

# Navigating the Fiscal Cut-Off:

*A Client's Compliance Roadmap to the Tax Acts 2025 Transition Guidelines*

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The 2025 tax reforms heralded a significant restructuring of Nigeria's tax framework.<sup>1</sup> To guide the transition from the repealed tax framework to the new regime, the Federal Government issued the General Transition Guidelines for the Tax Acts 2025 on June 18, 2026 (the Guidelines).<sup>2</sup> The Guidelines aim to help taxpayers, tax authorities, and other stakeholders navigate issues that may arise from transiting from one tax regime to another, particularly as it relates to accounting periods, transaction taxes, pending disputes, tax incentives, record-keeping obligations and transactions spanning both regimes.<sup>3</sup>

Major tax reforms often raise practical transition questions. Some examples are set include: What law applies to a transaction that is partly completed at the transition to the new regime, where further payments are to be made at commencement of the new regime? What happens to accounting periods ending before January 1, 2026, where filing is due after that date? Are existing incentives preserved? Which procedure applies to pending objections and appeals? These are not merely technical questions. For businesses, the answers may affect tax treatment, filing obligations, contract pricing, audit exposure, cashflow planning and dispute strategy.

The Guidelines apply to tax returns due for filing from January 1, 2026.<sup>4</sup> The central message is that taxpayers must clearly classify their transactions, accounting periods, contracts, filings, and disputes by reference to the January 1, 2026, commencement date, to determine whether the repealed laws or the new tax laws apply.

*"Taxpayers must clearly classify their transactions, accounting periods, contracts, filings, and disputes by reference to the January 1, 2026 commencement date."*

# The Fiscal Cut-Off and the Principle of Non-Retroactivity

The most important feature of the Guidelines is the fiscal cut-off created around the commencement date. The Guidelines provide that the 2025 Acts apply prospectively from the commencement date, except where the Acts expressly provide otherwise as a specific matter rather than a general rule.<sup>5</sup> This means that no tax, penalty, surcharge, interest, filing obligation or administrative requirement under the new Acts shall apply to any period prior to commencement.<sup>6</sup>

This is a useful safeguard for taxpayers. It means that the new regime should not be applied retrospectively to transactions, supplies, disposals or liabilities that arose before the commencement date. The Guidelines also provide that where an assessment, compliance, or enforcement action relates to a period before commencement, that action is governed by the law applicable to that period.<sup>7</sup>

In practical terms, businesses should not assume that a filing made in 2026 automatically brings the underlying tax liability within the new regime. The more important question is the period in which the underlying transaction occurred or the relevant tax liability arose. Accordingly, the substantive tax treatment of a pre-commencement basis period or transaction may remain governed by the repealed laws even where the relevant return is filed after commencement. This should, however, be distinguished from the procedure for filing, which may be governed by the new Acts.<sup>8</sup>

Illustrative · The Commencement Date Divide

January 1, 2026

Before Commencement

## Repealed Tax Laws Apply

Governs transactions, supplies, disposals, liabilities, assessments and enforcement actions relating to any period prior to the commencement date.

From Commencement

## Tax Acts 2025 Apply

Applies prospectively to transactions and liabilities arising on or after the commencement date, except where the Acts expressly provide otherwise.

# Accounting Periods, Filing Obligations & Transaction Taxes

The Guidelines distinguish between filing obligations and the underlying tax period. Returns due before the commencement date are to be filed using existing forms and procedures under the repealed legislation, while returns due on or after the commencement date are to be filed using rules, forms, schedules or electronic templates issued under the new Acts.<sup>9</sup> Existing forms and procedures may also remain valid after commencement pending the introduction of new forms and procedures.<sup>10</sup>

For companies, the applicable tax regime is determined by the accounting period to which the taxable profits relate, rather than the date on which the return is filed or the tax is paid. Accordingly, the repealed laws will apply where that accounting period ends before January 1, 2026, even if filing or payment occurs after that date. Where the accounting period ends after January 1, 2026, the new Acts will apply. This makes the accounting period a key compliance marker.

For transaction taxes, the Guidelines adopt a similar substance-over-payment approach. Transactions involving goods delivered or services rendered up to December 31, 2025, are subject to withholding tax, VAT, and stamp duties under the repealed laws, irrespective of when payment is made. Where the relevant return is due after commencement, however, the applicable filing procedures under the new administrative regime may apply, without altering the substantive tax treatment of the pre-commencement transaction. Transactions occurring from January 1, 2026, are subject to transaction taxes under the new Acts, except where payment was made in advance before commencement.<sup>11</sup>

This has direct commercial significance. Businesses with outstanding invoices, deferred payment arrangements, milestone-based contracts or services rendered before commencement but paid for after commencement must review the timing of the underlying supply or service. The relevant question is not simply when money changes hands, but when the taxable transaction occurred.

