



A Telecommunications Media and Technology Centric Assessment of Nigeria's Tax Reform Framework

LAGOS | ABUJA | CALABAR



INTRODUCTION

The enactment of the Nigeria Tax Act 2025 (NTA), together with its companion statutes, the Nigeria Tax Administration Act (NTAA), the Nigeria Revenue Service (Establishment) Act (NRSEA), and the Joint Revenue Board (Establishment) Act (JRBEA), marks the most far-reaching overhaul of Nigeria's fiscal framework in over three decades. Beyond consolidation, these reforms represent a deliberate pivot from analogue, fragmented tax administration to a digitally enabled, substance-based revenue system aligned with modern economic realities.

This article provides a structured, TMT-focused appraisal of the new tax architecture, examining institutional changes, company classification, sector-specific reliefs, digital asset taxation, VAT fiscalisation, incentive redesign, and emerging compliance risks. It is intended as a practical and strategic guide for telecom operators, technology companies, investors, and advisers navigating Nigeria's digitised revenue framework.

INSTITUTIONAL RE-ENGINEERING: FROM FIRS TO THE NIGERIA REVENUE SERVICE

A cornerstone of the reforms is the replacement of the Federal Inland Revenue Service (FIRS) with the Nigeria Revenue Service (NRS). This change is not cosmetic. The NRSEA establishes the NRS¹ as a technologically empowered authority with exclusive responsibility for federal tax administration, supported by real-time data capture, electronic reporting, and automated enforcement tools.

For TMT stakeholders, the NRS becomes the single federal interface for compliance across Companies Income Tax (CIT), Value Added Tax (VAT), Capital Gains Tax (CGT), and digital economy levies. Its mandate expressly contemplates technology-driven administration, including:

- deployment of a National Single Window for tax reporting;
- VAT fiscalisation through mandatory electronic invoicing; and
- enhanced information-gathering and transaction monitoring powers.

This institutional redesign is complemented by the Joint Revenue Board (JRB)², established under the JRBEA to harmonise tax administration across federal, state, and local governments. Historically, TMT operators, particularly telecoms and digital platforms, have borne the brunt of multiple taxation and regulatory overlap at subnational levels. The JRB's coordination mandate is therefore critical to reducing duplicative levies, informal enforcement, and compliance uncertainty.

The reforms also introduce two notable accountability mechanisms: the Tax Appeal Tribunal³, with specialised jurisdiction over complex tax disputes, including those involving digital assets, and the

¹ Section 3(1) of the Nigeria Revenue Service (Establishment) Act, 2025.

² Section 3(1) of the Joint Revenue Board of Nigeria (Establishment) Act, 2025.

³ Section 23(1) of the Joint Revenue Board of Nigeria (Establishment) Act, 2025.

Office of the Tax Ombud⁴. The Ombud provides an accessible channel for resolving administrative grievances, offering particular value to startups and SMEs that lack the resources for protracted litigation.⁵

COMPANY RECLASSIFICATION AND THE NEW STARTUP FISCAL LANDSCAPE

The NTA 2025 fundamentally restructures the classification of companies for tax purposes. The previous tripartite distinction between small, medium, and large companies is replaced with a binary system: small companies and other companies.

Under section 202 of the NTA, a company qualifies as a small company where:

- it has a gross turnover of ₦50 million or less per annum; and
- total fixed assets do not exceed ₦250 million.

Eligible small companies enjoy full exemption from Companies Income Tax and Capital Gains Tax.⁶ This relief is automatic, flowing directly from statutory thresholds rather than discretionary certification or sectoral labelling.

For the technology ecosystem, this change is material. Early-stage software developers, app builders, and regional SaaS providers benefit from improved liquidity at precisely the stage where reinvestment in product development, talent acquisition, and market expansion is most critical. Unlike the Nigerian Startup Act, which hinges on regulatory designation, the NTA's approach democratises access to relief and reduces administrative friction.

However, the Act expressly excludes companies providing professional services from this exemption, even where financial thresholds are met.⁷ This carve-out has significant implications for tech-adjacent businesses such as cybersecurity consultancies, managed services providers, and bespoke software development firms operating on a fee-for-service model. For such entities, structural decisions around productisation (converting custom services into standardised software products), licensing, and revenue models may now carry direct tax consequences.⁸

TELECOMMUNICATIONS

For the telecommunications sector, the 2025 reforms deliver long-awaited relief alongside administrative simplification. Most notably, the 5% excise duty on telecom services, covering voice, SMS, and data services, has been abolished. The excise duty, first introduced under the Finance Act 2020 and subsequently suspended, was widely criticised as regressive and counterproductive to digital inclusion.

