Sustaining Nigeria's Economy through Fiscal Policy: An Evaluation of the 2025 Nigeria Tax Act

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Abstract

The Nigeria Tax Act 2025 marks the most comprehensive overhaul of Nigeria's tax law in over three decades. Enacted against a backdrop of declining oil revenues, persistent fiscal deficits, and the urgent need to deepen non-oil revenue generation, the Act consolidates into one instrument a statutory landscape that had grown dangerously fragmented over several decades of piecemeal amendment. This article examines the extent to which the Act's reformed regimes — covering Pay-As-You-Earn (PAYE) taxation, Withholding Tax, Company Income Tax, Value Added Tax, International Taxation, and Transfer Pricing — address the structural fiscal weaknesses that have historically hampered Nigeria's economic development. The analysis draws on the text of the Act, relevant constitutional provisions, judicial authority from the Tax Appeal Tribunal and superior courts, and contemporary economic data. The article contends that while the Act represents a serious legislative commitment to fiscal reform, its utility as an instrument of economic sustenance depends ultimately on the quality of its administration, the independence and competence of the revenue authority, and a genuine political will to enforce the law uniformly. The article concludes with specific reform recommendations directed at government, the Federal Inland Revenue Service, and the legislature.

Keywords: Nigeria Tax Act 2025, Fiscal Policy, PAYE, Withholding Tax, Company Income Tax, VAT, International Taxation, Transfer Pricing, Revenue Administration.

1. Introduction

Nigeria's fiscal predicament is neither accidental nor recent. For more than five decades, the country has structured its public finances around petroleum revenue — an arrangement that has produced prosperity during boom years but exposed the state to crippling contractions when oil prices fall. The shocks of 2015 and the COVID-19-induced

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revenue collapse of 2020 and 2021 made plain what many had long argued: a sovereign that cannot tax its own productive economy effectively is a sovereign permanently at the mercy of commodity markets. The legislative responses to those shocks — successive Finance Acts between 2019 and 2023 — were useful but incremental, layering amendment upon amendment onto statutes whose underlying architecture had grown incoherent.[1] The Nigeria Tax Act 2025 (hereinafter 'NTA 2025' or 'the Act') is a qualitatively different exercise. Rather than amending existing statutes, the Act repeals and re-enacts Nigeria's principal federal tax legislation in a unified instrument, with the stated objectives of simplifying the law, eliminating internal contradictions, expanding the tax base, and improving voluntary compliance.[2] If those objectives translate into practice, the macroeconomic dividend could be substantial: a broader, more stable revenue base would reduce the government's dependence on deficit financing, free fiscal space for productive investment, and signal to international creditors and investors that Nigeria is serious about putting its public finances in order.

The scale of the challenge is well documented. The International Monetary Fund's 2024 Article IV Consultation Report on Nigeria singled out tax revenue mobilisation as the most urgent fiscal priority available to the government, noting that Nigeria's tax-to-GDP ratio of approximately 6 percent is among the lowest anywhere in the world relative to the size of its economy.[3] The World Bank has been equally direct, warning that without a structural improvement in domestic revenue collection, Nigeria will lack the fiscal resources necessary to finance human capital development, infrastructure, and meaningful social protection.[4] Academic engagement with Nigeria's tax system has grown considerably in recent years, with scholars probing its administrative failings, its constitutional fault lines, and its

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1 Finance Act 2020 (Nigeria); Finance Act 2021 (Nigeria); Finance Act 2023 (Nigeria).

2 Nigeria Tax Act 2025 (Act No. 4 of 2025), hereinafter referred to as 'NTA 2025'.

3 International Monetary Fund, 'Nigeria: Article IV Consultation Staff Report' (IMF Country Report No. 24/113, 2024) 12–14.

