



## THE NIGERIAN TAX REFORMS ACTS 2025, THE CONSTITUTION, THE NIGERIAN STATE AND THE CITIZEN

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### ABSTRACT

*Tax has been the major source of concern for governments and reason for frictions between governments and citizens in all ages and climes. The frictions arise not only because citizens are ordinarily not keen for their hard earned incomes and profits being taken away by government, not as consideration for good or services bought from the government by them but in the pursuit of the social contract and also as a result of structural and enforcement issues which project the government as an oppressive entity. In Nigeria, even though pre-colonial communities had forms of taxation, taxation became a matter of importance from the colonial times and it was one of the main reasons for conflicts and confrontations between the people and the colonial government, the Aba Women Riots being the most prominent. Over the years there has been consensus on the need for reforms in tax administration, structure and enforcement in Nigeria. The Tinubu Administration commendably and courageously undertook a comprehensive reform which resulted in four tax reform Acts enacted in 2025. In this paper the writer reviewed the Acts, identified some of their major features and pointed out one fundamental flaw that may affect the survival of the Acts if challenged in court: exceeding of legislative jurisdiction. The article criticises the Act for being unitarist in a Federal system much like a decree of the former Federal Military Governments of Nigeria.*

**KEYWORDS:** Federation Law, Tax Reform, Legislative Jurisdiction and Revenue

### 1. INTRODUCTION

Law has always been a major tool or instrument by which societies exist and governments manage their populations. It is the major instrument of direction, command, balancing of interests, conformation and subjugation of the citizens of a State.<sup>1</sup> Law is used among other things to levy taxes.<sup>2</sup> Taxation has been a veritable tool for sustainable generation of revenue for government. It is a very vital instrument of governance in every society and in all generations. There were also forms of taxation in pre-colonial African communities. Tax is the source of joy for government and yet the major source of hatred of it by citizens of any State. Because no government can operate without money taxation has been the most ancient means of the exercise of government sovereignty over the people and for generating revenue.<sup>3</sup> Taxation has been described as involving ‘the imposing of compulsory levies on the income of individuals and companies (directly or indirectly) by

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<sup>1</sup> This takes care of some of the different perspectives of law as seen in the different theories of law.

<sup>2</sup> Fernanda Pires, *The Rule of Laws: A 4000-Year Quest to Order the World*, Profile Books Ltd, London (2021) 5, 13.

<sup>3</sup> In the Bible when Joseph proffered counsel for preserving Egypt during the famine that the Pharaoh dreamt of, in the course of its implementation taxation was employed as the people had to give one-fifth of their produce to the king. Holy Bible, Genesis 47: 23-26.

governmental authorities in order to generate revenue, redistribute the revenue, and provide social amenities using the revenue for the betterment of the people'.<sup>4</sup>

Taxation laws are not among the most popular laws in any nation or state because it invariably involves expropriating the people of their hard earned incomes and profits. Courts interpret them strictly against the government, which is the primary tax beneficiary, in favour of the tax payer.<sup>5</sup> The Bible, especially the New Testament, is clear that even over 2000 years ago the tax man was despised and hated by the people.<sup>6</sup> It will be impossible to forget the famous little man, Zacchaeus.

People always wish they did not have to pay tax hence the question of the Pharisees and the Herodians that led to the famous statement, 'Give to Caesar that which is Caesar's and to God that which is God's'.<sup>7</sup> Some religious people even had the view that one of the liberties conversion and faith gave them is non-payment of taxes. Among Christians, Jesus Christ and the apostles had to redirect their minds and rather commanded them to be exemplary citizens by compliance with tax laws and their tax demands in order not to offend anyone.<sup>8</sup> Tax law has not been a popular law in the history of Nigeria.<sup>9</sup> There is always a demand for reform, if not abolition, of tax laws.<sup>10</sup> Nigeria has not been a very good example for those who favour tax as a source of government revenue as much as the citizens have rarely been happy with any attempt by the government at any level to impose and collect taxes. This is aggravated by glaring poor performance by governments in the use of revenue and the manifest corruption of their officials which discourage the tax payers who see taxes as feeding the greed of government officials. Taxation becomes more burdensome and hateful when it is fragmented in content and enforcement and thus expose the people to much uncertainty and possible oppression by different, sometimes uncouth and uncoordinated, tax enforcers.<sup>11</sup>

Many governments in Nigeria before the administration of President Bola Tinubu, which came on board on May 29, 2023, had not been courageous enough to take tax as a major agendum of governance. The Tinubu administration on inception almost immediately put the tax agendum in the front burner beginning with the removal of the so-called petroleum subsidy which the President announced at his inauguration and signalled to Nigerians that the government would not mind being called names or hated when it came to raising funds. It set up a Presidential Committee on Fiscal

<sup>4</sup> J Ohaka, Professor of Accounting and Tax Management, 'Plug-and-Play Opportunities in Accounting and Taxation: A Social Contract Lens', being an Inaugural Lecture delivered on 26<sup>th</sup> March, 2025 at the Rivers State University, 3.

<sup>5</sup> Ikpeazu, J in *Timber Trading Co. Ltd v FBIR* (1966) NCLR 416, 422-423.

