September 2025

Beyond The News: A Deep Dive into the Nigeria Tax Laws

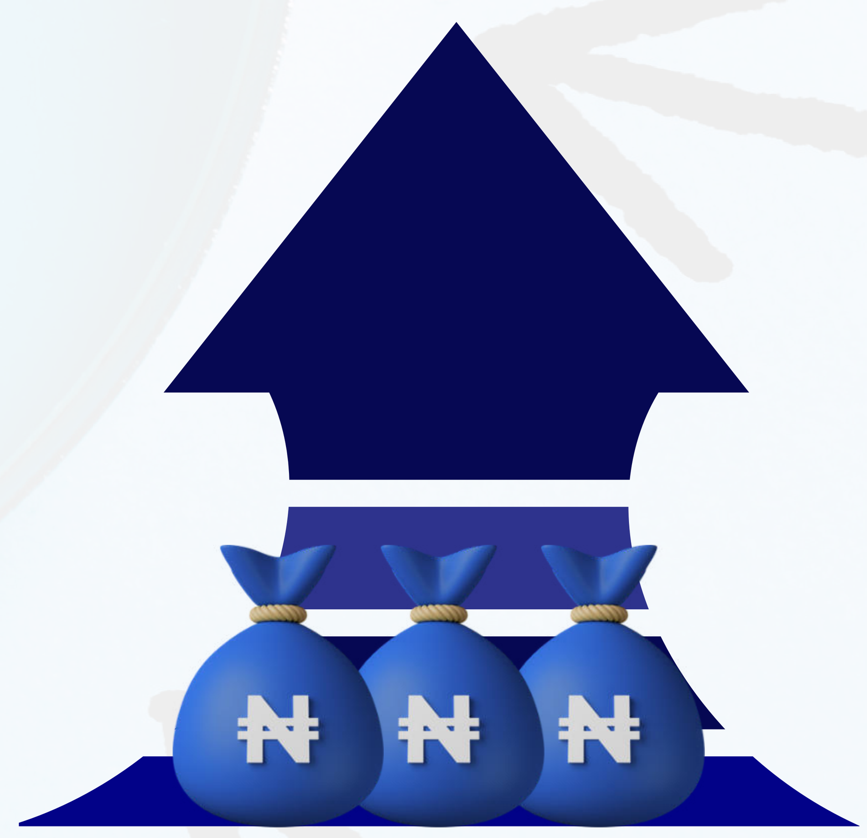
(Policy Analysis of the 2025 Tax Reform Act)

Pt.2 - The Nigeria Tax Administration Act 2025

Introduction

In our previous publication, we commenced a 4-part policy analysis of the 2025 Tax Reforms Act and took a deep dive into the objectives and core provisions of the Nigeria Tax Act (NTA). In the second part of this series, we delve into the review of the provisions of the Nigeria Tax Administration Act, 2025 (NTAA or the “Act”).

The NTAA, 2025 is a comprehensive procedural reform aimed at consolidating and modernising the administration of tax laws across all levels of government in Nigeria.



The Act seeks to establish a uniform and coherent legal framework for the registration, assessment, collection, enforcement, and refund of taxes, thereby facilitating taxpayer compliance and optimising tax revenue generation. It harmonises administrative provisions and addresses longstanding inefficiencies and inconsistencies in former tax laws.

Dissecting The Nigeria Tax Administration Act, 2025

Scope of Jurisdiction of Tax authorities

At the heart of the Act is a redefinition of jurisdictional administrative boundaries between Federal and State tax authorities. The Nigeria Revenue Service (NRS) is accorded exclusive authority to administer taxes on companies, persons employed under the Nigerian Armed Forces other than in civilian capacity, non-residents (individuals or businesses that earn income or profits from employment or services performed in Nigeria even if they do not reside in Nigeria); and to administer VAT, stamp duty, tax incentives, income tax etc[1].

Sections 87 and 88 of the NTAA provide for the establishment and functional scope of the State Internal Revenue Service. Each State is required to establish an autonomous State Service, empowered to assess and collect taxes such as Personal Income Tax for residents[2], Pay-As-You-Earn (PAYE), and Stamp Duties etc. State tax authorities are barred from taxing non-residents or cross-border transactions.