Pre-Commencement

## Repealed Laws Govern

Goods delivered or services rendered up to December 31, 2025 remain subject to WHT, VAT and stamp duties under the pre-existing regime, irrespective of when payment is later made.

From January 1, 2026

## New Acts Apply

Transactions occurring from January 1, 2026 fall under the new Acts, except where payment was made in advance before commencement.

# Contracts, Incentives & Disputes Spanning the Transition Period

The Guidelines also address contracts that straddle both regimes. Where a contract was entered into before commencement but executed after commencement, the taxpayer is required to apply the new Acts only to the portion executed after the commencement date. Sums received before commencement are taxed under the repealed law, while sums received after commencement are taxed under the new Acts.<sup>12</sup>

This apportionment approach is particularly relevant to construction contracts, long-term service agreements, phased projects, retainer arrangements, supply contracts and milestone-based payment structures. Businesses should therefore review contracts that began before January 1, 2026, but continued after that date. In some cases, it may be necessary to identify which portion of the work was performed before commencement and which portion was performed afterwards. Poor documentation may create tax uncertainty, especially where invoices, delivery notes, completion certificates, or payment schedules do not clearly show when performance occurred.

The Guidelines also preserve incentives granted under the repealed laws until those incentives expire.<sup>13</sup> However, new and pending applications for incentives, exemptions or reliefs as at the commencement date are to be considered under the new Acts.<sup>14</sup> This is important because the Nigeria Tax Act 2025 now contains an Economic Development Tax Incentive framework, including provisions on priority sectors, eligibility, applications, approval, incentive period, tax credits, returns and transition arrangements.<sup>15</sup>

Another important change is the treatment of earmarked taxes and the development levy. Under the Guidelines, the TETFUND levy, NASENI levy, and NITDA levy remain applicable to accounting periods ending before the commencement. Accounting periods ending after January 1, 2026, are subject to the development levy under the new Acts and not the earmarked taxes under the repealed legislation.<sup>16</sup> Under the Nigeria Tax Act 2025, the development levy is imposed at 4% on the assessable profits of companies chargeable to tax under Chapters Two and Three of the Act, other than small companies<sup>17</sup> and non-resident companies.<sup>18</sup>

For pending disputes, the Guidelines provide that any appeal or objection filed before commencement shall continue under the repealed legislation. Where a taxpayer raises an objection after commencement, the procedure under the new Acts applies, irrespective of the year of assessment in dispute.<sup>19</sup> Accordingly, taxpayers involved in audits, objections, appeals, or settlement discussions must identify not only the assessment year in dispute, but also the date on which the relevant objection or appeal was initiated.

Repealed Regime

**Three Earmarked Levies**

TETFUND

NASENI

NITDA

Continue to apply to accounting periods ending before commencement.

Tax Acts 2025

**Single Development Levy**

4%

on assessable profits of companies

Applies to accounting periods ending after January 1, 2026 — other than small companies and non-resident companies.

# A Practical Compliance Roadmap for Businesses

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The Guidelines reduce uncertainty, but they do not remove the need for internal audit. Businesses should conduct a transition audit across their finance, tax, legal and commercial teams. In this regard, taxpayers should review their accounting periods and determine whether each basis period ends before or after the commencement date. This will help determine whether the repealed laws or the new Acts apply to income tax, applicable rates, thresholds, reliefs, and development levy exposure.

Furthermore, businesses should map transactions around the cut-off date. This should include goods supplied, services rendered, invoices issued, payments received, advance payments, deferred payments, and outstanding receivables. Where VAT, withholding tax, or stamp duty treatment is in issue, the timing of the underlying transaction should be properly documented.

Moreover, long-term contracts should be reviewed for apportionment. Contracts entered before commencement but performed partly after commencement may require separation between pre-commencement and post-commencement performance. Businesses should ensure that contract records, milestone certificates, and invoicing documents support the tax treatment adopted.

In addition, businesses should revisit existing incentives and pending applications. Existing approvals should be reviewed to confirm their remaining duration, while pending or future applications should be assessed under the new incentive framework.

Also, taxpayers should review pending audits, objections, and appeals. The applicable procedure will depend on whether the objection or appeal was filed before or after commencement. Where settlement is being considered, the Nigeria Tax Administration Act 2025 permits the relevant tax authority and taxable person to resolve tax matters amicably at any stage of a dispute, subject to the conditions prescribed under the Act.<sup>20</sup>

Finally, taxpayers should retain records relating to the old laws for the applicable statutory periods, as required by the Guidelines.<sup>21</sup> This is critical because pre-commencement transactions may continue to be audited or reviewed after commencement, but by reference to the law applicable at the time.