<sup>6</sup> Holy Bible, Matthew 9: 9-11; Luke 19: 1-8. Nigeria is a very religion-conscious society and it is often better to explain things from their religious perspectives and context.

<sup>7</sup> Matthew 22: 16-21.

<sup>8</sup> *ibid*, Matthew 17: 24-27; Romans 13: 6-8.

<sup>9</sup> The major conflicts that arose between indigenous communities and the colonial administrations before independence including the so called 'Women Wars' in the Eastern and Western Protectorates of Nigeria were direct results of tax. See Max Siollum 'What Britain Did To Nigeria: A Short History of Conquest and Rule', Hurst & Company, London (2021), 229-247.

<sup>10</sup> In nations where taxation is taken seriously it is invariably a defining difference between political parties and sometimes the cause of the rise and fall of governments. It is always a major ideological dividing point between Conservatives and Labour/Liberals in the United Kingdom and between the Republicans and Democrats in the United States.

<sup>11</sup> In a federation with at least two tiers of government the citizen who is a citizen of each tier may become more encumbered when he has to be subjected by tax laws and enforcement of the different tiers. Nigeria operates a nebulous three tier federation.



Policy and Tax Reforms in Nigeria headed by Taiwo Oyedele. The Committee claimed that it was set up to consolidate fragmented tax laws in order to simplify administration, enhance revenue and improve business environment. It aimed and promised to introduce changes like digital compliance, new penalties and exempt small businesses from some taxes.

## **2. NEW TAX LEGAL FRAMEWORK**

On 26 June, 2025, a new tax legal framework emerged, following assent by the President of the Federal Republic of Nigeria. The Nigerian Tax Reform is promised to mark a transformative chapter in Nigeria's fiscal landscape. It overhauls existing legislation and is designed to modernise and simplify the country's tax system, with the aim of enhancing revenue generation and promoting equity. The new laws enacted as outcome of the reform are: The Nigeria Tax Act (NTA), the Nigeria Tax Administration Act (NTAA), The Nigeria Revenue Service (Establishment) Act (NRSA), and The Joint Revenue Board (Establishment) Act (JRBA).

These laws represent a comprehensive reform of Nigeria's tax system, with far-reaching implications for individuals, businesses, multinational groups and the governments at various levels. The reforms are claimed to aim at simplifying tax administration, strengthening compliance, improving transparency, and modernising revenue generation and collection.

In this article we will discuss some of the key points and issues of the Act, and how they affect individuals and businesses.

## **3. OVERVIEW OF THE TAX REFORM ACTS**

We shall examine the Acts separately beginning with the Nigeria Tax Act, 2025.

### **3.1 Nigeria Tax Act, 2025**

The Nigeria Tax Act 2025 (NTA) made up of 203 sections and 14 Schedules consolidates the legal frameworks relating to taxation and was enacted to provide for taxation of income, transactions and instruments and for related matters. It repealed ten existing Acts;<sup>12</sup> amended twelve others.<sup>13</sup> It also revoked and amended two Executive Orders and one Regulation,<sup>14</sup> all dealing with taxation of Nigerian individual and corporate citizens. It was scheduled to commence from January 1, 2026. The Act aims to provide a unified fiscal legislation governing taxation in Nigeria.<sup>15</sup> It applies throughout Nigeria to every person required to comply with any provision of the tax laws whether

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<sup>12</sup> These are the Capital Gains Tax Act; the Casino Tax Act; Company Income Tax Act, Deep Offshore and Inland Production Sharing Contracts Act; the Industrial Development (Income Tax Relief Act; Stamp Duties Act; Value Added Tax Act and the Venture Capital (Incentives) Act.

<sup>13</sup> The amended Acts are the Nigerian Export Processing Zones Act; Oil and Gas Free Trade Zone Act; National Information Technology Development Agency Act; Petroleum Industry Act; Tertiary Education Trust Fund (Establishment, etc.) Act; National Agency for Science and Engineering Infrastructure Act; Customs, Excise Tariffs (Consolidation) Act; National Lottery Act, Nigerian Minerals and Mining Act, Nigeria Start-Up Act; Export (incentives and Miscellaneous Provisions) Act; Cybercrime (Prohibition, Prevention, etc.) Act.

<sup>14</sup> The Value Added Tax Act (Modification) Order 2021, Companies Income Tax (Significant Economic Presence) Order, 2020 and Petroleum (Drilling and Production) Regulations, 1969.

<sup>15</sup> Nigerian Tax Act 2025, s 1.

directly or otherwise.<sup>16</sup> Prior to this time, tax legislation in Nigeria had been fraught with several complexities in view of the multiple laws and regulations touching on taxes in Nigeria. This unification aims to eliminate redundancies and inconsistencies, thereby simplifying tax administration and compliance for both taxpayers and authorities.