Furthermore, the NTAA promotes collaboration between tax authorities by allowing them exchange information and collaborate on audits[3] and allows tax authorities delegate their functions to another tax authority to administer taxes within its jurisdiction with necessary approvals.[4]

[1] Section 3 (1) Nigeria Tax Administration Act, 2025
[2] Section 3(2), Nigeria Tax Administration Act, 2025
[3] Section 48, Nigeria Tax Administration Act, 2025
[4] Section 3(3), Nigeria Tax Administration Act, 2025

Mandatory Tax Registration for All Taxable Persons and Government Entities

The NTAA[5] makes tax registration compulsory for all taxable persons, including Ministries, Departments, and Agencies (MDAs) at the Federal, State, and Local Government levels. Notably, the NTAA extends this obligation to non-resident persons earning business income (excluding passive income) from Nigeria, regardless of whether they have a physical presence or permanent establishment in the country.[6] This marks a significant shift from the previous framework and ensures a broader tax net that captures both local and foreign entities engaged in taxable activities within Nigeria.

Obtaining Tax Identification

The Act establishes a comprehensive and structured regime for the issuance, update, suspension, and deregistration of Taxpayer Identification Numbers (Tax IDs). The Tax ID is to be issued upon application by the taxpayer and unilaterally by the tax authority where a taxable person fails to apply.[7] If the Tax Authority refuses to issue a Tax ID, it must notify the applicant of the denial and state the reasons within 5 working days. This process enhances taxpayer identification, brings more informal sector actors into the tax net[8], improves record accuracy, curbs evasion, and supports a more digital, integrated tax system.

Tax Identification Mandatory for Banking, Government Contracts, and Financial Institution Reporting Obligations

Under the new Act, Tax Identification is mandatory to open or operate any bank, insurance, stockbroking, or financial institution account, expanding the current TIN requirement beyond corporate or business accounts to include individual personal accounts, similar to frameworks in countries like South Africa and Kenya. The Tax ID is non-transferable and a prerequisite for entering government contracts.[9]

[5] Sections 4, 5, 6, Nigeria Tax Administration Act, 2025
[6] Section 6, Nigeria Tax Administration Act, 2025
[7] Section 7, Nigeria Tax Administration Act, 2025
[8] See Section 15, Nigeria Tax Administration Act, 2025; "a relevant tax authority may issue guidelines for the filing of a simplified income tax return by low-income earners or persons operating in the informal sector"
[9] Section 8, Nigeria Tax Administration Act, 2025

Financial institutions are also required to verify Tax IDs from clients and to report high-value transactions to the relevant tax authorities to aid in tax enforcement and income profiling. Furthermore, taxable persons must notify the tax authority of any changes in their particulars within 30 days, including changes in ownership, business structure, or contact details.

Dual Filing Obligation on Pay as You Earn (PAYE) Tax for Employers and Employees

Section 14 of the NTAA introduces a dual reporting obligation under the Pay-As-You-Earn (PAYE) system, requiring both employers and employees to file annual returns. Employers must, by 31st January each year, submit a return to the relevant tax authority detailing for each employee, the gross emoluments (including allowances and benefits in kind), total deductions, net emoluments, and tax deducted for the preceding year, while also ensuring that the amount remitted accurately reflects the employee's tax liability. In parallel, employees are now required to independently file returns disclosing their income from all sources, including employment. This dual obligation promotes transparency, improves compliance, and strengthens accountability in personal income tax administration.

Deployment of Value Added Tax Electronic Fiscalisation System and National Single Window Portal

The Act also introduces a digital system called the Electronic Fiscal System (EFS), which will be launched by the Nigerian Revenue Service.[10]Once it's deployed, all taxable businesses must use the EFS to record and report their sales.[11] The system will help make tax reporting more transparent, reduce errors and fraud by reducing human interference and ensuring accurate, real-time data is available. Businesses must also keep proper records and follow any future guidelines the tax authority issues during the rollout of this system. If a person refuses to grant access to the tax authority to deploy technology within 30 days of receiving notice, they will be liable to penalty of N1,000,000.00 for the first day of default and N10,000.00 for each subsequent day of default.

[10] Section 23, Nigeria Tax Administration Act, 2025

Also, where a taxable person fails to process a taxable supply through the fiscalisation system he/she will be liable to a N200,000.00 fine and 100% of the tax due, alongside interest at CBN rate.

Section 83 introduces the National Single Window Portal, empowering the Nigeria Revenue Service (NRS) to establish a unified digital platform to streamline import, export, and transit transactions. This Portal allows for electronic lodging of documents, fee payments, and data provision, thereby enhancing trade transparency, revenue assurance, and cross-border efficiency. The Service is further empowered to make regulations and impose administrative charges for the use of the Portal. These provisions reflect a glaring embrace of digitalisation in tax administration.

