



# **PRESIDENT TINUBU SIGNS NIGERIA'S NEW TAX ERA INTO LAW: WHAT IT MEANS FOR BUSINESS, JOBS, AND INVESTMENT**



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## **PRESIDENT TINUBU SIGNS NIGERIA'S NEW TAX ERA INTO LAW: WHAT IT MEANS FOR BUSINESS, JOBS, AND INVESTMENT**

On June 26, 2025, President Bola Tinubu signed into law four landmark tax reform Acts. These changes mark the most significant overhaul of Nigeria's tax system in decades and are designed to drive economic growth, improve public revenue, and create a more transparent and inclusive business environment.

### **WHY THE REFORM WAS NECESSARY**

Nigeria's tax system has long been criticized for being complex, fragmented, and inefficient, with a low tax-to-GDP ratio of 10.8%, which is well below global and regional averages.

The reforms aim to:

- Consolidate tax laws, reduce duplication, and improve compliance.
- Increase non-oil revenue amid global energy market transitions.
- Modernize tax administration through digitalization and clearer regulation.
- Protect small businesses and low-income earners through targeted exemptions.

These efforts stem from the recommendations of the Presidential Tax Reform Committee and are aligned with international best practices.

### **THE FOUR NEW TAX ACTS**

#### **1. Nigeria Tax Act 2025**

Consolidates various tax laws into a single code, simplifying tax rules and enhancing legal certainty for businesses and individuals.

#### **2. Tax Administration Act 2025**

Standardizes the assessment, collection, and enforcement of taxes, aiming to improve transparency and reduce disputes through clearer procedures.

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

Replaces the FIRS with an independent, digital-first **Nigeria Revenue Service (NRS)** focused on efficiency and transparency.

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

Coordinates tax policy across federal, state, and local governments. It establishes a **Tax Appeal Tribunal** and **Tax Ombudsman**, with a focus on conflict resolution and taxpayer protection.

### **KEY EXEMPTIONS AND SPECIFIC BENEFITS**

To ensure inclusiveness and protect vulnerable economic actors, the Acts include specific exemptions and reliefs:



- **Small Companies:**  
Companies with annual revenue under ₦50 million and assets less than ₦250 million are exempt from Companies Income Tax (CIT).
- **Medium and Large companies:**  
Reduction of Company Income Tax (CIT) for medium and large companies from 30% to 25% from 2026.
- **Low-Income Employees:**  
Individuals earning less than the national minimum wage are exempt from Personal Income Tax (PIT).
- **Micro Enterprises:**  
Businesses not registered for VAT and whose turnover is below the ₦25 million threshold are exempt from VAT obligations. Essential goods and services consumed by the poor are also exempt from VAT.

## **IMPACT ON BUSINESSES, INVESTMENT, AND LIVELIHOODS**

### **1. Simplified Tax Compliance**

The consolidation of multiple tax laws into a single framework reduces complexity and lowers compliance costs, particularly for MSMEs. This encourages formalization and legal certainty, especially for businesses with limited legal and financial capacity.

### **2. Improved Investment Climate**

Clearer rules and reduced regulatory uncertainty offer a more predictable tax environment for both local and foreign investors. A digital-first tax administration further enhances ease of doing business.

### **3. Strengthened Institutions and Public Trust**

The creation of an autonomous Nigeria Revenue Service (NRS) and a central Joint Revenue Board boosts institutional integrity. These bodies are tasked with driving efficiency and reducing the bureaucratic burden historically associated with tax administration.

### **4. Enhanced Taxpayer Rights & Dispute Resolution**

The establishment of Tax Appeal Tribunals and a Tax Ombudsman introduces credible, low-cost alternatives to litigation, helping taxpayers resolve disputes quickly and fairly.

### **5. Digital Transformation**

The move to a unified tax portal and automation of procedures limits human contact, reduces corruption, and enhances transparency. This is a critical enabler for long-term fiscal sustainability.

## **THE LACUNAS**

One major gap in the new tax laws is the lack of a clear way to resolve conflicts between different levels of government over who has the right to collect certain taxes other than



through court intervention. This remains a problem even with the creation of the Joint Revenue Board, which is supposed to improve coordination among federal, state, and local tax authorities. These conflicts often arise with administration of levies like consumption tax, and digital services tax (DST), which could fall under both federal and state authority depending on the situation.

This issue is especially important in light of ongoing disagreements between federal and state tax bodies, such as the Federal Inland Revenue Service (FIRS), Lagos State Internal Revenue Service (LIRS), and Rivers State Internal Revenue Service (RIRS).

Section 3(1)(a) of the Tax Administration Act, 2025, gives exclusive right to the Nigerian Revenue Service to administer taxes on companies and certain specific persons. Its subsection (v) empowers the Service to exclusively administer value added tax on various enterprises, which could be interpreted to include consumption tax, as explained earlier. However, under the 1999 Constitution (as amended), consumption tax is not expressly listed on the Exclusive or Concurrent Legislative Lists. By implication, it falls under the Residual Legislative List, which means it is within the legislative competence of state governments, not the federal government.

Some states, such as Lagos, Edo and Rivers, have enacted their own Hotel Occupancy and Restaurant Consumption Tax Laws, arguing that consumption taxes are residual matters and therefore fall under state jurisdiction. The result is that some companies may be taxed twice by paying both Federal's Value Added Tax and State's consumption tax. This is an important gap that the law does not address, as it does not fully resolve the constitutional question of whether states can validly impose separate consumption taxes within their borders. The courts may yet again be turned to for a resolution of the issue.

Another notable lacuna that the Laws did not fully explain is the issue of digital tax. Section 71(2) of the Tax Administration Act 2025 allows tax authorities to use technology like payment platforms or apps to collect taxes on digital services, whether those services come from inside or outside Nigeria. However, it also makes it clear that state tax authorities are not allowed to collect tax on digital services provided by foreign companies or on cross-border transactions.

What this means in simple terms is that the law recognizes digital services as taxable, but who collects the tax may depend on the nature of the service. If the digital service falls under a taxable activity the federal government usually taxes (like international or cross-border services), then the federal authority collects it. If it falls under something the states are responsible for, then a state authority may collect it. This is different from the practice in countries like the UK or Canada, where one level of government usually handles digital tax collection.

While this approach tries to reflect Nigeria's federal structure, it could lead to confusion or disputes over who has the right to collect which taxes, especially without further rules or court decisions to clarify things.





## CONCLUSION

The passage of the four tax bills into law on June 26, 2025, marks a major step toward modernizing Nigeria's tax system by unifying administration and improving transparency. However, the lack of clear mechanisms for resolving federal and state tax conflicts remains a significant drawback. With implementation set for January 1, 2026, there is still time for stakeholder engagement, legislative clarity, and institutional readiness to ensure a smooth transition.





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