As it happens with many zeal-driven reforms, it may have come with many dangers and raise questions which may not end with the explanations of Taiwo Oyedele<sup>17</sup> but in the Supreme Court wing of the Three Arms Zone in Abuja. A policy may be good or even necessary in a constitutional democracy but it would not be right if it is not consistent with the Constitution which ‘in appropriate metaphor (is) the touchstone and yardstick of measurement of validity of all laws’.<sup>18</sup>

### 3.2 The Nigerian Tax Administration Act (NTAA), 2025

This Act was enacted as part of the Tax Reforms. It provides uniform procedures for the efficient administration of all tax laws, focusing on facilitating compliance and optimising revenue.<sup>19</sup> It is made up of 148 sections in five Chapters and five Schedules. The NTAA establishes a framework for assessing, collecting, and administering revenue across the Federation – including the Federal, State, and Local Governments. It applies to every person required to comply with any provision of the tax laws whether personally or on behalf of another person.<sup>20</sup> The Act vests the Federal Revenue Service with broad powers which it seems the Courts have to interpret not only narrowly but strictly to conform to federal constitutional law principles that should govern, Nigeria being a federation operating a federal constitution. Otherwise, it would face the challenge of unitarianism in a federation due to its broadly stated powers as we shall consider hereafter.

The Act also outlines the roles and responsibilities of tax authorities and deals with other connected issues. To actualise smooth administration, it empowers tax authorities to use technology for assessment and collection, including the Electronic Fiscal System (EFS) for the real-time reporting of taxable supplies.<sup>21</sup> In apparent hangover of the military approach, the NTAA establishes State Internal Revenue Service and Local Government Revenue Committee and set out its functions as well as State Joint Revenue Committee.<sup>22</sup> It followed the approach of the Military administration in enacting the Personal Income Tax Decree. Can these structures stand in view of the Federal system in operation in Nigeria under the 1999 Constitution?<sup>23</sup>

Taxable persons (including individuals, companies, government agencies etc.) are required to register with the relevant tax authority and obtain a Taxpayer Identification Number (TIN). Non-

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<sup>16</sup> NTA 2025, s 2.

<sup>17</sup> By April 2026 he was appointed the Minister of Finance and Coordinating Minister of the Economy apparently to see to the implementation of the tax reforms among others.

<sup>18</sup> *Kotoye v Central Bank of Nigeria* [1989] All NLR 76, 100 per Nnaemeka-Agu, JSC

<sup>19</sup> NTA 2025, s 1.

<sup>20</sup> *ibid*, s 2.

<sup>21</sup> NTAdA 2025, s 23(1).

<sup>22</sup> *ibid*, s 87-96.

<sup>23</sup> Compare M.T. Abdulrazaq, ‘The Charge of Income Tax in Nigeria’ in [1998] 2(2) *Modern Journal of Finance and Investment Law*, 56.



resident persons that only earn passive income from Nigeria are not required to register for taxes but may need to provide some information as may be requested by the tax authorities.<sup>24</sup>

The NTAA further reduces the Federal Government's share of VAT from 15% to 10%, while increasing the allocations of States and Local Government Areas to 55% and 35%, respectively. The VAT revenue assigned to states and local governments is further allocated as follows: 50% divided equally, 20% based on population, and 30% based on place of consumption. It is hoped that the transparency of data from fiscalization would allow for more precision in relation to place of consumption to prevent States where consumption is even prohibited from claiming to consume more for the purpose of deriving more revenue.<sup>25</sup>

### **3.3 Joint Revenue Board of Nigeria (Establishment) Act (JRBNA), 2025**

This Act establishes the Joint Revenue Board, the Tax Appeal Tribunal and the Office of the Tax Ombud for the harmonisation, coordination and settlement of disputes arising from revenue administration in Nigeria.<sup>26</sup> It has 61 Sections and 3 Schedules. It is applicable throughout the Federal Republic of Nigeria.<sup>27</sup> The Board is made up of the Chairman who is the Executive Chairman of the Nigeria Revenue Service, chairmen of all the State Revenue Services and the Federal Capital Territory Internal Revenue Service and others including not more than two co-opted persons.<sup>28</sup> The function of the Board includes to integrate and maintain database of Tax Identification Numbers for every taxable person in Nigeria in collaboration with the Nigeria Revenue Service, State Internal Revenue Service (of each State), Federal Capital Territory Internal Revenue Service, Local Government Revenue Committee and other relevant Government agencies; promote harmonisation of taxes, levies, rates, charges and other payments and ensure uniformity in revenue administration across Nigeria; advise the Federal and State Governments on introduction of new taxes and changes to existing ones and to receive, collate, analyse and publish periodic tax revenue collected by all tax authorities.<sup>29</sup> It seems that the Act puts the Board (and I presume its staff) above all other Nigerians by the somewhat confusing provision that it 'shall be exempt from all taxes on income imposed under any law in Nigeria, except with respect to its obligations to deduct and remit taxes under any of the laws'.<sup>30</sup> The basis for this provision, which is more consistent with a conquering external colonial government provision to show suzerainty over the local environment, is not clear. The tax collectors are in effect made super citizens.

The Act established the Tax Appeal Tribunal to exercise jurisdiction and powers to settle any tax dispute and controversy arising from the administration of the Act or any other laws made by the

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<sup>24</sup> NTAA, 2025, s 4.

<sup>25</sup> Some argue that such States should not benefit at all from taxes that emanate from products they do not allow to be traded or consumed in their territories.

