BANWO & IGHODALO

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Nigeria's new tax regime: A taxpayer's guide to compliance, offences, penalties, enforcement, and dispute resolution

The recent tax legislation reforms in Nigeria have brought four new tax statutes into existence. The new laws were distilled from a harmonization of all tax laws previously in force in the country. The four statutes – **Nigeria Tax Act 2025**; **Nigeria Tax Administration Act 2025**; **Nigeria Revenue Service (Establishment) Act 2025**; and **Joint Revenue Board (Establishment) Act 2025** – will govern the tax landscape in Nigeria with effect from January 2026.

As taxable persons, relevant government agencies, foreign investors, and tax authorities adjust their tax planning, compliance mechanisms, and operating systems in preparation for the commencement of the new tax regime, there are high expectations among key stakeholders that an ecosystem with minimal controversy between tax authorities and taxpayers will be the new experience.

While the reform seems to have gone to great lengths to simplify tax procedures, engender administrative equity, reduce the tax burden on low-income earners, incentivize small businesses, encourage large-scale investments, and enhance fiscal justice in anticipation of a high degree of mutual understanding, transparency, and voluntary compliance; there is no gainsaying the fact that disputes over tax assessments, administrative proceedings, and regulatory enforcement are still bound to occur.

This article provides an essential guide to taxable persons in Nigeria on the pitfalls to avoid in the new dispensation and the various settlement mechanisms available to parties to a tax dispute. While tax offenses

and regulatory penalties pose potential reputational risks and financial loss to non-compliant entities, keeping abreast of the rights and obligations and the defence mechanisms that are available in the law will enhance compliance and also ensure legal protection for compliant taxpayers.

A. TAX OBLIGATIONS AND PENALTIES FOR NON-COMPLIANCE

Registration for tax purposes

Under the Nigeria Tax Administration Act 2025, the following persons are required to register with the relevant tax authority[1] and obtain a taxpayer identification (Tax ID) for the purpose of compliance with tax obligations.[2]

i**. Taxable person –** A taxable person includes a company, individual or body of individuals, family, com-

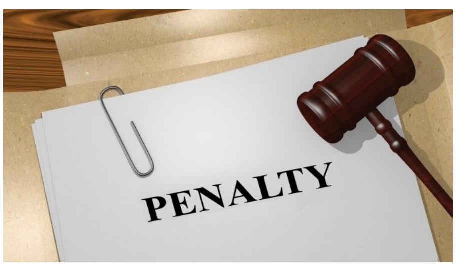
[1]Nigeria Revenue Service (which administers taxes payable by companies; military officers in the Nigerian Armed Forces; officers of the Nigeria Police Force; officers of the Nigerian Foreign Service; and taxable non-resident persons) or the State Internal Revenue Service (which administers taxes payable by individuals in the relevant State). See Sections 3 and 87 of the Nigeria Tax Administration Act 2025.
[2]Sections 4, 5 & 6, Nigeria Tax Administration Act 2025.

munity, corporations sole, trustee, executor or any other legal arrangement, or any person who earns income, or who carries out an economic activity, a person exploiting tangible or intangible property for the purpose of obtaining income therefrom by way of trade or business, or any person or agency of government acting in that capacity[3].

ii. **Taxable non-resident person**– A taxable non-resident person is a non-resident individual or entity who supplies taxable goods or services to any person in Nigeria or derives income from Nigeria[4]. While a non-resident person who derives only ***passive income*** from investment in Nigeria may not be required to register for tax, the non-resident person shall be under obligation to provide relevant information as may be prescribed by the Nigeria Revenue Service.

iii. **Agency of government** – An agency of government includes a ministry, department, statutory body, public authority and an institution of the Federal, State and Local Government.[5]

Applicable penalties:



- A taxable person who fails or refuses to comply with the mandatory requirement to register with the relevant tax authority and to obtain a taxpayer identification (Tax ID) for the purpose of compliance with tax obligations is liable to pay administrative fines, under section 100(1) of the Nigeria Tax Administration Act, for the period during

which the infringement lasts[6].

