

TAX SECTOR:
2024
IN RETROSPECT

INSIGHTS FOR 2025

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INTRODUCTION

The 2024 tax and fiscal landscape saw a combination of new legislative initiatives, amendments to existing tax laws, and fiscal policies aimed at boosting government revenue, while addressing public expenditure needs. These developments underscore the Nigerian government's continued efforts to diversify revenue streams and reduce reliance on oil by increasing non-oil tax collection.

In August 2023, President Bola Ahmed Tinubu inaugurated the Presidential Committee on Fiscal Policy and Tax Reforms (“the Committee”) with a mandate to enhance fiscal governance, drive revenue transformation, and facilitate economic growth.¹ A key focus of the Committee was to introduce a single-digit tax regime by pruning the existing taxes to a total of nine (9) taxes.² Further to its mandate, the Committee embarked on extensive public consultations, discussions, and engagements, which led to the implementation of several significant reforms by the Federal Government.

For instance, the Federal Government signed the Value Added Tax (Modification) Order, 2024 on September 1, 2024, which introduced VAT exemptions for businesses involved in the production and sale of Compressed Natural Gas (CNG), Liquefied Petroleum Gas (LPG), and Electric Vehicles (EV) in Nigeria. Furthermore,

amendments to existing tax laws and new tax bills are pending before the National Assembly to be passed into law.

In 2024, there were tax incentives targeted at small and medium enterprises (SMEs) and businesses to stimulate economic growth.³ The Federal Government also ramped up efforts to close tax loopholes and curb tax avoidance and evasion by leveraging technology, such as the FIRS Tax Pro-Max Platform to improve tax collection efficiency and the USSD code to enhance seamless tax payments.

In this edition of our tax newsletter, we examine some of the key developments in Nigeria's tax landscape, including groundbreaking judicial decisions and legislative and regulatory changes in 2024. Additionally, we spotlight upcoming tax events that may benefit stakeholders. Finally, we provide a forward-looking analysis of the 2025 tax outlook based on current trends and ongoing issues reforms.

Our newsletter is divided into six sections. Part A covers recent updates in the tax sector. Part B focuses on recent legislative developments. Part C highlights recent judicial decisions. Part D outlines publications of Kenna Partners' Tax unit. Part E highlights upcoming events in the tax sector. Finally, Part F addresses our projected outlook for 2025.

- 1 James Agberebi, “Tinubu Inaugurates Presidential Committee on Fiscal Policy, Tax Reforms.” The Guardian August 8, 2023. <https://guardian.ng/news/tinubu-inaugurates-presidential-committee-on-fiscal-policy-tax-reforms/>
- 2 <https://fiscalreforms.ng/index.php/2024/04/03/the-federal-government-plans-to-reduce-the-number-of-payable-taxes-to-9/>
- 3 Such as the exemption of small businesses from withholding tax



NEWS UPDATE

a. FIRS introduces USSD Code to improve tax payment in Nigeria



On October 16, 2024, the Federal Inland Revenue Service (FIRS) launched a USSD code, *829#, to enhance the ease of doing business and improve taxpayer satisfaction in Nigeria. The initiative was unveiled during the FIRS' Customer Service Week.

According to the FIRS, the new code will enable taxpayers to retrieve their taxpayers' identification number (TIN), verify their tax clearance certificates (TCC), access information on tax types and rates, locate the nearest FIRS office, and obtain answers to general tax-related queries, all from their mobile phones, without needing internet access.

This initiative makes Nigeria the sixth African country to adopt the use of a USSD code for tax payment, marking a significant step towards leveraging technology to enhance the tax payment system.

b. Federal Executive Council approves Economic Stabilisation Bill



The Federal Executive Council (FEC) approved the recommendations of the Presidential Committee on Fiscal Policy and Tax Reforms contained in the Economic Stabilisation Bill, which has been transmitted to the National Assembly to be passed into law. The Bill seeks to amend various taxes, fiscal, and establishment laws to facilitate economic stability, set the country on the path for sustained inclusive growth, and promote electronic transactions.

