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A New Tax Era for Nigeria: What the Nigerian Tax Reform Acts Mean for Businesses

On June 26, 2025, Nigeria ushered in a landmark tax reform era with the enactment of four sweeping legislations: the Nigeria Tax Act, the Nigeria Tax Administration Act, the Nigeria Revenue Service Act, and the Joint Revenue Board Act. Collectively known as “the Tax Reform Acts”. These Tax Reform Acts, aimed at increasing transparency, curbing leakages, and expanding the nation’s tax base, mark a recalibration of Nigeria’s fiscal framework,

With implementation looming with the commencement date set at January 1, 2026, businesses and individuals should begin preparing for the shifts ahead.

What Has Changed?

The reforms touch every layer of Nigeria’s tax architecture. From redefining the obligations of small companies to aligning domestic tax rules with global standards, here are a few highlights:

- **Small Business Relief**: Companies with a turnover under **One Hundred Million Naira (N100,000,000.00)** and total fixed assets not exceeding **Two Hundred and Fifty Million Naira (N250,000,000.00)** are now insulated from CIT, CGT, and the new Development Levy. This widens the safety net for emerging businesses.
- **Development Levy Introduced**: A uniform levy of 4% of assessable profits (i.e. tax profits before deducting tax depreciation and losses) replaces a patchwork of sectoral levies, including the Tertiary Education Tax and Police Trust Fund levy, Information Technology Levy (IT), among others. This levy will be paid by Nigerian companies except small Nigerian.
- **Capital Gains Tax Revised**: CGT now stands at 30% for corporates, eliminating the incentive to reclassify trading income as capital gains. The net tightens further with rules capturing offshore disposals of Nigerian shareholdings (subject to treaty exemptions).

- **Minimum Effective Tax Rate for Large Groups**: Multinational or large indigenous firms may now face a top-up tax to ensure a 15% effective tax rate across jurisdictions, reflecting global Base Erosion and Profit Shifting (BEPS) principles.
- **Modernised VAT Structure**: With the retention of the 7.5% rate, Nigeria now allows broader recovery of input VAT including on services and fixed assets while expanding the list of zero-rated essential goods and services.
- **New Tax Governance Tools**: A Tax Ombuds office has been established for independent redress, and the disclosure of tax planning schemes is now compulsory. These additions reinforce tax transparency and reduce disputes.
- **State Autonomy Strengthened**: With the FIRS rebranded as the Nigeria Revenue Service (NRS), state internal revenue bodies now enjoy operational independence, laying the groundwork for more decentralised revenue administration.

What Should Businesses Do?

Compliance is no longer a static box-ticking exercise. In light of the reforms, businesses must:

1. **Assess their exposure** - map out how the reforms alter supply chains, capital structures, and tax positions.
2. **Re-engineer systems** - from ERP upgrades to VAT fiscalisation, businesses must align their internal controls with the new law.
3. **Reshape tax strategies** - the emergence of the Development Levy and controlled foreign company rules demands a rethinking of corporate tax planning.
4. **Upskill personnel** - teams need training tailored to the specific operational impacts of the reforms.
5. **Engage stakeholders** - from shareholders to regulators, proactive communication is essential for navigating the transition.
6. **Stay alert** - as guidance and regulations begin to unfold, consistent monitoring is key.

The Bottom Line

The Nigerian Tax Reform Acts represent more than a statutory overhaul, they signal a fundamental shift in the government's approach to tax governance, economic formalisation, and fiscal federalism. Businesses that adapt early will not only stay compliant but also gain strategic tax advantages in the evolving landscape.

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