BACITI BRIEFINGS: THE NIGERIAN TAX REFORMS BILLS, 2024

The Bashir Adeniyi Center for International Trade and Investment (BACITI), of the Nigerian Institute of International Affairs (NIIA) held its briefings for March 2025 focusing on the Nigerian Tax Reforms Bills, 2024. The event, held on Thursday, 25 March, 2025 was moderated by Dr. Adesuwa Erediauwa, Senior Research Fellow at the NIIA and Coordinator of BACITI.

In line with the objective of the briefings, the theme for the day was tagged: "Unpacking the 2024 Nigerian Tax Reform Bills".

Distinguished speakers at the event included Ijeoma Uche, Senior Manager, Tax Regulatory and Peoples Services, KPMG Nigeria, Dr. Stanley Akachukwu, Research Fellow, NIIA, Dr. Yinka S. Hammed, Research Fellow NIIA.

The first speaker at the event, Ijeoma Uche, outlined the challenges in the current Nigerian tax system which she identified as archaic tax laws, fragmented tax systems, tax evasion and avoidance, huge tax gaps and poor tax payers record. She stated the objectives of the tax reform bills which amongst other things are; to harmonize the Nigeria fragmented tax system, to simplify the tax laws, to improve tax compliance efficiency and to align the tax laws with economic objectives and global best practices.

Going further, she stated that the Nigerian tax reform bills is comprised of four Bills which include the Nigeria Tax Administration Bill, Nigerian Revenue Service (Establishment) Bill, Joint Revenue Board (Establishment) Bill and the Nigeria Tax Bill. The Nigeria Tax Administration Bill focuses on revenue collection and administration across Federal, State, and Local Governments, while the Nigerian Revenue Service (Establishment) Bill proposes replacing the Federal Inland Revenue Service (FIRS) with the Nigeria Revenue Service(NRS) for enhanced tax collection, the Joint Revenue Board (Establishment) Bill establishes a Joint Revenue Board, Tax Appeal Tribunal and Tax Ombudsman for dispute resolution and lastly, the Nigerian Tax Bill consolidates various tax laws into a single framework.

She highlighted major changes introduced by the four tax reforms bills. Some administrative changes introduced under the tax bills are the restructuring of the Federal Inland Revenue Service (FIRS) to Nigerian Revenue Service (NRS), the establishment of the office of the Tax Ombudsman and the mandating of financial institutions to report transactions above ₦25 million to enhance data collection. The bills also introduced major changes in tax rates which affect Companies Income Tax (CIT), Personal Income Tax (PIT) and Value Added Tax. As proposed under the Nigerian Tax Bill (NTB), small companies with turnovers below 50 million naira are exempted from CIT while CIT for large companies will be gradually reduced from 27.5% in

2025 to 25% from 2026 in order to encourage productivity and job creation. The NTB prescribes Personal Income Tax exemption for minimum wage earners, that is, those earning below ₦800, 0000 per annum, a lower tax rate for low-income earners and a higher tax rate for high income earners. These new prescriptions by the NTB on CIT and PIT are different from what is currently obtainable. Under the NTB, there is a gradual increase of Value Added Tax (VAT) from the current rate of 7.5% to 10% in 2025 and 15% by 2030 with exemptions for essential goods like baby products and electricity.

Other key provisions in the NTB is the introduction of a Development Levy; a progressive levy on companies that will fund education and infrastructure starting at 4% in 2025 and decreasing to 2% by 2030, the introduction of a new VAT revenue sharing formula which favours states and local governments, and the introduction of tax incentives reform to curb abuse.

She rounded off discussing the expected impacts of the tax reforms bills. Such impact include increase in tax revenue and reduced leakages, boosted investment and economic growth through fiscal incentives, a simplified tax system that will attract investors and improve compliance, enhance transparency and trust through harmonized structures.

Continuing from the first speaker, Dr. Stanley Akachukwu highlighted more insights from the tax reform bills, he revealed that the enactment of the tax reforms bills will lead to the repealing of eleven (11) laws and a consequential amendment of thirteen (13) other laws, the revocation of one subsidiary legislation and a consequential amendment of two other subsidiary legislations. Some of the affected laws are the Capital Gains Tax Act, Companies Income Tax Act, Casino Act, Deep Offshore and Inland Basin Act, Industrial Development (Income Tax Relief) Act, Income Tax (Authorized Communications)Act, Personal Income Tax Act, Petroleum Profits Tax Act, Stamp Duties Act, Values Added Tax Act and Venture Capital (Incentives) Act.

Addressing the state of capital gains tax under the NTB, he stated that the NTB progressively redesigns the capital gains tax regime by exempting some forms of capital gains from taxation. As example, the NTB exempts an individual from paying tax on the proceeds of the sale of his residential property or land adjoining his residential property up to a distance of 1 acre. The NTB also exempts compensation paid to individuals for personal injuries, such as loss of employment, defamation, libel, slander, etc., from capital gains tax once the amount is N50 million or below. Where the amount is above N50 million, only the excess will constitutes chargeable gains.

Speaking on VAT and the newly introduced Development Levy under the NTB, Dr. Akachukwu, stated that based on the new derivation model introduced by the NTB states that contribute more in VAT revenue will earn more while states that contribute less might earn significantly less. This is different from the current VAT sharing model which redistributes revenues amongst state governments equitably thus incurring significant losses to some state governments.

The introduction of Development Levy under the NTB tackles the problem of multiplicity of taxes for corporate bodies as it harmonizes multiple levels of taxes.

Dr. Yinka Hammed was the third speaker at the event. According to him, businesses within Nigeria's Free Trade Zones currently enjoy comprehensive tax exemptions, including relief from Federal, State, and Local taxes. Allowing Free Trade Zones entities to sell goods within Nigeria without taxation creates an unfair advantage over local manufacturers who are subject to standard tax regulations. However, as proposed under the NTB, there will be a full tax exemption for entities that are 100% export oriented within the Free Trade Zones,while there will be proportional taxation for enterprises exporting at least 75% but not up to 100% within the Free Trade Zones. Full taxation is required for entities with less than 75% exports within the Free Trade Zones.

Another new development under the NTB is the introduction of taxes on digital assets. This not only helps to modernize Nigeria's tax structure and aligns it with global standards; it also has a positive implication on total tax revenue as total tax revenue will be boosted.

Speaking on the economic implications of the developments under the NTB, he stated that the exemption of persons earning incomes below Eight Hundred Thousand Naira (₦800,000.00) annually from payment of PIT raises disposable income and consumption, an increase in consumption serves as an incentive for the productive sector to raise output which will in turn raise other factors of production leading to a rise in output, growth and development.

For the gradual increase of VAT under the NTB, he stated that there will be a higher VAT for commodities not included in the essential commodities list and this may have an adverse effect. Citing the example of communication goods, which were not considered as essential commodities under the NTB; the gradual increase in VAT will affect their cost despite the fact that it is consumed by most people.

In conclusion, he was of the opinion that the reforms have more benefits than otherwise. Notwithstanding this however, the raising of VAT by 12.5% and further in subsequent years should be considered especially when the bill gets to the Senate. Also, communication goods should be considered as essential items as low income earners spend more on it.

The event ended with a question and answer session with most attendees expressing their fears on the effective implementation of the provisions of the bills if passed into laws.