Returns for Virtual Asset Service Providers (VASP)

Section 25 introduces new rules for Virtual Asset Service Providers (VASPs)[11] companies that deal in digital assets like cryptocurrency exchanges, wallet providers, digital tokens etc. These platforms must now send monthly reports to the tax authority without waiting to be asked. They must report the type of service, date and value of each transaction, and the names of all parties involved. The Tax authority may also request additional information from VASPs at any time. Any VASP who fails to comply with these provisions is liable to licence revocation by Securities and Exchange Commission, and penalty of N10,000,000.00 for the first month of default and of N1,000,000.00 for subsequent months.[12] This is aimed at improving oversight in the fast-growing digital economy.

[11] See Fifth Schedule of the Nigeria Tax Administration Act, 2025 on registration obligations, taxable transactions, asset valuation, KYC requirements and Reporting duties of VASPs.
[12] Section 109, Nigeria Tax Administration Act, 2025

Monthly Returns Requirements

All companies, including small companies, are required to file income tax returns. Sections 18, 20, and 21 detail specific filing obligations for petroleum royalties, mineral royalties, and non-resident shipping and airline companies. Petroleum companies must file their royalty returns by the 14th day of the month following the production period, while mining operators and non-resident shipping or airline companies must submit theirs by the 21st day of the next month.

Additionally, petroleum licence holders are required to submit annual returns detailing royalties paid during an accounting period, no later than five months after the period ends. Although the basis of taxation, determination of assessable profits, and minimum effective tax rate for non-resident airlines and shipping companies remain unchanged, monthly returns are now compulsory for these operators, strengthening oversight of cross-border income sources.[13]

Returns for Surcharge

Every taxable person who provides chargeable services is required to file returns by the 21st of the month following the service period, detailing the nature of the services rendered, their value, the applicable surcharge duty, and any other prescribed information. However, foreign exchange transactions must be reported within 7 days.[14]

Filing of Returns by Taxable Persons Enjoying Incentives and Priority Companies

Taxable persons benefiting from incentives administered by relevant tax authorities including those under Chapter Eight and Section 60 of the Nigeria Tax Act are to file Annual Tax Incentives Returns, in addition to their regular tax returns, using the form prescribed by the Service. These returns must cover income tax and any incentives not generally available to all taxpayers.

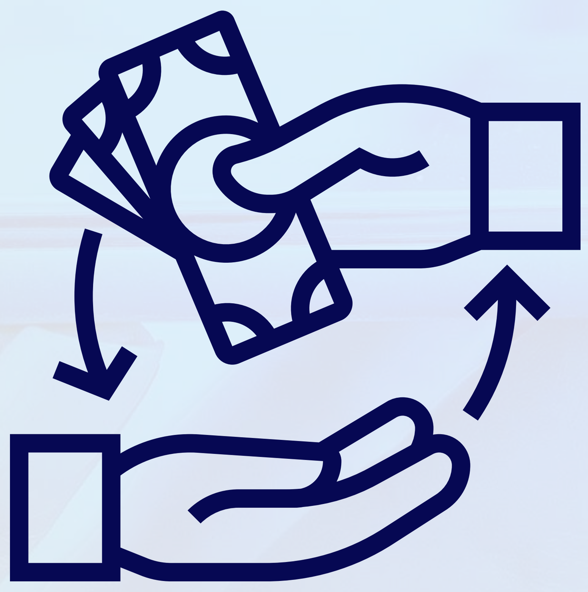
[13] Section 18, Nigeria Tax Administration Act, 2025
[14] Section 24, Nigeria Tax Administration Act, 2025

For individual beneficiaries of tax incentives, state tax authorities must transmit the filed returns to the National Revenue Service ("NRS") within 60 days of the annual return filing deadline.[15] The NRS is also required to include a summary of these returns in its annual report to the Minister (as mandated under Section 23 of the Nigerian Revenue Service Act, and the Minister may issue regulations to further guide the administration of this provision.[16]

Companies that receive "priority status" under government incentive programs must file one yearly income tax return that covers their entire business. This means they must report both the parts of the business that enjoy tax breaks and those that do not. This way, the tax authority can ascertain their full income and apply any tax benefits correctly and fairly.[17]

