal powers, including VAT administration, between the federal government and the states.

chargeable to tax under the relevant chapters of the Act, with the explicit exclusion of small companies and non-resident companies from its scope.<sup>6</sup> The provision has attracted commentary from tax practitioners and policy analysts in equal measure, and it is not difficult to understand why.

Whilst presented as a developmental instrument designed to channel additional corporate resources into national infrastructure and public investment, the levy raises fundamental legal and policy questions that will require careful resolution. These include its proper classification within the broader tax framework, its relationship with existing corporate tax obligations that may render it duplicative in effect, and its constitutional justification within Nigeria's federal fiscal structure at a time when the distribution of centrally-generated revenues is itself a matter of political sensitivity. Should the levy be perceived by affected taxpayers or state governments as an expansion of federal taxing authority without adequate constitutional grounding, or as a burden that falls disproportionately on entities in particular sectors or regions, it may well become a focal point for legal challenge. The resolution of these questions is, in all probability, likely to require authoritative judicial clarification before the full practical implications of the levy can be confidently assessed.

### **The 15% Minimum Effective Tax Rate**

The Nigeria Tax Act introduces a minimum effective tax rate of 15%, applicable to companies within multinational enterprise groups and to specified large Nigerian companies above the applicable turnover thresholds.<sup>7</sup> This measure aligns Nigeria with the global consensus emerging from the OECD's Base Erosion and Profit Shifting (BEPS) framework and reflects a deliberate policy decision (one that this article regards as broadly defensible in principle) to secure a minimum level of domestic revenue from large and internationally structured entities that have historically been able to reduce their effective tax burden through lawful but value-eroding planning arrangements.

In practice, however, the measure introduces significant complexity that corporate advisers will need to navigate with care and precision. Determining effective tax rates across complex corporate structures requires a careful and often resource-intensive analysis of applicable incentives, reliefs, and deductions, and the results of that analysis may not always be straightforward where entities are subject to different tax regimes within the same group. Multinational groups will need to assess the interaction between the minimum rate and existing treaty protections with particular rigour, since the failure to do so carries material financial and reputational risk. For corporate advisers and in-house counsel operating at the intersection of domestic tax law and international tax policy, the minimum effective tax rate represents a shift in planning assumptions that demands urgent and sustained attention.

---

<sup>6</sup>Section 59(1) NTA 2025: a levy of 4% is imposed on the assessable profits of all companies chargeable to tax under the relevant chapters of the Act. By virtue of s 59(3), small companies and non-resident companies are expressly excluded from the scope of the levy.

<sup>7</sup>Section 65(1) and (2) NTA 2025: a rate of 15% applies to companies forming part of multinational enterprise groups and to specified large Nigerian companies that meet or exceed applicable turnover thresholds. The precise thresholds should be verified against the enrolled text of the Act.

## Taxation of Indirect Offshore Transfers

A notable innovation in the Nigeria Tax Act is the extension of capital gains tax exposure to indirect transfers of shares in Nigerian companies, including transactions conducted through offshore holding structures, subject to applicable treaty exemptions or the statutory conditions set out in the relevant provision.<sup>8</sup> This development is consistent with international trends aimed at ensuring that value derived from domestic assets is not permitted to pass through foreign-incorporated vehicles without attracting any domestic tax liability, and in that sense it reflects a legitimate and defensible policy objective.

Nonetheless, this provision introduces significant complexities that will require careful analysis by advisers acting on cross-border transactions with a Nigerian dimension. These include the practical enforcement of tax obligations against non-resident entities that may have limited presence and no ongoing income-producing activities within Nigeria, the compatibility of the new rules with Nigeria's existing double taxation treaty network (which in several cases was negotiated before the introduction of indirect transfer provisions of this kind), and the impact on established foreign investment structures and exit strategies that have, until now, been structured in good-faith reliance on the prior legal position. Corporate advisers will need to reassess standard holding structures and the tax assumptions underlying cross-border transaction strategies as a matter of priority.

## VAT Fiscalisation, E-Invoicing, and Broader VAT Reform

VAT fiscalisation refers to the use of technology-enabled systems to monitor and verify transactions in real time, requiring businesses to connect their invoicing and point-of-sale infrastructure directly to the revenue authority's digital platform so that taxable supplies are recorded and validated at the point of sale rather than reported retrospectively. Against that background, the reforms codify VAT fiscalisation mechanisms, including mandatory e-invoicing and near-real-time digital validation structures,<sup>9</sup> and expand the scope of permissible input VAT recovery to encompass a broader range of purchases, including services and fixed assets, subject to the applicable VAT-related use conditions.<sup>10</sup> On personal income tax, individuals earning **₦800,000 (Eight Hundred Thousand Naira) only** or less per annum are exempted from liability, whilst higher earners are subject to a progressive banded rate structure, with a maximum marginal rate of 25%.<sup>11</sup>

These measures, taken together, represent a significant and genuinely welcome modernisation of Nigeria's VAT architecture, and they carry the potential to improve revenue integrity in ways that benefit the public finances broadly. However, their success in practice depends critically on technological readiness within the relevant

---

<sup>8</sup>Section 72 NTA 2025: the Act extends capital gains tax exposure to indirect dispositions of interests in Nigerian companies, including transactions effected through offshore holding structures, subject to applicable treaty exemptions or statutory conditions prescribed under s 72(4).

<sup>9</sup>Sections 84 and 85 NTA 2025, (VAT fiscalisation and mandatory e-invoicing), which together establish near-real-time digital validation mechanisms; Ernst & Young, 'Nigeria Tax Reform 2025: Summary of Key Changes' (EY Nigeria, 2025).