- An agency of government or company who awards a contract to an unregistered taxable person is liable to pay an administrative penalty of five million naira (₦5m).[7.]

Income tax assessment, statutory returns, and payment

All taxable persons in Nigeria are required to file a self-assessment tax return with the relevant tax authority, covering a reporting/accounting period, on or before the due date prescribed by law[8].

a) **Personal income tax** – An individual taxpayer is required to file an income tax return with the relevant tax authority in each year of assessment, containing a duly completed self-assessment form and the other prescribed information. The return is required to be filed without notice or demand from the tax authority. An employer shall file income tax returns in respect of all its employees, not later than January 31 of each year, disclosing the gross emolument (including allowances, benefits, and total deductions) and net emolument for each employee. Every individual taxpayer in paid employment is required to file the annual return of income from all sources, including employment income, notwithstanding the returns to be filed by the employer [9].

[3]Section 202, Nigeria Tax Act 2025 and Section 147, Nigeria Tax Administration Act 2025.
[4]Section 6(1), Nigeria Tax Administration Act 2025.
[5]Section 202, Nigeria Tax Act 2025; Section 147, Nigeria Tax Administration Act 2025.
[6]Administrative fine of Fifty-Thousand Naira (₦50,000) in the first month of infringement and Twenty-Five Thousand Naira (₦25,000) for each subsequent month the infringement continues.
[7]Section 100(2), Nigeria Tax Administration Act 2025.
[8]Section 34, Nigeria Tax Administration Act 2025.
[9]Sections 13 & 14, Nigeria Tax Administration Act 2025.
[10]Section 11, Nigeria Tax Administration Act 2025.
[11]A small business is defined under section 147 of the Nigeria Tax Administration Act 2025 as any business, other than a professional services firm, with an annual gross turnover less than ₦100 million and total fixed assets less than ₦250 million.
[12]Section 22 Nigeria Tax Administration Act 2025.
[13]Sections 16 – 21, 25 & 29, Nigeria Tax Administration Act 2025.
[14]Sections 24 & 26 – 29, Nigeria Tax Administration Act 2025.
[15]Section 49(1), Nigeria Tax Administration Act 2025.

b) **Company income tax** – Every company is under an obligation to file income tax returns with the Nigeria Revenue Service for a year of assessment, containing a duly completed self-assessment form and the other prescribed documents and information. The company is obliged to file the tax return at least once in a year, with or without a notice to that effect from the Nigeria Revenue Service and whether or not a company is liable to pay tax under any law in the year of assessment. The obligation to file a tax return extends to a company that has been granted exemption from incorporation in Nigeria.[10]

c) **VAT return** – Every taxable person, except a small business[11], is required to file a Value Added Tax ("VAT") return with the Nigeria Revenue Service not later than the 21st day of the month, in respect of all taxable supplies not exempted from VAT in the preceding month. The VAT return is required to be filed with or without notice from the tax authority and whether or not an economic activity has taken place.[12]

d) **Other returns** – The law provides for other returns which companies operating in certain specialized industries or sectors are required to file on a periodic basis. The relevant entities include oil & gas companies, mining companies, non-resident shipping lines, non-resident airlines, and entities dealing in virtual assets[13]. The law also requires specific returns to be filed by certain taxable persons, including (i) persons involved in any transaction that is liable to 'Surcharge' under the Nigeria Tax Act; (ii) companies granted priority status in Nigeria; (iii) persons enjoying incentives administered by the relevant tax authorities; (iv) persons charged with the responsibility to deduct and remit tax under the law; and (v) stock-broking firms, insurance companies, and banks & other financial institutions.[14]

e) **Tax payment**– The law requires prompt payment of tax by taxpayers to the relevant tax authorities, without undue delay. To this effect, where there is no objection to or appeal against an assessment or where a tax assessment has become final, full payment of the tax is required to be made within 30 days of the service of a Notice of Assessment on a taxpayer, except where the relevant tax authority exercises a discretion to extend the time within which payment is to be made.