Tax and VAT Refunds

Sections 55 and 56 introduce a clear and structured framework to process tax and VAT refunds. Taxpayers who overpay taxes are entitled to refunds, provided the overpayment is confirmed through an audit by the relevant tax authority. Once verified, the refund must be issued within 90 days or used to offset other outstanding tax liabilities.[18]

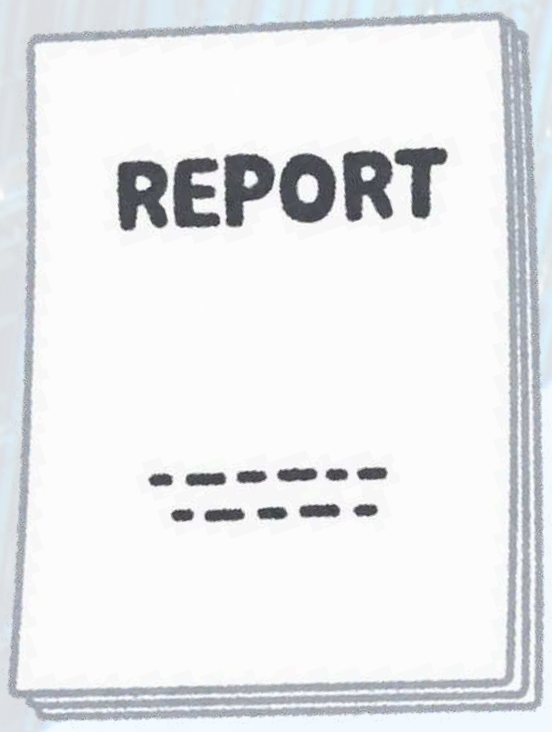


To ensure prompt settlement of such claims, special refund accounts are to be established and funded by the Accountant-General of the Federation or of a State. Tax authorities are required to submit monthly schedules of collected taxes and refund claims within 7 days after each month's end, enabling the Accountant-General to process and remit refunds into the designated account.[19] However, taxpayers must formally request a refund in writing within 6 years from the end of the relevant tax year.

[15] Section 27(2), Nigeria Tax Administration Act, 2025
[16] Section 27 (4), Nigeria Tax Administration Act, 2025
[17] Section 26, Nigeria Tax Administration Act, 2025
[18] Section 55, Nigeria Tax Administration Act, 2025
[19] Section 82, Nigeria Tax Administration Act, 2025

In addition, Sections 22 of the Act outlines new VAT compliance requirements that relate directly to refund processes. All registered taxpayers are required to file monthly VAT returns by the 21st of the following month, regardless of whether they made taxable sales. These returns must detail VAT paid on purchases (input VAT), VAT collected from customers (output VAT), and the total VAT payable. While the tax authority may allow late filing, this does not extend the payment deadline. ***Small businesses are generally exempt from filing monthly VAT returns unless they opt in or grow beyond the prescribed threshold.*** However, certain income such as proceeds from asset disposals or business closures is excluded when determining whether a business qualifies as "small." Notably, oil and gas companies are entirely excluded from being considered a small business.

Eligible taxpayers seeking VAT refunds must apply in the prescribed format within 12 months of the relevant transaction. The Nigeria Revenue Service is obligated to process these claims or apply them as set-offs against other tax liabilities within 30 days.[20] This streamlined process is designed to promote compliance, reduce delays, and improve trust in the tax system.



Mandatory Reporting Obligations for Banks and Financial Institutions

Banks, insurance companies, stockbrokers, and other financial institutions are now required to submit annual returns and returns on specific transactions as may be requested by the tax authority. The annual returns must include the names, addresses, and transaction details of customers whose total monthly transactions reach or exceed ₦50 Million for individuals and ₦250 Million for corporate entities within the year. This is part of a broader effort to improve transparency and track high-value financial activities for tax enforcement.

[20] Section 56, Nigeria Tax Administration Act, 2025

While the tax authorities have the power to request further information for tax purposes through a written notice, banks are only obliged to release additional customer information if the request is formally approved and signed by the Chairman of the relevant tax authority. This ensures proper oversight and protects taxpayer privacy while enabling effective tax monitoring and compliance.

Anti-avoidance and Disclosure Framework

A significant anti- tax avoidance measure aimed at improving tax transparency, record keeping and accountability is introduced under the Act. It mandates any individual or entity involved in a transaction primarily intended to gain a tax advantage, such as a reduction, deferral, or exemption to proactively disclose the arrangement to the tax authority, even if not specifically requested. This is guided by a new “principal purpose” test, which allows tax authorities to assess the intent behind transactions and detect aggressive tax planning early.