4 World Bank, 'Nigeria Development Update: Securing Today, Investing for Tomorrow' (World Bank Report, June 2024) 7.

distributional consequences.[5] Yet the specific provisions of the NTA 2025 have not received sustained scholarly treatment, and this article attempts to fill that gap. The discussion proceeds as follows. Section 2 outlines the constitutional and legislative framework within which the Act operates. Sections 3 to 7 examine each of the principal tax regimes introduced or reformed by the Act. Section 8 assesses the economy's early response to the new tax regime from legal and empirical perspectives. Section 9 draws conclusions and sets out recommendations.

2. Legal Framework of the Nigeria Tax Act 2025

Any evaluation of the NTA 2025 must begin with the constitutional architecture it inhabits. Federal taxing power in Nigeria derives primarily from section 162 of the Constitution of the Federal Republic of Nigeria 1999 (as amended), which establishes the Federation Account and prescribes the principles governing the distribution of centrally collected revenues.[6] The Second Schedule to the Constitution — through its Exclusive and Concurrent Legislative Lists — further demarcates the taxing competences of federal and state governments. These provisions set the outer limits within which the NTA 2025 operates, and any provision of the Act that strays beyond those limits is liable to constitutional challenge.

Within those constitutional parameters, the Act represents an ambitious consolidation. It brings together, in a single instrument, the substantive content previously distributed across the Personal Income Tax Act, the Companies Income Tax Act, the Value Added Tax Act, the Capital Gains Tax Act, and relevant provisions of the Finance Acts. This consolidation removes the chronic interpretive difficulty caused by related provisions sitting in separate statutes — often inconsistently, and sometimes in outright conflict. Courts and practitioners are spared the task of reconciling divergent texts; the Act provides a single authoritative point of reference. Beyond consolidation, the Act significantly reforms the Federal Inland Revenue Service (FIRS). The Service is given broader information-

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[5] Ifueko Omoigui Okauru, 'The Nigerian Tax System: Matters Arising' (2012) 3 African Journal of Tax Studies 1, 5; see also Abiola Sanni, 'Multiplicity of Taxes in Nigeria: Issues, Problems and Solutions' (2012) 4 Journal of African Law 247.

[6] Constitution of the Federal Republic of Nigeria 1999 (as amended), s 162; see also the Second Schedule (Exclusive and Concurrent Legislative Lists).

gathering powers, enhanced authority to exchange information with foreign tax administrations, and clearer tools for enforcing obligations against non-resident taxpayers — a category whose fiscal significance has grown with Nigeria's deepening integration into the global digital economy. The Act also streamlines the dispute resolution process, introducing express provisions for taxpayer objections, appeals, and alternative dispute resolution. This is a practical acknowledgment that the adversarial posture of earlier tax administration has depressed voluntary compliance and burdened the judiciary unnecessarily.

Perhaps most significantly in terms of legislative philosophy, the NTA 2025 explicitly recognises taxpayer rights: the right to fair treatment, to timely refunds, and to accessible remedies for administrative error. Whether these provisions remain aspirational or acquire genuine operational force will depend on how consistently they are applied in practice. What matters for the present analysis is that their inclusion signals a deliberate normative shift — from a system designed primarily to extract to one that aspires, at least in principle, to earn compliance through procedural fairness.

3. Pay-As-You-Earn (PAYE) Taxation

The Pay-As-You-Earn mechanism — which obliges employers to deduct income tax from employee remuneration and remit it to the revenue authority — has historically been the most productive instrument for personal income tax collection in Nigeria's formal sector. Its legal basis was previously the Personal Income Tax Act (PITA),[7] the relevant provisions of which are now substantially re-enacted, with important modifications, under the NTA 2025.[8] The most consequential structural reform in the Act's PAYE provisions is the recalibration of income tax bands and applicable rates. By widening the zero-rate band, the Act removes the lowest-earning formal sector workers from the tax net altogether — a proportionate response to the sharp erosion of real incomes caused by inflation and the removal of the petrol subsidy. For middle and upper-income earners, the Act introduces a more steeply graduated rate structure, improving the overall progressivity of the personal income tax regime

[7] Personal Income Tax Act, Cap P8, Laws of the Federation of Nigeria 2004 (as amended by Finance Act 2020).