The Chairman of the Committee, Mr. Taiwo Oyedele, in an 'X' post stated that the proposed changes are designed to achieve, among other things: reduce inflation; promote fiscal discipline and consolidation; sustain the exchange rates; and create jobs; and alleviate poverty.⁴

According to Mr Wale Edun, the Minister of Finance and Coordinating Minister of the Economy, these measures will bring in funds from international money transfer operators, enhance foreign exchange transactions, and provide employment opportunities for Nigerians with specialised skills.⁵

⁴ @taiwoyedele 'Overview of the Economic Stabilisation Bill' (Twitter, 24 September 2024)

⁵ Presidential Fiscal Policy and Tax Reforms Committee, 'FEC approves Economic Stabilisation Bill to boost Liquidity Employment' <https://fiscalreforms.ng/index.php/2024/09/24/fec-approves-economic-stabilisation-bill-to-boost-liquidity-employment/> accessed 4 December, 2024

c. **Federal Government removes VAT on Diesel, LNG, CNG, and Electric Vehicles**



In a statement issued by the Minister of Finance and Coordinating Minister of the Economy, Mr Wale Edun, on October 3, 2024, the Federal Government announced that it had exempted VAT for Compressed Natural Gas (CNG), Liquefied Natural Gas (LNG), and Electric Vehicles (EVs) in Nigeria. The exemption was introduced through the VAT (Modification) Order 2024 and aims to reduce the cost of living, enhance energy security, and accelerate Nigeria's shift to cleaner energy sources.

d. **Approval of the implementation of import duty and VAT waiver on basic food Items**



On August 14, 2024, the Federal Government approved a zero-duty rate and VAT exemption on essential food items starting from July 15, 2024, to December 31, 2024. This measure was introduced to address the continued rise in inflation on staples and other essential food items.

Consequently, the Nigerian Customs Service issued guidelines for implementing the policy and directed that specific items that have material gaps in production in Nigeria be granted duty and VAT waivers; the duty waiver ranged from 5% on grain, sorghum, millet, maize, wheat, and beans to 20% duty waiver on wheat and beans and 30% waiver on husked brown rice.

Only established businesses with a track record of good governance and tax compliance for a minimum of 5 years were eligible to participate as importers. Additionally, only companies with sufficient farmland for cultivation, feed mills, or agro-processing companies with an out-grower network for cultivation were eligible to import items such as husked brown rice, grain sorghum, millet, wheat, maize or beans.



e. House of Representatives passes Tax Reform Bills



The House of Representatives on March 18, 2025, passed the four Tax Reform Bills – the Joint Revenue Board of Nigeria (Establishment) Bill 2024, the Nigeria Revenue Service (Establishment) Bill 2024, the Nigeria Tax Administration Bill 2024, and the Nigeria Tax Bill 2024. The four Bills were voted on by members, read for the third time and passed with Speaker Tajudeen Abbas presiding over the session.

The Bills will now be forwarded to the President for assent after the passage of the Bills by the Senate.





REGULATORY UPDATES



a. Nigeria's Tax Reform Bills

Nigeria's Tax Reform Bills, which are proposed changes by the Presidential Fiscal Policy and Tax Reform Committee to the current tax regime, are before the National Assembly to be passed into law. The proposed bills aim to establish a comprehensive framework for major taxes in Nigeria, and they are:

- The Nigeria Tax Administration Bill 2024 HB No.1756;
- The Nigeria Revenue Service (Establishment) Bill 2024 No.1757;
- The Joint Revenue Board (Establishment) Bill 2024 No HB. 1758; and
- The Nigeria Tax Bill, HB No. 1759.

Key Changes introduced

- **The Nigeria Tax Administration Bill:** This Bill seeks to provide uniform procedures for a consistent and efficient administration of tax laws to facilitate taxpayers' compliance and optimise tax revenue and introduce the following reforms:
 - i. **Compulsory Registration:** the Bill seeks to mandate every taxable person to register with the relevant tax authority and obtain a Taxpayer Identification Number ("Tax ID"). This obligation extends to Ministries, Departments, and Agencies of the Federal, State, and Local Governments.⁶
 - ii. **Self-Assessment obligation:** the Bill seeks to introduce the obligation for all companies, regardless of their incorporation status and whether or not they are liable to pay taxes, to file a self-assessment return with the Nigerian Revenue Service at least once a year.⁷

⁶ Section 4 of the NTAB

⁷ Section 11 of the NTAB

- iii. **Annual tax incentives return:** the Bill seeks to require taxable persons enjoying incentives administered by the relevant tax authorities to submit Annual Tax Incentives returns to the relevant tax authority in the form prescribed by the Nigerian Revenue Service in addition to the annual tax returns.⁸
- iv. **Distribution of VAT revenue:** the Bill proposes a new value-added tax (VAT) sharing formula which is to be distributed as follows:
 - a. 10% to the Federal Government;
 - b. 55% to the State Governments and the Federal Capital Territory;
 - c. 35% to the Local Government.