## The Discipline of Documentation

*"Poor documentation may create tax uncertainty, especially where invoices, delivery notes, completion certificates, or payment schedules do not clearly show when performance occurred."*

# Conflict Resolution and Administrative Clarity

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The Guidelines also provide a framework for resolving conflicts. Where another tax-related law is inconsistent with the new Acts, the new Acts prevail to the extent of the inconsistency.<sup>22</sup> Where two provisions of the new Acts appear inconsistent, the interpretation that best reflects legislative intent, economic neutrality, and administrative simplicity is to prevail.<sup>23</sup> More importantly for taxpayers, where a provision of the Acts is clearly inconsistent with another, the conflict or inconsistency is to be resolved in favour of the taxpayer.<sup>24</sup>

The above position is consistent with the established judicial approach to the interpretation of tax legislation. Nigerian courts have held that statutes imposing tax or other pecuniary burdens must be strictly construed and that, where a provision is genuinely ambiguous and reasonably capable of more than one interpretation, the interpretation more favourable to the taxpayer should be adopted. This longstanding principle was more recently reiterated by the Court of Appeal in *FIRS v Agromix (Nig) Ltd.*<sup>25</sup>

While this taxpayer-favouring rule provides an important interpretative safeguard, it does not excuse non-compliance with otherwise clear tax obligations. The Guidelines provide that any conflict not specifically addressed by the Guidelines should be referred to the relevant tax authority, which may issue further clarification by public notice.<sup>26</sup> Accordingly, where businesses encounter genuine uncertainty, early engagement with the relevant tax authority may reduce the risk of inconsistent treatment, penalties or future disputes.

## Conclusion

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This article has highlighted how the Tax Acts 2025 Transition Guidelines provide a practical framework for managing the shift from the repealed tax laws to the new regime. For businesses, the key is to properly identify the period, transaction, or obligation to which each tax liability relates, rather than relying only on the date of filing or payment.

Accordingly, taxpayers should review their accounting periods, contracts, incentives, pending disputes and transaction records to determine the applicable law and reduce compliance risks. Ultimately, the transition should be treated as an immediate compliance priority, supported by clear documentation and early engagement with tax authorities where uncertainty arises.

Next Step for Businesses

*Commission a transition audit across finance, tax, legal and commercial teams — ideally before the next filing cycle.*

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# Endnotes

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1. Nigeria Tax Act 2025, ss 1 and 196; Nigeria Tax Administration Act 2025, s 1; Joint Revenue Board (Establishment) Act 2025, s 1.
2. Punch, 'FG Issues Guidelines for New Tax Laws' (Punch, June 18, 2026) <https://punchng.com/fg-issues-guidelines-for-new-tax-laws/> accessed June 29, 2026; Premium Times, 'FG Issues Guidelines for Transition to New Tax Regime' (Premium Times, June 18, 2026). <https://www.premiumtimesng.com/news/top-news/888777-fg-issues-guidelines-for-transition-to-new-tax-regime.html> accessed June 29, 2026; BusinessDay, 'FG Issues Transition Guidelines for New Tax Regime' (BusinessDay, June 18, 2026) <https://businessday.ng/news/article/fg-issues-transition-guidelines-for-new-tax-regime/> accessed June 29, 2026.
3. General Transition Guidelines for the Tax Acts 2025, paras 3–4.
4. *ibid* paras 2–3.
5. *ibid* para 5(1).
6. *ibid* para 5(2).
7. *ibid* para 5(3).
8. General Transition Guidelines for the Tax Acts 2025, paras 5(3), 6(2)–(3) and 10.1.2(1); Nigeria Tax Administration Act 2025, s 146(b).
9. *ibid* para 6(1–2).
10. *ibid* para 6(3).
11. *Ibid* paras 5(2), 6(2)–(3), 10 and 10.2.1; NTAA 2025, ss 22–23.
12. *ibid* para 10.2.2(1)–(2).
13. *ibid* para 8(1).
14. *ibid* para 8(2).
15. Nigeria Tax Act 2025, ss 166–183.
16. General Transition Guidelines for the Tax Acts 2025, para 10.1.2(2).
17. Nigeria Tax Act 2025, s 202 "small company" as a company with gross turnover of ₦50,000,000 or less per annum and total fixed assets not exceeding ₦250,000,000, excluding businesses providing professional services.
18. Nigeria Tax Act 2025, s 59(1).
19. General Transition Guidelines for the Tax Acts 2025, para 7(1)–(3).
20. Nigeria Tax Administration Act 2025, s 141.
21. General Transition Guidelines for the Tax Acts 2025, para 9.
22. *ibid* para 14(1).
23. *ibid* para 14(2).
24. *ibid* para 14(3).
25. (2024) LPELR-73335(CA); See also *Cape Brandy Syndicate v. Inland Revenue Commissioners* (1921) KBD 64 at 71; *Ormand Investment Co. v. Betis* (1928) All ER 709 at 718; *Fasogbon v. Layade* (1999) 11 NWLR (pt. 628) 543 556; *Peenok Investment Ltd. v. Hotel Presidential Ltd.* (1982) N.S.C.C. Vol. 13 477 at 487.
26. *ibid* para 15(1–2).



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