<sup>26</sup> JRBNA, 2025, s 1.

<sup>27</sup> *ibid*, s 2.

<sup>28</sup> *ibid*, s 4.

<sup>29</sup> *ibid*, s 5.

<sup>30</sup> *ibid*, s 21.

National Assembly.<sup>31</sup> It also establishes the office of Tax Ombud who shall serve as an independent and impartial arbiter to review and resolve complaints relating to tax, levy, regulatory fee and charges, customs duty and excise matters, and so forth.<sup>32</sup> This office is to play the role of the Public Complaints Commissioner, who is the Ombudsman of the Federation in other public matters, with reference to the matters identified in section 41. It is hoped that the Tax Ombud office does not go the way of the Public Complaints Commission by being starved of funds or having to rely on the Board for funding in which case it would be difficult to contemplate it being independent and impartial or pro-taxpayer instead of pro-government.<sup>33</sup>

### 3.4 Nigeria Revenue Service (Establishment) Act (NRSA), 2025

This Act repeals the Federal Inland Revenue Service (Establishment) Act and establishes the Nigeria Revenue Service (NRS) which is charged with the powers to assess, collect and account for revenue accruable to the Government of the Federation and for related matters to replace the Federal Inland Revenue Service (FIRS).<sup>34</sup> It is established with the objective to provide for the legal, institutional and regulatory framework for the administration of taxes and revenues accruable to the Government of the Federation<sup>35</sup> and applies throughout the Federal Republic of Nigeria.<sup>36</sup> The Act has 43 sections divided into 6 parts and 3 Schedules. It is empowered to provide assistance to State and Local Governments in collecting or administering taxes which the State or Local Government has the statutory right to collect or administer.<sup>37</sup> The assistance may include all the actions necessary for the proper assessment, collection, accounting or enforcement of the tax; administration of personal income tax on any class or group of individual tax payers or collection or enforcement of revenue claims on a particular person.<sup>38</sup>

The NRSA reserves the funding for the NRS to 4% of total revenue (less petroleum royalty) collected, plus other sources. This clearer and broader funding base is expected to support and align with the NRS' expanded responsibilities under the NRSA.<sup>39</sup>

## 4. NON-SALUTARY FEATURES OF THE REFORM ACTS

Reforms almost invariably arrive on the wings of zeal stirred by the conditions which the reformer wants to change but often get entangled in the complications of legality, due processes and *ultra*

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<sup>31</sup> JRBNA, 2025, s 23.

<sup>32</sup> Ibid, 41.

<sup>33</sup> I made a fuller discussion of the Ombudsman in Nigeria in my book, *Current Principles and Practice of Administrative Law in Nigeria*, 3<sup>rd</sup> Edition, Princeton & Associates Publishing Co. Ltd, Lagos, 408

<sup>34</sup> The name of the Law reveals its intention to be not just limited to the Federal Government but be applicable nationwide as if Nigeria is a unitary State. As shown below that is one feature that runs through the reform and may be its Achilles heel. Every law must be based on its constitutional context but the Reform Acts, much like Franklin Roosevelt's New Deal laws in the 1930s United States, seem not to be patient with but is eager to ignore the provisions of the Constitution, the basic Law of the land.

<sup>35</sup> NSRA 2025, s 1.

<sup>36</sup> Ibid, s 2.

<sup>37</sup> Ibid, s 5.

<sup>38</sup> Ibid, s 5(2).

<sup>39</sup> NRSA 2025 s 22.



*vires*. They may come with the intention to feed everyone and may not know when food is forced down the throat of one that is not hungry or not desirous of eating. This situation usually exposes reforms to confrontation with the law, especially the fundamental law of the land.

One major non-salutary feature of the Acts, which perhaps overshadows all others in view of its fundamentality, is that they overlook the fact that Nigeria is a federation and not a unitary State.<sup>40</sup> In *Attorney-General of Lagos State v Attorney-General of the Federation* the Supreme Court shut down the Urban Planning Act made by the Military Government to have effect all over the nation. The Court said:

By this constitutional arrangement<sup>41</sup> which allocates legislative jurisdiction between the National Assembly and the House of Assembly of a State, it is recognised that any matter not mentioned either in the Exclusive List or Concurrent Legislative List becomes a residual matter exclusively for the State House of Assembly by virtue of section 4 subsection 7(a)...<sup>42</sup>

The question that would arise as it concerns the Tax Reform Acts is likely to be whether the National Assembly has the legislative authority to make laws setting up institutions in the States or imposing obligations on State agencies. Does the National Assembly have power to regulate such State agencies?

It is instructive that until now most of the tax statutes in Nigeria were made by the military.<sup>43</sup> It does not seem that the Tinubu Tax Reforms paid much attention to streamlining taxation along the line of the legislative jurisdiction and Lists, which should be the foundational and fundamental consideration in a truly federal set up. The Reforms seem to have stood on the old order under the Military.<sup>44</sup> Can this situation withstand a constitutional challenge as to legislative competence and scope?<sup>45</sup> Does the vesting of power to make law on ‘taxation of incomes, profits and capital gains, except as otherwise prescribed in this Constitution’<sup>46</sup> mean that the Federal Government can impose taxes on incomes, profits and capital gains derived from activities that are on the residual list? In *Attorney-General of Abia State & Ors v Attorney-General of the Federation*,<sup>47</sup> Ogundare, J.S.C., said:

<sup>40</sup> Uwaifo, JSC in *Attorney-General Lagos State v Attorney-General of the Federation* [2003] FWLR (Pt 168) 909, 988 E-G.