Applicable penalties:

- A taxable person who fails or refuses to file required returns to the relevant tax authority, or who knowingly files incomplete or inaccurate returns, is liable to pay an administrative fine of ₦100,000 in the first month of contravention and ₦50,000 for each subsequent month that the contravention continues.[16.]
- The law also prescribes monetary penalties for taxpayers who fail to keep appropriate books of accounts, records of business transactions and income necessary for ascertaining taxable incomes and taxes payable or appropriate returns required.
- The new regime also penalizes the failure or refusal of a taxpayer to grant access to tax authorities to deploy appropriate technology for tax assessment and collection, as well as failure to comply with the various prescribed obligations on the part of taxpayers regarding tax assessment, returns and payment.
- Failure to pay any tax due within the prescribed period attracts a penalty of 10% of the amount of the tax payable. In the circumstance, a taxpayer will be liable to pay the total of the actual tax payable plus the penalty imposed.
- Where a tax remittance is required to be paid in naira, any unpaid amount will attract interest at the prevailing monetary policy rate (MPR) of the

[16]Section 101, Nigeria Tax Administration Act 2025.
[17]Section 65, Nigeria Tax Administration Act 2025.
[18]Section 130, Nigeria Tax Administration Act 2025.
[19]Section 109, Nigeria Tax Administration Act 2025.

Central Bank of Nigeria (CBN). In the same vein, where a tax remittance is required to be paid in foreign currency, interest will be charged on any unpaid amount at the prevailing Secured Overnight Financing Rate (SOFR) or any successor rate.

- A relevant tax authority is entitled to collect a tax due with any penalty imposed and interest charged. Where any amount due remains unpaid, the tax authority is empowered to enforce recovery of the amount due as prescribed by law.[17]

- Other specific offences, such as failure to deduct tax, failure to make attribution or report same to the relevant tax authority, fraud relating to stamp duties, inducement of an authorized officer, impersonation of an authorized officer, aiding and abetting commission of an offence, false declarations, false claim of tax refund, and counterfeiting documents, attract penalty of huge fines ranging from ₦1 million to ₦10 million or to a term of imprisonment or both. Failure to comply with the requirements of any notice served in accordance with the provisions of the Nigeria Tax Administration Act attracts a penalty of ₦20 million and subsequently ₦2 million for each day the failure continues, or imprisonment for a term of six (6) months.[18]

- Specialized companies face more severe penalties for tax law infringements. For instance, a Virtual Assets Service Provider (VASP) who fails to comply with the relevant provisions of the Nigeria Tax Act 2025 or any other tax law is liable to an administrative fine of ₦10 million in the first month of default, plus ₦1 million for every subsequent month during which the default continues or suspension or revocation of operating license by the Securities and Exchange Commission.[19]

- Similarly, oil companies engaged in upstream petroleum operations face a penalty of ₦10 million or the US Dollar equivalent on the first day of default, for late payment of any tax, royalty or remittance on the due date, and a sum of ₦2 million or the US Dollar equivalent for each day during which the default continues. This is notwithstanding the power of the relevant tax authority to distrain the defaulting licensee or lessee of its oil well, crude oil, petroleum products, or machinery, etc., or recommend the cancellation or revocation of the operating license or rights of the holder.[20]

- Penalties against a body corporate (company, firm, trust, association of individuals, or any legal arrangement) found guilty of any tax offence shall be enforced against the entity's directors, managers, secretary or partners, officers or trustees, settlors, beneficiaries, or any person who acts or purports to act in any of the listed capacities, in like manner as if the person committed the offence unless that person proves that the act or omission constituting the offence took place without the knowledge, consent or connivance of the person.

B. REGULATORY ENFORCEMENT

To enhance effective tax administration and ensure optimum compliance by taxpayers, the new regime gives relevant tax authorities powers to enforce compliance with the provisions of the law. The powers include:

i. **Power to call for returns, books, documents and information –** Under the new dispensation, a tax authority can summon a taxable person, by issuing a notice or further notice, to personally appear before any of its officers, for the purpose of obtaining information in respect of the tax liability of the person. A tax authority can also,

[20]Section 129, Nigeria Tax Administration Act 2025.
[21]Section 126, Nigeria Tax Administration Act 2025.
[22]Section 57, Nigeria Tax Administration Act 2025.
[23]Section 58, Nigeria Tax Administration Act 2025.