Also, Section 53 holds liquidators personally liable if tax debts, including withheld taxes, are not settled before asset distribution and allows recovery of unpaid petroleum taxes from asset transferees in cases where the transfer was used to evade tax.[21]

In addition, all persons including those normally exempt from tax are required to keep accurate, detailed records of their financial transactions in English (or with a certified translation) for a minimum of six years, regardless of their tax liability.[22]

Taxpayers can file their returns directly or through certified tax agents, who must meet regulatory standards and declare that each filing is accurate, ethical, and professionally competent.[23]

Self-Assessment and Administrative Tax Assessment

All taxable persons are required to submit timely self-assessment tax return to the relevant tax authority even where the amount is nil or negative. Where a taxpayer under-declares or misrepresents their tax position, they remain liable for any outstanding tax, along with applicable penalties and interest from the due date of the return.[24]

[21] Section 54, Nigeria Tax Administration Act, 2025
[22] Section 31, Nigeria Tax Administration Act, 2025
[23] Section 33, Nigeria Tax Administration Act, 2025
[24] Section 34, Nigeria Tax Administration Act, 2025

6-Year Statute of Limitation on Tax Assessments

Section 35 allows tax authorities to raise additional tax assessments if they believe a person has not paid the correct amount of tax in any given year. However, they must do so within 6 years from the end of that year.[25] This time limit can be extended if a tax audit begins before the sixth year expire. In cases where the taxpayer is found to have made false statements or committed fraud, there is no time limit, and the tax authority may issue assessments at any time.

Disputing Tax Assessments: Objections and Appeals

Sections 40 to 43 of the Act set out how tax assessments and disputes should be handled. Once an assessment is made, the tax authority must issue a notice[26] to the taxpayer, stating how much is due and how the taxpayer can object. If the taxpayer disagrees, they must file a written objection within 30 days,[27] clearly explaining the reasons and providing supporting figures. If both parties agree, the assessment is adjusted. If not, the taxpayer can appeal to the Tax Tribunal for further resolution.

Withholding Tax /Deduction at Source on Certain Payments

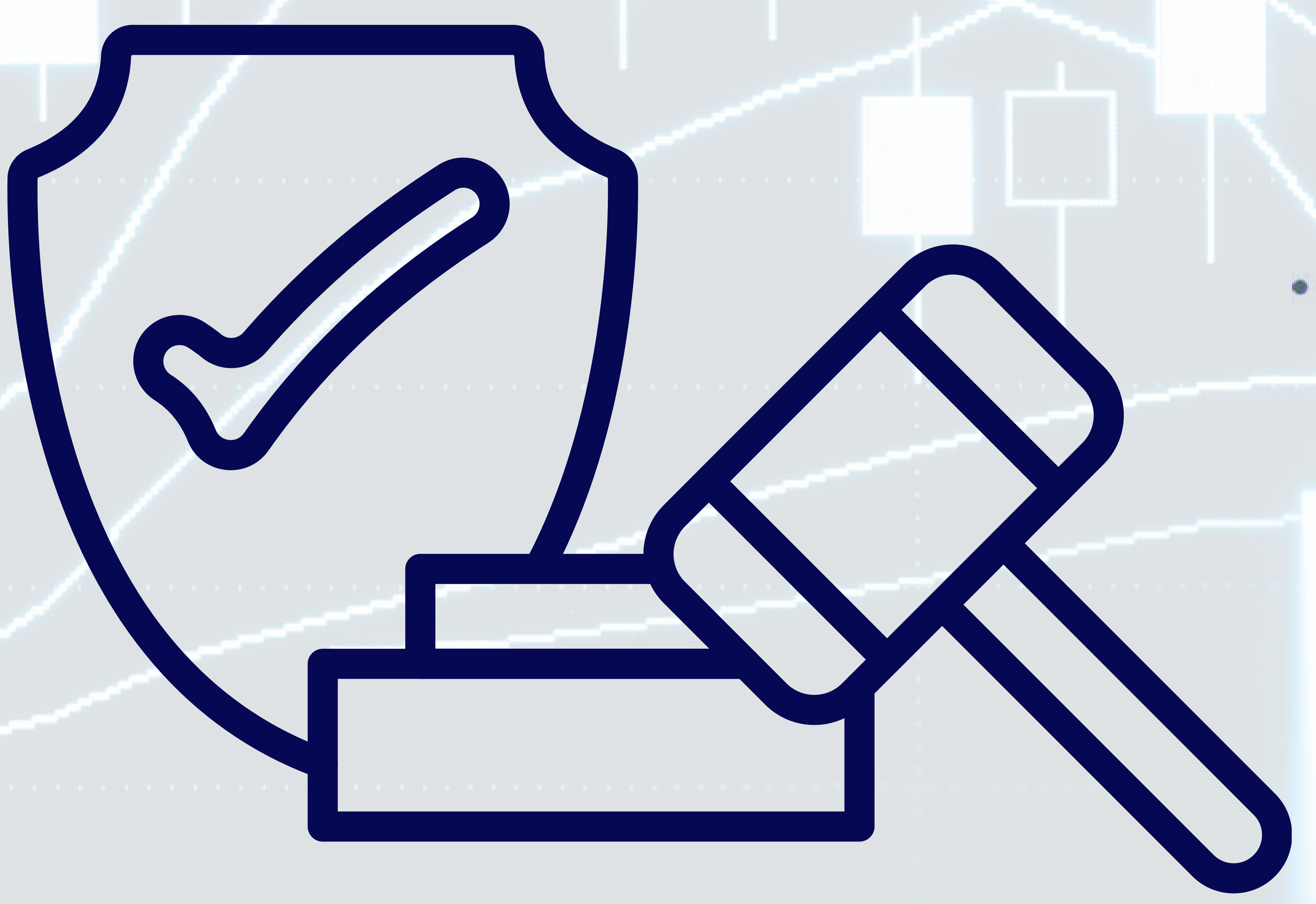
Section 51 of the NTAA provides that tax must be deducted at source when specified payments such as dividends, interest, rent, royalties, directors' fees, and payments to entertainers or sportspersons are made, with such deductions constituting final tax for non-residents. Dividends received after deduction are treated as franked investment income and are exempt from further tax. Similarly, interest on short-term securities and corporate bonds earned by individuals is not subject to additional tax once withheld. Employers must deduct income tax from employee emoluments such that total annual deductions match the employee's tax liability. A 5% final withholding tax also applies to non-resident companies providing specified services to labelled startups.

