

THE NEW TAX REGIME AND LEGAL PRACTITIONERS, A PAPER PRESENTED BY DR MUIZ BANIRE, SAN, OON ON THE 11TH DAY OF DECEMBER 2025 AT THE 9TH ANNUAL COLLUQUIUM OF OF NIGERIAN BAR ASSOCIATION YOUNG LAWYERS' FORUM, ADO-EKITI BRANCH

INTRODUCTION

Good day to my colleagues at the Inner and Outer Bar, ladies and gentlemen. I am honoured by the privilege to speak on this vital topic at a time when Nigerians are keen to understand, debate, and internalise the newly enacted tax laws in our country. In an era where nations are racing to strengthen their economic systems, Nigeria stands at the starting line of a new era. Today's presentation addresses a matter that affects every citizen (particularly lawyers), every business, and indeed the future of our national development. This paper aims to shed light on the new tax legislation, the likely challenges and propose actionable pathways for reform.

It is trite and elementary that taxation is a compulsory levy imposed by the government on the income, property, and profits of individuals and corporate entities. In *MTN v. BIRS (2021) LPELR-56259(CA)*, the Court affirmed that taxation is the means by which a government or taxing authority imposes tax obligations on its citizens and business organisations.

Undoubtedly, in Nigeria, the level of tax evasion and tax avoidance among both corporate bodies and individuals is relatively high when compared with other jurisdictions. This is evident in the increasing volume of tax-related litigation and the intensified enforcement actions undertaken by tax authorities. For decades, Nigerian tax authorities have also struggled to bring the expansive informal sector within the tax net, with minimal success. Consequently, comprehensive tax reform in Nigeria is long overdue.

Nigeria's fiscal landscape recently experienced a profound transformation on 26 June 2025, when President Bola Ahmed Tinubu assented to the following four (4) pivotal Tax Reform Acts, namely:

- a. the Nigeria Tax Act (NTA),
- b. Nigeria Tax Administration Act (NTAA),
- c. Nigeria Revenue Service (Establishment) Act (NRSA), and
- d. the Joint Revenue Board (Establishment) Act (JRBA).

With effect from the 1st day January 2026, these enactments consolidate more than 50 previously scattered tax statutes, repeal outdated legislation such as the Companies Income Tax Act, Capital Gains tax Act, Stamp Duties Act, Petroleum Industry Act and the Value Added Tax Act among others. These newly enacted Acts also introduced a unified and streamlined framework designed to raise Nigeria's tax-to-GDP ratio to 18% while promoting equity, simplicity, and administrative efficiency.¹

For Legal Practitioners, this development is more than a legislative milestone, it represents a paradigm shift. It reshapes their dual roles: first, as taxpayers confronted with heightened compliance obligations within their own practices; and second, as expert advisors and representatives, guiding clients through complex tax regulations, ensuring compliance, structuring transactions in a tax-efficient manner, and advocating for clients in disputes with tax authorities. Accordingly, lawyers are expected to interact with tax law both as taxpayers and as indispensable professionals within the tax administration framework.

¹ <https://www.pwc.com/ng/en/publications/the-nigerian-tax-reform-acts.html>

This paper examines the core provisions of the new tax regime, analyses its implications for the legal profession, and proposes strategic pathways for adaptation, highlighting how these reforms demand a reimagining of legal practice within a digitised, incentive-driven tax ecosystem.

OVERVIEW OF THE NEW TAX REGIME: CORE PROVISIONS

The newly enacted Acts harmonise Nigeria's tax architecture, embedding global standards, including principles that aligns with the digital taxation principles of the Organisation for Economic Co-operation and Development (OECD) while remaining sensitive to domestic priorities such as revenue autonomy and fiscal federalism². Moving from consolidation to innovation, the new framework unfolds across interconnected layers: streamlined income taxation, restructured indirect levies, and a modernised administrative machinery. Together, these elements create a coherent system designed to simplify compliance, broaden the tax net, and strengthen revenue governance. First, income taxation adopts a progressive disposition. The NTA exempts the initial ₦800,000 of annual personal income, escalating rates to 25% beyond ₦50 million, superseding flat structures with targeted reliefs like ₦200,000 for rent or a maximum of ₦500,000.00.³ Companies Income Tax (CIT) is reduced to 25% by 2026, granting full exemptions to small entities (of turnover of ₦100 million, assets of ₦250 million) yet expressly barring professional services, entrapping law firms in the net.⁴ Capital Gains Tax (CGT) surges from 10% to 30% for corporates, now encompassing digital assets like cryptocurrencies and indirect transfers of offshore entities deriving value from Nigerian assets, with exemptions for injury compensation