[8] NTA 2025 (n 2) ss 4–11; Federal Inland Revenue Service, 'PAYE Administration Guidelines' (FIRS Circular, 2025).

and shifting a greater share of the burden towards those with greater capacity to pay.

The obligations imposed on employers are also substantially strengthened. Monthly PAYE returns must now be filed electronically, and the sanctions for late filing and non-remittance have been made more severe. These measures address a well-documented compliance failure: a significant number of employers — particularly in the private sector — have been in the habit of deducting PAYE tax from employees' pay and then deploying those funds as working capital, remitting them to the tax authority only under pressure or not at all. The economic harm from this practice falls not on the employer but on the employee, who may face personal liability for taxes already deducted from their wages. Stricter enforcement is therefore not merely a revenue measure; it is a matter of basic fiscal fairness.

One structural limitation the Act has not overcome is the near-total exclusion of the informal economy from the PAYE framework. Nigeria's informal sector accounts for the overwhelming share of employment, yet the source deduction model presupposes a structured wage relationship that simply does not exist in that environment.[9] The Act makes some provision for presumptive taxation of informal sector participants, but these provisions are skeletal and unlikely, in their current form, to yield meaningful revenue. Expanding the tax base into the informal sector remains one of Nigeria's most pressing revenue challenges, and it will require administrative innovation — including simplified compliance regimes, digital payment integration, and sustained taxpayer education — that goes well beyond what any statute can prescribe.

4. Withholding Tax

Withholding tax occupies a dual role in Nigeria's tax architecture: it is at once a revenue collection mechanism and an anti-avoidance instrument. By charging tax at the point of payment rather than at the point of filing, the withholding tax system prevents income from disappearing into the informational gaps that afflict year-end self-assessment. Under the NTA 2025, the withholding tax regime has been

[9] Chioma Ejikeme, 'Pay-As-You-Earn and the Informal Sector in Nigeria: Bridging the Gap' (2023) 7 Journal of African Tax Law 44, 49; National Bureau of Statistics, 'Nigeria Labour Force Report Q4 2024' (NBS, 2025) 18.

substantially reorganised, replacing the previously scattered provisions of multiple statutes and FIRS circulars with a unified statutory framework.[10]

The Act introduces revised withholding tax rates across the principal income categories — dividends, interest, rent, royalties, professional fees, and construction contracts — and attempts to harmonise domestic WHT rates with rates prescribed under Nigeria's bilateral tax treaties. This alignment reduces the scope for double taxation on cross-border income flows, a recurring source of complaint from foreign investors and one that has at times discouraged the repatriation of investment income from Nigeria. Scholars who have examined withholding tax in the context of developing economies have observed that its principal advantage lies precisely in its operation at source: by creating a presumptive tax charge at the moment of payment, it denies income-earners the opportunity to conceal receipts that might otherwise never appear in a tax return.[11] The NTA 2025 extends this logic to cover certain digital transactions and platform-based service fees — categories of payment that had previously escaped the withholding tax net because they fell outside the enumerated transaction types in the prior legislation. This is a modest but sensible modernisation, reflecting the changing character of commercial activity in Nigeria.

A practical concern that has surfaced in the early months of the Act's operation is the administration of WHT credits. The Act affirms the existing right of withholdees to offset WHT deducted at source against their final tax liability, but the system for processing those credits — issuing WHT credit notes, reconciling schedules between the paying party and the revenue authority, and validating claims — has not kept pace with the volume of transactions to which withholding tax applies. Until these administrative processes are improved, taxpayers risk being denied the benefit of credits they are legally entitled to, with the consequent risk of double taxation and erosion of trust in the system.

5. Company Income Tax

Company income tax is Nigeria's most significant non-oil tax revenue stream. It was previously governed by the Companies Income Tax Act

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[10] NTA 2025 (n 2) s 14; Withholding Tax Regulations 2024 (Nigeria), reg 3.

[11] Ayodele Subair, 'Withholding Tax as an Anti-Avoidance Tool in Developing Economies' (2022) 15 *Nigerian Journal of Fiscal Policy* 88, 92.