[24]Section 61, Nigeria Tax Administration Act 2025.
[25]Section 60, Nigeria Tax Administration Act 2025.
[26]Section 68, Nigeria Tax Administration Act 2025.
[27]Sections 64 and 139, Nigeria Tax Administration Act 2025.
[28]Section 67, Nigeria Tax Administration Act 2025.

through the notice, call for filing of returns, production of books of accounts, supply of necessary information and request for grant of access to data stored on computers and electronic devices[22].

ii. **Power to access lands, buildings and documents –** An authorized officer of a tax authority has right of free access to all lands, buildings, places, books, and documents that are under the control of an individual, a public officer or an institution, which are considered necessary or relevant to ascertaining and collecting any tax payable. Books and documents accessible to an authorized tax officer include those stored on computers and servers, as well as those stored on digital, magnetic, optical and electronic media.[23]

iii. **Power to distrain assets –** A tax authority's enforcement powers include the power to distrain a taxable person by their assets, where a tax assessment which has become final and conclusive remains unpaid within a specified time after the service of a demand notice on the person. In this regard, a relevant tax authority is empowered to seize tangible and intangible assets including goods, chattels, bonds and other securities, land or any premises belonging to a defaulting taxable person and recover the tax due by the sale of the assets.[24]

iv. **Power to appoint a third party as the agent for a taxable person –** This is equally referred to as the "power of substitution". Where any person is found to be in possession of any property (money, funds or assets) belonging to a taxable person, a tax authority is empowered under the new regime to appoint such person as an agent of the taxable person for tax payment and recovery purposes. In other words, the agent so appointed shall be obliged to pay the tax due on behalf of the taxable person from the property in its custody. The relevant tax authority shall also have the power to carry out all enforcement and recovery actions against the appointed agent as if the agent were originally liable.[25]

v. **Power to assign tax debts to a third party –** This is similar to the power to appoint an agent for a defaulting taxable person. In this instance, the relevant tax authority is empowered to assign a tax debt to an accredited third party, by transferring the rights to recover the tax to the third party, including right of sale of distrained assets or any property in custody, as well as the authority to recover, manage and enforce the debt in part or whole. A third party for this purpose includes banks and other financial institutions, debt recovery practitioners, and any other person that may be accredited by the relevant tax authority.[26]

vi. **Power of tax investigation and prosecution –** The new regime empowers a tax authority to investigate a suspected violation of any tax law or cause such an investigation to be conducted against any person. Where investigation reveals *prima facie* evidence of any tax offence, or an attempt to commit any tax offence, the relevant tax authority has the power to arrest the suspected person with the assistance of any relevant law enforcement agency and may undertake the prosecution of the tax offender in court in accordance with the law.[27]

vii. **Power of tax recovery –** Where a tax is due but remains unpaid within 30 days, the tax shall be treated as a debt due to the relevant tax authority. In this case, a demand notice will be issued and served on the taxable person with a specific date stated for the tax to be settled. The tax authority reserves the right to recover the tax due through any of the recovery processes provided by law, including instituting a legal action against the tax debtor, if the tax is not paid by the date stated on the demand notice.[28]

C. DISPUTE RESOLUTION FRAMEWORK

The new tax regime provides innovative ways of preventing or minimizing disputes between taxpayers and tax authorities and, where controversies

[29]Section 73(5) Nigeria Tax Administration Act 2025.
[30]Section 73(3) Nigeria Tax Administration Act 2025.
[31]Section 73(2)(b) Nigeria Tax Administration Act 2025.
[32]Section 74, Nigeria Tax Administration Act 2025.
[33]Section 75, Nigeria Tax Administration Act 2025.
[34]Section 41, Joint Revenue Board of Nigeria (Establishment) Act 2025