<sup>41</sup> That is federalism. The references are to the 1979 Constitution of Nigeria.

<sup>42</sup> (2003) FWLR (Pt 168) 909 at 1007; (2003) NWLR (Pt 833) 1; Bello, JSC (as he was then) in *Attorney-General Ogun State v Aberuagba* (1985) 1 NWLR (Pt 3) 395, 405 and *Fawehinmi v Babangida* (2003) 3 NWLR (Pt 808) 604, 651-652.

<sup>43</sup> M T Abdulrazaq, Offences and Penalties under the Value Added Tax Decree, 1993 in 2(4) *Modern Journal of Finance and Investment Law* 1998, 126.

<sup>44</sup> Titilola Kehinde, Taxing Powers in Nigeria – Time for a New Approach in’ [1999] 3(2) *Modern Journal of Finance and Investment Law* , 268.

<sup>45</sup> Ironically it was during the administration of Bola Ahmed Tinubu as Governor of Lagos State that most of the anti-federalism Acts were nullified in suits at the instance of his government.

<sup>46</sup> Item 59 Part 1 of the 2<sup>nd</sup> Schedule (Exclusive Legislative List), CFRN’99.

<sup>47</sup> [2002] FWLR (Pt 101) 1419.

It must be remembered also that it is not only the National Assembly that has power to make laws for peace, order and good government. The House of Assembly of a State also has such power in respect of the State or any part thereof and with respect to matters listed in subsection 7(a)-(c) of Section 4 of the Constitution. It would be preposterous for the House of Assembly of a State to contend that because it has power to make laws for peace, order and good government of the State, it could enact a law for the State on a matter on the Exclusive Legislative List. Such a law would simply be invalid and of no effect whatsoever. Each of the National Assembly and the House of Assembly of a State can only operate within the parameter laid down by the Constitution. Ours is a written Constitution and the powers of each organ are to be discerned from the Constitution.<sup>48</sup>

In *Attorney-General of Ogun State v Aberuagba*,<sup>49</sup> Bello, JSC (as he was then) said:

It is clear ... that the control of the economy is not within the exclusive preserve of the Federation (Federal Government). Each Government (Federal, State and Local) has a share in the control. While the Constitution requires the Federation to control the national economy, it also empowers a State to participate in the development of the economy within the State and a Local Government in the development of the economy within its area of jurisdiction. It is therefore wrong ... to conclude that section 16 (of the Constitution) obliges the Federal Government to control the national economy and since trade and commerce is an integral part of the national economy... (that) a State has no power to regulate any aspect of trade and commerce.

The Supreme Court in that case refused to ‘invalidate the Sales Tax Law of Ogun State by reason of the proposition that, having regard to the generality of Item 61<sup>50</sup> a State has no power at all over trade and commerce. I reject the proposition because it has no constitutional basis’.<sup>51</sup> His Lordship had earlier held:

...in the absence of any constitutional provision, express or implied, to the contrary the respective taxing power of the Federation and of a State includes sales taxing power. Accordingly, the Federation is entitled to levy sales tax on any saleable matters within its competence. It must be emphasised that it is not within the competence of a State:

- (1) To make sale tax law affecting any of the matters in the Exclusive Legislative List;
- or

<sup>48</sup> At 1539-1540; underlining supplied. See also *Minster of Justice and Att.-Gen., Federation v Att.-Gen, Lagos State* [2013] All FWLR (Pt 704) 1, 90-92.

<sup>49</sup> (1985) 4 SC 288, 321-322.

<sup>50</sup> Of the Exclusive Legislative List of the 1979 Constitution.

<sup>51</sup> 323-324.



- (2) To make any sales tax law on any matter in the Concurrent List which is inconsistent with any law validly made by the Federation; or
- (3) To make any sales tax law on any matter in the Concurrent List where any law validly made by the Federation has covered the field.<sup>52</sup>

In the same way, and conversely, it is submitted that it is not within the competence of the Federal Government to make laws on taxation on subjects over which the States have residual legislative jurisdiction.<sup>53</sup> Thus, one fears that in consolidating ‘the legal frameworks relating to taxation’, the Federal Government may have overreached the States and Local Government Councils and exceeded its legislative and executive bounds. For instance, in taxing ‘income, profits or gains of a person accruing in or derived from Nigeria, including profits from *any* trade, business, profession or vocation for whatever period of time such trade or business may have been carried on...’,<sup>54</sup> it overlooked a basic fact and foundational principle of the Constitution.