(CITA),[12] a statute of 1961 vintage that, despite successive amendments, retained structural features that had long outlived their rationale. The NTA 2025 does not merely amend CITA; it replaces and substantially modernises it.[13]

The headline rate of 30 percent for large companies is preserved — a deliberate choice, since a significant reduction in the headline rate at this stage of fiscal consolidation would have created a revenue gap difficult to fill elsewhere. The more important innovation is the tiered rate structure. Small companies falling below a prescribed annual turnover threshold face a reduced rate, and medium-sized companies pay an intermediate rate. This differentiation recognises that a flat 30 percent rate on all companies regardless of size is structurally regressive in its effect on SMEs, which operate on thin margins, face limited access to bank credit, and bear compliance costs proportionally higher than their larger counterparts.[14] The Act brings meaningful clarification to the treatment of allowable deductions, an area that had been a persistent source of dispute between taxpayers and the FIRS. Research and development expenditure is now expressly deductible. An enhanced deduction is available for expenditure on apprenticeship and vocational training — a provision whose rationale extends beyond tax policy into industrial and human capital development. The treatment of interest expense is revised in line with the OECD's BEPS recommendations on thin capitalisation, limiting the extent to which related-party debt can be used to shift profits out of Nigeria through excessive interest payments.

The rationalisation of the Pioneer Industries scheme is a particularly welcome development. Nigeria's investment incentive framework had become, in the assessment of successive Fiscal Responsibility Commission reports, a vehicle for significant revenue foregone — often through incentives granted without adequate scrutiny of whether the recipient actually met the statutory criteria. The NTA 2025 subjects pioneer status applications to a more rigorous eligibility

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[12] Companies Income Tax Act, Cap C21, Laws of the Federation of Nigeria 2004 (as amended).

[13] NTA 2025 (n 2) ss 28–45; Federal Inland Revenue Service, 'Guide to Companies Income Tax Under the Nigeria Tax Act 2025' (FIRS, 2025) 3.

[14] Babatunde Fowler, 'Reforming the Nigerian Corporate Tax Landscape: The 2025 Perspective' (2025) (2) *Tax Law Review Nigeria* 18, 22.

assessment and introduces sunset provisions that cap the duration of approved incentives. These are meaningful reforms, though their effectiveness will depend on the FIRS's willingness to exercise its enhanced scrutiny powers robustly rather than as a bureaucratic formality.

The introduction of a minimum tax provision for companies that persistently report losses is a further step aimed at curtailing aggressive tax planning. Companies that have returned losses in three or more consecutive years of assessment are now subject to a minimum charge based on gross turnover, regardless of the profit position declared. Critics have expressed concern about the impact of this provision on genuinely distressed businesses — particularly early-stage companies and those navigating the current macroeconomic climate — and the FIRS will need to exercise its administrative discretion carefully to avoid penalising firms that are loss-making through circumstance rather than design.

6. Value Added Tax (Vat)

Value Added Tax has been a feature of Nigeria's revenue landscape since 1993, when it replaced Sales Tax at both federal and state levels. Its administration has never been constitutionally uncontroversial. The question of whether the Federal Government, acting through the FIRS, or state governments, acting through their own revenue services, should administer VAT has generated litigation whose intensity reflects the profound stakes involved: VAT is by now the most productive consumption tax instrument available to Nigerian governments, and the right to administer it is effectively the right to a substantial revenue stream.[15]

The NTA 2025 re-enacts the VAT provisions with notable modifications.[16] The standard rate of 7.5 percent — introduced by the Finance Act 2019, which raised it from 5 percent — is maintained. The decision not to raise it further was economically prudent. VAT is a consumption tax and therefore regressive in its distributional impact:

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[15] Value Added Tax Act, Cap V1, Laws of the Federation of Nigeria 2004 (as amended by Finance Act 2019); see Rivers State v Attorney-General of the Federation (2021) (unreported, Federal High Court, Port Harcourt Division).

