

The Nigeria Tax Administration Act¹ (NTAA), 2025

For decades, Nigeria has relied on oil as its primary source of revenue. However, fluctuating global oil prices and economic uncertainties have underscored the urgent need for a more sustainable and diversified income stream. In response, the Nigeria Tax Administration Act (NTAA), 2025, or “the Act,” represents a bold step toward reforming the country’s tax system to make it more efficient, transparent, and equitable.

The Act seeks to modernise tax collection processes, enhance compliance, optimise revenue and promote greater accountability within Nigeria’s tax system. It introduces new regulatory structures, advances the digitalization of tax records, and enforces stricter compliance measures. The primary objective is to establish uniform procedures for tax administration, ensuring consistency and efficiency while facilitating compliance and optimising revenue generation.

At its core, this legislation is more than just increasing revenue. It seeks to create a fairer and more predictable tax system that fosters compliance and boosts investors’ confidence. However, as with any major reform, the true impact of the NTAA will depend on its implementation and how effectively it balances the interests of government, businesses, and ordinary citizens.

Key Provisions of the Act

- **Unified Tax Administration and the Role of Relevant Authorities:** The NTAA introduces a unified tax administration structure aimed at streamlining the country’s tax system. Section 3 of the Act designates the Nigeria Revenue Service (NRS or “the Service”) as the primary institution responsible for administering taxes on:
 - i. companies
 - ii. individuals employed by a federal security agency other than in civilian capacity
 - iii. officers of the Nigerian Foreign Service
 - iv. Non-resident persons who derive income, profits or gains from Nigeria or employment income of a person who is not a resident of any State in Nigeria.

In contrast, Relevant State Tax Authorities (RTAs) or the Federal Capital Territory (FCT) are responsible for administering taxes on resident individuals in respect of their income, profits or gains.

The provisions of the NTAA promote collaboration between tax authorities by allowing them to exchange relevant information to ensure compliance with the provisions of the Act. If any tax authority discovers non-compliance that is under the jurisdiction of another authority, it can refer the matter to or invite that authority for a joint audit. Although the Act explicitly lists certain taxes under the jurisdiction of the NRS, it also allows for flexibility. If needed, tax authorities can delegate the management of taxes within their jurisdiction to another authority, subject to approval by the relevant government.

By centralising tax functions under a unified body, the NTAA aims to reduce redundancy, enhance coordination, improve operational efficiency, and reduce bureaucratic delays. This streamlining is expected to make tax collection more transparent and foster a more efficient tax administration system.

- **Obtaining Tax Identification (ID):** Sections 4 to 7 of Part II of the NTAA require taxable individuals, Ministries, Departments, and Agencies (MDAs) of the Federal or State government, as well as non-resident

¹ Please note that as of the time of publishing this newsletter, the President has not signed the bill into law.

persons making taxable supplies to individuals in Nigeria or earning income (excluding **passive income** from investments) in Nigeria, to register for tax purposes and obtain a Tax ID. If the RTA denies a request for registration or the issuance of a Tax ID, they must inform the individual of the refusal and provide the reasons within five working days of the decision. Section 8 of the Act requires persons engaged in financial services to ensure that every taxable person provides a Tax ID.

RTAs have the discretion to register and issue a Tax ID to anyone who should have applied but failed to do so. The Tax ID requirement will help ensure that all taxpayers, including those in the informal sector, are accounted for in the tax system. This can improve the accuracy of tax records and reduce tax evasion.

