FirstBank Since 1894

FirstBank Nigeria Tax Intelligence Playbook

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Executive Note

Nigeria's tax environment has entered a new phase. Recent reforms signal a clear shift toward a more structured and enforcement-driven system, with implications that extend beyond compliance into how businesses operate, transact, and plan. While several provisions introduce new elements, a significant portion reflects existing rules that are now being applied more consistently through stronger administration, digital tracking, and enhanced oversight.

This playbook has been developed to provide a clear and practical interpretation of the evolving tax framework. The objective is not to restate legislation, but to distil what has changed, what has become more visible through enforcement, and what this means in practice for business decisions and operations.

As a financial institution operating at the center of transaction flows and client activity, the Bank has a unique vantage point on how policy changes translate into real business impact. This perspective informs the insights presented here, with a focus on areas most relevant to decision-making, risk management, and operational continuity.

The intent is to support a more deliberate approach to navigating the current environment grounded in clarity, aligned with regulatory expectations, and responsive to the increasing integration of tax considerations into day-to-day business activity.

Chinwe Egwim
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Nigeria's Tax Landscape: Recent Developments (Last 6-12 Months)

The implementation of the Nigeria Tax Act this year signals a decisive shift in the country's fiscal strategy. The reform agenda reflects a more assertive approach to revenue mobilisation, anchored on strengthened enforcement, expanded tax coverage, and improved administrative efficiency. The government's posture has moved beyond reliance on voluntary compliance toward a more structured and data-driven tax system. This includes enhanced oversight, tighter enforcement mechanisms, and deliberate efforts to widen the tax base.

Recent developments can be broadly categorised into three areas:

1. **Compliance Tightening**
2. **Expansion of the Taxpayer Base**
3. **Targeted Measures Across Specific Sectors**

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01. Compliance Tightening

Recent reforms prioritise enforcement, transparency, and administrative efficiency rather than headline rate changes. VAT fiscalisation and mandatory e-invoicing are now central to compliance, supported by broader administrative reforms. All taxable persons are required to register, with a simplified regime introduced to capture the informal sector. Tax planning arrangements are now subject to mandatory disclosure, while new rules govern surcharges and virtual asset transactions. Reporting on tax incentives has also been formalised. Penalties for non-compliance have increased materially, reinforced by joint audits and stronger inter-agency coordination.

Institutional changes further strengthen enforcement. The transition from the Federal Inland Revenue Service to the Nigeria Revenue Service expands oversight across all tiers of government. State tax authorities have greater autonomy, the Joint Tax Board has been replaced with the Joint Revenue Board to improve coordination, and a Tax Ombud office has been established to address taxpayer disputes.

02. Expansion of the Tax Base

The reforms significantly broaden the scope of taxation - across taxpayers, income streams, and jurisdictions. Non-resident taxation has been expanded under the force of attraction principle, while Controlled Foreign Company rules bring undistributed foreign profits into the tax net. A minimum effective tax rate of 15% now applies to large and multinational companies, limiting the ability to reduce tax liabilities through incentives or structuring. Mandatory taxpayer registration, combined with a targeted simplified regime for the informal sector, is expected to deepen tax penetration and reduce leakages.

03. Sector-Specific Changes

Targeted measures have been introduced across corporate, personal, and consumption taxes. For corporates, small companies (as defined under the Act based on turnover and asset thresholds, currently referenced at N100m turnover and N250m in fixed assets) are exempt from corporate income tax, capital gains tax, and development levy. In contrast, larger companies face a capital gains tax increase from 10% to 30%, aligned with corporate income tax, and extended to indirect offshore share transfers. A new development levy of 4% of assessable profits has also been introduced. Cross-border transactions face tighter treatment. Engineering, procurement, and construction contracts are now taxable where partially executed offshore. Incentives have been restructured under the Economic Development Incentive, which provides a 5% annual tax credit over five years for qualifying capital expenditure, with limited carryforward and exclusion from minimum tax calculations.

