

COMMENTARY NOTE

Transitional Guidelines on the Nigeria Tax Reform Acts, 2025

Effective Commencement Date: 1 January 2026

Prepared by Alliance Professional Services

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At a Glance

This note summarises the General Transition Guidelines for the Tax Acts 2025 (*the Guidelines*), issued by the Federal Ministry of Finance pursuant to section 144 of the Nigeria Tax Administration Act, 2025 and section 200 of the Nigeria Tax Act, 2025, to govern the transition from the repealed tax laws to the Nigeria Tax Act, 2025; the Nigeria Tax Administration Act, 2025; the Nigeria Revenue Service (Establishment) Act, 2025; and the Joint Revenue Board (Establishment) Act, 2025 (together, *the new Acts*). It highlights how the transitional rules are likely to affect clients' tax positions and is intended as a general, high-level guide only.

1.0 Introduction

The Guidelines provide rules to assist taxpayers and other stakeholders in transitioning from the repealed tax laws to the new Acts, and are intended to prevent retroactive application of the new Acts, resolve ambiguities or conflicts within and outside the new Acts, and provide operational clarity for tax authorities and taxpayers alike.

1.1 Commencement: The Guidelines apply to tax returns due for filing from 1 January 2026 (*the commencement date*). (*Guidelines, para. 2*)

2.0 General Transition Principles

- The new Acts apply prospectively from the commencement date, except where the new Acts expressly provide otherwise in respect of a specific matter, as opposed to a general rule.
- No tax, penalty, surcharge, interest, filing obligation, or administrative requirement under the new Acts applies to any period before the commencement date.
- Where an assessment, compliance, or enforcement action relates to a period before commencement, it remains governed by the law applicable to that period. (*Guidelines, para. 5*)

ACTION POINT — Before responding to any assessment, audit query, or compliance request, first establish the period to which it relates. Where that period predates 1 January 2026, the repealed laws – not the new Acts – govern the substantive position.

3.0 Individuals – PAYE and Direct Assessment

Employees under PAYE

- 2025 employment income, where PAYE was deducted and remitted monthly under the repealed laws up to December 2025, will continue to be filed and assessed under the repealed laws when 2026 returns are filed.
- Compensation payable from January 2026 onward is taxed under the new Acts.

Individuals on Direct Assessment

- Income earned in 2025, even though the related return is filed in 2026, is taxed under the repealed laws.
- Income earned from January 2026 is taxed under the new Acts. (*Guidelines, para. 10.1.1*)

Applicable test: when was the income earned or paid – not when is it being filed or assessed.

ACTION POINT — Split 2025/2026 payroll and direct-assessment income records into pre- and post-1 January 2026 schedules now, so that 2026 filings are not inadvertently computed across both regimes.

4.0 Companies

- Where a company's basis period ends before 1 January 2026, Companies Income Tax (CIT) for that period is computed entirely under the repealed laws, notwithstanding that filing and payment may fall due after commencement.
- Where the basis period ends on or after 1 January 2026, the new Acts apply to that period. (*Guidelines, para. 10.1.2(1)*)

Applicable test: what is the company's basis period end date?

ACTION POINT — Confirm each entity's basis period end date. This single date determines which full set of rules – rates, reliefs, and computational basis – applies to the entire CIT filing for that period.

5.0 Earmarked Levies (TETFUND, NASENI, NITDA)

- For accounting periods ending before the commencement date, the existing earmarked levies continue to apply under the repealed laws.
- For accounting periods ending on or after 1 January 2026, these levies are superseded by the new Development Levy under the new Acts; the repealed earmarked levies do not apply to that period. (*Guidelines, para. 10.1.2(2)*)

ACTION POINT — Confirm the relevant accounting period end date to determine whether the legacy earmarked levies or the new Development Levy applies, and avoid duplicating both on the same period.

6.0 Small and Medium-Sized Companies

- For basis periods ending before 1 January 2026, the repealed-law thresholds apply: turnover not exceeding ₦25 million qualifies as “small.”
- For basis periods ending on or after 1 January 2026, the new Acts apply: turnover not exceeding ₦100 million and assets not exceeding ₦250 million. (*Guidelines, para. 20 – “small company”*)

ACTION POINT — Where turnover or asset values fall between the old and new thresholds, reassess classification under both regimes. Some companies may newly qualify for small-company status, and its associated reliefs, under the new Acts even where they did not qualify under the repealed laws.

7.0 Voluntary Early Adoption

- With the prior written approval of the relevant tax authority, a company may elect to file a pre-commencement accounting period under the new Acts instead of the repealed laws. This requires a formal application; written approval must be obtained before the election is given effect. (*Guidelines, para. 10.1.2(4)*)

ACTION POINT — Where early adoption of the new Acts would clearly benefit a company for a pre-commencement period, contact us before the filing deadline so we can assess eligibility and prepare the formal election application. The new Acts should not be applied to a pre-commencement period without the tax authority’s prior written approval.

8.0 Transaction Taxes

- Goods delivered or services rendered up to 31 December 2025 remain subject to withholding tax (WHT), VAT, and stamp duty under the repealed laws, irrespective of when payment is actually made.
- Goods delivered or services rendered from 1 January 2026 are subject to the new Acts, except where payment was made in advance before the commencement date, in which case the repealed rules continue to apply to that advance payment. (*Guidelines, para. 10.2.1*)

ACTION POINT — Tag invoices and supplies around the year-end by reference to delivery or performance date – not invoice or payment date – so that the correct WHT, VAT, and stamp duty treatment is applied. Where the timing of the deduction obligation under the new Acts is unclear for a specific transaction, please raise this with us before treatment is finalised, rather than relying on a general rule of thumb.