- **Expanded Tax Base:** The Act also aims to expand the tax base by formalising the informal economy and including individuals and businesses that have hitherto not been captured by the tax system. All companies, including small companies, are required to prepare and file income tax returns. Section 15 of the NTAA provides that RTAs may issue guidelines for the filing of simplified income tax returns by low-income earners or persons operating in the informal sector. This will enable the RTAs to track revenue in the informal sector and likely increase the overall tax collection and contribute to Nigeria's fiscal sustainability.
 - **Monthly Return Requirement:** Chapter Two of the NTAA outlines the filing requirements for individuals and companies. Sections 18, 20, and 21 specify that returns for petroleum royalty, mineral royalty, and non-resident shipping and airline companies must be filed monthly. For petroleum companies, the return for royalty payments must be submitted by the 14th day of the following month, while the deadline for mining royalty and non-resident shipping/airline companies is the 21st. The Act also mandates petroleum licence holders to submit annual returns for royalties paid during an accounting period, no later than five months after the period ends.
 - **Value Added Tax (VAT) Returns:** Section 22 sets out the provisions regarding the filing of VAT returns. Returns containing specific details, are to be filed on or before the 21st day of the following month. The section also provides that where the Service grants an extension of time for filing returns under this section, such extension shall not be construed as an extension of the deadline for payment of the tax due.
- Small businesses are exempt from registering and filing of VAT returns. However, a small business may, in writing to the Service, choose to opt out of the exemption granted to small businesses.
- **Digitalization of Tax Filing and Compliance:** The NTAA introduces the use of an Electronic Fiscal System (EFS) to enhance the accuracy, efficiency,

and transparency of tax administration. Section 23 of the Act mandates that any person making a taxable supply must use the EFS for recording and reporting all supplies. The NRS may issue a regulation to give effect to the provisions of this section, thereby ensuring secure and accurate operations.

Taxable persons are required to maintain accurate records of all transactions processed through the EFS. This will help to ensure consistency and transparency in their tax filings. The NRS will specify the fiscalisation system to be adopted and provide a transition plan for its implementation.

The focus on digitalizing tax filing, as outlined in Section 23, is one of the Act's most impactful reforms. By reducing human intervention, this system aims to minimise errors, fraud, and inefficiencies in the tax process. It also streamlines tax administration, providing taxpayers with quicker access to their records and reducing the potential for errors or omissions.

Section 98 provides that if a person refuses to grant access to the RTA to deploy technology within 30 days of receiving notice under the NTAA, they will be liable to an administrative penalty of ₦1,000,000 for the first day of default, and ₦10,000 for each subsequent day of default. Section 99 further emphasizes the importance of compliance with the digital system by imposing penalties for non-compliance. A taxable person, who fails to process a taxable supply through the fiscalisation system, will be liable to an administrative penalty of N200,000, along with 100% of the tax due, plus interest at the prevailing Central Bank of Nigeria's (CBN) Monetary Policy Rate (MPR) per annum.

These provisions highlight the critical importance of embracing digitalization in tax administration, ensuring better compliance, and promoting a more efficient, transparent, and accountable system.

- **Returns for Surcharge:** Section 24 of the NTAA addresses the submission of chargeable duty returns and the consequences of non-compliance with the reporting and record-keeping requirements. It mandates that any taxable person engaged in providing chargeable services must submit a return to the RTA, detailing the chargeable services provided, their value, the surcharge duty payable, and any other prescribed information. This return is to be submitted by the 21st day of the following month, except in cases of foreign exchange transactions, which must be reported within seven days. By requiring businesses to file returns and maintain proper records, the NTAA ensures that the system remains transparent and accountable.
- **Returns for Virtual Assets Service Providers (VASPs):** Section 25 of the NTAA introduces a new provision in line with the Investment Securities Act (ISA) 2025. It mandates that taxable persons involved in services related to the exchange, custody, or

management of virtual assets (cryptocurrencies, digital tokens and other digital representations of value) through Virtual Asset Service Providers (VASPs) must submit returns containing details such as the description of the service, transaction dates, counterparty information, and more. The RTA may also request additional information from the VASP at any time. The Fifth Schedule of the NTAA outlines the specific provisions and requirements for VASPs, including registration obligations, taxable transactions, asset valuation, reporting duties, and KYC requirements.