In addition, 30% of the amount due to states and local government is to be distributed based on the basis of derivation.⁹

- v. **Penalties:** the Bill introduces a penalty of N50,000,000 for the first month of failure and N25,000,000 for the subsequent year of failure if a taxable person fails or refuses to register for tax.¹⁰
 - vi. **Settlement of Disputes:** the Bill allows tax authorities and taxable persons to resolve any tax matter amicably at any stage of the dispute, in whole or in part, where the settlement will be in the interest of public revenue or public policy and taking into consideration the cost of litigation.¹¹
- **The Nigeria Revenue Service (Establishment) Bill:** This Bill seeks to establish the Nigerian Revenue Service (“NRS”), replacing the existing Federal Inland Revenue Service (“FIRS”). It also halts the collection of taxes by several federal agencies, allowing them to focus on their primary mandate. The Bill introduces the following reforms:
 - i. **Establishment of the Nigerian Revenue Service:** The Bill establishes a body known as the Nigerian Revenue Service to replace the Federal Inland Revenue Service. It saddles the NRS with the responsibilities of assessing persons, including corporations, companies, and individuals, chargeable with tax, collecting or recovering tax assessed, enforcing payment of taxes, and remitting tax collected, among other things.¹²
 - ii. **Assistance in Tax Collection:** the Bill empowers the NRS on request to assist a State or Local Government to collect or administer tax and remit any revenue collected directly to that State or Local Government, provided that the requesting government has the statutory right to collect or administer the tax.
 - iii. **Funds of the NRS:** the Bill expands the funds derivable by the NRS to include a percentage, as may be determined by the National Assembly, to include the total revenue collected by the Service. This is a departure from the Federal Inland Revenue Service (Establishment) Act, which allocated only a percentage of all non-oil and gas revenue.¹³

8 Section 26 of the NTAB

9 Section 77 of the NTAB

10 Section 95 of the NTAB

11 Section 137 of the NTAB

12 Section 3 and 4 of the NRS Bill

13 Section 22 of the NRS Bill

14 Section 5 of the JRB Bill

- **The Joint Revenue Board (Establishment) Bill 2024:** This Bill seeks to establish the Joint Revenue Board, the Tax Appeal Tribunal, and the Office of the Tax Ombud to harmonise and coordinate revenue administration in Nigeria. The Bill aims to provide a mechanism for efficient dispute resolution and promoting taxpayer rights. Some of the changes introduced by the Bill are as follows:
 - i. **Establishment of a Joint Revenue Board:** The Bill establishes a body known as the Joint Revenue Board, which will replace the already existing Joint Tax Board (JTB) and continue to carry on the functions of the JTB, which include maintaining and integrating a database of Tax Identification Number (TIN) of taxpayers in Nigeria; advising all tiers of Government on tax matters, resolving areas of conflict on tax jurisdiction among other things.¹⁴
 - ii. **Establishment of the Tax Appeal Tribunal:** The Bill establishes the Tax Appeal Tribunal and empowers it to exercise the jurisdiction and powers to settle any tax dispute or controversy arising from the administration of any tax laws in Nigeria.
 - iii. **Qualification of Tax Appeal Commissioners:** Previously, a person needed only to be knowledgeable about the laws, regulations, norms, practices and operations of taxation in Nigeria and show capacity in the management of trade or business or be a retired public servant in tax administration to be eligible for appointment as a Tax Appeal Commissioner. However, under the Bill, a person can only be eligible for appointment as a Tax Appeal Commissioner where he has the requisite qualification from a recognised institution with at least 10 years' experience in law, accounting, business administration, finance, economics, taxation; or is a retired public servant with at least 10 years' experience in tax administration.
 - iv. **Cessation of Office:** The grounds for cessation of appointment as a Tax Appeal Commissioner have been expanded under the Bill to include attainment of age 70; a conviction for the offence of felony or any offence involving fraud or dishonesty; disqualification from professional qualification by a professional body of which the commissioner is a member.
 - v. **Establishment of a Tax Ombud:** The Bill establishes the office of the tax ombud to serve as an independent and impartial arbiter to review and resolve tax-related complaints, institute legal proceedings on behalf of the taxpayer, and watchdog against any arbitrary fiscal policy of the Government and its agencies.¹⁵