Personal income tax reforms include:

- Exemption for income up to N800,000
- Increase in the top marginal rate to 25%
- Higher compensation exemption threshold (N50m)
- Clearer residency rules
- Limitation of taxation to income earned in Nigeria or not taxed abroad

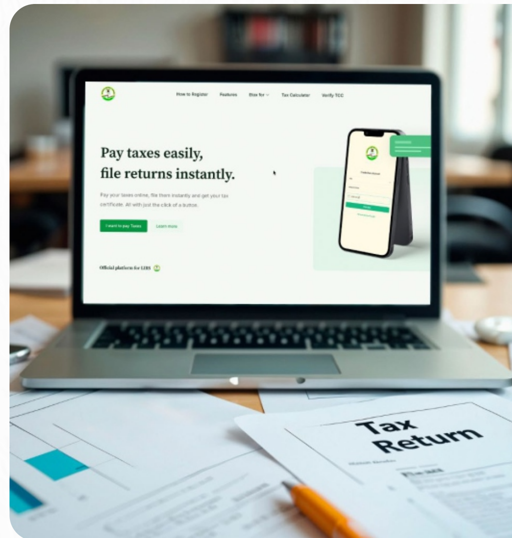
On consumption taxes, VAT remains at 7.5%, but input VAT recovery is now allowed on all purchases linked to taxable supplies, while essential goods and services are zero-rated.

> *Not all elements of the reform are new. Much of the shift reflects stronger and more consistent enforcement of existing provisions,* supported by digital tracking and improved administrative coordination.

Enforcement, Digitalisation, and Revenue Strategy

Beyond legislative changes, the reform agenda reflects a structural shift in enforcement and revenue mobilisation. Historically weak enforcement has given way to a more disciplined regime, characterised by stricter compliance requirements, higher penalties, and increased scrutiny of transactions. Businesses now face higher compliance costs and more direct cash flow implications. The tax base is expanding alongside a deliberate push to strengthen non-oil revenue. Digital tracking has replaced legacy manual processes, improving efficiency and increasing audit visibility. This significantly raises the risk profile for non-compliant firms.

The evolving tax environment requires a more deliberate and structured approach to compliance and planning. Businesses must fully align with the provisions of the new tax framework, particularly in relation to classification thresholds (turnover and asset base), to manage compliance costs and mitigate audit exposure. Transaction structuring requires closer attention. The extension of capital gains tax to indirect offshore transfers, combined with the increase to 30%, materially raises exit costs. This is particularly relevant for private equity investors, multinational corporations, and technology investors, where investment returns and exit strategies are directly impacted. A reassessment of financial planning, deal structuring, and tax positioning is now essential under the revised regime.



Tax Environment: State of Play

Nigeria's tax framework has shifted materially, with corporate income tax (CIT), value added tax (VAT), withholding tax (WHT), and capital gains tax (CGT) remaining the most relevant to businesses. Recent changes introduce a clearer distinction across company size. Small companies (as defined under the Act based on turnover and asset thresholds, currently referenced at ₦100m turnover) are exempt from CIT, CGT, and development levy. Larger companies now face a CGT increase from 10% to 30%, aligned with CIT and extended to indirect offshore share transfers. A new development levy of 4% of assessable profits has been introduced, alongside a 15% minimum effective tax rate for large and multinational companies. Controlled Foreign Company rules now bring undistributed foreign profits into scope.

Cross-border taxation has tightened. The force of attraction principle expands the taxation of non-residents, while engineering, procurement, and construction contracts are taxable even when partially executed offshore.

On consumption taxes, VAT remains at 7.5%. Input VAT recovery has been expanded to cover all purchases linked to taxable supplies, while essential goods and services are zero-rated. Compliance has become more structured, with VAT fiscalisation and mandatory e-invoicing now central to administration. Mandatory taxpayer registration, enhanced disclosure requirements, and new rules covering surcharges and virtual asset transactions point to a more enforcement-driven system.

The direction is clear: stronger revenue mobilisation, tighter compliance, and broader tax coverage, supported by digital tracking and reduced reliance on manual processes.