- **Returns by Priority Companies and Companies enjoying Tax Incentives:** Sections 26 and 27 of the NTAA focus on specific reporting requirements for companies and individuals that benefit from tax incentives, as well as the filing of returns by priority companies. Section 26 outlines the obligation for companies granted priority status to file income tax returns for both priority and non-priority products or services each year. These companies are required to adhere to the filing procedures specified in Section 11 of the NTAA, ensuring that their tax returns reflect both categories of products and/or services they offer.

Section 27, on the other hand, focuses on the filing of tax incentive returns for taxable persons who benefit from specific incentives administered by the RTAs. These incentives include those outlined in Section 60 of the Nigeria Tax Act, and recipients are required to submit annual Tax Incentive Returns in addition to their standard income tax returns. This helps the tax authorities to track and monitor the benefits being provided and ensure that they are being properly utilised.

For individual recipients of tax incentives, Section 27(2) requires the RTA in each State to transmit the tax incentive returns to the NRS within 60 days of the deadline for filing annual tax returns. The NRS,

in turn, must include a summary of these returns in its annual report to the Minister, as stated in Section 23 of the NRS Act. This provides the Minister with an overview of the tax incentives being utilised and ensures that there is proper accountability in the administration of these benefits.

Finally, Section 27(4) grants the Minister the authority to issue regulations for the administration of this section, which allows for further clarification and detailed guidelines to ensure efficient implementation.

- **Disclosure of Tax Planning:** Section 30 of the NTAA mandates that any person who enters, or intends to enter, into a disclosable transaction or agreement aimed at obtaining a tax advantage must provide relevant information about the agreement to the RTA, without the need for notice or a request. By requiring disclosure, tax authorities can better identify and scrutinise potentially aggressive tax strategies or loopholes that might be used to evade taxes or unfairly reduce tax liability. The information gathered through mandatory disclosure allows the RTA to assess the risks posed by certain transactions, enabling more targeted audits and investigations. Mandatory disclosure ensures that tax authorities are aware of transactions that could impact the tax system, allowing them to assess whether they align with the legal and regulatory frameworks.
- **Tax Refund:** The NTAA tries to enforce the right of taxpayers to receive tax refunds. To facilitate this, the Accountant General of the Federation or a State is empowered to deduct amounts due for refunds (based on the monthly schedules submitted by the RTA) before distribution and remit to the dedicated refund accounts set up for this purpose. Sections 55 and 56 state that the RTA may make rules and conditions necessary to facilitate refund to a taxpayer in the event of an overpayment of tax. Any refund due is expected to be made within 90 days of the



decision of the RTA, with the option of a set-off against any tax liability of the taxpayer. Refund claims can only be made within six years after the end of the year of assessment to which it relates. Requests for VAT refund may be made within twelve (12) months after the transaction giving rise to the refund. Where the request is valid, the Service shall refund the tax not later than 30 days of the receipt of the request or the amount shall be eligible for set-off against any tax liability of the taxpayer.

- **Power to Distrain:** Once an assessment has become final and conclusive, and a demand notice has been served, if the taxpayer fails to pay the tax within the specified time, Section 61 of the NTAA grants RTAs the power to enforce payment through distraint by:
 - i. distraining goods, chattels, bonds, or other securities.
 - ii. distraining land, premises, or any asset owned by the taxpayer.

The RTA is empowered to recover the outstanding tax amount through the sale of any goods or assets that have been distrained. However, a High Court Order must be obtained before such distrained goods and chattels can be sold. The Act provides that the balance of the proceeds, if any, should be refunded to that person with or without a demand made within 90 days of the date of the sale.

