THE PRESIDENCY

NEITI Nigeria Extractive Industries Transparency Initiative

Beyond Assent: Pathways for Implementing Nigeria's New Tax and Revenue Framework

A Policy Brief

by

Nigeria Extractive Industries Transparency Initiative (NEITI)

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Acronyms

S/N	Meaning	Acronyms
1	Nigeria Revenue Service	NRS
2	Nigeria National Petroleum Company Limited	NNPCL
3	Nigeria Liquefied Natural Gas	NLNG
4	Nigeria Petroleum Development Company	NPDC
5	Federal Inland Revenue Services	FIRS
6	Nigeria Upstream Petroleum Regulatory Commission	NUPRC
7	Direct Sale of crude oil and direct purchase of PMS	DSDP
8	Production Sharing Contracts	PSCs
9	Extractive Industries Transparency Initiative	EITI
10	Petroleum Industry Act	PIA
11	Domestic Resource Mobilisation	DRM
12	International Public Sector Accounting Standards	IPSAS
13	Annual Financial Statement	AFS
14	Niger Delta Development Commission	NDDC
15	Petroleum Profit Tax Act	PPTA
16	Central Bank of Nigeria	CBN
17	Office of the Accountant-General of the Federation	OAGF

S/N	Meaning	Acronym
18	Revenue Mobilisation Allocation and Fiscal Commission	RMAFC
19	Nigeria Tax Act	NTA
20	Value Added Tax	VAT
21	Pay As You Earn	PAYE
22	Civil Society Organizations	CSOs
23	Taxpayer Recourse and Transparency Unit	TRTU
24	Memoranda of Understanding	MoUs
25	Corporate Social Responsibility	CSR
26	International Monetary Fund	IMF
27	Public Expenditure and Financial Responsibility	PEFA
28	National Tax Grievance Redress System	NTGRS

1.0 INTRODUCTION

On 26th June 2025, President Bola Ahmed Tinubu signed four landmark tax reform bills into law. The new laws are the Nigeria Tax Act, the Nigeria Revenue Service (Establishment) Act, the Nigeria Tax Administration Act, and the Joint Revenue Board of Nigeria Establishment Act, 2025. Together, the new laws seek to fundamentally overhaul and streamline the tax system to, among other objectives, promote economic growth and equity in the country's tax system.

The reform aims to modernise and harmonise Nigeria's tax legislation by consolidating, wholly or in part, provisions of over two dozen tax and taxation-related laws and regulations into a coherent and forward-looking tax policy framework. Key provisions include the repeal of legacy laws such as the Companies Income Tax Act, Petroleum Profits Tax Act, Value Added Tax Act, and Personal Income Tax Act. Some of the old laws date as far back as 1939 (e.g., Stamp Duty Act).

Substantively, the reforms introduced a simplified and inclusive tax structure anchored on fairness, equity, administrative efficiency, and economic competitiveness. They provide tax reliefs for small businesses and low-income earners, eliminate duplicative levies, expand the tax base, and prioritize investment in national development priorities such as food security, education, health, and renewable energy. The establishment of the Nigeria Revenue Service (NRS) as a unified national tax agency eliminates institutional overlap, reduces the cost of collection, and enforces consistent standards across the Federation.

Notably, the reforms established critical institutions, the Joint Revenue Board, the Tax Appeal Tribunal, and the Office of the Tax Ombud to guarantee taxpayer rights, provide avenues for dispute resolution, and strengthen inter-governmental coordination.

The legislation significantly expands the scope of revenues collectible by the new revenue authority, including revenues from the extractive sector. These revenues constitute a significant proportion of total revenues collectible by the revenue service. Revenues from oil and gas have historically accounted for up to 65% of government earnings and 85% of exports. Currently, even with significant amounts of crude oil being lost to theft, oil revenues still account for more than half (fifty-one percent) of total revenue revenues accruing to the government of Nigeria. The streams from which oil and gas revenues are earned include Petroleum Profit Tax, royalties on oil and gas, concession rentals, and proceeds from the sale of Federation crude. As per NEITI reports, Nigeria earned $34.2 billion in 2019, $20.4 billion in 2020, $23 billion in 2021, $24.7 billion in 2022, and $24.6 billion in 2023.[2]

[1] See NEITI Oil & Gas Industry Report 2020. Available online at www.neiti.gov.ng.
[2] See NEITI Oil and Gas Industry Reports – various years.

While revenue generation from the oil and gas sector remains significant, revenue remittance by operating entities continues to fall short of revenues collectible by the collection agencies. In NEITI's 2023 report, total unremitted revenue stood at $6.378 billion, and N66.378 billion owed to the NUPRC and FIRS. In the previous year's audit, total liability was $8.264 billion. These yet to be remitted revenues in those periods include gas royalties, flare penalties, concession rentals, and taxes due from petroleum profits, company income, and education tax.

Over the years, multiple challenges associated with oil and gas revenues collection include poor remittance of in-kind revenues paid to the NNPC on behalf of the Federation; insufficient disclosure by NNPC Limited in its quasi-fiscal commitments and expenditures tied to revenues due to the Federation; inadequate remittance of returns from government investments in NLNG (Nigeria Liquefied Natural Gas project) and the NEPL (NNPC Exploration and Production Limited); the improper utilization of tax oil and profit oil due to the Federation and collectible by FIRS and NUPRC, for NNPCL operated DSDP (direct sale of crude oil and direct purchase of PMS) arrangement without first remittance to the Federation Account; loss of forex remittance to the Federation Account from these quasi-fiscal transactions; poor remittance of tax and royalty oil proceeds from PSCs (production sharing contracts); poor data synchronization among entities responsible for revenue administration in the oil and gas sector; lack of precise definitions in the PIA with regards to concepts such as "profit oil" and "management fee"; lack of transparency around waivers and tax exemptions issued to companies; lack of disaggregated reporting to facilitate easy tracing and reconciliation of revenues; non deployment of pricing and tariff frameworks; and inadequate disclosure of beneficial ownership information.

The issues are highlighted in Nigeria's country EITI reports, while attempts have been made to address them through engagements with extractive revenue administration agencies, including the current FIRS.

Given the expanded scope of the responsibilities of the proposed revenue service, almost all the responsibility for resolving these issues now rests with the new Nigeria Revenue Service. This policy paper outlines the challenges associated with Revenue Administration assessment, remittance, and management and lays out the broad framework for the transparent, accountable, and efficient management of federally collected revenues.