The Federal Government clearly did not seem to appreciate that it does not control *all* trades, businesses and vocations, rents from *every* property, *all* types of services, *all* activities from which prizes, winnings, honoraria, grants, awards, laurels are won, *all* properties which may be disposed and several other incomes, profits or gains not falling within the preceding categories.<sup>55</sup> Going through the items chargeable for tax as enumerated in section 4 one cannot but conclude that the Tax Reform Acts must be some of the most presumptuous and misguided statutes emanating from the Federal Government of Nigeria in recent times. It may be that the Federal Government intended the Act to be a framework model Act which it expects States to adopt *mutatis mutandis*. Even then, it might have only succeeded in devolving litigations to States in the mould of *Aberuagba*.

In the Nigeria Tax Administration Act (NTAA), 2025, it is enacted that ‘Every taxable person shall register with the relevant tax authority and obtain a Taxpayer Identification (‘Tax ID’) for the purpose of compliance with tax obligations. Every ministry, department or agency of the Federal or a State government and every Local Government shall register for tax and obtain a Tax ID’.<sup>56</sup> The question that arises is ‘Does the National Assembly have the power to enact and does the President have the power to sign an Act to bind States on subject matters that are not in the Exclusive or Concurrent Lists? Can they by such laws create legal obligations such as creation of registers for States and Local Government Councils?’

In the same manner, the Nigerian Revenue Service (Establishment) Act (NRSA), 2025 establishes the Nigeria Revenue Service and vests it with functions that are clearly not limited to the Federal Government but extend to State and Local Governments.<sup>57</sup> It is also provided that the Service may,

<sup>52</sup> 317-318.

<sup>53</sup> (n47).

<sup>54</sup> Section 4(1) of the Act. Italics mine

<sup>55</sup> s 4(1)(a),(b),(d),(g),(h),(i) and(j)

<sup>56</sup> NTDA, s 4 and 5, 2025.

<sup>57</sup> See Section 4 NRSA which sweeping provisions covers all revenue accruing to government, any other tax law, all taxable persons, individuals, all agencies of government.

on request assist any State of the Federation or Local government to collect or administer a tax.<sup>58</sup> Does the Constitution envisage a Federal Government Agency serving as agent or consultant of a State or Local Government Council? In *Attorney-General, Lagos State v Attorney-General of the Federation*,<sup>59</sup> the Supreme Court rejected the idea of the Federal Government serving as trustee of a State or Local Government Council. It seems that similar position would apply to the Federal Government or any of its agencies posing as agent of States or Local Government Councils.

In spite of political concurrence or subjugation, and notwithstanding how laudable and salutary a policy or programme may be for the whole or part of the nation, it must be done in full recognition that Nigeria is a federation and operates a federal Constitution. An important attribute of a federal Constitution is that there is division of power and responsibilities between the Federal Government and the States. The powers and roles given to each of the governments are as defined in the Constitution. None of the governments is allowed to step out of its assigned field. If it does, whatever it does outside its assigned field will be unconstitutional and will be declared null and void by the court.<sup>60</sup>

It is therefore one's fear that the Tax Reform Acts may not withstand the scrutiny of the Courts if challenged by competent persons with the proper standing. It is ironic that the man who as Governor held an overbearing Federal Government in its vital parts in the early stages of Nigeria's Third Republic is now the President in whose administration these Acts, which one submits are patently unconstitutional in their intent, scope and framework, are made. It throws up challenge to the States to challenge it if constitutionalism and rule of law would triumph over politics.

Even in an effort to ensure cooperative federalism it is this writer's opinion that parties cannot agree to contract outside the letters, terms and spirit of the Constitution. In any event the essence of federalism is not to ensure cooperation or uniformity but collaboration between the national sub-national units on the matters that concern all but independence on matters that are exclusive to the sub-national units.

There is no doubt that the Acts, especially the NTA, are commendably designed to ensure that Nigeria and Nigerians begin to experience the so-called global best practices on taxation and make taxation policy and practice instruments of economic growth. For instance, with regards to corporate taxation, the Act sets a 30% rate for large companies, from the commencement of the Act, while qualifying small companies enjoy a 0% tax rate.<sup>61</sup> The NTA raises the threshold in the definition of a small company from an annual turnover of ₦25 million and below to an annual turnover of ₦100 million or less. Section 201 of the NTA defines a small company to mean a business that earns gross turnover of ₦100,000,000 or less per annum with total fixed assets not exceeding ₦250,000,000.00,

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<sup>58</sup> NRSA s 5.

<sup>59</sup> [2005] All FWLR (Pt 244) 805, 877-8.

<sup>60</sup> (n59) 905-906, per Akintan, JSC.

<sup>61</sup> NTA, s 56, 2025.



provided that any business providing professional services shall not be classified as a small business.<sup>62</sup> This means that companies with annual turnover of ₦100 million or less are exempt from remitting companies income tax.