[25] Section 36, Nigeria Tax Administration Act, 2025
[26] Section 40, Nigeria Tax Administration Act, 2025
[27] Section 41, Nigeria Tax Administration Act, 2025

Tax Enforcement and Recovery

Sections 57–58 of the NTAA allow tax authorities to ask taxpayers to show up for questioning or provide documents and digital or cloud-based records. With court approval, they can also enter private homes if needed for investigations in collaboration with law enforcements.[28] Tax officials are authorised to appoint third parties like banks or employers to pay a taxpayer's unpaid taxes directly from funds they hold on behalf of the taxpayer.. If the third party fails to do this, they become liable for the tax.[29] Section 61 allows tax authorities to recover unpaid taxes by seizing a taxpayer's property (both movable and immovable) if the person fails to pay after a final assessment and demand notice. They can sell the property (with court approval for buildings) after 14 days, using the proceeds to cover recovery costs and the tax owed. Any leftover amount must be returned to the taxpayer. This helps curb tax evasion.

The Act also introduces innovative tools like third-party tax debt assignment [30] allowing accredited agents such as banks and other financial institutions, debt recovery practitioners, or any other person accredited by the relevant tax authority to recover significant and long-outstanding debts. Section 69 authorises monetary rewards for whistleblowers who provide tax intelligence, with guaranteed confidentiality and legal protection.



[28] Section 62, Nigeria Tax Administration Act, 2025
[29] Sections 59 and 60, Nigeria Tax Administration Act, 2025
[30] Section 68, Nigeria Tax Administration Act, 2025

Tax Clearance Certificates (TCC)

Section 72 establishes timelines and requirements for issuing Tax Clearance Certificates (TCC), within 2 weeks of a request, or reasons must be provided for refusal. Ministries, departments, agencies, and banks must request TCCs covering the 3 preceding years for specific transactions such as building approvals, government contracts, trade and firearms licences, and land documentation.