[1] See NEITI Oil & Gas Industry Report 2020. Available online at www.neiti.gov.ng.
[1] See NEITI Oil and Gas Industry Reports – various years.
[1] See NEITI Oil and Gas Industry Reports 2022 & 2023.

2.0 PROBLEM STATEMENT

The challenges associated with extractive revenue administration in the country continue to have implications for the effective collection and administration of extractive revenue. The effects of these challenges range from substantial accumulation of unremitted revenues and even outright losses of revenue. NEITI audits have identified significant amounts of unremitted proceeds of in-kind revenue paid by the NNPCL into the Federation Account.

These remittance shortfalls arising from deductions at source to pay for projects through the tax Credit scheme, subsidy, or cost under recovery on imported petroleum products. outside the national budgetary process. These include road construction projects through the tax credit scheme, pipeline maintenance and expansion projects, and deductions to finance subsidy or cost ‘under-recovery’ on imported petroleum products. In NEITI’s last audit report covering the fiscal year 2023, a total sum of N3.01 trillion was recorded as quasi-fiscal expenditure, comprising of N12.425 billion spent on pipeline security and maintenance for six months up to June 2022; $6.931 billion or N2.651 trillion in 2021; N4.71 trillion for Premium Motor Spirit (petrol) under recovery in 2021 and N3.01 trillion in 2023. A total of N15.87 trillion was deducted to pay for price under recovery between 2006 and 2023. Over the years, NEITI has identified these deductions as causes of non-remittance to the Federation Account. NEITI has also identified gaps in the transparency of the expenditures deducted at source and not remitted to the Federation Account.

The industry reports continue to show significant values of revenues not remitted by companies, especially in the oil and gas sector, as when due. In NEITI’s 2023 report, total unremitted revenue stood at $66.378 billion, and N66.378 billion owed to the NUPRC and FIRS, respectively. In the previous audit, total liability was $8.264 billion. The reports recommend, among other measures, policy and regulatory enforcement mechanisms to curb the incidence of unremitted revenue.

Despite past and current efforts to permanently curb or minimize the cases of unremitted extractive revenues, the annual industry reconciliation exercise continues to record significant amounts of collectible revenues that remain unremitted by covered entities. One major reason for the continuing weak enforcement of the full, timely, and remittance of revenues to the federation account is the operation of parallel policies on quasi-fiscal expenditures, which allows the national oil company to make revenue deductions at source to finance petroleum products supply cost under-recoveries and other projects designated as priority projects.

This is closely tied to the policy on payments, custody, and administration of in-kind revenue,s which are then sold and remitted to the Federation Account. These policies are currently being operated under conditions of limited transparency in the expenditures that are charged at source to the proceeds of federation oil and gas payable to the federation.

The continuing shortfall in remittances of federally collected revenue continues to impact budget implementation at both the federal and subnational levels. Unremitted funds for 2022 and 2023, reported for those years, amounted to 20.6% and 20.4% of the total budget, respectively. This was more than a fifth of the budget for each year. Significantly, failure to fully realize projected revenue from the oil and gas sector has contributed to an increase in borrowing by the government to finance the budget. Unremitted oil and gas revenues in 2022 were more than 50% of total borrowing by the government in that year. In 2020, Nigeria's president announced a budget performance of 58% in the previous year due to a revenue shortfall of 49% largely from oil and gas revenue.

[1] Quasi-fiscal expenditures are expenditures on behalf of the government, especially by the national oil company, that are not captured in the national annual budgets. Such spendings include NNPCL's payments on subsidies and priority projects. See guidance notes on Requirement 6.2 of the EITI Standard available at https://eiti.org/guidance-notes/quasi-fiscal-expenditures and NEITI Oil & Gas Report 2022 at https://neiti.gov.ng/cms/wp-content/uploads/2024/10/NEITI-OGA-2023-Report-Final-260924-1.pdf

3.0 OBJECTIVES OF THE PAPER

In this paper, we seek to review the current tax reforms to assess conformity of the legislative provisions with global standards of transparency, accountability, and efficiency in revenue administration. The NEITI is primarily charged with collecting data on revenues accruing to the federation, reconciling the data produced by paying, receiving, and custodial entities to identify discrepancies.

The findings of the revenue reconciliation exercise are publicly disclosed to enable citizens to hold public and private entities accountable. Specifically, the NEITI Act mandates the institution to ensure due process and transparency in the payments of revenues to the government from the extractive industry, to ensure accountability by government entities for all revenues received by them, and to curb corruption in the processes of revenue assessment, remittance, receipts, custody, and transfers to the Federation Account. In carrying out this mandate, the extractive sector entities, which include government and companies, are to carry out routine disclosures of revenues and other aspects of industry operations stipulated in the global extractive industry transparency standards. These standards cover both proactive disclosures by revenue entities as well as the obligation of entities to provide information to statutory accountability institutions, civil society, media, and the public when required to do so. Other accountability requirements include regular audits in line with global standards and best practices, engagement with stakeholders, including government, industry, civil society, media, and the public, to explain decisions and actions, and to answer questions. In facilitating these processes, NEITI carries out oversight of the revenue-generating agencies in the extractive industry to ensure their compliance with transparency and accountability requirements in line with global standards and best practices.

While the proposed institutional framework reduces the number of revenue entities covered in the extractive industry, the streams of revenue remain largely the same, reflecting the underlying fiscal frameworks of minerals revenue determination and collection. Secondly, it increases the transparency, accountability, and global standards obligations of the new revenue authority. The primary objective of this paper is therefore to review the new tax institutional framework and propose an implementation mechanism that accords with global standards in tax governance. The paper also seeks to propose measures for the new revenue authority to enhance compliance with, and also strengthen enforcement of, revenue laws and regulations.

3.1 Rationale and context

The reforms signal an ambitious attempt to overhaul the country's complex, fragmented, and often inefficient tax system. The reforms also mark a significant shift in Nigeria's approach to Domestic Resource Mobilisation (DRM), with wide-ranging implications for revenue transparency, public financial management, and the constitutional balance of fiscal powers across tiers of government. Despite its economic potential and resource wealth, Nigeria's revenue performance remains among the lowest globally, with a tax-to-GDP ratio of just 9.4–10.86[2]% below the African average of 16.8% and the minimum 15% threshold recommended by the African Union for sustainable development. The result is a chronic revenue shortfall that has undermined public investment, widened the infrastructure gap, exacerbated inequality, and increased Nigeria's exposure to debt and external vulnerabilities.