For Personal Income Tax, The Fourth Schedule of the NTA outlines a progressive tax structure, offering relief to individuals earning less than ₦800,000 annually by exempting them from tax. Individuals with annual earnings of up to ₦800,000 are completely exempted from taxation on their income and gains, while incomes above this threshold are taxed progressively, beginning at 15% and increasing to 25% for annual incomes exceeding ₦50 million.<sup>63</sup> Additionally, the Act raises the tax exemption threshold for compensation related to loss of employment or injury from ₦10 million to ₦50 million.<sup>64</sup>

The NTA also imposes tax on gains derived by a non-resident person from the disposal of chargeable assets deemed to be located in Nigeria (subject to treaty exemptions). According to the Act, shares or comparable interests in any foreign entity are deemed to be located in Nigeria, if, at any time during the 365 days preceding the alienation, more than 50% of the value of the shares or other interests is derived, directly or indirectly; (i) through one or more interposed entities resulting in the change in direct or indirect ownership structure of a Nigerian entity, or (ii) from immovable property or any other chargeable assets situated in Nigeria. This would include cases where foreign entities dispose of shares in offshore companies that own significant Nigerian assets.<sup>65</sup>

The NTA introduced a Development Levy to be paid by all Nigerian companies excluding small businesses and non-resident companies. The levy is a flat rate of 4% of assessable profits (i.e., profits before deducting depreciation and losses) and replaces/consolidates several industry-specific levies such as the Tertiary Education Tax, the Police Trust Fund Levy, Information Technology Levy, and the National Agency for Science and Engineering Infrastructure Levy.<sup>66</sup> The revenue accruing from the levy shall be distributed as follows (a) Tertiary Education Trust Fund – 50%; (b) Nigerian Education Loan – 15% ; (c) National Information Technology Development Fund – 8% ; (d) National Agency for Science and Engineering Infrastructure – 8% ; (e) National Board for Technological Incubation – 4%; (f) Defence and Security Infrastructure Fund –10% ; and (g) National Cyber Security Fund – 5%.

The VAT rate of 7.5% has been retained. Nigeria now adopts globally recognised VAT principles that allow for the claim of input VAT on all purchases including services and fixed assets. Businesses can now recover input VAT provided that the input VAT is directly related to their

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<sup>62</sup> Here lawyers would have to look over their shoulders as it means that their practices no matter how small are not to benefit from the exemption for small businesses. Only very few Law firms in Nigeria meet the global definition of middle class firms.

<sup>63</sup> It is not clear if the percentage would be on the entire income earned or the amount in excess of the ₦800,000.00 minimum threshold.

<sup>64</sup> NTA 2025, s 58, 2025

<sup>65</sup> *ibid*, s 46(f).

<sup>66</sup> *ibid*, s 59.

supplies that are also subject to VAT. The NTA expands the list of zero-rated items to include essential goods and services such as basic food items, medical and pharmaceutical products, educational books and materials, electricity generation and transmission services, medical equipment and services, tuition fees, exports (excluding oil and gas exports), etc. The impact of this is that businesses selling these goods and services can recover their VAT costs, despite the zero rate which was previously not possible by law.<sup>67</sup> The Act replaced the pioneer status tax holiday incentive with the Economic Development Incentives (EDI) and introduced a tax credit of 5% per annum for 5 years on qualifying capital expenditure purchased by eligible companies within 5 years of the start of production. Unused tax credits may be carried forward for another 5 years, after which they will expire.<sup>68</sup>

Again, The NTA eliminates the Consolidated Relief Allowance (CRA) and introduces a rent relief under Section 30(vi), which is 20% of annual rent paid, subject to a maximum of ₦500,000, whichever is lower. However, to claim this relief, declarations must be made regarding the actual rent paid, and the tax authority has the right to request additional relevant information. It seems that the tax authority can in certain cases use its best of judgment to determine appropriate rent and other related charges.<sup>69</sup> The takeaway from this is that individuals that live in their own accommodation cannot claim such relief. This begs the question of why the CRA has not been retained.

There is a significant increase in non-compliance penalties and the introduction of new penalties. Some of the updates include increase in the penalty for failure to file returns to ₦100,000 in the first month, and ₦50,000 for every month the failure continues, introduction of new penalties such as penalty of ₦5million for awarding contracts to individuals or entities that are not registered for tax, penalties for failure to grant access for deployment of technology, inducing a tax officer, etc.<sup>70</sup> Basically, the Act implements enhanced compliance obligations for taxpayers.

## 5. SOME NOTABLE ISSUES ON THE TAX REFORM ACTS

Overall, the Tax Reform Acts seem to have significantly broadened the tax base to ensure that a wider range of economic and business activities are brought within the tax net. It may be assumed that the reforms have been motivated by not just the desire to increase government revenue through taxation but also remove all bottlenecks that had existed hitherto in tax administration in Nigeria. Time would tell whether this would be achieved or whether the system stands still or moved backward.

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<sup>67</sup> NTA 2025, s 147 & 148.

<sup>68</sup> NTA, s 165 16525.

<sup>69</sup> Uche Jack-Osimiri and Chima Jack-Osimiri, 'Computation of Appropriate Rent, Service Charge and Furnished Lettings Under Comparative Tenancy Laws' in Chukwuma A.J. Chinwo (Ed), *Opening and Enriching the Channels of Justice in the Nigerian Society: Essays in Commemoration of Four Decades of Legal Practice of O. C. J. Okocha, MFR, DSSRS, SAN*, (2018), Okpo Club Nigeria, Life, Law and Grace Bookhouse) 126.

<sup>70</sup> NTAA 2025, s 96.