Tax Change	Affected Segments	Effective Timing & Implication
Corporate Tax Relief for Small Businesses: Small companies (as defined under the Act based on turnover and asset thresholds, currently referenced at ₦100m turnover and ₦250m in fixed assets).	Small Business	Jan 1, 2026 - Reduces compliance burden and cost of formalisation, while encouraging MSMEs to enter the formal tax system.
Increase in Capital Gains Tax (CGT): CGT for companies increased from 10% to 30%, aligned with CIT.	Large Companies	Jan 1, 2026 - Removes arbitrage between capital gains and operating income, increasing the tax cost of asset disposals.
CGT on Indirect Offshore Share Transfers	Large Companies/ MNEs	Jan 1, 2026 - Offshore disposals of entities deriving value from Nigerian assets are now taxable, increasing exit costs and affecting deal structuring.
Introduction of 4% Development Levy replacing multiple levies	Large Companies	Jan 1, 2026 - Simplifies the levy structure but maintains an additional layer of tax cost on assessable profits.
Minimum Effective Tax Rate (15%) for Large Firms and MNEs	Large Companies/ MNEs	Jan 1, 2026 - Limits the use of incentives to reduce tax liabilities. Cash-based ETR calculation may increase near-term tax outflows and create misalignment with OECD frameworks.
Economic Development Incentive (EDI) replaces Pioneer Status	Large Companies	Jan 1, 2026 - Shifts from tax holidays to investment-linked credits, tying incentives more directly to capital deployment and reinvestment decisions.

Mandatory VAT E-Invoicing and Fiscalisation	All Business	Jan 1, 2026 - Enables real-time transaction reporting, increasing transparency and reducing VAT leakages.
Personal Income Tax Relief: Income up to ₦800,000 exempt from tax.	Individuals	Jan 1, 2026 - Reduces tax burden at lower income levels and supports disposable income.
Controlled Foreign Company (CFC) Rules Introduced	MNEs	Jan 1, 2026 - Undistributed profits of foreign subsidiaries may be taxed locally, reducing incentives for profit retention in low-tax jurisdictions.
Significant Economic Presence (SEP) Rules Introduced	Non-Resident Digital Service Providers	Jan 1, 2026 - Expands tax exposure for digital and remote businesses operating in Nigeria without physical presence.
WHT as Final Tax for Non-Residents (with Conditions)	Non-Resident Companies	Jan 1, 2026 - Simplifies compliance where no PE/SEP exists, but introduces additional obligations where economic presence is established.
4% Minimum Tax on Nigerian-Sourced Income (Non-Residents)	Non-Resident Companies	Jan 1, 2026 - Ensures baseline taxation where WHT is not applied, reducing revenue leakages.
2% Minimum Tax for Non-Resident Shipping & Airline Operators	Transport Operators	Jan 1, 2026 - Introduces a simplified, revenue-based tax regime for cross-border transport activities.
Establishment of Tax Ombud Office	All Taxpayers	Jan 1, 2026 - Provides an independent dispute resolution mechanism, improving accountability in tax administration.
VAT Revenue Sharing Formula Revised	Federal, State, Local Governments	Jan 1, 2026 - Strengthens the link between revenue allocation and consumption activity, increasing subnational incentives for economic tracking.
Institutional Reform: FIRS → Nigeria Revenue Service (NRS)	All Taxpayers	Jan 1, 2026 - Expands central oversight while strengthening coordination across federal and state tax authorities.

Commercial Impact: Cost, Cash Flow, and Strategy

Alongside tax reforms, recent fiscal policy measures including tariff adjustments on key imports also shape cost dynamics for businesses, reinforcing the broader shift in the operating environment.

Large Corporates

Cost Impact: Multiple layers of taxation across federal, state, and local levels continue to drive cost inefficiencies despite reform efforts. Compliance costs are rising, particularly with the transition to real-time reporting through e-invoicing and mandatory digital filings.

Cash Flow Impact: Higher CGT, minimum effective tax requirements, and reduced flexibility in tax planning increase immediate cash outflows. This directly limits retained earnings available for reinvestment, expansion, and shareholder returns.