<sup>10</sup>Section 88(1)–(3) NTA 2025, (expanded input VAT recovery), which permit claims on a broader range of purchases including services and fixed assets, subject to the VAT-related use conditions stipulated in s 88(4); PricewaterhouseCoopers (n 3).

<sup>11</sup>Section 37 and Schedule 3 NTA 2025, (personal income tax): individuals earning ₦800,000 or less per annum are exempt from income tax; higher earners are subject to a progressive banded rate structure, with the maximum marginal rate fixed at 25%.

government agencies, the administrative capacity of the revenue authorities to implement and enforce the new requirements at the scale demanded by a large and informally-organised economy, and perhaps most importantly, the ability of taxpayers, particularly small and medium enterprises operating with limited accounting and IT resources, to meet the new compliance obligations without disproportionate burden or disruption to their commercial activities.

## **EFFECTS OF THE ACT: COMPLIANCE REALITIES AND ADMINISTRATIVE CAPACITY**

The breadth and ambition of the reforms impose substantial operational demands on taxpayers across all sectors of the economy, and it would be premature to assume that the statutory framework alone will be sufficient to generate the compliance levels that the revenue objectives require. The integration of digital compliance systems, the recalibration of existing tax planning structures in light of new provisions, the management of foreign currency deductions in the context of a volatile exchange rate environment, and the alignment with new administrative processes and reporting obligations collectively create a compliance environment of considerable complexity and operational demand.

A key structural concern is whether administrative capacity, both within Nigeria's revenue authorities and among the broader taxpayer population, is sufficiently developed to support the reforms at the scale and pace that the legislative timetable contemplates. Where legislative ambition consistently outpaces practical capacity, the likely result is not merely technical inefficiency but systemic non-compliance of the kind that undermines the credibility and long-term sustainability of the entire tax system. A tax framework that is technically sophisticated and intellectually coherent but operationally burdensome beyond the capacity of most affected parties to meet risks, in the final analysis, undermining the very revenue objectives it was designed to achieve.

## **THE COMING WAVE OF TAX LITIGATION**

Given the scope, novelty, and constitutional implications of the reforms, a significant increase in tax-related disputes is not merely foreseeable but, in this author's assessment, substantially inevitable. The Tax Appeal Tribunal's jurisdiction over disputes arising under the Nigeria Tax Act and the Nigeria Tax Administration Act<sup>12</sup> will place it at the centre of an emerging and rapidly-developing jurisprudence that will shape the practical meaning of the reforms in ways that the legislation itself cannot fully anticipate or determine.

The principal areas of contention are likely to include: constitutional challenges arising from the federal-state fiscal relationship and the distribution of revenues generated under the new framework; interpretive disputes concerning the classification and scope of new levies, and in particular the development levy; challenges to the application of the offshore indirect transfer provisions to specific transaction structures that were put in place in reliance on the prior law; and disputes before the Tax Appeal Tribunal and appellate courts concerning the computation of minimum effective tax rates, the scope of available reliefs, and the interaction between the new domestic provisions and existing double taxation

---

<sup>12</sup> Sections 14 and 15 Joint Revenue Board Act 2025, (Tax Appeal Tribunal jurisdiction), which establish and govern the Tribunal's jurisdiction in respect of disputes arising under the NTA 2025 and the NTAA 2025.

treaties. In this sense, the Tax Reform Acts are not the conclusion of a legislative exercise that began with the reform proposals of the Taiwo Oyedele Committee—they are, more properly understood, the beginning of a new and consequential phase in Nigeria's tax jurisprudence that will demand sustained engagement from the legal profession.

## CONCLUSION

The Nigeria Tax Reform Acts 2025 represent a bold and in many respects necessary attempt to modernise a fiscal framework that had, over decades of piecemeal amendment, become insufficiently coherent to serve the demands of a complex and growing economy. Their consolidation of fragmented legislation, expansion of the tax base to capture previously under-taxed sectors and transactions, and alignment with international standards developed through the OECD's BEPS process are, in principle, to be welcomed, and those who led the reform process deserve credit for the breadth and ambition of what has been achieved.

However, the long-term success of the reforms will depend not only on the quality of their design, but on their constitutional sustainability when challenged before the courts, their administrative feasibility in a context of limited institutional capacity, and the manner in which the judiciary, and in particular the Tax Appeal Tribunal and the appellate court, interprets and applies the new provisions in the cases that will inevitably come before them. The years ahead will test the resilience of the reforms through compliance challenges of increasing sophistication, policy adjustments that the legislature may need to make in response to practical experience, and litigation of constitutional and commercial significance. Whether the Acts ultimately strengthen Nigeria's fiscal federalism or strain it to breaking point will be determined not in the legislative chambers in which they were debated and passed, but in the courts and in the day-to-day practice of tax administration.

For legal practitioners and the commercial clients they serve, this moment presents a critical professional opportunity, to shape the evolving legal discourse through rigorous analysis and principled advocacy, to advise clients with the clarity and precision that novel legislative complexity demands, and to guide the profession through one of the most consequential legal transformations in Nigeria's recent history. The reforms have created the framework; the legal community must now build the jurisprudence.



Flat 1, Tripple A Villas, 495 Adegboyega  
Atanda Street, Mabushi 900108, Abuja

☎ (234) 097 000 504    ✉ info@mjnuma.com

🌐 [www.mjnuma.com](http://www.mjnuma.com)