CORONATION

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Nigeria 2024 Tax Reform

Nigeria entered a potentially transformative phase in public finance with the enactment of four interlocking tax reform laws. These landmark legislations establish a unified tax code, modernize revenue administration, strengthen institutional coordination and expand the tax net to cover digital and non-resident activities.

Collectively, the Nigeria Tax Bill, the Tax Administration Act, the Nigeria Revenue Service (Establishment) Act, and the Joint Revenue Board (Establishment) Act restructure the nation's legal, administrative and operational tax infrastructure. The reforms seek to address long-standing challenges including fragmented tax laws, inefficiencies in revenue collection, weak intergovernmental coordination and an outdated compliance framework.

At the heart of the reform is a shift toward a digital-first, performance-driven and equity-focused tax ecosystem. The Nigeria Revenue Service (NRS), now a fully empowered corporate body, replaces the former FIRS and anchors a new enforcement culture based on real-time analytics, e-filing, cross-border treaty management and fiscal accountability.

The framework also redefines subnational fiscal power by strengthening state and local government access to VAT revenues, 60% of which will now be distributed on a derivation basis, encouraging local revenue mobilization and accountability. Complemented by digital invoicing, unified taxpayer registries and streamlined dispute mechanisms, the reform aims to lay the foundation for stronger investor confidence, public trust and sustainable revenue growth.

KEY VALUE-BASED TAX POLICY SHIFTS (BEFORE VS AFTER)

Tax Category	Previous Provision	New Provision (2024 Reform)	Reference
Company Income Tax	Standard rate applied broadly	Minimum Effective Tax Rate (15%) for Multinational Corporations; Small businesses (less than ₦25 million) exempt	Nigeria Tax Act Chapter 2; Nigeria Tax Administration Act Sections 11–13
Personal Income Tax	Varies by state; unclear exemptions	Tax-exempt income defined; Low earners (less than ₦2.5 million a year) exempt	Nigeria Tax Act Chapter 2, Section 14
Value Added Tax Rate & Scope	7.5% flat; limited scope	Tiered Value Added Tax (10–15%); extended to digital, intangible goods	Nigeria Tax Act Chapter 6
Value Added Tax Distribution	15/50/35 Federal/States/Local Governments	10/55/35 with 60% based on derivation and federal government allocation reduced in favour of the States	Nigeria Tax Administration Act Section 77
Digital Taxation	No Significant Economic Presence or digital rules	Significant Economic Presence rules trigger Value Added Tax/Company Income Tax; deemed presence rules added	Nigeria Tax Act Chapter 2, Section 17
Petroleum Taxes	Petroleum Profits Tax governed by Petroleum Industry Bill 2021	Dual regime: Petroleum Profits Tax and Hydrocarbon Tax; stricter valuation	Nigeria Tax Act Chapter 3
Development Levy	None	4% (2025–2026), tapering to 2% by 2030	Nigeria Tax Act Chapter 8
Tax Incentives	Pioneer Status under Nigerian Investment Promotion Commission	Replaced with Economic Development Incentive Certificate tied to reinvestment	Nigeria Tax Act Chapter 8; Nigeria Tax Administration Act Section 26

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MAIN OPERATIONAL & ADMINISTRATIVE CHANGES

Unified Digital Infrastructure

- Single Assessment Platform: A harmonized tax filing portal now allows federal, state and local taxes to be filed through one platform, reducing duplication and taxpayer confusion.

- Real-Time Invoicing: Businesses are mandated to adopt electronic invoicing and fiscalisation systems that sync with the Nigeria Revenue Service for real-time tax validation and transaction transparency.

- Nationwide Taxpayer Registry: A single Taxpayer Identification Number system now enables traceability and unified profiling of all taxpayers.

Enhanced Compliance & Enforcement

- Automated Deductions: Government Ministries, Departments and Agencies will deduct outstanding taxes from contractor payments through a warrant of deduction without the need for approval from a court.

- Cross-Border Information Exchange: The Nigeria Revenue Service can now access offshore financial data under global treaties to detect evasion by High Net-Worth Individuals and Multinational Corporations.

- Asset Tracing and Confiscation: The Nigeria Revenue Service is empowered to confiscate undeclared or fraud-linked assets after due process.

Dispute Resolution & Taxpayer Rights

- Digital Appeals Process: Disputes are now filed, tracked and resolved online through a reconstituted Tax Appeal Tribunal.

- Office of the Tax Ombud: A quasi-judicial authority to address taxpayer grievances and recommend binding actions on abusive practices.

Institutional Realignment & Subnational Empowerment

- Nigeria Revenue Service Autonomy: Replaces the Federal Inland Revenue Service, operates as a performance-driven corporate body with expanded roles covering levies, duties and fees.

- Joint Revenue Board: Institutionalized coordination mechanism for federal-state harmonization, replacing the Joint Tax Board.

- Derivation-Based Value Added Tax Sharing: For the first time, states and local governments receive 60% of Value Added Tax on a derivation basis, incentivizing local growth and tax collection.

- Voluntary Delegation by States: Subnational governments may invite the Nigeria Revenue Service to administer their taxes, potentially improving efficiency and reducing overlap.

With the enactment of these reforms, stakeholders can anticipate the following shifts:

- Large Corporates & Multinationals: Heightened compliance obligations, including mandatory e-invoicing, real-time tax remittance, and increased scrutiny on cross-border and digital transactions. Transfer pricing, dividend planning, and SEP-related filings must be restructured to comply with new thresholds. This also opens up opportunities in factoring and invoice discounting.

- Small and Medium Enterprises (SMEs): Beneficial exemptions for companies with annual turnover below ₦25 million and streamlined tax filing procedures. SMEs may also leverage sector-specific incentives via Economic Development Incentive Certificate (EDIC) and must integrate with digital reporting platforms

- High Net-Worth Individuals (HNIs): Expanded audit reach, stricter enforcement and exposure to asset tracing and global exchange of information under new personal tax rules. Estate planning, dividend income and high-value transactions face tighter oversight.

- Individual Taxpayers: Simplified return filing and tax exemptions for those earning below ₦2.5 million annually. Access to online self-assessment portals and recourse via the Tax Ombudsman to improve transparency and dispute resolution.

- Digital Platforms (Domestic & Foreign): Non-resident suppliers must register, file monthly returns and comply with e-fiscalisation rules or risk being blocked from the market. Platforms monetising Nigerian data or targeting users are now deemed to have Significant Economic Presence.

- Subnational Governments: Potential higher revenue from VAT due to the 60% derivation clause which will reward states that improve stimulation of economic activities and better collection of VAT. States may delegate collection to NRS and benefit from unified taxpayer registries and improved dispute coordination through the Joint Revenue Board.

- Investors & Incentive Beneficiaries: Pioneer Status replaced by EDIC , linking benefits to local reinvestment. Failure to file required incentive returns may lead to clawbacks.

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