Operational and Pricing Impact

- Pricing: Cost pressures are being passed through to consumers, particularly in tax-sensitive sectors.
- Restructuring: Firms are revisiting group structures and transaction flows to align with CFC rules and cross-border taxation changes.
- Efficiency: Greater focus on automation and cost optimisation to protect margins.
- Workforce: Cost containment may begin to influence hiring decisions, compensation structures, and workforce planning.

Small and Medium Enterprises (SMEs)

Cost Impact: Direct tax relief provides immediate benefit for qualifying firms. However, compliance costs are shifting rather than disappearing, particularly with the need to adopt digital tax systems and maintain documentation standards. Professional service firms remain excluded from relief thresholds, increasing their relative tax burden.

Cash Flow Impact

- Positive: CIT exemption and reduced withholding tax deductions improve near-term liquidity.
- Offsetting Pressure: Removal of upfront capital allowances increases taxable income in early investment cycles, tightening short-term cash flow.

Operational and Pricing Impact

- Administration: Simplified structures (e.g., unified TIN) reduce friction, but digital compliance requirements raise the operational bar.
- Pricing: Cost pressures, including tax-related costs, may affect competitiveness, particularly in price-sensitive segments.
- Supply Chain: Large corporates are demanding stricter compliance from SME vendors, creating a risk of exclusion for non-compliant operators.

Multinationals and Foreign Investors

Cost Impact: The 15% minimum effective tax rate reduces the value of traditional tax planning strategies and increases overall tax exposure. Incentives are less effective where they do not reduce tax below the minimum threshold. Compliance costs have also increased materially, driven by new reporting requirements and system upgrades.

Cash Flow Impact

- Top-up Taxes: Additional tax liabilities under global minimum tax rules increase immediate cash outflows.
- Timing: Reduced flexibility in capital allowances and incentive structures accelerates tax payments.
- Audit Exposure: Greater scrutiny raises the risk of penalties and introduces variability into cash flow planning.

Operational and Strategic Impact

- Pricing: Cost pressures may be passed through to customers.
- Systems: Significant investment in data, reporting, and ERP upgrades to meet compliance standards.
- Investment Decisions: Tax is becoming less of a primary driver. Market fundamentals, infrastructure, and regulatory stability are gaining importance in location decisions.

Interpretation Watchpoints

Although the broad direction of the reform is clear, certain provisions remain subject to interpretation, administrative clarification, and evolving guidance. Businesses should approach these areas with caution and monitor regulatory developments closely.

- Capital Gains Tax on Indirect Transfers: Application thresholds, valuation methodology, and interaction with existing treaty provisions may require further clarification.

- Controlled Foreign Company (CFC) Rules: The definition of control, treatment of retained earnings, and thresholds for attribution will require careful interpretation, particularly for complex group structures.

- Minimum Effective Tax (15%): Interaction with existing incentives, treatment of deferred tax, and alignment with global minimum tax (Pillar Two) rules may create reporting and computation complexities.

- Hydrocarbon Tax and Legacy Regimes: Transition between PIA and legacy frameworks remains a critical area, with classification having material tax implications.

- VAT Application Across Certain Sectors: Treatment of financial services, insurance-related flows, and digital transactions may evolve as implementation deepen.

Critical Risk Exposures

Compliance Risk

Risk Area	Risk Level	Why It Matters
Late or Missed Tax Filings	High	Penalties are now immediate and material. ₦100,000 applies for the first month of default, with ₦50,000 for each additional month. In the petroleum sector, penalties start at ₦10m from day one. Filing deadlines are now strictly enforced.
Failure to Deduct or Remit Withholding Tax	High	Non-deduction attracts a 40% penalty on the unpaid amount. Failure to remit deducted tax carries criminal liability, including potential imprisonment. This significantly raises enforcement risk.
Inadequate Record-Keeping	High	Records must be retained for a minimum of six years. Tax authorities now have the right to inspect both physical and digital records with minimal notice, increasing exposure to audits and reassessments.
Presumptive Tax Assessments	High	Where records are insufficient, authorities may apply estimated tax assessments. These are typically higher and may not reflect actual financial performance, creating downside risk.
Tax Clearance Certificate (TCC) Gaps	Medium	TCCs are required for key commercial activities, including government contracts and regulatory approvals. Any unresolved tax liability creates immediate business restrictions.
Development Levy Implementation	Medium	The 4% levy consolidates multiple charges into a single framework. While administratively simpler, it introduces an additional, non-discretionary cost layer on profits.