[35]See Third Schedule to the Joint Revenue Board of Nigeria (Establishment) Act 2025.
[36]Section 41(2), Joint Revenue Board of Nigeria (Establishment) Act 2025.
[37]Section 43, Joint Revenue Board of Nigeria (Establishment) Act 2025.
[38]Section 41, Nigeria Tax Administration Act 2025.
[39]Section 41(6), Nigeria Tax Administration Act 2025.

unavoidably arise, the new regime creates a framework for achieving the most efficient and effective resolution between disputing parties. Key settlement mechanisms available in the new tax ecosystem include the following.

Advance ruling

In a bid to avoid ambiguity, minimize controversy and enhance compliance by taxpayers, the new regime provides opportunity for a taxpayer to seek clarification from the relevant tax authority by applying, in the prescribed format, to the relevant tax authority for an ***advance ruling***. An advance ruling may be issued by the tax authority for the purpose of providing clarity, consistency and certainty regarding the interpretation and application of any tax law that does not constitute an amendment or replacement of the law. The relevant tax authority may also make an advance ruling on any provision of a tax law, administration, precedence and policies. The tax authority has a discretion to issue an advance ruling, in the prescribed format, upon an application by a taxable person within 21 days of receiving the application or to give reasons for its inability to issue the ruling.[31]

An application for an advance ruling may be rejected for requesting a determination of any question or matter which the law places outside the purview of a tax authority.[32] However, the effect of an advance ruling is limited to the applicant who requested for it and the transaction in relation to which the ruling is given.[33]

While an advance ruling is not strictly a settlement mechanism required during the pendency of a tax dispute, it is without doubt a potential tax controversy avoidance tool.

Office of the Tax Ombud

In order to prevent regulatory arbitrariness, ensure justice and fairness, and to minimize disputes in the tax landscape, the *Joint Revenue Board of Nigeria (Establishment) Act* creates an Office of the Tax Ombud (**"OTO"**) with power to serve as an independent and impartial arbiter to review and resolve complaints relating to tax, levy, regulatory fees and charges, custom duty or excise matters. The OTO also has power, among other powers, to review complaints by taxpayers about the conduct of tax officials or tax authorities, as well as the power to act as a watchdog against arbitrary fiscal policy of the Government or any of its agencies and report such to the National Assembly.[34]

The OTO is charged with the responsibility to receive, review and investigate complaints lodged by taxpayers and resolve them through mediation, conciliation and any other efficient and cost-effective alternative dispute resolution methods. The tax watchdog may also issue guidelines, directives or orders for the resolution of complaints or implementation of recommendations, among many other functions specified by law. In the course of investigation, the OTO is empowered to invite and examine any person and may enter and inspect any place or premises from where any tax authority or tax official operates. Where necessary, the OTO shall have the power to initiate legal proceedings on behalf of the taxpayer.[35]

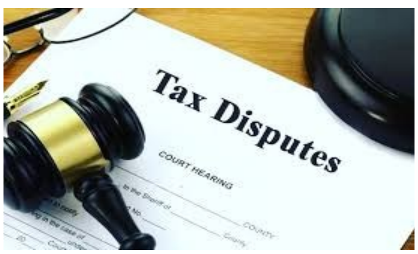
Notably, the duties and functions performed by the OTO shall be provided for free. In essence, taxpayers shall not be charged a fee for complaints submitted to, and services provided by, the OTO or an ombudsman.[36]

However, the powers and functions of the OTO do not extend to interpretation of tax legislation, ex-

[40] Section 41(7), Nigeria Tax Administration Act 2025.
[41] See paragraph 2(3) of the Second Schedule to the Joint Revenue Board of Nigeria (Establishment) Act 2025.
[42] See paragraph 3 of the Second Schedule to the Joint Revenue Board of Nigeria (Establishment) Act 2025.
[43] Section 141, Nigeria Tax Administration Act 2025.
[44] See section 141(3), Nigeria Tax Administration Act 2025.
[45] See section 141(5), Nigeria Tax Administration Act 2025.
[46] See paragraphs 6 of the Second Schedule to the Joint Revenue Board of Nigeria (Establishment) Act 2025.