14 Section 5 of the JRB Bill

15 Section 40 of the JRB

- **The Nigeria Tax Bill, HB No. 1759**, seeks to repeal certain taxation Acts and consolidate the existing legal frameworks on taxation (Companies Income Tax Act, Personal Income Tax Act, Petroleum Profit Tax Act, Valued Added Tax Act, Stamp Duties Act, Capital Gains Tax Act). Key provisions of the Bill are highlighted below:
 - i. **Definition of a Small Company:** The Bill is proposing an amendment to Section 23(1)(n) of the Company Income Tax Act (CITA) Cap.C21, LFN, which exempts “small business” with an annual turnover not exceeding 25 million Naira from withholding tax by increasing the rate of the annual turnover to not exceeding 50 million Naira.¹⁶
 - ii. **Companies Income Tax Rate:** The Bill introduces new tax rates for companies as follows: a small company, at 0%, and any other company at the rate of 27.5% in 2025, year of assessment, and 25% from 2026, year of assessment. This is a departure from the current tax rate of 0% for small companies, 20% for medium companies, and 30% for large companies under the Companies Income Tax Act.
 - iii. **Personal Income Tax Rate:** The Bill introduces new tax rates for personal income tax as follows: first N800,000 at 0%; next N2,200,000 at 15%; next N9,000,000 at 18%; next N13,000,000 at 21%; next N25,000,000 at 23% and; above N50,000,000 at 25%.
 - iv. **Development Levy:** The Bill proposes a development levy to be imposed on the assessable profit of companies as follows:
 - a. 4% for 2025 and 2026 years of assessment;
 - b. 3% for 2027, 2028 and 2029 years of assessment; and
 - c. 2% for 2030 year of assessment and thereafter, which shall solely be for the Student Education Loan Fund.

The revenue accruing from the levy is to be distributed to Tertiary Education Trust Fund, Student Education Loan Fund, National Information Technology Development Fund and the National Agency for Science and Engineering Infrastructure.
 - v. **Manner of Denoting Duty:** Under the Stamp Duties Act¹⁷, documents are stamped using adhesive stamps, postage stamps or a die. However, the Bill expands the method of stamping documents by allowing for electronic or digital tagging, issuance of electronic receipts and issuance of certificates.
 - vi. **Administration of Stamp Duties:** Section 4 of the Stamp Duties Act (as amended by section 53 of the Finance Act 2019) empowers the FIRS to impose, charge and collect stamp duties on instruments executed between a company and an individual while the

16 Presently, small businesses whose annual profits do not exceed 25 million Naira, upon fulfilling the obligations provided under the Act, are exempted from withholding tax.

17 Section 5 of the Stamp Duties Act

State Internal Revenue Services are to collect stamp duties in respect of instruments executed between individuals. The Bill, however, proposes to empower the Joint Revenue Board as the body to administer stamp duties in Nigeria.

- vii. **Timeline for Stamping Instruments:** The current stamp duties regime provides for different timelines for stamping instruments. For instance, Section 23(1) of the Stamp Duties Act requires unstamped or insufficiently stamped instruments to be stamped within 40 days from the first execution, while Section 12 requires instruments executed in Nigeria to be stamped with an adhesive stamp to be stamped on or before its first execution. The Bill, however, proposes a uniform timeline of 30 days after its execution for every instrument executed in Nigeria.
- viii. **Admissibility of an Unstamped Instrument:** Under the Bill, any unstamped dutiable instrument shall not be admissible in evidence in any court, judicial or arbitration proceedings, and in satisfying any evidentiary requirements. This will, however, be inapplicable in a criminal proceeding.
- ix. **Chargeable Instruments:** Under the present Stamp Duties Act, the Bill provides for a comprehensive list of dutiable instruments, the type of duties applicable (fixed or ad valorem), the rate and the person liable to pay the duty. The Bill also exempts certain items from payment of stamp duties.
- x. **Increase in VAT Rate:** The Bill also proposes increasing the Value-Added Tax from 7.5% to 10% from January 1, 2025, to December 31, 2025, 12.5% from January 1, 2026, to December 31, 2029, and a rate of 15% thereafter.
- xi. **Zero-rated VAT and VAT exemption:** The bill introduces VAT at 0% for essential items such as food, education, and healthcare and expands the items exempt from imposition of VAT, some of which are for rent, public transportation, fuel products, and renewable energy. of baby products and locally manufactured sanitary towels, pads and tampons.
- xii. **Economic Development Tax Incentive:** The Bill proposes to replace the pioneer status currently obtainable under the Industrial Development (Income Tax Relief) Act with the Economic Development Tax Incentive. The incentives will be granted to companies in priority sectors.

b. The Economic Stabilisation Bill, 2024



The Economic Stabilisation Bill (ESB) was approved by the Federal Executive Council (FEC) on September 24, 2024. The Bill contains some recommendations of the Presidential Fiscal Policy and Tax Reforms Committee (The Committee) and seeks to amend about 15 different taxes, fiscal and establishment laws with the aim of facilitating economic stability and setting the country on the path of inclusive growth. The proposed changes in the Bill are designed to achieve the following:

- i. Inflation reduction and price stability
- ii. Complement monetary policy measures with appropriate fiscal interventions to strengthen the Naira and sustain exchange rate convergence
- ii. Promote fiscal discipline and consolidation
- iv. Enhance job creation and poverty alleviation
- v. Export promotion and diversification

Proposed Changes

Income Tax: The ESB seek to amend the income tax laws (such as the Companies Income Tax Act and the Personal Income Tax Act) to facilitate employment opportunities for Nigerians in Nigeria within the global value chain, including the digital economy.