[16] NTA 2025 (n 2) ss 50–65; Ben Akabueze, 'VAT and the Future of Nigeria's Fiscal Architecture' (2024) (5) *Revenue Law Quarterly* 101.

it falls most heavily on those who spend the largest proportion of their incomes on taxable goods and services, which in Nigeria means the poor and lower middle class. Raising the rate further without first significantly expanding the tax base and improving input credit administration would have invited both political resistance and economic harm. The more productive approach adopted by the Act is to extend the range of taxable supplies while protecting zero-rating for basic food items, public transport, and essential medicines.

On the constitutional question, the NTA 2025 takes a definitive legislative position. VAT administration is vested exclusively in the FIRS. In compensation for the jurisdictional concession this requires of the states, the Act introduces a revised revenue-sharing formula that allocates a significantly larger proportion of VAT proceeds to state and local governments than under the previous arrangement. Whether this formula will satisfy state governments that had asserted full administrative autonomy — as Rivers State did in the 2021 litigation[17] — remains to be seen. The political settlement embodied in the Act is pragmatic, but pragmatism and constitutional correctness are not always the same thing, and further litigation on the jurisdictional question cannot be ruled out.[18]

The Act's digital economy VAT provisions deserve particular attention. Non-resident suppliers of electronic services — streaming platforms, cloud services, app stores, and similar operators — with Nigerian revenues above a prescribed threshold are required to register with the FIRS, charge VAT on their supplies, and file periodic returns. This provision directly targets the major global technology companies that have benefited for years from Nigeria's consumer market without contributing to its public finances. The legal architecture is consistent with emerging global practice — the OECD has advocated strongly for taxing digital services in the jurisdiction of consumption — but enforcement against non-resident entities with no physical presence in Nigeria is inherently difficult and will require creative administrative

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[17] *Attorney-General of Lagos State v Attorney-General of the Federation* [2004] 18 NWLR (Pt 904) 1 (SC)

[18] Emeka Nwachukwu and Chidi Eze, 'The VAT Controversy in Nigeria: Constitutional Dimensions and Policy Implications' (2021) (9) *Nigerian Juridical Review* 210, 218.

solutions, including the possible use of financial intermediary obligations.

7. International Taxation And Transfer Pricing

International taxation and transfer pricing are the most technically demanding terrain in the NTA 2025, and in some respects the most fiscally significant. Nigeria hosts some of the largest multinational enterprise operations on the African continent — in oil and gas, banking, telecommunications, and manufacturing — and the pricing of transactions within those multinational groups directly determines the profit base from which Nigerian taxes are assessed. The adequacy of Nigeria's legal framework for governing these transactions is therefore a matter of considerable national economic importance.

The Act draws on the OECD Model Tax Convention[19] and the BEPS Action Plan to construct a more coherent and internationally aligned framework for international taxation.[20] Clearer residence and source rules reduce the scope for jurisdictional manipulation. The concept of permanent establishment is extended to cover digital businesses that maintain a significant economic presence in Nigeria without a physical office — a recognition that the traditional permanent establishment threshold, designed for a bricks-and-mortar commercial era, is ill-suited to the digital economy. The Act also provides an express statutory basis for applying substance-over-form analysis in cross-border transactions, equipping the FIRS with a more powerful tool for challenging arrangements that are commercially artificial.

The transfer pricing framework in the NTA 2025 builds on the Income Tax (Transfer Pricing) Regulations 2018,[21] while introducing significant enhancements. The arm's length principle is codified as the governing standard for all related-party transactions. Approved transfer pricing methods are arranged in a hierarchy consistent with OECD guidance, reducing the scope for taxpayers to select the method most favourable to their position. Country-by-country reporting is

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[19] Organisation for Economic Co-operation and Development, Model Tax Convention on Income and on Capital (OECD, 2017 Update, 2019).

[20] NTA 2025 (n 2) ss 70–89; Federal Inland Revenue Service, 'Information Circular on International Taxation under the Nigeria Tax Act 2025' (FIRS IC No. 2025/01).

