B&C Babalakin & Co.
LEGAL PRACTITIONERS

TAX ALERT

General Transition Guidelines for the tax Acts issued pursuant to Section 200 of the Nigeria Tax Act 2025 and Section 144 of the Nigeria Tax Administration Act 2025: Implications for Taxpayers, Practitioners, and Industry Stakeholders

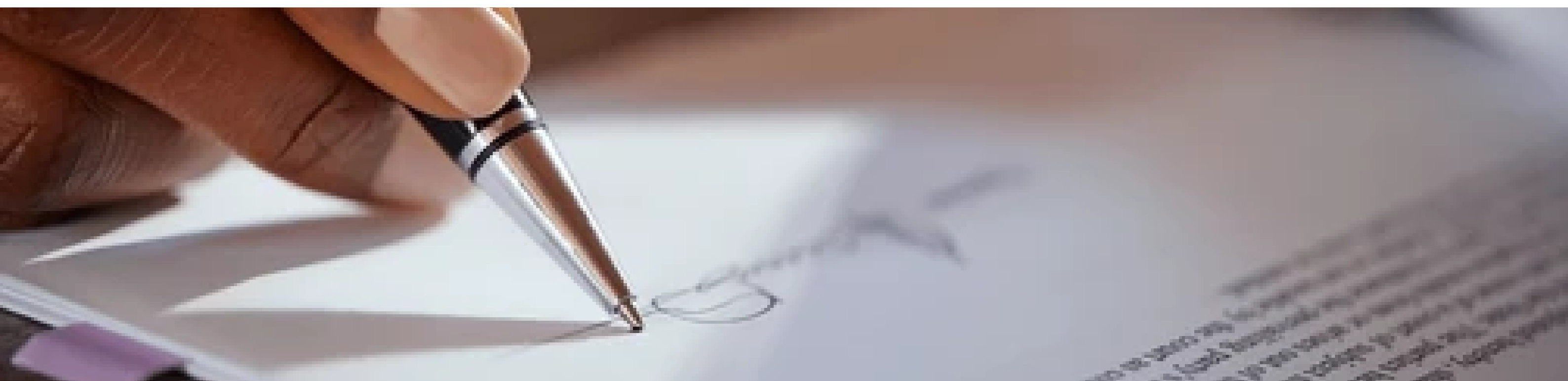
1.0. Introduction

On 26 June 2025, President Bola Ahmed Tinubu signed into law, four landmark tax statutes, namely, the Nigeria Tax Act 2025 (NTA), the Nigeria Tax Administration Act 2025 (NTAA), the Nigeria Revenue Service (Establishment) Act 2025 (NRSA), and the Joint Revenue Board (Establishment) Act 2025 (JRB Act). These Acts repeal several existing statutes and introduce a unified, modern tax framework. To support implementation of the Acts, the Federal Ministry of Finance recently issued the General Transition Guidelines (the "Guidelines"), effective 1st January 2026.

2.0. Key Highlights of the Guidelines

2.1. Purpose and Legal Basis

2.2. The Guidelines are made pursuant to section 144 of the NTAA and section 200 of the NTA, grounding them in statutory authority. The Guidelines articulate six objectives including the need to ensure consistent application, provide transition rules, prevent retroactive application, resolve internal ambiguities, address external conflicts, and provide operational clarity.



3.0. Transitional Arrangements: General Principles

3.1. Prospective application

3.2. The Guidelines state that assessments for precommencement periods remain under repealed laws, a position upheld in Accugas Ltd v FIRS, where the court ruled tax amendments cannot apply retroactively.

3.3. Filing, Disputes, and Incentives

3.4. Returns due before commencement must use repealed-law forms, while those due after must follow new Acts. Existing forms remain valid until replaced. Appeals and objections filed before commencement continue under old rules, but new objections follow procedures in the new Acts regardless of assessment year. Incentives under repealed laws remain until expiry, while new and pending applications are governed by the new Acts. Taxpayers must keep records under old laws for statutory periods, with new record- keeping rules applying prospectively.

4.0. Prevention of Retroactive Application

4.1. By the Guidelines, transactions before commencement shall not be assessed under the new Acts, and penalties, rates, and obligations shall not apply retrospectively.

4.2. For PAYE, 2025 income taxed under repealed laws remains so, while compensation from January 2026 follows the new Acts; direct assessments for due for 2025 shall follow the repealed laws. Companies are taxed based on basis periods: those ending before January 1st, 2026 shall use repealed laws, while later periods shall use the new Acts.

4.3. Earmarked taxes for periods ending before commencement remain under old laws; those ending after are subject to the new 4% levy under the NTA, distributed across specified funds. Small company protections are expanded under the new Acts, with turnover threshold raised from ₦25m to ₦100m and assets to ₦250m; old thresholds apply precommencement, new ones postcommencement. Taxpayers may, with NRS approval, elect to file precommencement returns under the new Acts if advantageous.

5.0. Transaction Taxes and Spanning Contracts

5.1. Transactions completed before 31st December 2025 are taxed under repealed laws for WHT, VAT, and stamp duties, even if payment comes later; post commencement transactions fall under the new Acts unless prepaid. For contracts spanning commencement, only the portion executed after commencement is taxed under the new Acts, preserving vested rights. Tax authorities must update controls, audits, and enforcement tools to prevent retroactive assessments.

6.0. Resolving Conflicts

6.1. The Guidelines identify five conflict sources, i.e. residual repealed provisions, definitional differences, old regulations, threshold gaps, and compliance variations and set a hierarchy: the new Acts override inconsistent laws; conflicting provisions are resolved by legislative intent, neutrality, and simplicity; and unresolved ambiguities favor taxpayers. Overall, the Guidelines aim to minimize disputes, protect taxpayers, and affirm the new Acts as the ultimate authority.

7.0. Administration and Compliance

7.1. The Guidelines establish a tripartite governance structure: the NRS administers the Acts and issues administrative regulations; the Minister maintains policy oversight; and the Joint Revenue Board supports harmonizes administration across the federation. Every taxpayer must register with the relevant tax authority; Tax IDs will be standardized and linked to the national identity framework. Filing deadlines, payment channels, and electronic platforms will be detailed in subsequent administrative notices.

8.0. Key Implications for Stakeholders

8.1. For December year end tax payers, 2025 is fully under repealed laws and 2026 under the new Acts. Non-calendar year ends, such as June 30, 2026, are wholly subject to the new Acts without proration, even if part of the income was earned in 2025. The raised thresholds (₦100m turnover, ₦250m assets) ease burdens on small businesses, encouraging formalisation, while practitioners must manage dual expertise for old and new regimes. For investors and multinationals, earmarked levies are replaced with a unified 4% development levy, and a 15% minimum effective tax rate aligns with OECD Pillar Two. Safeguards like conflict resolution rules and tax PAYE favoring interpretations are built in, but effective implementation depends on consistent administration by the Nigeria Revenue Service.

9.0. Conclusion

9.1. The Transition Guidelines provide clarity and certainty during Nigeria's tax reforms by ensuring prospective application, clear transitional rules, conflict resolution mechanisms, and safeguards against retroactivity, thereby reducing disputes and reinforcing taxpayer confidence. Strengths include preserved incentives, clear filing rules, and taxpayerfavoring interpretations, which maintain investor trust. Taxpayers and advisers must review transactions, filings, and incentives, keep strong documentation, and engage proactively with authorities. Successful transition depends on vigilance, preparation, and active participation.

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