A Closer Look at Nigeria's New Tax Acts: Key Highlights

INTRODUCTION

In a decisive step to modernise its tax landscape and secure its fiscal future, Nigeria has embarked on its most ambitious tax reform in a generation. On June 26, 2025, President Bola Ahmed Tinubu's administration unveiled a sweeping consolidation of the country's patchwork of antiquated tax laws, distilling over a dozen statutes into four cornerstone Acts designed to strengthen revenue, tighten compliance and align Nigeria with global best practice in an increasingly digital economy. Coming into effect on January 1, 2026, the new regime; anchored by the Nigeria Tax Act (NTA), the Nigeria Revenue Service (Establishment) Act (NRSA), the Nigeria Tax Administration Act (NTAA) and the Joint Revenue Board (Establishment) Act (JRBA) signals a clear break from the past and a bold recalibration of how Africa's largest economy manages its tax affairs.

For businesses operating within Nigeria's borders, from homegrown enterprises to multinational giants, decoding the nuances of these reforms will not be optional.

KEY HIGHLIGHTS

1. **Tax Exemptions:** Under the new framework, small businesses and start-ups earning ₦50 million or less annually are exempt from Corporate Income Tax (CIT), Capital Gains Tax (CGT) and the Development Levy which is a deliberate incentive to nurture MSMEs, the backbone of Nigeria's domestic economy. Companies inching close to this threshold would be wise to strengthen internal bookkeeping and engage professional accountants to monitor turnover, so they do not unwittingly forfeit these exemptions or face backdated obligations.

2. **Minimum Effective Tax Rate for MNE:** Multinational enterprises (MNE) having permanent establishment in Nigeria are now exposed to Nigerian tax obligations. Under the new provision, MNEs as well as other companies with an aggregate turnover of ₦20billion and above in the relevant year of assessment are subject to a minimum Effective Tax Rate (ETR) of 15%. This provision aims to curb base erosion and profit shifting which are familiar tactics in international tax planning. Multinationals should urgently review their cross-border tax structures, consult local tax counsel and ensure robust transfer pricing compliance to withstand future audits.

3. **Hydrocarbon Tax for Petroleum Operations**: For Nigeria's lucrative Oil, Gas and Energy sectors, the reforms introduce a split tax regime: onshore and shallow water operations attract a 30% tax rate, while deep offshore activities benefit from a lower 15% rate. This differentiation, coupled with new investment incentives, aims to balance revenue with competitiveness. Industry operators should revisit contract terms and consider how these fiscal tweaks may influence project viability and investor confidence.

4. **VAT Obligations in the Digital Space**: While the Value Added Tax (VAT) rate is still set at 7.5%, the scope of application of VAT has now been streamlined with specific provisions for digital transactions, e-commerce and non-resident suppliers. This means that non-residents supplying services into Nigeria are expected to pay VAT and must therefore register accordingly with Nigeria Revenue Service.
5. **Investment and Capital Gains Tax:** The Act explicitly expands CGT rules to include digital and virtual assets, such as cryptocurrencies, tokens, and digital property as chargeable assets thereby ensuring that income from such transactions are taxed. Notably, gains on disposals proceeds less than ₦150 million (subject to a ₦10 million gain limit) and proceeds reinvested into Nigerian shares are exempted from paying CGT. This is as a result of the recent recognition of Virtual and Digital assets as securities in Nigeria, therefore entities dealing with these assets must update their tax obligations to ensure compliance with these reforms.

6. **Stamp Duties Reform:** Except for exempted instruments (a property with a value of ₦10million or less; or transfer between related companies holding at least 90% shareholding in each other or through a third party if such conveyance or transfer document of the property had been stamped in the prior purchase of the property), the Act updates stamp duty provisions to include electronic transactions and clarifies ad valorem duties for share capital and loan instruments. For corporates, this modernisation removes ambiguity and smooths digital deal-making and it is recommended that transaction parties should ensure that digital documentation meets legal standards to benefit fully from the streamlined process.

7. **Personal Income Tax (PIT):** In furtherance of the new minimum wage increase, the Act introduces a progressive personal income tax regime which exempts minimum wage earners, i.e.; Individuals earning ₦800,000 or less annually, from PIT. A 20% rent deduction, capped at ₦500,000, to ease the cost of housing for employees and low-income earner is also included in the Reform.

8. **Taxpayer Identification Number:** To remain complaint with Tax regulations, NTAA mandates all taxable persons including; Non-resident businesses and digital service providers deriving income from Nigeria to register with relevant authorities and obtain a Taxpayer Identification Number (Tax ID).

9. **Returns, Reports and Assessments:** The new regime raises the bar on reporting discipline. All companies, exempt or not must file audited returns within six months of fiscal year-end. Virtual Asset Service Providers (VASPs), including crypto exchanges and financial institutions, are required to report significant transactions of which failure to report attracts a penalty of ₦10million. It is also important to note that Upstream Petroleum Companies are mandated to file detailed royalty reports by the 14th (petroleum companies) or 21st (mining companies) of each month. Banks must provide quarterly returns on customer data and cumulative inflows or outflows exceeding ₦25 million (for individuals) and ₦100 million (for companies). Overall, these institutions must ensure they remain compliant with the rules or otherwise succumb to paying penalties for failure or late filing (₦100,000 for initial default and ₦50,000 for each subsequent month of default).

10. **Confidentiality and Data Protection:** Considering that taxpayers are to register and obtain TIN, information supplied by them for such purpose are stated to be confidential and shall not be disclosed. Unauthorized disclosure of such information is punishable by fines up to ₦5million or not less than 3years imprisonment. With the rise in data privacy issues, National Revenue Service (NRS) must ensure that taxpayers' data remain protected.

CONCLUSION

11. Nigeria's sweeping tax overhaul is a statement of intent and by merging old statutes into modern instruments, broadening the tax net to the digital frontier, and tightening compliance across sectors, the government has thrown down the gauntlet: a clearer, fairer and more accountable system in exchange for responsible participation from all players.
12. In the end, these reforms are predominantly about building a tax culture that rewards enterprise, demands accountability and matches the ambitions of a nation ready to claim its place in the modern global economy.