At the same time, decades of extractive industry audits and analyses have consistently exposed systemic inefficiencies in revenue assessment, collection, and remittance. These inefficiencies are compounded by data opacity, unremitted revenues, arbitrary tax waivers, and weak inter-agency coordination, all of which contribute to the loss of billions of naira annually. The proposed tax reform offers an opportunity to correct these structural deficiencies, modernise Nigeria's tax administration, and build a stronger foundation for domestic fiscal sustainability.

[1] The IMF's estimation of Nigeria's tax-GDP ratio in 2023.
[2] The National Bureau of Statistics estimates for Nigeria's tax-GDP ratio in 2021

However, while the objectives of the reform are laudable, their realisation hinges on how the framework is designed and implemented. This policy brief seeks to provide an informed, evidence-based assessment of these questions. It examines the implications of the new tax laws for extractive revenue governance, subnational fiscal autonomy, and broader DRM outcomes. It also benchmarks the proposed reforms against global best practices, including the Extractive Industries Transparency Initiative (EITI) Standard, the IMF Fiscal Transparency Code, and other international frameworks on good fiscal governance and public accountability.
Ultimately, the goal is to ensure that Nigeria's tax reform is not only efficient and technically sound, but also inclusive, transparent, and anchored on the principles of fiscal justice.

4.0 CURRENT SITUATIONAL ANALYSIS: OVERVIEW OF REVENUE REMITTANCE COMPLIANCE IN THE EXTRACTIVE INDUSTRY

Two major classes of revenue are collected from oil and gas operations. These are taxes and royalties. In line with the provisions of the extant legislation, all taxes are statutorily collected by the Federal Inland Revenue Service, while royalties are collected by the Nigeria Upstream Petroleum Regulatory Commission (formerly Department of Petroleum Resources).
The full suite of taxes collected by the Federal Inland Revenue Service from the oil and gas industry are:

1. Petroleum Profit Tax
2. Companies' Income Tax, including Withholding Tax
3. Capital Gains Tax
4. Tertiary Education Tax
5. Withholding Tax: an advance payment on CIT
6. Value Added Tax
7. Hydrocarbon Tax

The oil and gas revenues (previously) collected by the Nigeria Upstream Regulatory Commission include:

1. Royalty oil
2. Royalty gas
3 . Signature bonus/license fees
4. Flared gas payments
5 . Concession rentals

4.1 Legal and regulatory requirements for remittance of revenue

The main legal instrument that prescribes the remittance of government (federation) revenue is the 1999 Constitution (as amended). Section 162 of the law stipulates that revenues collected by the government of the federation or its agents should be remitted into a distributable pool account designated as “Federation Account”. Other complementary laws and regulations prescribe the actual assessment, payment, and enforcement of remittances to the subsidiary accounts of the Federation Account. Apart from the rates of taxes payable, these laws, regulations, and policies largely deal with methods of revenue classification, destination accounts, timing, and penalties.

(i) Classification and reporting

The Nigerian government's adoption of the International Public Sector Accounting Standards (IPSAS) requires entities to disaggregate revenue reporting by reporting revenue according to revenue categories. IPSAS' disclosure requirements prescribe disaggregation of tax revenues to reflect the nature, amount, and timing of payments. This disaggregation is also useful for auditing and reconciliation of revenues under the global EITI reporting. Furthermore, this requirement is backed by the Fiscal Responsibility Act (2007), which stipulates comprehensive revenue reporting for government entities. The Financial Reporting Council of Nigeria also requires entities to observe applicable revenue reporting standards – IPSAS for public institutions and IFRS for private entities. Together, these standards are used as benchmarks for the EITI reconciliation exercise.

(ii) Designated revenue accounts

In addition to the comprehensive classification of revenues, remittances of revenues are required to be made into separate accounts designated for each revenue type/stream. Alternatively, payments are required to be separated in bank statements to show, for each payment, the name of the paying entity, the receiving entity, and the purpose of the payment for proper revenue tracing and reconciliation.

(iii)Payments' timing

Timing of payments, i.e., the times specified for entities to effect payments from their operations, is stipulated in the regulations and circulars issued by the revenue-collecting entities. The timing for remittances of revenues depends on the nature of the transaction generating the revenue. For instance, the timing for Value Added Tax (VAT), Withholding Tax (WHT), and Capital Gains Tax (CGT) payments are as follows:

- VAT: Monthly, by the 21st day of the following month.
- WHT: By the 21st day of the following month for corporate entities, or the 30th day for individuals.
- CGT: Biannually, by June 30 and December 31, depending on the date of the asset disposal.

Payment of royalty on production volume is expected to be made within 30 days of production activity; tax on profits is paid on self-assessment in the course of operations at the first instance, then verified by the revenue authority annually, subject to the preparation of an annual financial statement (AFS) of the operating entity. Remittance from the sale of federation crude is required within 90 days of the transaction. Remittance of funds for the Host Community Trust Fund, the Decommissioning and Abandonment Fund, and the Niger Delta Development Commission are made annually based on the operating results of the preceding year.

(iv)Penalties

Penalties for non-compliance with tax remittances range from fines to revocation of licenses. The Petroleum Profit Tax Act (PPTA) requires entities to file and pay their tax within 5 months of the end of the accounting year. Failure to file and pay within the stipulated time attracts a penalty of 10% of the amount due, as well as interest at the prevailing commercial rate. Further amendment to the PPTA by the Finance Act (2023) prescribes administrative penalties for offences not specified in the Act.

Such violations would attract an administrative fine of N10,000,000 in addition to a N2,000,000 daily fine for each day that the violation persists. The Act, however, stipulates stiffer penalties for an offence of deliberate and fraudulent falsification of records with the intention to evade tax. Such person/entity is liable to a fine of N15,000,000 plus 1% surcharge on the amount of tax payable. These charges are in addition to the payment of the full amount of tax payable. Penalties for offenses relating to other streams of revenue are provided in the relevant applicable sections and regulations.

4.2 Institutions responsible for revenue collection, administration, and oversight

Some of the entities charged with responsibilities to collect, administer, and oversight taxes and other streams of revenue in the extractive sector include:

Federal Inland Revenue Service: Responsible for developing tax regulations, assessing and receiving taxes on behalf of the government of the federation; administering penalties and redress in matters arising from filings, assessments, and payment of tax.