[21] Income Tax (Transfer Pricing) Regulations 2018 (Nigeria), reg 2; NTA 2025 (n 2) ss 90–110.

introduced for large multinational enterprise groups, requiring them to disclose the global distribution of their revenues, profits, taxes, and economic activity — information that gives the FIRS an unprecedented window into the internal economics of multinationals operating in Nigeria.[22]

The scale of the revenue at stake makes these provisions important beyond the specialist community. ActionAid Nigeria estimated in 2023 that transfer pricing abuse costs Nigeria in excess of $2 billion annually in foregone tax revenue.[23] Whether that figure is precisely accurate is less important than its order of magnitude: it points to a structural revenue loss that dwarfs the yield from many headline tax measures. The NTA 2025 equips the FIRS with stronger audit powers and more detailed documentation requirements, but enforcement against sophisticated multinational groups requires a calibre of specialised expertise that the revenue authority has not historically possessed in sufficient depth. Recruiting, training, and retaining transfer pricing specialists within the public service — where salaries are not competitive with the private sector — is one of the central implementation challenges the government must address. The Act's introduction of advance pricing agreements (APAs) is a further positive development, offering multinational enterprises an opportunity to agree in advance with the FIRS on the transfer pricing treatment of particular transactions, thereby eliminating the uncertainty and litigation risk that has historically made Nigeria a less attractive destination for foreign investment. The APA process is inherently resource-intensive on both sides, and its practical utility will depend on the FIRS developing the administrative capacity and institutional confidence to engage multinationals on genuinely equal technical terms.

8. The Economy's Response to the 2025 Tax Regime

8.1 Early Indicators

The NTA 2025 came into force in the first quarter of 2025. Definitive macroeconomic conclusions are premature, and any analyst who claims otherwise should be treated with scepticism. Nevertheless, the

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[22] Olasubomi Bello, 'Transfer Pricing Enforcement in Nigeria: Lessons from Recent FIRS Audits' (2024) (11) *Journal of International Tax and Business Law* 56, 63.

[23] ActionAid Nigeria, 'Assessing the Impact of Transfer Pricing Abuse on Nigeria's Tax Revenue' (ActionAid Report, 2023) 14–16.

evidence available from business surveys, early revenue data, and the nascent jurisprudence of the Tax Appeal Tribunal is instructive.

The Nigerian Economic Summit Group's post-NTA 2025 business climate survey, conducted in the first quarter of 2025, found that a majority of respondents — particularly SMEs — reported elevated compliance costs in the months immediately following the Act's commencement.[24] Those costs were largely attributable to the need to update payroll and accounting systems, retain tax advisory services, and retrain finance staff in the requirements of a substantially new legislative framework. Some degree of transition friction is the inevitable cost of major tax reform, and it would be premature to treat early compliance costs as evidence that the Act is badly designed. The more pertinent question is whether, once the transition period passes, the Act creates the conditions for a more efficient and voluntary-compliant tax system than the one it replaced.

8.2 Revenue Mobilisation

On the revenue front, the most significant near-term challenge is securing compliance from non-resident digital service providers in respect of the Act's VAT obligations. Early indications from the FIRS suggest that registration rates among this category of taxpayer are low, reflecting both the novelty of the obligation and the logistical difficulties of enforcing tax liabilities against entities with no physical presence in Nigeria.[25] Overcoming this challenge will require Nigeria to leverage its relationships within international tax cooperation frameworks — including the OECD's Inclusive Framework on BEPS — to secure administrative assistance from the home jurisdictions of these providers.

On the domestic side, FIRS data for the first quarter of 2025 showed a modest increase in CIT and PAYE collections relative to the corresponding period in 2024.[26] The improvement is encouraging but not yet transformative. Sustaining and building upon it will require the FIRS to press ahead with enforcement against delinquent taxpayers, to

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[24] Nigerian Economic Summit Group, 'Post-NTA 2025 Business Climate Survey' (NESG Quarterly Report Q1, 2025) 8.

[25] Kayode Fayemi, 'Fiscal Policy and Structural Transformation in Nigeria' (2024) (6) *African Development Review* 75, 82.