FX and Cross-Border Tax Risk

Risk Area	Risk Level	Why It Matters
Transfer Pricing Compliance	High	Related-party transactions must meet arm's length standards. Weak documentation exposes firms to reassessments, penalties, and potential disallowance of transactions.
Thin Capitalisation Rules	High	Interest on related-party debt exceeding 30% of EBITDA is disallowed. This directly impacts highly leveraged group structures and increases effective tax cost.
Non-Resident Digital Service Providers	High	Non-resident providers are required to charge and remit VAT. Where they fail to comply, the obligation shifts to Nigerian counterparties, increasing cost and administrative burden.
Controlled Foreign Company (CFC) Rules	High	Undistributed profits of foreign subsidiaries may be taxed locally. Structures designed for profit deferral are now directly exposed.
Global Minimum Tax (15%)	Medium	Large groups face top-up tax obligations where effective tax rates fall below 15%. This reduces the benefit of tax planning and increases reporting complexity.

Sector-Specific Risk

Risk Area	Risk Level	Why It Matters
Oil & Gas: Dual Tax Regime and Penalties	High	Companies operate under either the Hydrocarbon Tax (PIA) or legacy Petroleum Profits Tax. Misclassification or late filings carry severe penalties, starting at ₦10m with daily accruals.
Manufacturing: Energy Cost Exposure	Medium	A 5% surcharge on fossil fuels increases input costs for energy-intensive sectors, with limited short-term pricing flexibility.
All Sectors: Digital and Transaction-Level Scrutiny	Low	Increased oversight on stamp duties, VAT on imports, and documentation requirements raises compliance expectations. Errors may result in denial of input credits or capital allowances.

Practical Actions to Consider

Compliance and Governance

- Establish a structured compliance framework: Map all filing deadlines across entities, assign ownership, and implement automated controls to avoid missed obligations.
- Strengthen withholding tax processes: Review payment workflows to ensure accurate deduction and timely remittance, particularly for contractor and service-related payments.
- Regularise tax positions and secure TCC: Resolve outstanding liabilities and maintain a valid Tax Clearance Certificate to avoid disruption to contracts, licensing, and regulatory approvals.

Data, Systems, and Reporting

- Upgrade record-keeping and audit readiness: Digitise legacy records and ensure systems capture transaction-level data required for audits and regulatory reporting.
- Prepare for real-time compliance requirements: Align internal systems with e-invoicing, VAT fiscalisation, and emerging digital reporting standards.

Practical Actions to Consider

Structure, Financing, and Tax Positioning

- Revalidate transfer pricing frameworks: Review intercompany arrangements and update documentation ahead of reporting cycles.
- Reassess financing structures: Model the impact of EBITDA caps and restructure intra-group debt where required.
- Assess exposure to minimum tax and CFC rules: Evaluate effective tax position and identify potential top-up tax or undistributed profit exposure.
- Revisit group and holding structures: Align offshore structures and profit distribution policies with the evolving cross-border tax framework.

Transactions, Counterparties, and Operations

- Review cross-border payment exposure: Identify foreign service providers, confirm applicable tax treatment, and align contracts and payment processes.
- Tighten import and cost documentation: Ensure customs records are complete and incorporate additional charges into financial planning.
- Confirm regulatory and licensing alignment: Validate licence classifications and ensure operations sit within the appropriate tax and regulatory framework.

Emerging Risk Areas

- Prepare for increased scrutiny on digital assets: Confirm accounting treatment and reporting for digital transactions in line with evolving regulation.