Advance Rulings: Pre-Transaction Clarity from Tax Authorities

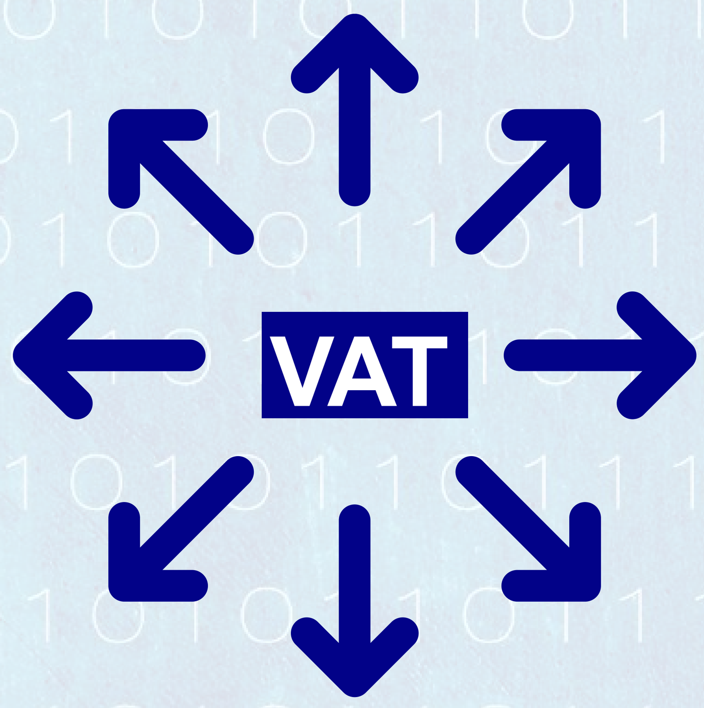
Under Section 73, taxpayers may request an advance ruling to obtain clarity on how tax laws apply to a specific transaction before it takes place. The application must be submitted to the relevant tax authority such as the Federal Inland Revenue Service (FIRS) for federal taxes or the appropriate State Internal Revenue Service (SIRS) for state-level taxes. The tax authority is required to issue the ruling within 21 days or provide written reasons if the request is denied. The application must include all relevant facts, the legal provisions relied upon, and details of any related audits, disputes, or prior dealings with the tax authority.

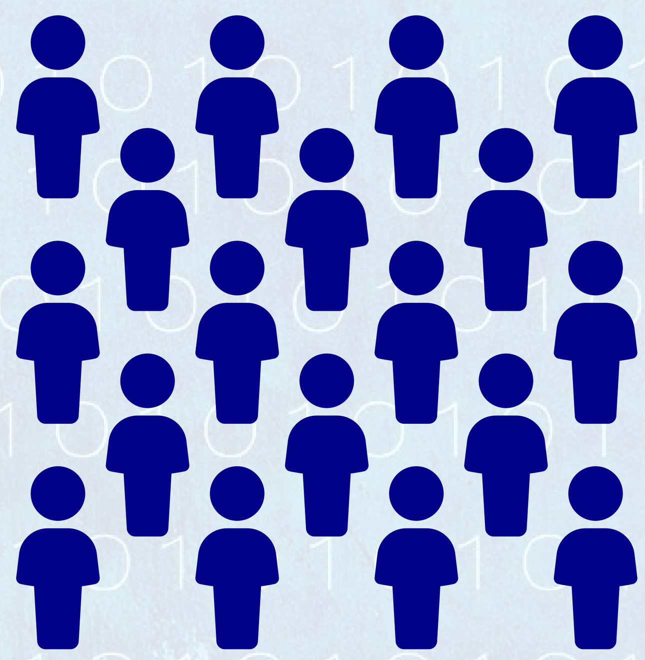
Presidential Tax Exemptions and Direct Revenue Deductions from MDAs Budget by the Accountant General of the Federation

Section 78 grants the President power, with National Assembly approval, to exempt companies or specific profits from income tax by an order published in the Official Gazette. Section 80 empowers the Accountant-General of the Federation to deduct unremitted revenues from MDAs directly from their budgets, within 30 days of receiving a properly signed warrant.

VAT Distribution

Section 81 revises the formula for distributing Value Added Tax (VAT) revenue, allocating 10% to the Federal Government, 55% to the State Governments and FCT (up from 50%), and 35% to Local Governments. Among states and local governments, VAT revenue will be further distributed based on equality (50%), population (20%), and consumption (30%), with "place of consumption" as the determining factor and not the place of derivation or filing. This reform is aimed at correcting the historical imbalance where states like Lagos, Rivers, and the FCT receive disproportionately high VAT allocations due to the presence of large corporate headquarters, even though consumption occurred nationwide. By tying revenue allocation to where goods and services are actually consumed, the provision seeks to ensure fairer distribution, incentivise local economic activity, and give credit to all states contributing to VAT generation.