Central Bank of Nigeria: Maintains collection accounts on behalf of the government of the federation; maintains records and

Nigeria Upstream Regulatory Commission: Responsible for assessment and collection of signature bonus, concession rentals, royalties, and gas flare penalties.

Office of the Accountant-general of the Federation: Exercises custody of the Federation Account; controls all constituent accounts of the Federation Account; monitors the obligations of revenue remitting entities to ensure that amounts due and collected are properly remitted to designated accounts; computes and transfer all charges to federation revenue, including costs of collection, to beneficiary entities; controls all inflows and outflows to and from the Federation Account. Revenue Mobilisation, Allocation and Fiscal Commission: Responsible for monitoring and coordination of the implementation of revenue collection and remittance activities of government institutions responsible for the collection and remittance of revenue. The RMFAC also facilitates revenue reconciliation activities whenever there are disputes and discrepancies between and among remitting and beneficiary entities of the Federation Account.

Nigeria Extractive Industries Transparency Initiative: Carries out periodic oversight of revenue payments by operating entities in the extractive sector and remittance of revenues by collection entities to the government, including beneficiary entities; periodically reviews payments to determine that basis for assessment of taxes and other streams of revenue comply with applicable laws and regulations; conducts periodic assessments to identify and report cases of revenue shortfalls and losses, and to ensure that relevant laws and regulations concerning revenue administration are complied with.

Other entities involved in the collection and administration of revenues from the extractive sector include the Nigeria Maritime Administration and Safety Agency, the Nigeria Content Development Board, the Tertiary Education Trust Fund, the Nigeria Midstream and Downstream Petroleum Regulation Authority, the Nigeria National Petroleum Corporation (now limited), Mines Inspectorate Department of the Ministry of Solid minerals development and the Mining Cadastral Office. NNPC, the Ministry of Solid Minerals, and NMDPRA.

4.3 Challenges of revenue administration

Some of the challenges of extractive revenue administration include:

- Fragmented oversight mechanism: The revenue administration institutional framework is characterized by several legislations and policies that impact effective tax administration. This manifests in multiple layers of revenue authorities at the federal and state levels, with respective legislations, policies, and regulations on entities operating in the same sector. At the national level, institutions created by sectoral laws have revenue oversight that is sometimes not consistent with the central tax laws. To a significant extent, this problem has been addressed by the new tax law.
- Weak interagency coordination: Agencies focused primarily on executing their core mandates engage in limited or no collaboration with other agencies with overlapping responsibilities for revenue administration (generation, collection, and oversight). Sometimes, this lack of collaboration produces regulations, policies, and operational procedures that do not complement the operations of other agencies. Again, this concern has been partly addressed with the tax reforms. However, the challenge of collaboration between the new Nigeria Revenue Service and other institutions providing supporting roles needs to be kept in focus.
- Lack of digital tools for monitoring and tracking payments
- Gaps in penalties and enforcement: Although there are provisions for dissuasive sanctions for non-compliance with tax obligations, including imprisonment and revocation of operating license, these are hardly enforced in practice, resulting in weak deterrence.

5.0 Overview of the Tax Reform Laws

The new tax laws introduce fundamental changes in the fiscal and legal tax administration in the country by the repeal of 11 laws/enactments, while about 15 other laws and regulations shall experience consequential amendments. The provision of the Nigeria Tax Act (NTA) also revokes one subsidiary legislation and brings about consequential amendments to two other subsidiary legislations. The laws that were revoked by the Nigeria Tax Act include:

1. Capital Gains Tax Act
2. Casino Act
3. Companies Income Tax Act
4. Deep Offshore and Inland Basin Act
5. Industrial Development (Income Tax Relief) Act
6. Income Tax (Authorised Communications) Act
7. Personal Income Tax Act
8. Petroleum Profits Tax Act
9. Stamp Duties Act
10. Value Added Tax Act and
11. Venture Capital (Incentives) Act.

The existing legislation that has been significantly amended includes:

1. The Petroleum Industry Act, No. 6. 2021 (the areas that have been deleted in the PIA include parts I–X of chapter four; the Fifth and Sixth Schedule; paragraphs 6, 9, 10, 11, and 12 of the Seventh Schedule; and subparagraph 6 of paragraph 14 of the Seventh Schedule.
2. The Nigerian Export Processing Zones Act (sections 8 and 18(1)(a) deleted).
3. The Oil and Gas Free Trade Zone Act (sections 8 and 18(1)(a) deleted).
4. The National Information Technology Development Agency Act (sections 1, 2, and 3(3) deleted).
5. The Tertiary Education Trust Fund (Establishment, Etc.) Act (sections 1, 2, and 3(3) deleted).
6. The National Agency for Science and Engineering Infrastructure (Establishment) Act (section 20(2), paragraph b(i) and b(ii) deleted).
7. The Customs, Excise Tariffs, Etc. (Consolidation) Act (section 21(2) deleted).
8. The National Lottery Act (sections 35A, 35B, and 35C deleted).
9. The Nigerian Minerals and Mining Act (sections 28 and 33 deleted).
10. The Nigeria Start-up Act (sections 25(2), (3), (4) and 29(3) deleted).
11. The Export (Incentives and Miscellaneous Provisions) Act (section 11(1) deleted).
12. The Federal Roads Maintenance Agency (Establishment, Etc.) Act (section 14(1)(h) deleted).
13. The Cybercrime (Prohibition, Prevention, Etc.) Act (subsections (2)(a) and (4) of section 44 and the Second Schedule are deleted).

For the subsidiary legislation, the Value Added Tax Act (Modification) Order 2021 was revoked, while the Company Income Tax (Significant Economic Presence) Order 2020 was amended by deleting paragraph 2, even though the parent legislation, the Company Income Tax, was repealed. Finally, the Petroleum (Drilling and Production) Regulations 1969 were amended by deleting regulations 60B, 60C, 61(1), (2), (4), and 62.

Crucially, the Nigeria Tax Act included a supremacy clause in section 202, part of which stated that" this Act shall take precedence over any other law with regards to the imposition of tax, royalty, levy, excise duty on services or any other tax, where the provisions of any other law is inconsistent with the provisions of this Act, the provisions of this Act shall prevail and the provisions of that other law shall, to the extent of the inconsistency, be void." This clause effectively elevates the NTA as Nigeria's supreme legislation on taxes.