## 6. CONCLUSION

Overall, the consolidation of all tax provisions into a single legislation, through the Tax Reform Acts, represents a clear effort towards achieving a fair, transparent, and growth-oriented tax system. The harmonisation of Nigeria's often disparate tax landscape while embracing digital modernisation is an innovative feature of the Tax Laws. The successful implementation of the Tax laws will however, largely depend on judicial clarity on potential constitutional questions, especially as to legislative competence, and robust infrastructure development at both federal and state levels. On the basis of constitutionality, it is suggested that while retaining the broad framework of the NTRAs, they need to be unbundled in line with respective legislative jurisdictions under the Constitution to avoid the good work done in the reforms being shut down with a successful judicial challenge.

Nigerians have not been good at paying taxes not because they do not appreciate the importance but because the government since the 1970s with the oil boom took its eyes away from other sources of revenue than oil and became rather profligate. It would require some intentional efforts to make them embrace the tax paying culture. Overall, it is imperative for individuals and corporate entities to undertake comprehensive reviews of their tax strategies, processes, and compliance frameworks to ensure readiness and resilience. If properly implemented, the tax laws could provide the much-needed investor confidence, and redirect critical revenues to key sectors of the economy. However, the governments at all levels have to demonstrate discipline and commitment to accountability. To make the citizens pay taxes, whether heavy or light, while the government and its officials engage in waste, flamboyance and corrupt lifestyle and without commensurate holistic development of the nation is only an indication of insensitivity to the people and that does not spell democracy. It would only sustain the impression of government seeking to reform taxation to consume the people's incomes and profits to its lust and not to develop the nation. That would reinforce in the minds of citizens that tax is not to aid the development of the nation, which they crave for but an instrument of oppression of the people by insensitive governments, which they would resist with all the power they can muster, leading to instability and frustrating sustainable development.

## 7. RECOMMEDATIONS

However, certain potential concerns still arise from the provisions of the Acts and these need to be addressed. They include:

(1) With the introduction of the Development Levy certain categories of companies that were previously exempt from payment of some of the separate earmarked taxes by virtue of the nature of their businesses are now liable to pay the Levy. For example, the National Agency for Science and Engineering Infrastructure (NASENI) levy only applied to the profit before tax (PBT) of commercial companies and firms with a turnover of ₦100,000,000 (One hundred million Naira only) and above, in the banking, mobile telecommunication, ICT, aviation, maritime, oil and gas sectors. However, the Development Levy is now payable by all companies other than small companies and non-resident companies.

(2) Rent Relief versus Economic Status of Individuals: The figure/rate proposed for rent relief does not reflect the reality of the current economic climate in Nigeria and its effects on housing. This is considering rental prices in major cities, including Lagos and Abuja, where rents are usually significantly higher, and formal employment is predominant. It not deniable that with galloping inflation and very high housing deficit the ability of government to control rent directly or indirectly is limited.

(3) Potential Arbitrariness of ‘Best of Judgement’ (BOJ) Assessments: If a company fails to provide estimated returns or if the Service rejects a self-assessment, the tax authority can determine the tax due, on a basis of BOJ.<sup>71</sup> This power, while necessary for enforcement, lacks specific statutory constraints on or laid out parameters for its calculation methodology, which could lead to arbitrary tax burdens. Its equivalent in the electricity sub-sector in the form of estimated billing has been a source of much hue and cry by consumers.

(4) Enforcement Challenges for Digital Assets: While the NTA explicitly taxes digital and virtual assets (like crypto-assets) as chargeable assets, the decentralized nature of these transactions presents a significant enforcement loophole. The Service relies heavily on Virtual Asset Service Providers (VASPs) to report large or suspicious transactions, which may be difficult to monitor if providers operate in jurisdictions outside Nigeria's immediate control.

(5) Although the fiscalisation requirement is expected to enhance VAT compliance and reduce tax evasion, the proposed fiscalisation system raises concerns on cyber security threats, data protection and privacy, compliance and associated costs to taxpayers, etc., if not properly checked or managed. The tax authorities will need to provide robust security measures, regular training and orientation of taxpayers to ensure taxpayers’ confidence. Most importantly, there should be flexible compliance options to minimise financial and operational burdens on taxpayers. The policy may present challenges for individuals, small and medium sized enterprises (SMEs), on the use of the Electronic Fiscal Systems (EFS) of the tax authorities in terms of the cost of acquisition of the infrastructure to be able to maintain accurate records of transactions passing through the EFS.<sup>72</sup> It is, therefore, important that, in designing an EFS, the tax authorities should deploy an EFS that tax payers can easily adapt to at little cost in line with the ease-of-doing-business policy of government.

(6) Limitations on the Tax Ombud: While intended to protect taxpayers, the Office of the Tax Ombud is specifically barred from interpreting tax legislation (except for operational or procedural issues) and cannot review any matter that is already before a court or tribunal. This, apart from the concern on its funding earlier highlighted, would significantly limit its effectiveness as an independent arbiter for substantive legal disputes between the tax authorities and the tax payer.<sup>73</sup>

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<sup>71</sup> NTAA 2025, s 12(5).

<sup>72</sup> NTA 2025, s 23.

<sup>73</sup> JRBA 2025, s 43.