Value Added Tax: The ESB introduces zero-rated VAT and improves incentive regime to promote exports in goods, services, and intellectual property.

Gas Sector: The ESB will also introduce amendments to facilitate investment in the gas sector and simplify the local content requirements to ensure competitiveness.

Foreign Exchange Reforms: The ESB proposes a much-needed reform of the Nigerian foreign exchange regime to enhance the regulatory powers of the CBN, unlock more forex liquidity, strengthen the Naira, and sustain rates convergence.

Tax reliefs for the private sector: Tax relief will be made available for private sector employers in respect of wage awards and transport subsidies provided to their employees. The implication therefore is that transport subsidies and wage awards granted by private sector employers to employees will be tax exempt. This tax relief will also extend to companies that generate incremental employment and retain such employees for a minimum of 3 years.

Elimination of certain taxes on small businesses and vulnerable population: There will be collaboration with States to suspend certain taxes on small businesses and vulnerable population, such as road haulage levies and other charges on transportation of goods; business premises registration; animal trade and produce sales tax; bicycle, truck, canoe, wheelbarrow, and cart fees; shops, kiosks and market taxes and levies.

Introduction of TICC: The ESB will introduce the “Tax Identification Consolidation and Collaboration (TICC)” initiative to expand the tax base, widen the tax net, and create a level playing field for businesses.

Provision of additional funding for the student loan Scheme: The ESB will make amendments to provide additional funding for the student loan scheme, which was established by the Student Loans (Access to Higher Education) (Repeal and Re-enactment) Act, 2024.

c. Value Added Tax (Modification) Order 2024

The Federal Government of Nigeria issued the Value Added Tax (Modification) Order 2024 (the “Order” or “VMO 2024”), which introduced significant modifications to Nigeria’s VAT regime, particularly in the context of the country’s energy transition goals. The Order expands the list of goods and services exempted from VAT.

Key Highlights

Some of the key highlights of the VMO 2024 are as follows:

Expansion of VAT-exempt Goods: The Order expands the list of VAT-exempt goods to include feed gas for all processed gas, Automotive Gas Oil (AGO), Compressed Natural Gas (CNG), Imported Liquefied Petroleum Gas (LPG), Electric Vehicles (EV), Biogas and Biofuel equipment, and accessories for clean cooking and transportation.



Expansion of the definition of Petroleum Products: The Order also expands the definition of petroleum products to include feed gas for all processed gas, Automotive Gas Oil (AGO), Compressed Natural Gas (CNG), and imported Liquefied Petroleum Gas (LPG).

Introduction of VAT-Exempt Services: The Order introduces new VAT-exempt services. They include CNG conversion and installation services, LPG conversion and installation services, manufacturing, assembly, and sale of electric vehicles.

The Order, which took effect on September 1, 2024, is expected to benefit businesses significantly. These changes aim to provide a more legally sound basis for the VAT exemptions, enhancing both clarity and efficiency in Nigeria's fiscal policies.

d. **Deduction of Tax at Source (Withholding Tax) Regulation 2024.**

On July 1, 2024, Mr. Wale Edun, the Minister of Finance, issued the Deduction of Tax at Source (Withholding) Regulations 2024 (the Regulation). The Regulation makes several modifications to the existing Withholding Tax (WHT) regime in Nigeria, which was introduced in 1977.

Highlights of the Regulation

Establishment of a unified WHT Regulation: The Regulation establishes a single, unified framework for withholding tax in Nigeria, which was previously scattered across various tax laws. As such, it provides clarity and ensures easy reference.

Persons eligible to deduct at Source: The Regulation clearly defines persons who are required to make deductions at source, including corporate bodies (incorporated or not), governments, ministries, departments, agencies, and statutory bodies.

Exempt Transactions: The new WHT regime exempts certain transactions from deduction at source. These transactions include, but are not limited to, across-the-counter transactions as defined in the WHT Regulations; insurance premiums; supply of Liquefied Petroleum Gas (LPG), Compressed Natural Gas (CNG), Premium Motor Spirits (PMS), Automotive Gas Oil (AGO), Low Pour Fuel Oil (LPFO), Dual Purpose Kerosene (DPK) and JET-A1.