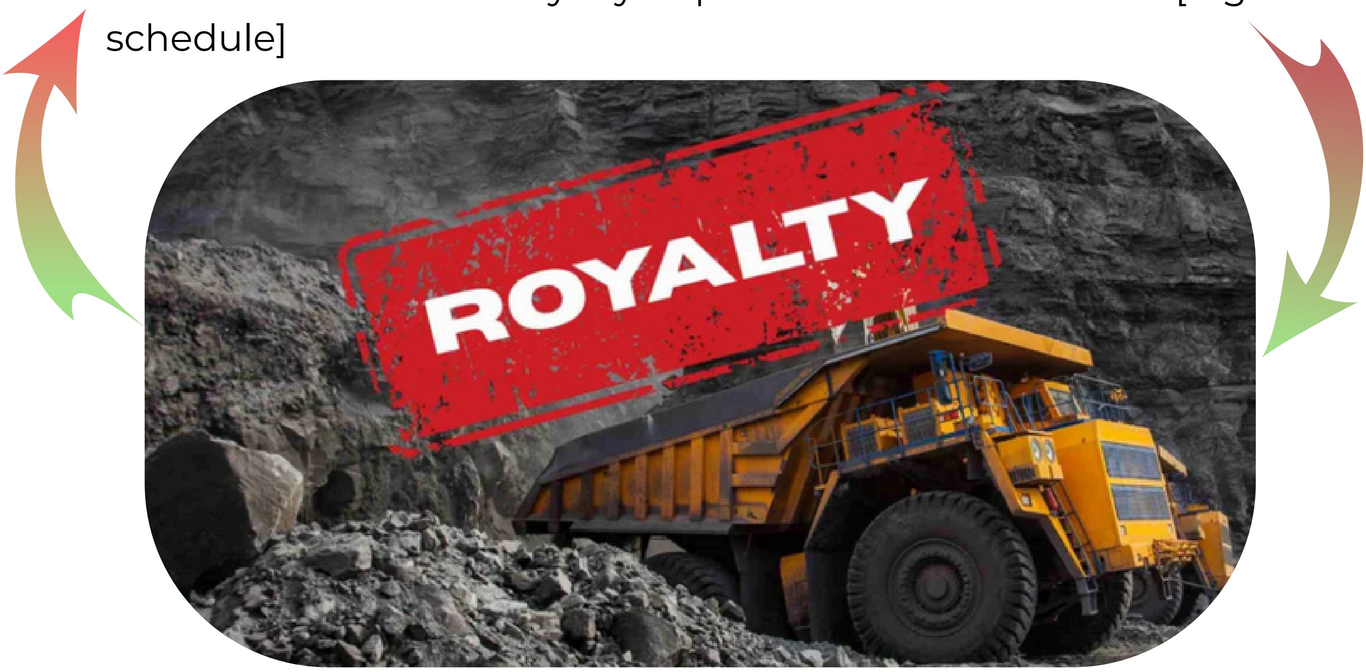
Petroleum operations

Petroleum operation is covered in Chapter Three, Taxation, dealing with income from petroleum operations, part (i) hydrocarbon tax, ascertainment of chargeable profits, and consolidation for tax purposes.

Mining operations

Section 64 of the Nigeria Tax Act, 2024, provides guidelines on how mining royalties will be administered. These provisions are listed as:

- A trade or business engaged in mining operations is subject to tax under the relevant provisions of Chapter Two of this Act.
- For the purposes of computing the assessable profits of a company engaged in mining operations, any amount contributed to any fund, scheme or arrangement approved by the relevant authority for the purposes of providing for environmental protection, environmental remediation, mine rehabilitation, land reclamation and mine closure shall be tax deductible, provided that the amount so contributed is cash-backed and invested in a dedicated account or trust fund managed by independent trustees or fund
- Royalty is imposed on any mineral obtained in the course of exploration or mining operations at a rate prescribed under the Eighth Schedule to the Act, subject to the relevant provisions of the Nigeria Tax Administration Act, and the royalty paid shall be tax deductible in determining the assessable profits from the trade or business.
- The Service shall be the relevant tax authority for the administration of the royalty imposed under this section. [Eighth schedule]



Streamlining of Taxation of Income from Mining and Petroleum Operations, including Hydrocarbon Tax:

The Nigeria Tax Act effectively handed over the revenue collection duty of the Nigeria Upstream Petroleum Regulatory Commission (NUPRC) to the NRS (FIRS), and in the same vein, it amended certain sections of the Petroleum Industry Act 2021.

The Seventh Schedule of the NTA prescribes the royalties all production of petroleum (from inland basin, onshore, offshore, and deep water) would be subjected to, which are to be collected on behalf of the Federation by the Nigeria Revenue Servic,e with the royalties so collected by the NRS administered in accordance with provisions of the Nigeria Tax Administration Act, 2025.

Crucially, the Tax Act outlined provisions that gave tax exemptions to encourage investment in both associated natural gas and non-associated gas (which yields Compressed Natural Gas). Under the NTA, NUPRC will focus its regulatory mandate on the upstream petroleum sector and will work closely with NRS where necessary to sanction defaulting companies that fail to remit the assessed taxes and royalties. This will indirectly increase revenue collection efficiency and reduce the cost of collection by saddling multiple agencies, deploying multiple processes, with oil and gas revenue collection responsibilities.

For the mining sector, the Nigeria Tax Act, in the Eighth Schedule, also laid out royalty rates to be paid by companies or licensees mining 71 solid minerals in Nigeria. The rates are either 3% or 5% of the selling value of these minerals. With this and other supporting provisions on mining, the Nigeria Tax Act would effectively lead to the amendment of the Nigerian Minerals and Mining Act.

Hydrocarbon Tax

[1] Hydrocarbon Tax is an amount paid by upstream companies for crude oil production as a tax based on profits from those operations. See Section 261 of the Petroleum Industry Act (PIA) 2021.

5.1 Key Reform Provisions and Implications for Extractive Revenue Governance

Provisions to enhance transparency, accountability, and efficiency
As stated in previous sections, the tax reforms streamlined and seek to enhance the efficiency of tax administration in Nigeria through the harmonization of multiple tax laws. In amending other laws, the tax reforms also seek to remove conflicts with the requirements of the new tax law.[1] By harmonising all these laws into a single legislation, and by fusing the responsibilities for collecting these taxes into the functions of a single rather than multiple agencies, the new tax laws would streamline the process and therefore increase efficiency. Rather than deploying several administrative processes simultaneously to administer tax collection functions, the single process put in place by the law would reduce these administrative processes.