Offences and Penalties

Sections 100-127 of the Nigeria Tax Administration Act, 2025 provides for general offences and penalties summarised below:

S/N	Offence (Section)	Who it Affects	Penalties
1.	**Failure to Register TIN (100(1))**	Taxable Person	₦50,000.00 first month, ₦25,000.00/each subsequent month
2.	**Award Contract to Unregistered Companies (100(2))**	Statutory Body/Company	₦5 Million
3.	**Failure to File Returns (101)**	Taxable Person	₦100,000.00 first month, ₦50,000.00/each subsequent month
4.	**Failure to Keep/Provide Records (102)**	Taxable Person	₦10,000.00 (Individual), ₦50,000.00 (Company)
5.	**Refusal to Grant Access to Tax Authority to deploy technology (103)**	Any Person	₦1 Million on the first day after 30 days of receipt of notice ₦10,000.00/day after notice
6.	**Failure to Use Fiscalisation System (104)**	Taxable Person	₦200,000.00 + 100% tax due + CBN interest
7.	**Failure to Deduct Tax (105)**	Tax Withholder	40% of amount not deducted

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8.	**Failure to Remit Tax deducted at Source/Self-Account (107)**	Tax Collector/Self-Acct	10% per annum of tax deducted + interest + 3 years jail term or 50% tax sum
9.	**Failure to Respond to Notice/Request (108)**	Any Person	₦100,000.00 first day, ₦10,000.00/each subsequent day
10.	**Non-Compliance by VASP (109)**	Virtual Asset Service Provider	₦10 Million first month, ₦1 Million/each subsequent month license suspension
11.	**Failure to Stamp Dutiable Instrument (110)**	Any Person	10% unpaid duty + interest
12.	**Undisclosed Bills in Dutiable Inst. (111)**	Any Person	₦100,000.00 or ₦50,000.00 + 3 years jail term
13.	**Failure to Notify Address Change (112)**	Taxable Person	₦100,000.00 first month, ₦5,000.00/each subsequent month
14.	**Fraud - Revenue Stamps (113)**	Any Person	₦2 Million or 3 years imprisonment
15.	**Tax Fraud by Officials (114)**	Tax Officials	200% tax sum or 3 years jail term

16	**Attempt to Induce Tax Official (115)**	Individual/Company	₦500,000 (Individual), ₦2 Million (Corporation) + tax due
17.	**Impersonation of Tax Officer (117)**	Any Person	₦1 Million or 3 years jail term
18.	**Aiding/Abetting Tax Offence (118)**	Any Person	₦1 Million or 3 years jail term
19	**Obstruction of Tax Operations/Officer (119)**	Any Person	₦1 Million administrative penalty + ₦1 Million fine or 3 years jail term
20.	**Unauthorised Disclosure of Taxpayer Info (120)**	Tax Officials/Agents	₦1 Million or 3 years jail term
21.	**False Tax Refund Claim (121)**	Any Person	Refund + 50% of the amount as penalty + interest
22.	**False VAT Refund Claim (122)**	Any Person	Refund + 100% of the amount as penalty + interest
23.	**False Declaration/Statement (124)**	Any Person	₦1 Million + unpaid tax + 3 years jail
24.	**Falsifying/Counterfeiting Docs (125)**	Any Person	₦1 Million + 3 years jail
25.	**Offences by Legal Entities (126)**	Officers of Entity	Treated as individual unless proven otherwise

Conclusion

The Nigeria Tax Administration Act marks a decisive step toward building a more transparent, efficient, and technology-driven tax system. By harmonising processes for assessment, filing, collection, and enforcement, it aims to ease compliance for taxpayers while strengthening the government's capacity to mobilise revenue. Particular attention should be given to the steep penalties attached to initial non-compliance which shows a strong intention to deter taxpayers from failing to comply. However, the overall success of this framework will depend heavily on consistent implementation, institutional capacity, and stakeholder cooperation.

This review has highlighted the key provisions, compliance obligations, and potential implications of the NTAA for individuals, businesses, and public institutions. In our next publication, we will turn to the remaining tax legislations under the reform package, offering the same structured analysis to ensure that stakeholders are well-informed and equipped to navigate Nigeria's evolving tax landscape.

If you missed the first part of our series, please click here.

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If you require any further information or professional advice on navigating the Tax Reform Act, you can reach out to our Policy Desk at *contactus@tundeadisa.com* and we will be happy to provide any assistance you may need.