Its removal lowers the cost base for operators and consumers alike, supporting broadband penetration and data affordability, both of which are foundational to Nigeria's digital inclusion ambitions.

Equally significant is the consolidation of multiple sectoral levies into a single 4% Development Levy⁹ on assessable profits. This levy replaces, among others:

- the NITDA Levy;
- the NASENI Levy; and

⁴ Section 36(1) of the Joint Revenue Board of Nigeria (Establishment) Act, 2025.

⁵ Section 41(1) of the Joint Revenue Board of Nigeria (Establishment) Act, 2025.

⁶ Section 56(a) of the Nigeria Tax Act, 2025.

⁷ Section 202 of the Nigeria Tax Act, 2025.

⁸ **Section 56(6) of the Nigeria Tax Act, 2025.** (This section defines "small companies" but excludes those engaged in "professional services" from the 0% tax incentive, creating a significant distinction for tech firms.)

⁹ Section 59 of the Nigeria Tax Act, 2025.

- the Tertiary Education Tax.

While the aggregate rate is broadly comparable to the combined historical burden, consolidation simplifies compliance and reporting. Operators now deal with a single levy, a single base, and a unified remittance framework.

Importantly, the NTA ring-fences portions of the Development Levy for sectoral development, including dedicated allocations to ICT advancement and cybersecurity. This ensures continuity of funding for digital infrastructure and skills, notwithstanding the unification of collection.

INTELLECTUAL PROPERTY, DIGITAL ASSETS, AND CAPITAL GAINS

The NTA reflects a decisive shift in Nigeria’s approach to taxing intangible value. The definition of chargeable assets for CGT purposes has been expanded to expressly include digital and virtual assets, incorporeal rights, and other forms of intangible property.¹⁰

For large companies, the CGT rate on the disposal of such assets has increased from 10% to 30%, aligning it with the standard CIT rate. This alignment is designed to close arbitrage opportunities where income was historically structured as capital gains to benefit from lower rates.¹¹

Of particular relevance is the concept of “deemed location”¹² for intangibles. Tax exposure is no longer determined solely by registration or legal ownership, but by where value is created, controlled, or economically exploited. Software licences, proprietary algorithms, data sets, and platform IP monetised in Nigeria may therefore attract Nigerian tax, even where legal title sits offshore.

Balancing this tightening is a targeted incentive for startup exits. Gains realised by angel investors, venture capital funds, or private equity investors on the disposal of assets in qualifying startups are exempt, provided the assets have been held in Nigeria for at least 24 months.¹³ This provision encourages patient capital and supports sustainable ecosystem growth rather than speculative churn.

NON-RESIDENT DIGITAL SERVICES AND SIGNIFICANT ECONOMIC PRESENCE

The NTA refines Nigeria’s Significant Economic Presence (SEP) rules, focusing squarely on Non-Resident Companies (NRC)¹⁴ providing digital services to Nigerian users. Where an NRC derives ₦25 million or more annually from Nigeria-sourced digital activities, it becomes subject to Nigerian tax on attributable profits.

In practice, NRCs without a physical presence may be taxed through:

- a 10% withholding tax on relevant fees, treated as final tax; or
- a flat 4% tax on Nigeria-sourced turnover where WHT does not apply.

These rules bring global digital platforms—streaming services, cloud providers, online advertisers, and e-commerce operators—more firmly within Nigeria’s tax net, aligning domestic practice with OECD-led digital taxation trends.

Notably, the Act also provides certainty for remote work arrangements. Non-resident employees of technology and creative businesses are exempt from Nigerian tax where their income is already taxed

¹⁰ Section 146 of the Nigeria Tax Act, 2025 (amending Section 3 of the Capital Gains Tax Act).

¹¹ Sections 33 and 56 of the Nigeria Tax Act, 2025.

¹² Section 46(f) of the Nigeria Tax Act, 2025

¹³ Section 143(1)(m) of the Nigeria Tax Act, 2025.

¹⁴ Section 17(1) and (2) of the Nigeria Tax Act, 2025.

in their country of residence.¹⁵ This supports cross-border collaboration and reinforces Nigeria's role as a hub in the global digital labour market.