(i)Deployment of technology

The tax reform laws, particularly the Tax Administration Act, stipulate the deployment of technology to conduct revenue collection activities by the tax authority. The deployment of technology is expected to make revenue assessment and collection more efficient. It is also required to reduce compliance costs, hence increase compliance by taxpayers.

(ii)Standardisation of revenue records and reporting

As noted in a previous section of this paper, findings by NEITI's audit reports have established cases of poor revenue record keeping and data management characterised by discrepancies in revenue classification across generating, collection, and custodial institutions, discrepancies in amounts generated and amounts reported, insufficient disaggregation found in collection records, etc. The streamlining and harmonisation of laws, regulations, and functions under which the disparate systems previously operated would significantly curtail the record management and accurate reporting issues that were observed in past industry data reconciliation exercises.

[1] See Anderson Digest (2024). "Nigerian Tax Reforms: Analyzing the Revised Tax Laws and Potential Impact on Businesses and Individuals.

(iii)Streamlining revenue reconciliation among entities

One direct implication of the tax reforms, from Nigeria EITI's perspective, is that the processes of reconciling revenues between and among several agencies would be significantly reduced to reconciliation activity between only the single revenue authority and the custodial institutions.

(iv)Reduction in collection costs

The numerous revenue collection and administration systems inevitably multiplied the cost of collection through the setup and management of multiple platforms for revenue collection and administration. The harmonisation of revenue administration functions and systems would significantly reduce the multiplicity of costs previously associated with revenue collection across agencies.

(v)Reduction in revenue leakages

Revenue losses, which sometimes result from the conflicting application of provisions of different legislation, have been a feature of tax administration in the country. Contradictory provisions in sectoral legislations have provided loopholes for corporate entities that want to evade tax by using extant laws in the sectors in which they operate to avoid their obligations under primary tax laws. This means that where such cases of evasion go to arbitration or litigation, convictions are hard to achieve as the conflicts in the laws provide avenues for entities to mount successful defenses against tax or revenue authorities. The harmonization of the tax laws and other regulations would close or eliminate such loopholes that enable revenue losses through a poorly designed legal and regulatory framework.

(vi)Increased revenue accountability

The centralization of revenue collection would ensure better tracking of revenues from the extractive industries transparency and accountability perspective. This is because revenue custody and accounting would be located within a single entity, hence all government revenues can be easily tracked and monitored.

This system would be a significant improvement to the previous revenue collection arrangement, where there is a multiplicity of accounts into which government revenues are collected and remitted. The system would also eliminate multiple taxation across various government agencies, which has been identified as one of the lapses in NEITI's reports over the years

5.2 Aligning Tax Reforms with the Domestic Resource Mobilisation Objective

The Nigeria Tax Act, 2025, offers a transformative opportunity to recalibrate Nigeria's domestic resource mobilisation framework. By unifying a complex web of over two dozen tax laws and regulations into a single, streamlined legal framework, the reform presents an important opportunity to simplify and increase compliance by compliance procedures, and improve collection efficiency. Specifically, digitisation promises to modernise revenue collection processes, reduce compliance costs for taxpayers, and limit leakages caused by manual and opaque systems. Furthermore, by empowering a new centralised authority, the NTA with exclusive responsibility for national tax collection, the reform aims to eliminate institutional fragmentation and enhance accountability in public revenue administration.

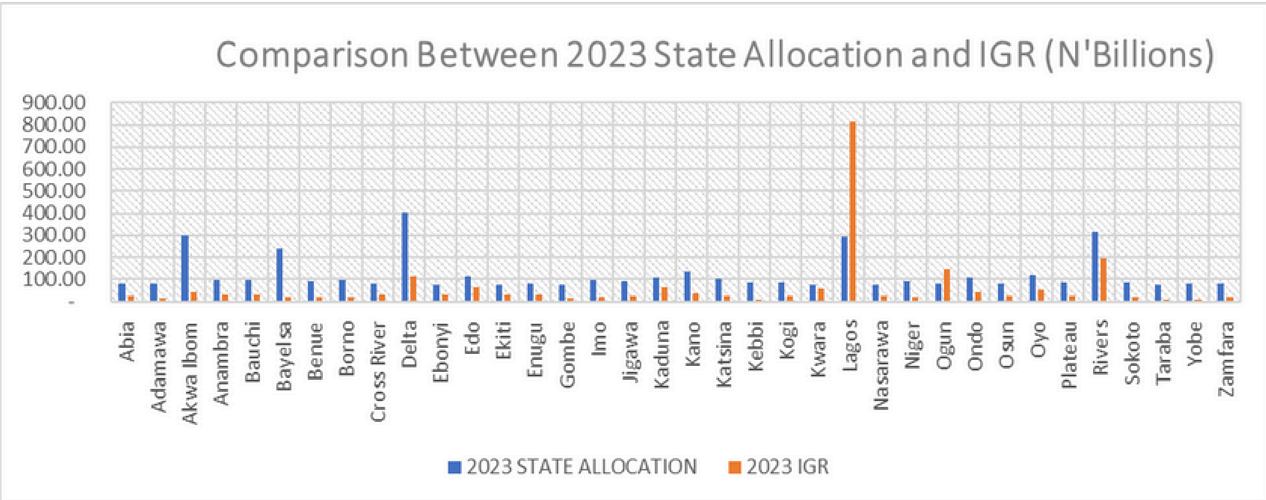
These features, if effectively implemented, could mark a significant leap toward achieving Nigeria's domestic resource mobilisation goals. However, the path to realising these gains is not without challenges. The success of the reforms will depend not only on structural changes but also on the presence of robust governance safeguards. Regulatory provisions must be put in place to prevent the discretionary abuse of tax waivers, exemptions, and other incentive practices that have historically undermined Nigeria's revenue base. Equally critical is the need for transparency in revenue flows, especially in the extractive sector, where opacity in in-kind payments, retained earnings, and extra-budgetary expenditures, particularly by the state-owned enterprises, can hinder full revenue accountability.

The role of transparency mechanisms remains more relevant than ever. By conducting independent financial and process audits, NEITI continues to expose revenue leakages and recommend corrective actions that strengthen fiscal integrity. This process and practice continue to hold potential to enhance revenue traceability and close information asymmetry. The progressive push for disclosure of beneficial ownership and the application of anti-transfer pricing principles, and entrenching the provisions of Contract transparency in the extractive industry would help to tackle tax evasion and protect Nigeria's tax base. The extractive governance initiatives support promoting fiscal realism by linking accurate revenue forecasts to budget planning, which serves as a critical check against the recurrent cycles of budget shortfalls and debt accumulation.