² <https://www.afriwise.com/blog/tax-administration-in-nigeria---a-review-of-the-2025-nigeria>

³ https://www.ey.com/en_gl/technical/tax-alerts/nigeria-tax-act-2025-has-been-signed-highlights

⁴ <https://ng.andersen.com/president-tinubu-signs-2025-tax-reform-acts-into-law-new-regime-to-take-effect-from-january-2026/>

up to ₦50 million.⁵

Secondly, the regime reconfigures indirect taxation with a deliberate tilt toward consumption equity. Value Added Tax remain 7.5%⁶ and are projected to reach 15% by 2030, while maintaining zero-rating for essential goods and services, which account for approximately 82% of average household expenditure, including food, education, and healthcare. In addition, sectors such as renewable energy and public transportation enjoy outright exemptions to support sustainability and mobility objectives.⁷ A new 4% Development Levy on corporate profits, scheduled to taper down to 2% by 2030, is introduced to fund national priorities, particularly education and technology-driven innovation.⁸

For the legal profession, however, the relief is minimal. Legal services remain fully taxable, attracting the standard VAT rate.

Thirdly, the administrative reforms entrench transparency through enhanced digital capacity. Mandatory Tax Identification Numbers (TINs), now seamlessly linked to bank accounts, form the backbone of taxpayer identity, while e-invoicing and real-time reporting via the Electronic Fiscal System (EFS) significantly limit opportunities for evasion and under-declaration.⁹ Deterrence mechanisms are strengthened through the introduction of a “principal purpose test” to detect artificial arrangements, alongside substantially increased penalties, ₦50,000 for failure to register, plus ₦25,000 for each month of continued default.

Institutionally, the Nigeria Revenue Service (NRS)¹⁰ replaces the former FIRS, emerging as an autonomous authority with expanded

⁵ <https://www.bakertilly.ng/insights/nigerias-2025-tax-reform-acts-explained>

⁶ Section 148 of the Nigeria Tax Act, 2025

⁷ <https://www.mondaq.com/nigeria/sales-taxes-vat-gst/1657998/tax-reform-in-nigeria-key-changes-under-new-tax-acts>

⁸ <https://assets.kpmg.com/content/dam/kpmg/ng/pdf/2025/06/The%20Nigeria%20Tax%20Act%20%28NTA%29%2C%202025.pdf>

⁹ <https://www.afriwise.com/blog/tax-administration-in-nigeria---a-review-of-the-2025-nigerian-tax-reform-laws>

¹⁰ Section 3 of the NRSA

investigatory and enforcement powers.¹¹ Dispute resolution avenues are simultaneously broadened: a revamped Tax Appeal Tribunal (TAT) now requires a 50% deposit of the assessed amount before an appeal can be heard, while a newly established Tax Ombudsman offers a faster, less adversarial remedy cycle, resolving taxpayer grievances within 14 to 21 days.¹²

This framework, while streamlining, amplifies scrutiny, particularly on Legal professions, where income fluctuation and client confidentiality intersect with fiscal imperatives.

THE NEW TAX LAWS AND THE VARIOUS CATEGORIES OF TAX

The New Tax Laws under consideration are the Nigeria Tax Act, 2025 and the Nigeria Tax Administration Act, 2025. One thing that becomes clear from a perusal of the NTA is that the Federal Taxes have been clearly delineated into separate categories for seamless administration and understanding of the law. These Tax types are:

- a. Income Tax- Chapter 2 of the NTA
- b. Development Levy- Part X of Chapter 2 of the NTA
- c. Stamp Duties- Chapter 5 of the NTA
- d. Value Added Tax- Chapter 6 of the NTA
- e. Surcharge- Chapter 7 of the NTA

It must be noted that Development Levy is a form of income tax that is paid on the assessable profits of all companies other than small

¹¹<https://www.mondaq.com/nigeria/tax-authorities/1705160/the-nigeria-tax-reform-act-2025-and-how-it-affects-businesses>, and Section 4 and 8 of the NRSA

¹²<https://ng.andersen.com/president-tinubu-signs-2025-tax-reform-acts-into-law-new-regime-to-take-effect-from-january-2026/>

companies. Thus, one can argue that there are truly 4 tax types treated by the NTA.