- **Enforcement of Powers:** Section 62 of the NTAA grants RTAs the authority to request assistance from any law enforcement agency in carrying out their duties. The RTAs are allowed to enter any premises covered by their warrant, search for, seize, or take possession of any book or document that is used or suspected to have been used in an offence. They also have the right to search any person within the premises and use "reasonable" force to remove any obstruction to such entry, search, seizure, or removal. Taxpayers are required to provide passwords, access codes and other relevant information to access books, records, documents or computers.
- **Revocation of Petroleum or Mining Licence or Lease:** Section 63 of the NTAA stipulates that, if a company engaged in petroleum or mining operations fails to pay any petroleum or mineral royalty or tax after a demand notice has been issued, the Service may notify the Commission or the relevant ministry or agency about the default, which may lead to the revocation of the company's licence or lease under the applicable Act.
- **Remission of interest and penalty:** Section 66 empowers the RTA to remit any interest or penalty that may be payable. However, the RTA must prepare and submit monthly returns of interest/penalty waived to the Minister or the relevant Commissioner for Finance. The returns must show details of the taxpayers, circumstances and the amounts waived.

- **Assignment of Tax Debts:** Section 68 of the NTAA provides RTAs with the powers to assign outstanding tax debts, in whole or in part to accredited third party (banks and other financial institutions, debt recovery agents or anyone accredited by the RTA) who will assume responsibility for recovering the tax debts. The tax authorities will assign the debts only if the debt to be recovered is deemed to be of significant value, and all other legal steps to retrieve the debt have been exhausted.
- **Tax Clearance Certificate (TCC):** Under Section 72, RTAs must issue TCCs to taxpayers upon request, provided that the RTA believes that the taxpayer has fully settled the tax assessed on their income or profits. The RTA is obligated to issue the certificate within two weeks of the request or provide reasons for denial.
- **VAT Sharing Formula:** Section 81 of the NTAA provides for a reduction of VAT distribution to the Federal Government from 15 per cent to 10 per cent and concedes 55 per cent and 35 per cent to state governments and local government councils, respectively. However, the amount of the VAT revenue standing to the credit of states and local governments shall be distributed among them on the following basis: Equality - 50%; Population - 20%; Place of Consumption - 30%. The Act also clarifies that the place of consumption refers to the location of the customer at the point of supply.
- **Stricter Penalties for Non-Compliance:** The whole of Chapter 4 of the NTAA includes offences and penalties which are designed to enforce compliance and deter tax evasion. These penalties are meant to strengthen the effectiveness of the tax reforms and ensure that individuals and businesses adhere to the new tax regulations. The emphasis on the penalties may help to strengthen the enforcement capabilities of tax authorities. Taxpayers are encouraged to comply with the provisions of the law to avoid penalties.
- **Penalty for Non-Compliance for Virtual Assets Service Providers (VASPs):** A Virtual Asset Service Provider (VASP) refers to any individual or entity that is involved in providing services related to virtual assets or cryptocurrencies. These services can include activities such as facilitating the exchange, transfer, safekeeping, or management of virtual assets. The committee recommends that any VASP who fails to comply with the provisions of this Act will, in addition to having their licence suspended or revoked by the Securities and Exchange Commission, be required to pay an administrative penalty to the RTA. The penalty will be ₦10,000,000 for the first month of default and ₦1,000,000 for each subsequent month that the default persists.
- **Conflict with other Laws:** Section 145 addresses the supremacy of the Act over other laws concerning the administration of taxes and levies in Nigeria. The provision establishes that, in the event of any

conflict between the NTAA and other existing laws, the NTAA shall take precedence. ***This means that if there is any inconsistency between the NTAA and any other legal framework related to tax administration, collection, assessment, or enforcement, the provisions of the NTAA will override those of the conflicting law. The conflicting provisions of any other law will become void to the extent of that inconsistency. This of course, is without prejudice to the Constitution of the Federal Republic of Nigeria.***

Furthermore, Section 145 (2) clarifies that any person or government agency that has been assigned duties or obligations under either the NTAA or any other law - particularly those duties that enable the NRS or any RTA to fulfill their responsibilities - must continue to perform those duties, if they are consistent with the provisions of the NTAA. This should ensure a smooth transition and continued operation of government functions, without disruptions or conflicts among different legal requirements.