Review of Eligible Transactions and Applicable Rates: The Regulation reviews the applicable rates for eligible transactions. While the Regulation retains the existing rates for some transactions, it reduces the applicable rates for other transactions. Some of the eligible transactions and rates are as follows:

Transactions	Corporate recipient		Noncorporate recipient	
	Residents	Non-residents	Residents	Non-residents
Dividend, Interest	10%	10%	10%	10%
Royalty	10%	10%	5%	5%
Rent, Hire or Lease	5%	10%	5%	10%
Commission, consultancy, technical, management, and professional fees	5%	10%	5%	10%
Supply of goods other than by manufacturer	2%	N/A	2%	N/A
Colocation and telecommunication tower services	2%	5%	2%	5%
Supply or rendering of services other than those specifically stated	2%	5%	2%	5%
Brokerage fee	5%	10%	5%	10%
Directors' fees	N/A	N/A	15%	20%
Entertainment and sports persons	N/A	15%	N/A	15%



JUDICIAL DECISIONS

a. Tax Appeal Tribunal Held that Pay As You Earn (PAYE) would not be applicable to employees who are not resident in a State during a year of assessment: *Baker Hughes Company Limited v. Delta State Internal Revenue Service (DSIRS)* (APPEAL No.: TAT/SSZ/016/2023), delivered on April 25, 2024

In the case of *Baker Hughes Company Limited v. Delta State Internal Revenue Service (DSIRS)*, the Tax Appeal Tribunal (TAT), South-South Zone, Benin, delivered a significant judgment on April 25, 2024, concerning the legality and accuracy of tax assessments issued for the period 2015–2020. Baker Hughes, an oilfield services company, contested additional tax liabilities totalling ₦8.4 Billion, including Pay-As-You-Earn (PAYE) taxes, withholding taxes (WHT), and state levies.

The dispute arose from DSIRS's assessment, which included PAYE obligations for 2015–2016, despite evidence that Baker Hughes had not deployed personnel to Delta State during those years. The Appellant argued that its employees were deployed only in 2017 for the Escravos Gas-to-Liquid (EGTL) project. The company also contended that WHT was erroneously applied to non-existent business premises and that penalties and interest were improperly calculated on disputed sums.

The tribunal reviewed the evidence, including timesheets and tax records provided by Baker Hughes, and concluded that the assessments for 2015–2016 were baseless. It also determined that the company had adequately documented its tax compliance efforts, contrary to DSIRS's claims. While DSIRS argued that the assessments were based on industry standards, the tribunal criticised the lack of substantiating evidence and dismissed the PAYE and WHT assessments.

However, the tribunal upheld a revised liability for business premises and development levies, amounting to ₦535,500. After applying statutory penalties and interest, the final liability was recalculated to ₦689,456.25.

This judgment underscores the importance of fairness, evidence-based assessments, and adherence to statutory procedures in tax administration. The tribunal's decision not only invalidated the arbitrary assessment but also highlighted the necessity for tax authorities to substantiate claims with clear documentation.

b. Tax Appeal Tribunal pronounces that Best of Judgement Assessment should only be issued in compliance with relevant provisions and the Personal Income Tax Act, 2011: Popham Walter Odusote Limited (PWO) v. Bayelsa State Board of Internal Revenue (BIR) & 19 Ors. (APPEAL NO: TAT/SSZ/025/2022), delivered on May 8, 2024

In the case of *Popham Walter Odusote Limited (PWO) v. Bayelsa State Board of Internal Revenue (BIR) & 19 Ors*, the Tax Appeal Tribunal (TAT), South-South Zone, Benin, delivered a landmark judgment addressing the legality of tax assessments issued without compliance with statutory provisions. The appellant, PWO, contested a ₦1,131,999,976 Pay-As-You-Earn (PAYE) tax assessment for 2017–2020 issued by the Bayelsa BIR.

PWO argued that it does not have a business presence in Bayelsa, with its operations and employees based in Lagos, where PAYE taxes were duly remitted to the Lagos State Internal Revenue Service. The company also claimed procedural lapses by the BIR, including failure to serve proper notice of a tax audit, rendering the assessment arbitrary and void. Conversely, the Bayelsa BIR contended that PWO conducted business in the state, deployed personnel for projects, and failed to remit applicable taxes, justifying the issuance of a Best of Judgment assessment.

The tribunal found significant flaws in the BIR's case, particularly its failure to provide proof of serving audit notices prior to issuing the assessment. Citing the Personal Income Tax Act, 2011, the Tribunal emphasised that proper notification and engagement with the taxpayer are prerequisites for issuing a valid Best of Judgment assessment. Consequently, the tribunal declared the ₦1,131,999,976 assessment null and void.

However, the tribunal ordered PWO to furnish detailed records of its operations and personnel deployed to Bayelsa to determine any outstanding tax liabilities. Both parties were admonished for their inadequate documentation and failure to properly engage before escalating the dispute.

This judgment underscores the necessity for tax authorities to strictly adhere to statutory provisions, reinforcing taxpayers' rights to due process in tax matters and applicant's duty to ensure proper documentation of tax payments and expenses.