TAX TYPES AND OBLIGATIONS OF LEGAL PRACTITIONERS

A. Income Tax:

Income Tax is imposed on the profits or gains accruing or derived from Nigeria by individuals. As Legal Practitioners, there are broadly two categories under which we may fall: as employers of labour or as an employees. It is a rare to see a law firm set up as a company under the Companies and Allied Matters Act, thus this section shall deal strictly with the taxation of the income of individuals.

Every legal practitioner is expected to pay his taxes as at when due to the relevant tax authority as mandated by section 24(f) of the 1999 Constitution. However, the NTA states that only the chargeable income shall be taxed.

Chargeable income is the total income from all sources minus the eligible deductions. As legal practitioners who may be employees, the Chargeable income comprises of all the incomes, profits or gains earned during a one year period (year of assessment) that will then be subject to further deductions vide the deductions allowed, exempted income and eligible deductions. To the extent that the chargeable income is not more than ₦800,000 in the year of assessment, the income will be tax free.

As an employer of labour, a legal practitioner, who may be the Principal or Managing Partner of a firm is subject to direct assessment under the income tax regime. Whereas an employee will be subject to

direct assessment and liable under the Pay As You Earn administration of income tax.

The obligations of a legal practitioner under employment income tax are summarised as follows:

- a. the Employer is mandated to deduct and remit Pay As You Earn on behalf of the employee when paying the emoluments to the employee. Emoluments include the salary, wages, benefits in kind, allowances, compensations, bonuses, premiums or other perquisites. The employer, when making payment to an employee is expected to make the following deductions: contributions under the National Housing Fund, contributions under the National Health Insurance Scheme, contribution under the Pension Reform Act, interest on loans for developing and owner occupied residential house, annual amount of annuity or premium paid for life insurance for the employee and his spouse and rent relief of 20% of the annual rent paid subject to a maximum of N500,000¹³;
- b. The employer is mandated to make a cumulative net emolument of the entire annual income of the employee and deduct approved pension fund, cumulative free emoluments and cumulative tax emoluments and render returns for each month to the tax authority. The employer is to file PAYE return within 10 days of the prior month to the relevant tax authority. (see Paragraph 4 of the PAYE Regulations);
- c. the employer is to register for deduction of income tax from his employees, with or without notice from the tax authority and obtain a tax deduction card for the employee (Paragraph 1 and 3 of the PAYE Regulations);
- d. the employer is also expected to render annual returns by the

¹³ Section 30(2) of the NTA

- 31st day of January for the following year for the preceding year of assessment, which returns shall contain either emolument paid to the employee. (Section 14 of the NTAA);
- e. Where an employer fails to render returns or deduct and remit the PAYE of the employee, the tax authority shall have the discretion to demand the immediate payment of the unremitted sums and pay a 10% penalty per annum; and
 - f. An employee is considered an individual under the NTA and is mandated to self-assess under section 13 of the NTAA by filing a duly completed self-assessment form containing the amount of income from every source, deduct the reliefs (from losses incurred in business/trade or eligible deductions) and pay the tax due to the extent that it is not more than N800,000.

Income Tax under the Nigeria Tax Act also includes withholding tax, and as legal practitioners, we provide services to clients, which are subject to a withholding tax of 5% for services rendered to individuals and 10% for services rendered to companies. Withholding Tax is an advance payment of tax which is paid by the recipient of a service. For instance, if a legal practitioner charges ₦2,000,000 for a brief, when the invoice is generated, a 5% withholding tax will be held back by the recipient of such service, thus the recipient will pay the sum of ₦1,900,000.

B. DEVELOPMENT LEVY

Section 59 of the NTA imposes a 4% levy on the assessable profits of all companies chargeable to tax other than a small company or non-resident company. Thus, only law firms that are incorporated as companies under CAMA, 2020 will be subject to a development levy.