9.0 Contracts Spanning Both Regimes

- Where a contract is entered into before 1 January 2026 but performance continues afterward, only the portion of work executed from 1 January 2026 is taxed under the new Acts.
- Sums received before the commencement date remain taxable under the repealed laws. (*Guidelines, para. 10.2.2*)

ACTION POINT — For contracts spanning the year-end, prepare an apportionment schedule splitting consideration by performance date (before/after 1 January 2026) so that each portion is taxed under the correct regime. We can assist in building this schedule.

10.0 Filing Obligations

- Returns due for filing before the commencement date must be filed using the existing forms and procedures under the repealed laws.
- Returns due on or after the commencement date must be filed using the rules, forms, schedules, or electronic templates issued under the new Acts.
- Existing forms and procedures remain valid after commencement pending the introduction of replacement forms and procedures. (*Guidelines, para. 6*)

ACTION POINT — Determine the correct forms by reference to the filing due date, not the period the return covers. Where new forms have not yet been issued for a post-commencement filing, continue to use the existing forms pending further guidance from the NRS.

11.0 Treatment of Pending Disputes and Appeals

- Any appeal or objection filed before the commencement date continues to be governed by the procedure under the repealed laws.
- Where a taxpayer raises an objection after the commencement date, the procedure under the new Acts applies, regardless of the year of assessment in dispute.
- The transitional interpretation in the Guidelines applies for the purposes of resolving such disputes. (*Guidelines, para. 7*)

ACTION POINT — For any open objection or appeal, confirm the date it was originally filed. Where a new objection is contemplated – including in respect of an older assessment – expect the new Acts' procedures and timelines to apply, and consult us before filing.

12.0 Transition for Incentives, Exemptions and Reliefs

- Incentives granted under the repealed laws continue to apply until their stated expiration.
- Provisions of the new Acts apply to new applications, and to applications for incentives, exemptions, or reliefs that remain pending as at the commencement date. (*Guidelines, para. 8*)

ACTION POINT — Maintain a register of any pioneer status, exemption, or relief currently held, with expiry dates. Where an application is pending, expect it to be assessed against the new Acts' criteria, and review the application against those requirements.

13.0 Record Keeping

- Records relating to periods governed by the repealed laws must continue to be retained for the full statutory retention period applicable under those laws.
- New record-keeping requirements introduced under the new Acts apply prospectively only. (*Guidelines, para. 9*)

ACTION POINT — Do not dispose of pre-2026 records by reference to retention periods under the new Acts. Confirm the applicable retention period under the repealed laws for each record type before archiving or destroying any records.

14.0 Consolidated Action Checklist

1. Identify transactions, contracts, and accounting periods spanning 1 January 2026, and tag them for split treatment.
2. Confirm each entity's basis period end date – this determines which full regime applies to its CIT position.
3. Review long-term contracts for milestone or delivery dates to correctly apportion WHT, VAT, and stamp duty.
4. Reassess small/medium company classification under both the old and new thresholds.
5. Retain (do not discard) records relevant to pre-2026 periods for their full statutory retention period under the repealed laws.
6. Where early adoption of the new Acts may be beneficial, discuss the formal election process with us well ahead of the filing deadline.
7. Register or update Tax IDs in line with the unified registration framework under the new Acts.
8. Confirm whether existing appeals, objections, or incentive applications were filed before or after commencement, to identify the applicable procedure.
9. Continue using existing filing forms and procedures until the relevant tax authority issues replacement forms or templates.
10. Reconcile computations already filed via REV360 against the position under the Guidelines, and flag any discrepancies to us promptly.

Practical Observation – REV360 and the NRS's Current Position

Based on our observations to date, the Guidelines' prospective (non-retroactive) treatment of basis periods for companies appears, in practice, to be at variance with the current operation of the NRS's tax computation portal, REV360. We understand REV360 has been configured by reference to the new Acts, with no apparent option to compute pre-commencement periods under the repealed laws. We are also aware that a number of companies filed computations on REV360 under the new Acts before the Guidelines were issued.

Clients should accordingly anticipate possible inconsistencies between the Guidelines and actual outcomes on REV360, and should **speak with us directly** before regularising, amending, or relying on any computation already filed on the platform under the new Acts. This observation reflects our current understanding of the portal's operation and the NRS's administrative practice as at the date of this note, both of which remain subject to change.

Disclaimer: This commentary note has been prepared by Alliance Professional Services for general guidance only, based on the General Transition Guidelines for the Tax Acts 2025 as issued and publicly available as at the date of this note. It is not exhaustive, does not constitute tax, legal, or other professional advice, and must not be relied or acted upon as such. The application of the transitional rules described above may vary depending on a reader's specific facts and circumstances, and administrative practice (including on platforms such as REV360) may differ from the position stated in the Guidelines. Alliance Professional Services accepts no responsibility or liability for any loss occasioned to any person who acts, or refrains from acting, in reliance on this note. **Readers should contact Alliance Professional Services before taking any action or making any decision based on the matters discussed in this note.**