VAT FISCALISATION AND REAL-TIME COMPLIANCE

Perhaps the most operationally disruptive element of the reforms is the introduction of VAT fiscalisation.¹⁶ From 1 January 2026, taxable persons must issue VAT invoices through NRS-approved Electronic Fiscal Systems¹⁷, enabling real-time validation and reporting.

For digital businesses, this entails:

- API integration with the NRS platform;
- issuance of invoices bearing unique reference numbers, QR codes, and digital signatures; and
- near-instantaneous reporting of B2C and B2B transactions.

High-volume digital sectors, including SaaS, fintech, payment processing, digital advertising, and crypto platforms, are prioritised for early integration. Non-compliance attracts significant penalties, underscoring the need for early system readiness.

The NTA further clarifies the reverse charge mechanism for imported digital services. Nigerian businesses procuring software or digital tools from foreign suppliers must self-account for VAT, while exported digital services are zero-rated, allowing Nigerian tech companies to recover input VAT and compete more effectively in global markets.

FROM PIONEER STATUS TO PERFORMANCE-BASED INCENTIVES

The repeal of the Industrial Development (Income Tax Relief) Act and the introduction of the Economic Development Tax Incentive (EDTI) signal a philosophical shift in Nigeria's incentive regime.¹⁸ Blanket tax holidays now give way to performance-linked tax credits tied to actual capital deployment.

Under the EDTI, qualifying companies earn an annual tax credit of 5% of qualifying capital expenditure over a five-year period, with unused credits carried forward for a further five years. Eligibility is aligned with designated priority sectors, many of which intersect directly with TMT activities, including digital services and technology-enabled infrastructure.

This approach rewards measurable investment rather than mere sectoral classification, encouraging depth, scale, and long-term commitment.

COMPLIANCE RISKS, GAPS, AND TRANSITIONAL CHALLENGES

Despite its ambitions, the new framework is not without flaws. Analysts have identified several gaps and inconsistencies with direct implications for TMT stakeholders. Foremost among these is the restriction on deducting foreign currency expenses at rates above the official CBN rate¹⁹, notwithstanding market realities. For tech companies reliant on foreign software, cloud services, and licences, this effectively increases the tax base.

Uncertainty also surrounds the treatment of capital losses outside digital assets and inconsistencies in withholding tax rules for non-resident insurance premiums. Additionally, reported discrepancies between the National Assembly's certified texts and the gazetted laws, particularly around reporting thresholds and enforcement powers, raise rule-of-law and compliance predictability concerns.

¹⁵ Section 13(2)(a)(b) of the Nigeria Tax Act, 2025.

¹⁶ Section 158(1) of the Nigeria Tax Act, 2025.

¹⁷ Section 23 of the Nigeria Tax Administration Act, 2025.

¹⁸ Section 166 of the Nigeria Tax Act, 2025. See also the Tenth Schedule of the Act for the priority sectors.

¹⁹ Section 20(4) of the Nigeria Tax Act, 2025.

CONCLUSION

The tax reforms represent a decisive reorientation of fiscal policy toward economic substance, digital activity, and real-time compliance. For the TMT sector, the reforms offer tangible benefits—reduced telecom levies, startup tax exemptions, and export-friendly VAT rules—alongside heightened obligations, increased transparency, and tighter enforcement.

Success under the new regime will depend on early system integration, careful IP and investment structuring, and proactive engagement with the NRS framework. As Nigeria seeks to expand its tax-to-GDP ratio, the TMT sector will remain central to that ambition. The 2026 commencement date should therefore be treated not as a formality, but as a strategic deadline for readiness in the most consequential tax transition of a generation.

CONTACTS



ROTIMI AKAPO

rotimi.akapo@advocaat-law.com



ADEYEMI OWOADE

adeyemi.owoade@advocaat-law.com



INIMFON EKPENYONG

inimfon.ekpenyong@advocaat-law.com



FAVOUR ODUNOWO

favour.odunowo@advocaat-law.com



LAGOS OFFICE

13 Norman Williams Street
Off Keffi Street, Ikoyi
Lagos Nigeria

ABUJA OFFICE

Nigerian National Merit Award House Enspire
1st Floor Room 3
Plot 22 Aguiyi Ironsi Way Maitama Abuja
Nigeria

CALABAR

Akom Building
15 Murtala Mohammed Highway Calabar
Cross River
Nigeria

TELEPHONE: (LOS)+234 02014547932 (ABJ)+234 8105340496

EMAIL: info@advocaat-law.com

WEBSITE: www.advocaat-law.com