C. STAMP DUTIES TAX

Stamp Duties are imposed on instruments at the rates specified in the 8th Schedule of the NTA. As legal practitioners, we are constantly drafting instruments that evidence relationships between persons and these instruments are charged to tax either at a flat rate or ad valorem rate.

While not all legal practitioners are commercial transaction lawyers who draft corporate agreements between parties, all legal practitioners utilise invoices/receipts, which are dutiable instruments under the tax laws. It does not matter whether the receipts or invoices are electronic/digital or physical, they will be subject to stamp duties. Some of the instruments that legal practitioners may come across subject to stamp duties include:

- a. Agreement for sale of property- ad valorem at the rate of 1.5% paid by the transferee;
- b. Irrevocable assignment (upon sale or otherwise)- ad valorem at the rate of 1.5% paid by the transferee;
- c. Receipt (for value from N10,000) - flat rate of N50; and
- d. Electronic Receipt or Transfer of N10,000- flat rate of N50 paid by the transferor.

D. VALUE ADDED TAX:

Value Added Tax is charged on the taxable supplies in Nigeria. As stated above, legal practitioners provide services which are subject to VAT. A service is determined to be a taxable supply where the service is provided to and consumed by a person in Nigeria, regardless of whether the service is rendered within or outside Nigeria or whether or not the legal or contractual obligation to render such service rests on a person within or outside Nigeria; and the service is connected with existing immovable property, including the services of agents, where the property is located in Nigeria.

VAT is charged at the rate of 7.5% and is paid by the recipient (consumer). Thus, it is not imposed on the legal practitioners themselves but the clients, as VAT is a consumption tax for which the producers or manufacturers are not burdened but serve as agents of collection for the tax authority.

One may ask, as legal practitioners, particularly those who own their legal practice, “the practice incurs costs in the course of doing business on which we pay VAT, is there a way to recover the VAT paid if we are not the final consumers of services we render?”

The legal practitioners that operate their firms incur operating expenses for the optimum running of their firms, from purchasing equipment used in the trade (such as laptops, electronics, furniture and so on) to paying for consultants (if need be), paying for cleaning services and repairs. At the point of payment for each service or good, VAT is charged by the manufacturers or service providers. When the legal practitioners make such payments, they are known as Input VAT, which can be deducted from the total VAT payable by the legal practitioner when rendering payment to the tax authority. The output VAT is what is paid by the recipient of a service (or the final consumer). Thus, the tax laws have created a relief under the VAT for persons to recover input VAT as tax credit where the input VAT incurred is more than the output VAT received by the legal practitioner. However, if the input VAT is less than the output VAT, the excess amount is paid to the tax authority.

IMPLICATIONS FOR LEGAL PRACTITIONERS AS TAXPAYERS

The regime’s impact on legal practices is most acutely felt in the surge

of compliance obligations, which significantly erodes operational efficiency. Mandatory monthly VAT remittances, e-invoicing requirements, and quarterly disclosures of high-value transactions, ranging from ₦25 million to ₦100 million, elevate administrative overheads by an estimated 15-20%, a cost burden that falls disproportionately on solo practitioners and boutique firms with irregular billing cycles.¹⁴

In the absence of small-entity exemptions for professional service providers, law firms must now navigate a dense matrix of obligations: 25% Companies Income Tax (CIT) where applicable, progressive Personal Income Tax (PIT) regimes, the 4% Development Levy, and several unresolved interpretive ambiguities.¹⁵ Central among these is the long-standing question: *Is a law partnership a “profession” taxed primarily under PIT principles, or a “business” subject to a CIT-VAT hybrid framework?* The uncertainty echoed in precedents such as *Al-Maseer Law Firm v. FIRS*¹⁶ creates fertile ground for audits, with the risk that penalties could push under-resourced chambers toward insolvency.

