

THE DAWN OF E-INVOICING IN NIGERIA: PRACTICAL AND LEGAL INSIGHTS FOR BUSINESSES

Introduction

Nigeria's Federal Inland Revenue Service ("**FIRS**") has embarked on one of the most significant digital tax reforms in recent years. By its Public Notice of July 9, 2025, the FIRS formally rolled out the **National E-Invoicing Regime**, after a pilot phase launched in November 2024. At the centre of this system is the FIRS Merchant Buyer Solution ("**MBS**"), which connects taxpayers' accounting software directly to the FIRS database in real time.

The reform is designed to address long-standing VAT compliance gaps, reduce tax evasion, and strengthen fiscal transparency. This article explains the legal background and foundation of the regime, its practical implications for Nigerian businesses, lessons from other jurisdictions, and the compliance risks that must be managed.

Legal Background

This E-Invoicing mandate is anchored in Nigerian legislation and regulations:

- (a) Sections 25 to 26 of the **FIRS (Establishment) Act 2007**, empowers the FIRS to implement digital compliance mechanisms, including electronic invoicing.
- (b) **National Information Technology Development Act 2007**, which provides the legal framework for deploying national IT infrastructure.

- (c) **NITDA Regulatory Guidelines for E-Invoicing 2024**, which prescribe accreditation and integration standards for Access Point Providers and System Integrators.
- (d) **Nigeria Data Protection Act 2023**, which safeguards sensitive taxpayer data transmitted under the new regime.

What is E-Invoicing and why E-Invoicing?

E-invoicing is the automated generation, transmission, and validation of invoices through a centralised government platform. It eliminates the separation that once existed between a company's sales records and the FIRS' VAT records.

Under the new system, when a business issues an invoice through its ERP software, the details are sent automatically to the FIRS platform. If validated, the FIRS issues an Invoice Authentication Number ("**IAN**") which must be embedded on the invoice before it can be considered valid for tax purposes. Any invoice without this number is void for VAT claims.

This structure creates a **single source of truth** for each transaction, jointly witnessed by taxpayer and authority, preventing manipulation of records.

Why E-Invoicing Matters

The reform responds to three systemic challenges:

VAT Evasion: Historically, Nigerian businesses could under-declare sales or inflate input VAT claims by presenting fake and manipulated invoices. Real-time validation closes this hole.

Cumbersome Audits: Paper-based audits were slow, expensive, and disruptive. Digital trails allow targeted and efficient audits.

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Revenue Efficiency: By improving accuracy, government gains a clearer picture of taxable activity, essential for raising Nigeria's tax-to-GDP ratio, which remains one of the lowest in Africa.

Scope and Timeline

The Nigerian rollout applies first to large taxpayers with annual turnover above **Five Billion Naira (₦5,000,000,000.00)**. Such businesses must complete onboarding by **November 1, 2025**. Over time, the FIRS has indicated that the threshold will reduce, eventually covering medium and small taxpayers.

This phased approach mirrors global practice, where large corporations serve as test cases before wider adoption.

Practical and Legal Challenges for Businesses

Despite its promise, the regime poses real compliance hurdles:

Integration Costs: Updating ERP systems, training staff, and engaging accredited Access Point Providers may be expensive for businesses. Smaller businesses, however, can monitor how larger taxpayers adapt to these changes and follow developments, positioning themselves to comply more efficiently when the requirements are eventually extended to medium- and small-scale taxpayers.

Contractual Adjustments: Agreements with vendors and customers must include clauses ensuring valid TINs and compliance with e-invoicing rules. Failure by one party can invalidate invoices and delay payments.

Data Privacy: The direct transmission of financial data to government servers requires strict compliance with the Nigeria Data Protection Act 2023.

Risk of Disruption: If the FIRS system experiences downtime or errors, business operations may stall, creating potential liability and disputes.

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Opportunities and Business Benefits

E-invoicing is not only a compliance burden — it offers strategic advantages:

Audit Preparedness: A clean digital trail reduces the risk of prolonged disputes with tax authorities.

Improved Cash Flow: Validated invoices reduce the likelihood of customer disputes over input VAT claims.

Investor Confidence: Foreign investors increasingly value transparent and compliant business systems.

Operational Efficiency: Integration of invoicing with ERP systems reduces duplication and manual errors.

Looking ahead, businesses should expect:

Expansion of e-invoicing to medium and small taxpayers.

Integration of e-invoicing data with other compliance systems, such as corporate income tax filings.

Stricter enforcement of non-compliance, including fines and denial of input VAT credits.

Conclusion

The National E-Invoicing Regime marks a new era in Nigeria's tax administration. For businesses, compliance is non-negotiable. While integration may be administratively demanding, the system promises reduced disputes, improved transparency, and enhanced investor trust.

Businesses must therefore prioritise:

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- Data protection compliance,
- Updates with vendors and customers, and
- Continuous monitoring of regulatory updates.

In short, Nigerian businesses that adapt early will not only avoid sanctions but also enjoy smoother operations and stronger reputational standing in the market.



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