- c. Tax Appeal Tribunal pronounces the relevant tax authority in a State with the powers to collect tax from itinerant workers under sections 1A and 3 of the Personal Income Tax Act (PITA) 2011 (as amended): Bayelsa State Board of Internal Revenue v. Specialty Drilling Fluids (APPEAL No.: TAT/SSZ/008/2023), delivered on Thursday, March 14, 2024**

The Appellant's case was that the Respondent failed, refused, and/or neglected to file and pay the Pay-As-You-Earn taxes of its staff, whose principal place of residence is in Bayelsa State, and the Bayelsa State Infrastructural Maintenance Levy (BIM). In response, the Respondent claimed that it remitted all her employees PAYE taxes and submitted annual returns to Rivers State Internal Revenue Service, Port Harcourt, in compliance with the provisions of the Personal Income Tax (Amendment) Act 2011 (PITA), as they are all residents in Port Harcourt, Rivers State.

The Tax Appeal Tribunal, in resolving this dispute resorted to the definition of “itinerant worker” under *Section 108 of PITA 2011 (as amended)* to include “an individual irrespective of his status who works at any time in any state during a year of assessment (other than as a member of the armed forces) for wages, salaries or livelihood by working more than one State and work for a minimum of twenty (20) days in at least three (3) months of every assessment year.

The Tribunal then resolved that an itinerant worker can be in two different tax jurisdictions in a particular year of assessment, and once a taxable person, individual, or company operates in the territory of a tax authority for a minimum of 20 days, that tax authority has become a relevant tax authority for the purpose of remittance.

The effect of the Tribunal's decision is that once an itinerant worker is found in a State and satisfies the conditions in *Section 108 of PITA 2011*, the State Revenue Authority has become a relevant tax authority and has the right to call for records and documents.¹⁸ This implies that taxpayers or employers should be aware that employees, though not resident in a particular State, can be liable to tax in that state or the company can be required to furnish tax details where situations allowed in Section 108 of PITA 2011 arise.

¹⁸ Sections 1, 3, Section 46, 47 & 54(3) and section 108 of PITA 2011(as amended)

d. Tax Appeal Tribunal rules on the procedure for correcting errors on the Tax Promax Portal: Tratrix Engineering Limited v Federal Inland Revenue Service (APPEAL NO: TAT/SSZ/026/2023), delivered on Thursday, May 9, 2024

The Tax Appeal Tribunal, while interpreting section 24 of the Federal Inland Revenue Service (Establishment) Act 2007 and section 90 of the Companies Income Tax ACT (CITA) 2007 (as amended), which provides for the period and procedure for correction of error or mistakes, ruled that all that a taxpayer is required to do in order to correct errors or mistakes made in the course of filing returns is to make an application in writing to the Service (Federal Inland Revenue Service (FIRS)) requesting to make corrections. The Tribunal's decision is based on the principles of equity, fairness, and justice, as enshrined in the administration of taxation and the Constitution.

The Tribunal also held that an application for correction of error can be made to any branch of the FIRS, and the service shall refer the case to any of its branches to ensure convenience and speed. Thus, the branch where the application is made is immaterial; it is the duty of the Service to channel or redirect such requests or correspondence to the appropriate office or unit to handle the matter.

The significance of this decision is that in the event of any need to correct errors, taxpayers are only required to make an application in writing to the FIRS. Moreover, it would be immaterial that the application is made to another branch of FIRS, as it would be the duty of the FIRS to redirect the application to the relevant branch.



PROJECTED OUTLOOK



The Nigerian tax landscape is undergoing several reforms because the Federal Government seeks to improve fiscal governance by addressing fiscal challenges and drive revenue transformation through diversifying the revenue base and facilitating economic growth. As noted earlier, the Presidential Fiscal Policy and Tax Reforms Committee is leading the efforts to drive the tax reforms into reality and make key reforms to be introduced by the committee are expected to impact individuals and businesses in Nigeria.

a. Implementation of some of the Tax Reforms

With the ongoing tax reforms spearheaded by the Presidential Fiscal Policy and Tax Reforms Committee in 2024, it appears that some of these reforms will be implemented in 2025. For instance, the Withholding Tax Regulation 2024, which was issued and published in the Gazette, took effect in January 2025, and companies have begun to reconfigure their payment and invoicing systems to reflect the changes introduced by the Regulation.