These dynamics accelerate economic erosion, with net margins projected to contract by 10-15% once layered levies and compliance costs are accounted for. The financial squeeze threatens core professional obligations: pro bono commitments essential to access to justice, and sustainable remuneration for junior lawyers, raising concerns about talent retention in an already strained profession.¹⁷

Digital mandates, though essential for modernisation, reveal

¹⁴ <https://www.afriwise.com/blog/tax-administration-in-nigeria---a-review-of-the-2025-nigerian-tax-reform-laws>

¹⁵ https://punuka.com/wp-content/uploads/2025/07/tax-reform-act-2025_article.pdf

¹⁶ 2019) LPELR-48628(CA)

¹⁷ <https://www.bakertilly.ng/insights/nigerias-2025-tax-reform-acts-explained>

infrastructural gaps. Non-compliance with the Electronic Fiscal System (EFS) attracts penalties as high as ₦5 million, underscoring a structural tilt in favour of technologically mature entities.¹⁸ Yet within this pressure lies an opportunity for reinvention: for instance, restructuring partnerships as limited liability entities may improve tax efficiency through pass-through treatment, reducing cascading liabilities and cushioning the overall fiscal impact.

GENERAL OBLIGATIONS FOR LEGAL PRACTITIONERS UNDER THE NEW TAX LAWS:

Apart from the tax obligations imposed by the Nigeria Tax Act and the Nigeria Tax Administration Act, legal practitioners have general obligations to the Nigeria Revenue Service, which they must abide including:

- a. Record Keeping: Taxpayers are mandated to keep accurate records for a period of 6 years, which may be requested by the tax authority if required and failure to do so amounts to administrative offence for a penalty of ₦10,000; and
- b. Self-assessment: Taxpayers are mandated to submit a self-assessment return in the prescribed form and submit it to the tax authority. Failure to file a self-assessment return within the due period may warrant the tax authority conducting an administrative assessment on the taxpayer to the best of its judgment.

Other obligations to tax under the tax laws pertain to where a legal practitioner has a client with a tax dispute issue. In the event the tax authority has raised an assessment on a taxpayer (client), legal practitioners are to advise clients to object within 30 days, to prevent the assessment from being final and conclusive. Where the objection is

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<https://www.mondaq.com/nigeria/sales-taxes-vat-gst/1657998/tax-reform-in-nigeria-key-changes-under-new-tax-acts>

accepted by the tax authority, the tax authority may issue an amended notice of assessment or a notice of refusal to amend, for which the legal practitioner can file an appeal with the Tax Appeal Tribunal.

IMPLICATIONS FOR LEGAL PRACTITIONERS AS ADVISORS

Conversely, the new regime expands the advisory frontier, positioning legal practitioners as fiscal architects navigating largely uncharted terrain. Demand is already rising for sophisticated, bespoke counsel, whether in structuring digital-asset disposals to mitigate exposure to the 30% Capital Gains Tax (CGT), leveraging Economic Development Tax Incentives (EDTI) across priority sectors, or dissecting the principal purpose test to build robust anti-avoidance strategies for corporate clients.

The reforms also widen litigation and quasi-litigation frontiers. Constitutional tensions surrounding VAT derivation, now reflected in the 45% allocation to states and 60% consumption-based sharing formula, echo long-standing disputes such as AG Lagos v. AG Federation, promising renewed contestation before higher courts. At the procedural level, expanded Tax Appeal Tribunal (TAT) jurisdiction and the rise of Tax Ombudsman mediation create specialised niches for practitioners adept in administrative tax justice.¹⁹

Technology-driven advisory work is similarly ascendant. Guiding clients through EFS integration, real-time reporting obligations, or the implications of withholding tax on non-resident tech service fees (a 5% final tax aligned with OECD digital norms) elevates Nigerian practitioners into global fiscal conversations.²⁰ For firms advising startups, fintech operators, multinational digital service providers, and renewable-energy

¹⁹<https://ng.andersen.com/president-tinubu-signs-2025-tax-reform-acts-into-law-new-regime-to-take-effect-from-january-2026/>

²⁰

https://punuka.com/wp-content/uploads/2025/07/tax-reform-act-2025_article.pdf

entities, the new regime offers unprecedented opportunities to function as strategic cross-border interlocutors.

Yet these advantages carry heightened ethical responsibilities. The complexity of digital taxation, the opacity of new incentives, and the scope for aggressive structuring amplify the need for integrity, transparency, and strict adherence to professional conduct rules. Advisory competence must be matched with ethical compliance to maintain public trust in an increasingly sophisticated tax ecosystem.