This supremacy clause strengthens the NTAA by ensuring its primacy in the realm of tax administration and enforcement, creating a clear legal framework that reduces the risk of contradictory or conflicting interpretations of tax laws.

Potential Concerns

- i. Extension for VAT filing but not payment deadline:** Section 22(2) provides that where the tax authority grants an extension for filing VAT returns, such an extension does not also extend the time for payment of the tax due. Under the current FIRS's Tax-Pro Max framework, taxpayers filing VAT returns must first complete the return to generate a Payment Reference Number (PRN) - a mandatory step before payment can be made. As such, an extension of the filing deadline inherently delays the ability to pay, making it impractical to separate the deadlines for filing and payment in such cases. Given these differing operational realities, the provision in Section 22 may benefit from clarification to ensure alignment with the actual procedural requirements imposed by the FIRS.
- ii. Increased Pressure on Taxpayers:** While the aim is to expand the tax base, some individuals and businesses, particularly those in the informal sector, may resist being included in the formal tax system. The imposition of new taxes on previously untaxed entities could cause some to evade taxes or operate in the informal economy, potentially undermining the goals of the Act.
- iii. Risk of Bureaucratic Overreach:** The centralisation of tax administration could increase the level of control and power vested in the new tax agency. Without proper checks and balances, there is a risk of bureaucratic overreach, which could lead to inefficiencies or exploitation of power.



iv. Operational Costs for Businesses: While the move to digital tax administration has long-term benefits, businesses may face initial challenges in terms of adopting the new system. Smaller businesses may struggle with the costs of setting up the necessary technology or lack digital literacy, thereby complicating compliance.

Conclusion

The NTAA represents a transformative approach to tax governance in Nigeria, with the potential to reshape the nation's economic landscape. By centralising tax administration, promoting digital tax filing, and implementing stringent compliance measures, the Act aims to enhance revenue collection, streamline tax processes, and create a more transparent, accountable, and predictable system. These reforms are crucial for reducing the country's over-reliance on oil revenues and encouraging the diversification of Nigeria's economy.

The introduction of a unified tax administration system is expected to ease the business environment by eliminating redundancies and bureaucratic delays, making it easier for businesses to comply with tax regulations. With a more efficient tax structure, businesses can expect faster processing times, clearer guidelines, and reduced uncertainty, which will likely foster investors' confidence. Furthermore, the digitalization of tax filing, coupled with the introduction of the EFS, will ensure a reduction in tax evasion and enhance accuracy in reporting, which will directly contribute to a more streamlined and reliable tax system. The requirement that RTAs must respond to taxpayers' objections within ninety (90) days is commendable.

While these reforms will likely improve the ease of doing business in Nigeria, challenges remain, particularly for small businesses and informal sector operators. The requirement to adopt digital systems and comply with mandatory filing requirements may impose an operational burden on these groups. There is also the potential for resistance from those previously outside the tax net, which could drive some businesses back into the informal economy or provoke compliance issues.

Nevertheless, the overall impact of the NTAA could be far-reaching. If implemented effectively, it could lead to a more diversified and sustainable revenue base, benefiting the economy in the long term. By expanding the tax base, formalising the informal sector, and ensuring better enforcement of tax obligations, the Act has the potential to boost Nigeria's fiscal health and provide a more predictable revenue stream for the government. The increased transparency and accountability may also help reduce corruption and enhance trust between taxpayers and the RTAs.

In conclusion, while there are concerns about the operational costs and potential burden on businesses, particularly in the short term, the NTAA offers an opportunity to transform Nigeria's tax system into one that supports economic growth, enhances the ease of doing business, and contributes to the long-term sustainability of the economy. The success of the Act will depend on careful implementation, ongoing support for businesses, and robust enforcement mechanisms to ensure that the intended benefits are fully realised.



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