Sector-Level Tax Implications

Sector	Key Impact	Implications for Business Decisions
Banking	Banks with offshore treasury operations, foreign currency lending, and digital banking offerings face exposure to Controlled Foreign Company (CFC) rules, minimum tax (Pillar Two) obligations, and VAT on digital services. Intra-group funding structures are also directly impacted by thin capitalisation limits.	Reassess group treasury structures and intercompany funding arrangements. Evaluate minimum tax exposure for groups within scope. Map VAT obligations across digital products and service lines, particularly fintech-related offerings.
Oil & Gas	Transition to Hydrocarbon Tax under the PIA introduces a 65% cost-to-revenue cap and price-linked royalties, increasing sensitivity to oil price movements. Dual regime persists for unconverted licenses under legacy PPT, creating structural complexity.	Model cashflows under cost caps and varying price scenarios. Pressure-test royalty exposure across different oil price assumptions. Confirm license classification, as treatment under PIA vs PPT has material financial implications.
Manufacturing	Rising input costs from energy-related charges, including fossil fuel surcharges. R&D deductions are capped at 5% of turnover. Incentives are now structured around investment-linked credits under the Economic Development Incentive (EDI), providing a 5% annual tax credit for an initial five-year period, with potential extension where reinvestment conditions are met.	Align capital investment plans to meet qualifying thresholds for incentives. Optimise R&D spend within allowable limits. Reassess cost structures and pricing strategies to manage margin impact.
Trade / Import	Heightened scrutiny on cross-border payments, including withholding tax obligations on offshore service providers, VAT self-accounting on imported services, and stricter documentation requirements. FX-linked transactions remain a key audit focus.	Map all foreign payment flows and ensure correct WHT treatment and documentation. Review supplier contracts with offshore service components. Strengthen documentation and compliance processes around import and FX-related transactions.

Operating Considerations

The shift in the tax environment introduces a more structured and immediate interface between business activity and regulatory oversight.

Tax is becoming increasingly embedded in:

- transaction flows (particularly cross-border payments and digital services)
- operational structures (including group financing and supply chains)
- access to critical business enablers (such as contracts, approvals, and licences)

As a result, tax considerations are no longer periodic. They are becoming continuous and transaction-linked, with implications for how businesses manage liquidity, structure operations, and engage across counterparties.

This places greater emphasis on:

- early identification of tax exposure within business activity
- alignment between finance, operations, and compliance functions
- timely interpretation of regulatory changes as they emerge

The practical impact is that tax considerations are increasingly shaping how businesses structure transactions, manage cross-border activity, and maintain compliance continuity across operations.

This reinforces the need for more deliberate tax positioning, supported by timely interpretation and alignment with evolving regulatory expectations.

Disclaimer

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First Bank of Nigeria Limited (“FirstBank”) is the premier bank in West Africa and Nigeria’s oldest banking institution, with a legacy dating back to 1894. Established as the Bank of British West Africa, the institution has evolved over more than a century into a leading financial services provider with deep roots in the Nigerian economy and a growing international footprint.

As the core operating entity of First HoldCo Plc, FirstBank provides a comprehensive range of retail, commercial, and corporate banking services. The Bank serves over 43 million customer accounts through an extensive network of more than 820 business locations and over 280,000 agent banking outlets, supported by robust digital banking platforms.

FirstBank’s operations extend beyond Nigeria, with a presence across key African markets and international financial centers, enabling it to support cross-border trade, investment flows, and diaspora banking needs. The Bank remains a critical participant in financial intermediation across sectors, supporting individuals, businesses, and institutions.

With over 13 decades of continuous operation, FirstBank has played a central role in the development of Nigeria’s financial system. Its history reflects a consistent focus on financial inclusion, innovation, and the delivery of development-oriented banking services.

Guided by its vision to be “Africa’s Bank of first choice,” FirstBank continues to strengthen its position through disciplined execution, technology-driven service delivery, and a commitment to supporting sustainable economic growth.

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