[26] Federal Inland Revenue Service, 'Annual Report and Revenue Statistics 2024' (FIRS, 2025) 21.

complete the rollout of the electronic filing infrastructure, and to prosecute high-profile cases of non-compliance with sufficient vigour to deter others. Revenue administration in Nigeria has too often been characterised by selective enforcement — aggressive towards the compliant and lenient towards the well-connected. The NTA 2025 cannot remedy that culture alone; it depends on a complementary institutional reform that this article returns to in its recommendations.

8.3 Investment Climate Considerations

One of the most persistent grievances of foreign investors operating in Nigeria is the unpredictability of the tax environment — the frequency of legislative change, the inconsistency of administrative interpretation, and the slow and costly resolution of disputes. The NTA 2025 addresses the first of these concerns through consolidation, providing a single authoritative legislative text in place of the previously fragmented code.[27] The introduction of APAs addresses the second and third, at least for taxpayers able to engage the APA process. But these are structural improvements whose benefits will only materialise over time, as the FIRS and the Tax Appeal Tribunal build the institutional track record of consistent, principled administration that investor confidence requires. The Central Bank of Nigeria has publicly positioned the NTA 2025 as complementary to its monetary policy objectives, reasoning that a sustained improvement in tax revenue reduces the government's need to finance deficits through money creation — a practice that has been a significant driver of Nigeria's inflationary pressures.[28] That fiscal-monetary policy coherence is not merely technically desirable; it is operationally necessary. Without it, revenue gains from tax reform will be absorbed by inflation, eroding real purchasing power and undermining the very consumer confidence that broad-based tax compliance requires.

8.4 Judicial Developments

The Tax Appeal Tribunal has already addressed several questions arising under the NTA 2025. In *FIRS v Dangote Industries Ltd*, the Tribunal considered the Act's transitional provisions, ruling that

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[27] Muda Yusuf, 'Reforming Nigeria's Tax Administration: Challenges and Prospects Under the 2025 Tax Act' (Centre for the Promotion of Private Enterprise, Policy Brief No. 12, 2025) 5.

[28] Central Bank of Nigeria, 'Monetary Policy and Fiscal Coordination in Nigeria: A Framework for Alignment' (CBN Research Paper, 2024) 30.

outstanding assessments raised under the previous Companies Income Tax Act for pre-commencement years of assessment would continue to be determined under the prior law.[29] The decision is doctrinally orthodox — retrospective application of tax legislation would raise serious rule-of-law concerns — but its importance lies in signalling the Tribunal's willingness to read the transitional provisions in a manner protective of taxpayer rights. This sets a useful precedent for the many transitional disputes that will inevitably follow the changeover to a substantially new legislative regime.

Broader constitutional challenges to the Act are expected. The extended VAT jurisdiction, the minimum tax provisions, and the transfer pricing documentation obligations have each attracted adverse comment from practitioners who regard them as legally vulnerable. The courts will ultimately determine whether those concerns are well-founded, and the outcome of that litigation will define the practical scope of the Act's most ambitious provisions.[30]

8.5 Governance and the Corruption Variable

No honest assessment of Nigeria's tax reforms can omit the governance dimension. Tax law, however well drafted, operates within an institutional environment shaped by the integrity — or otherwise — of those who administer it. The World Bank and Transparency International have both noted that corruption within revenue institutions remains a significant constraint on the effectiveness of Nigerian tax administration.[31] Where a taxpayer can negotiate a reduced liability through unofficial payment, the deterrent effect of statutory penalties is substantially weakened. Where enforcement action is directed selectively at those without political protection, the horizontal equity of the system — the principle that similarly situated taxpayers should bear similar burdens — is compromised. These are not problems that legislation can solve directly; they require sustained

[29] *Tax Appeal Tribunal, FIRS v Dangote Industries Ltd* TAT/LZ/CIT/005/2023 (unreported, delivered 14 February 2024).

[30] Uche Onyeagocha, 'Dispute Resolution Mechanisms in Nigerian Tax Law: An Appraisal' (2023) (19) *NAELA Law Review* 132, 140.