In summary, while the tax reforms are a step in the right direction, they must be embedded within a broader national strategy aimed at sustainable and equitable domestic resource mobilisation. This includes aligning reform implementation with international standards, empowering oversight institutions, and fostering public trust through open fiscal governance. The key ingredients of technical expertise, institutional credibility, and multi-stakeholder convening would ensure that Nigeria's tax reform agenda not only delivers administrative efficiency but also strengthens the foundations of a fair, transparent, and inclusive fiscal system.

6.0 Policy Options to Ensure Subnational Inclusiveness and Fiscal Federalism Compliance

Presently, the majority of the states' internally-generated revenues are low compared to federally collected revenues, which are in turn shared by the states based on the federation revenue-sharing formula. While the low level of IGR by the states and local governments may be partly attributable to weak generation capacity or low levels of economic activities at the local level, one of the reasons is that some of the federally collected taxes, like VAT, are actually revenues generated by economic activities at the subnational level. Hence, in practice, these revenues would actually be collected by the National Revenue Service on behalf of the states.



Source: NBS Data, 2023

To ensure that the reform supports national cohesion and fiscal inclusiveness, NEITI recommends the following policy safeguards:

1 Legislate a Guaranteed Revenue-Sharing Formula for Subnational Governments:

A fixed percentage of all centrally collected subnational taxes (e.g., VAT, PAYE, mining royalties) should be automatically remitted to the states and LGAs, with constitutional backing and published disbursement timelines.

2. Strengthen Administrative Autonomy of State Revenue Authorities:
While tax collection may be centralised, states should retain the right to administer local taxes, enforce compliance, and co-manage data collection systems, especially for taxes domiciled within their jurisdiction (e.g., land use charges, informal sector levies).

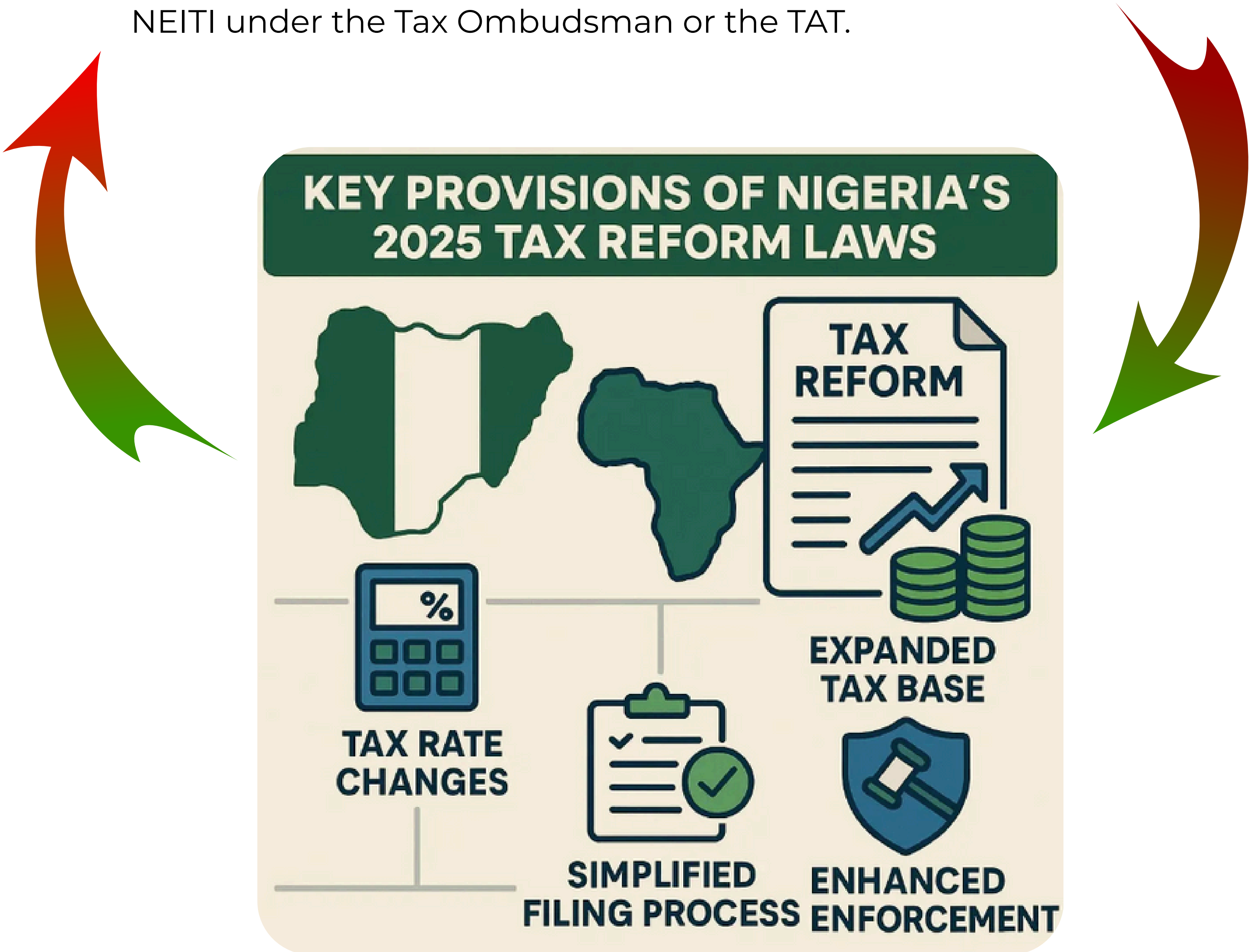
3. Institutionalise a Joint Tax Governance Council:
Establish a statutory Joint Tax Council comprising representatives of the NTA, State Boards of Internal Revenue, LGAs, and civil society to oversee the implementation of tax policy, resolve disputes, and ensure equitable representation in revenue-related decisions.

4. Ensure Disaggregated Reporting of Subnational Revenues:
All revenues collected by the NRS on behalf of subnational entities must be reported by the state and LGA, with monthly publication of remittance reports to enable public oversight and track equity in distribution.