cept where such interpretation relates only to operational, procedural or administrative issues arising from the application of the provision of any relevant tax law. The OTO does not also have the power to review or determine issues that are pending before a tribunal or court of competent jurisdiction, nor the power to determine any tax liability or duty or issue tax assessment.[37]

Despite the limitations on the authority of the OTO, the effective discharge of its functions under the new regime is expected to enhance the expeditious, flexible and amicable resolution of tax controversies and ultimately reduce the number of disputes referred to adjudication before tax appeal tribunals or the courts.



Tax disputes & appeals

Objection

A taxpayer who disputes a notice of tax assessment served by a tax authority has the right to object to the assessment, by submitting a written notice of objection ("NOO") to the relevant tax authority, applying for a revision and amendment of the disputed tax assessment. In order to be valid, the NOO must be submitted within 30 days of the service of the disputed tax assessment on the taxpayer. The NOO shall contain grounds of objection to the assessment; the amendment required to be made; and the amount of tax (if any) admitted by the taxable person, among other requirements.[38] The relevant tax authority shall respond to the NOO within 90 days, failing which the taxpayer's objection shall be upheld.[39]

Right of appeal

Where the tax authority considers the NOO to be invalid and refuses to make an amendment to the disputed tax assessment, the taxpayer shall have the right to file an appeal against the decision of the tax authority to the Tax Appeal Tribunal ("Tribunal")[40]. The appropriate Zone of the Tribunal where an appeal should be filed will be determined by the taxpayer's domicile. An appeal shall be filed at the Tribunal within 30 days from the date on which an assessment, demand notice, action or decision being appealed against is made. The Tribunal may entertain an appeal filed after the expiry of the 30-day window where the Tribunal is satisfied that there was sufficient cause for the delay.[41] By the same token, a tax authority may appeal to the Tribunal in the Zone where a taxpayer is resident, where the tax authority is aggrieved by the non-compliance of the taxpayer regarding any assessment, demand notice, action or decision.[42]

Out-of-Tribunal Settlement

The new tax dispensation allows for the amicable settlement of disputes between a taxpayer and a tax authority, and the settlement may be initiated by either party at any stage of a dispute. The dispute may also be settled in whole or in part. However, the law permits amicable settlement only where such settlement will be in the interest of public revenue or public policy; when due consideration is given to the cost of litigation in comparison to the possible benefits; where the settlement will facilitate disclosure of hidden tax planning and evasion schemes that may lead to significant tax recovery; and where some agreement has been reached between a party or group of participants in a legal arrangement and the relevant tax authority and negotiation is now required for determining or adjusting a tax arrangement or disposition.[43]

In any case, amicable settlement is not allowed where intentional tax evasion or a fraud inimical to government revenue is discovered on the part of the taxpayer, or where it is in the public interest to have judicial clarification of the tax issue involved for the purpose of promoting taxpayer compli-

[47]See paragraph 10 of the Second Schedule to the Joint Revenue Board of Nigeria (Establishment) Act 2025.
[48]Section 41(8), Nigeria Tax Administration Act 2025.

ance[44]. A settlement agreement duly endorsed by the parties to a tax dispute is a final decision which is binding on the parties, and the tax authority has the power to enforce collection of the settlement amount as a tax debt owed by the taxpayer[45]. Where an appeal is before the Tribunal for the first time, the Chairman of the Tribunal may grant parties to the tax dispute a maximum of 30 days within which to explore the possibilities for amicable settlement, after which the case shall proceed to trial[46].

Further appeals

Any party aggrieved by a decision of the Tribunal has the right to appeal to the Federal High Court within 30 days after the date on which the decision was given. An appeal to the Federal High Court shall be on points of law only[47]. An appeal against the decision of the Federal High Court lies to the Court of Appeal, while a further appeal against the decision of the Court of Appeal shall lie to the Supreme Court[48].

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