Similarly, there are various tax reform bills before the National Assembly to be passed into law. In the event that these bills scale through the various legislative stages and receive Presidential assent, they will become law with the possibility of becoming effective in 2025.

b. Increased Tax Disputes

With the implementation of the new tax reforms, disputes are likely to occur, ranges from interpretation of the new laws and compliance issues leading to an increase in the workload of the Tax Appeal Tribunal (TAT) and the Federal High Court.

c. Reduction of Inflation

We project that the passage of the new Tax Reform Bills into law and their subsequent implementation will reduce inflation, particularly those caused by an increase in prices of basic items in Nigeria. Whether this will be substantial to the general price level, in view of other costs of production, is an issue yet to be determined.

A key highlight of the tax reform is the introduction of VAT at 0% for food, education, healthcare, and exemption for rent, public transportation, fuel products and renewable energy. These items constitute an average of 82% of household consumption and nearly 100% for low-income earners. The Bills also propose an increase in the VAT exemption threshold from N25 million to N50 million, which will remove the VAT burden on the margin of goods and services sold by such businesses to the masses in Nigeria.



In light of the above, these new reforms will ensure that most basic items consumed by lower-income earners in Nigeria (and which form a considerable part of the Consumer Price Index basket of goods and services) are VAT-exempt and production costs for small businesses patronised by the low-income earners is reduced, as such leading to potentially lower prices and drop in Nigeria's inflation rate.

d. Increase in Government Revenue

Although it is anticipated that some of the reforms introduced in the new Tax Reform Bills (such as the introduction of VAT at 0% for essential items) will lead to a significant decline in the government's revenue, others will bolster the government's revenue. For instance, the Nigeria Revenue Service (Establishment) Bill 2024 introduces a single centralised agency, in the form of the Nigeria Revenue Service, to handle all tax collection. This proposed agency will replace the Federal Inland Revenue Service, allowing other government agencies to focus on their core mandates, such as regulation, rather than tax/revenue collection. This will ensure efficiency and transparency, proper management of revenue and reduction in revenue leakages, under-declaration and misappropriation of tax revenue.

Additionally, it is foreseen that the new VAT-sharing formula, as proposed under the National Tax Bill, will ensure increased revenue for the state governments, and each State will be motivated to look inward to drive more value within their region. The current VAT sharing formula distributes 20 per cent of VAT revenue based on derivation, 50 per cent based on equality, and 30 per cent based on population. However, the National Tax Bill proposes a VAT revenue-sharing model which would distribute 30 per cent based on derivation, 20 per cent based on population, and 50 per cent based on equality. What this aims to achieve is that states with more economic activities and consumption will be set to receive more revenue from the VAT distribution under the proposed model.

Further, the proposed reduction of the Federal Government's share of VAT from 15% to 10% will effectively increase the State Government's share of VAT revenue from 50% to 55%, thus enhancing the fiscal autonomy of states and allowing for states to allocate more resources for their development.



CONCLUSION

Nigeria's tax-to-GDP ratio as of 2024 stood at 10%, making it one of the lowest amongst countries of similar economic size.¹⁹ This is also below the International Monetary Fund (IMF) recommended ratio of 12% and the World Bank's minimum ratio of 15%²⁰ required for economic growth and poverty reduction.²⁰ The continued reliance on volatile (downward trend) oil revenue poses a threat to fiscal sustainability²¹, highlighting the need for the country to diversify by broadening its revenue base, with a focus on its tax revenue (more specifically, non-oil tax revenue).

Recognising this, the current administration has set a target to achieve a tax-to-GDP ratio of 18% by 2025²², with the Fiscal Policy and Tax Reform Committee driving the Government's efforts. The year 2024 has been marked by several legislative developments as part of the Committee's ongoing tax and fiscal policy reforms, some of which are projected to be implemented in 2025. These developments are expected to enhance tax administration and bolster government revenue, while addressing public spending needs. Significant changes are anticipated in the tax sector from Q3 of 2025, and these changes and developments will be closely monitored if truly they will contribute effectively to the 1 trillion-dollar economy targeted by the present administration.

Further reading on recent developments in the tax landscape in 2024:

1. [2024 Withholding Tax Regulations: Highlights and Implications.](#)
2. [An Analysis of the Legal and Economic Implications of the Expatriate Employment Levy, 2024.](#)

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- 21 Il Jung, 'Nigeria's Tax Revenue Mobilisation: Lessons from Successful Revenue Reform Episodes: Nigeria' (2023) IMF e-Library <[https://www.elibrary.imf.org/configurable/content/journals\\$002f018\\$002f2023\\$002f019\\$002farticle-A001-en.xml?t:ac=journals%24002f018%24002f2023%24002f019%24002farticle-A001-en.xml](https://www.elibrary.imf.org/configurable/content/journals$002f018$002f2023$002f019$002farticle-A001-en.xml?t:ac=journals%24002f018%24002f2023%24002f019%24002farticle-A001-en.xml)> accessed February 13, 2025
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