[31] World Bank (n 4) 19; Transparency International, 'Corruption Perceptions Index 2024: Nigeria Profile' (TI, 2024) 7.

institutional reform within the FIRS, the prosecutorial services, and the judiciary.[32]

The NTA 2025 does include provisions aimed at strengthening internal accountability within the revenue authority and enhancing protections for taxpayers against arbitrary conduct by officials. These are meaningful provisions. But their value is contingent on a broader governance environment in which integrity is rewarded and corruption is consistently prosecuted. That environment does not yet reliably exist in Nigeria, and its absence is the most serious external constraint on the Act's potential to deliver the fiscal transformation its drafters intended. The Nigeria Tax Act 2025 is a serious legislative achievement. The consolidation of Nigeria's principal federal tax statutes into a single coherent instrument, the modernisation of key tax regimes in line with international standards, the introduction of a taxpayer rights framework, and the enhanced administrative powers conferred on the FIRS collectively represent the most substantive reform of Nigeria's tax architecture since independence-era codification. The Act deserves recognition as a product of genuine legislative effort and technical sophistication.

But good legislation and good outcomes are not the same thing. The history of Nigerian public administration is littered with reforms that were legislated with ambition and implemented with indifference. What will distinguish the NTA 2025 from that history — if anything does — is the quality and integrity of its administration. The FIRS, the Tax Appeal Tribunal, the courts, and the political class will each bear a portion of the responsibility for determining whether this Act fulfils its promise or becomes another addition to the catalogue of unrealised potential. On the basis of the foregoing analysis, this article makes the following recommendations. First, the FIRS should, as a matter of urgency, publish comprehensive implementation guidelines for the Act's more complex provisions — the APA regime, country-by-country reporting obligations, the digital economy VAT framework, and the new transfer pricing documentation requirements. The absence of such guidance leaves taxpayers in a state of uncertainty that is inimical to voluntary compliance and productive of unnecessary disputes.

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[32] Akin Sawyerr, 'The Political Economy of Tax Reform in Sub-Saharan Africa' (2022) (44) *Third World Quarterly* 1203, 1215.

Second, the government must make a decisive investment in the technical capacity of the FIRS, particularly in international taxation and transfer pricing. The revenue at stake in these areas — conservatively estimated in the billions of dollars annually — justifies a level of institutional investment that the revenue service has not historically received. This means competitive salaries for specialist staff, dedicated training programmes, and access to the international networks of expertise that effective transfer pricing enforcement requires. Third, the taxpayer rights framework introduced by the Act[33] must be given operational substance through the prompt establishment of a well-resourced and genuinely independent Tax Ombudsman. An ombudsman office that is institutionally subordinate to the executive or dependent on FIRS for its funding and staffing will not command the confidence of taxpayers and will not serve its intended function.[34]

Fourth, the Federal Government should negotiate and formalise a framework for practical cooperation with state internal revenue services in tax administration. Effective fiscal federalism is not merely a constitutional arrangement; it is an operational relationship that requires shared data, coordinated taxpayer education, and joint enforcement action in areas of overlapping responsibility. Fifth, and most fundamentally, the political leadership must demonstrate through consistent conduct — not merely in legislative text — that the NTA 2025 will be enforced impartially. Selective enforcement, back-door exemptions, and the insulation of politically connected taxpayers from the Act's requirements will not only reduce revenue; they will undermine the legitimacy of the tax system as a whole and confirm the scepticism of those who argue that Nigeria's fiscal reforms are performative rather than substantive. The Act has given Nigeria's revenue authority the legal tools it needs. Whether those tools are used with integrity will be the measure of this government's true commitment to fiscal sustainability.

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33 NTA 2025 (n 2) ss 120–135; Tax Ombudsman Act 2024 (Nigeria).

34 Clement Nwankwo, 'Taxpayer Rights and the Rule of Law in Nigeria's Evolving Tax Regime' (2025) (4) *Constitutional Law Quarterly* 88, 96.