STRATEGIC PATHWAYS FOR LEGAL PRACTITIONERS

To convert these exigencies into professional distinction, practitioners must undertake deliberate strategic pivots. First, foundational compliance infrastructure must be secured: establishing and maintaining TIN-EFS linkages, conducting internal tax audits, and reviewing partnership deeds to optimise liability exposure, particularly for firms considering transitions to limited liability structures. Deploying integrated accounting and practice-management suites will also ensure seamless invoicing, automated filings, and real-time financial visibility.²¹

Secondly, sustained investment in specialisation is essential. Firms should embed structured tax modules into their internal training curricula, pursue advanced certifications such as Chartered Institute of Taxation (CIOT)²² or Chartered Institute of Taxation of Nigeria (CITN)²³, and develop proprietary services, such as “Reform Readiness Audits”, to help corporate clients anticipate compliance risks while leveraging incentives.²⁴

²¹ <https://www.afriwise.com/blog/tax-administration-in-nigeria---a-review-of-the-2025-nigerian-tax-reform-laws>

²² Charter institute of Taxation

²³ The Charter Institute of Taxation in Nigeria

²⁴ <https://www.pwc.com/ng/en/publications/the-nigerian-tax-reform-acts.html>

Collectively, the profession must also channel its voice through the Nigerian Bar Association, advocating for a more tailored regulatory environment: VAT rebates for pro bono services, quarterly VAT remittances for firms with volatile income flows, and statutory clarification on the taxonomy of legal practice under the new regime (i.e., whether partnerships should be treated as professional entities or business enterprises)²⁵ Such reforms would promote equity, preserve access to justice, and support the sustainability of legal practice in a fast-evolving tax ecosystem.

CONCLUSION

The 2025 Tax Regime reshapes the contours of legal practice with remarkable force, tightening compliance obligations even as it expands the horizons for sophisticated advisory work. Beyond statutory reform, it introduces a new professional reality in which fiscal intelligence is no longer optional. For the legal community, particularly young lawyers, this moment demands a recalibration of mindset.

Young practitioners often ask whether tax is “too technical,” “too specialised,” or “outside litigation.” The new regime answers decisively: every lawyer now operates in a tax-informed environment. Whether drafting agreements, structuring transactions, negotiating settlements, or appearing before tribunals, tax consequences have become foundational rather than peripheral. The earlier one embraces this, the stronger their professional footing.

For principals and partners, the challenge is equally clear – to cultivate an ecosystem where tax literacy is deliberately nurtured. Mentorship must evolve to include exposure to digital reporting

²⁵<https://www.mondaq.com/nigeria/tax-authorities/1705160/the-nigeria-tax-reform-act-2025-and-how-it-affects-busineses>

systems, statutory interpretation in fiscal contexts, and strategic advisory thinking. As the regime pushes the profession into a data-driven, incentive-sensitive era, the responsibility to prepare the next generation becomes a collective one.

Adaptation, therefore, is not merely reactive, it is evolutionary. Those who internalise the currents of reform, especially young lawyers who grow with the system rather than after it, will not only survive its demands but will help architect Nigeria's fiscal renewal. The transformation is disruptive, but it is also defining, and it is those willing to learn, to innovate, and to lead who will shape the future of legal practice.

CALL TO ACTION FOR YOUNG LAWYERS

Young lawyers stand at the frontier of this transformative tax landscape. To thrive, they must:

1. **Embrace Tax Literacy Early** - Integrate understanding of VAT, CGT, EFS reporting, and Development Levies into everyday practice.
2. **Develop Specialisation**: Pursue certifications (e.g., CIOT, CITN) and focus on advisory niches like digital assets, start-ups, and anti-avoidance structuring.
3. **Leverage Technology**: Become proficient with e-invoicing, electronic filing, and digital compliance tools to advise clients efficiently and accurately.
4. **Seek Mentorship and Collaboration**: Learn from senior colleagues and create networks that combine technical expertise with practical application.
5. **Advocate for Ethical Practice**: Balance commercial strategy with integrity, ensuring clients' interests are protected while remaining fully compliant.

By acting decisively, young lawyers can turn the pressures of the new regime into opportunities for distinction, positioning themselves as indispensable advisers and architects of Nigeria's evolving fiscal ecosystem.

Thank you.