5. Protect State and LGA Rights to Extractive-Derived Revenues:
Royalties from mining and other extractive activities should be treated as shared revenues under the constitution, with a guaranteed return to host communities in line with the principles of derivation and environmental justice.

6. Support Capacity Building for State Tax Administrations:
The centralisation of revenue collection must not lead to the weakening of state tax systems. Instead, the reform should be accompanied by technical assistance, infrastructure investment, and data sharing protocols to enhance subnational revenue administration.

- Policy options recommended are all in order in line with the reforms.
- The independent Tax Ombudsman, the JRTB, and TAT are established for harmonization, coordination, and settlement of disputes away from revenue administration and related matters.
- Tax Policy and Fiscal Reform is working on regulations.
- National tax grievance redress system – under the Tax Ombudsman, using technology.
- Create an Extractive Fiscal Appeals Committee coordinated by NEITI under the Tax Ombudsman or the TAT.



7.0 STRATEGIC RECOMMENDATIONS: PHASED ACTION PLAN FOR INCLUSIVE AND TRANSPARENT TAX REFORM

To ensure that the tax reforms deliver on their promise of improved domestic resource mobilisation, efficiency, and fiscal accountability, the following strategic recommendations are proposed. These are categorised into short-, medium-, and long-term actions to support effective implementation, institutional alignment, and sustainability of the reforms.

A. Short-Term Recommendations (0–12 Months)

Objective: Establish legal safeguards, ensure institutional clarity, and embed transparency measures into the tax reform implementation process.

- Legislative Refinement and Safeguards
- Put in place a regulation for the NTA to explicitly guarantee disaggregated reporting of extractive revenues in line with the EITI Standard.
- Include legal provisions requiring the NRS to publish annual reports of tax waivers, exemptions, and incentives, especially in the extractive sector.

2. Institutional Coordination Framework

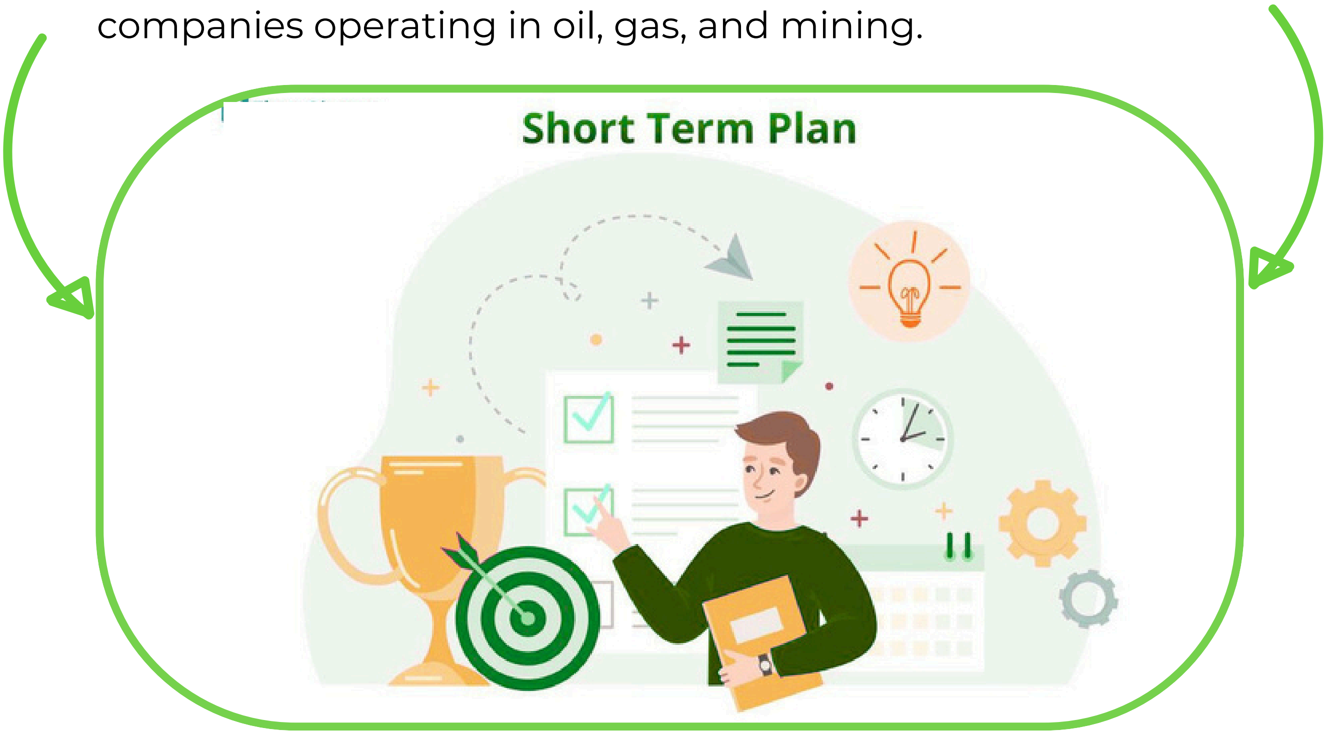
- Develop inter-agency MoUs between NRS, NEITI, NUPRC, and subnational tax bodies, outlining mandates, data-sharing protocols, and transparency obligations.
- Define NEITI's continued role in auditing, verifying, and reconciling extractive tax payments under the new fiscal regime.

3. Stakeholder Engagement and Communication

- Launch nationwide sensitization and policy dialogues with state governments, CSOs, private sector actors, and host communities on reform implications.
- Publish an accessible "Citizens' Guide to the Nigeria Tax Reform" to enhance public awareness and trust.

4. Transparency Triggers

- Mandate immediate public disclosure of all extractive tax revenues collected by NRS, disaggregated by payer, stream, and project.
- Require disclosure of all fiscal incentives or waivers granted to companies operating in oil, gas, and mining.



B. Medium-Term Recommendations (1–3 Years)

Objective: Institutionalize oversight systems, build compliance capacity, and deepen stakeholder engagement.

1. Digital Integration and Open Data

- Establish a shared digital reporting platform between NRS and NEITI to enable real-time reconciliation of extractive revenues.
- Launch a national Extractive Fiscal Dashboard to visualize tax and royalty flows across sectors and government tiers. (Integrate it with NEITI data centre)

2. Independent Audit and Reconciliation

- Institutionalize NEITI-led annual audits of all extractive revenue collected and remitted under the new tax regime.
- Establish a remedial action and compliance monitoring committee led by NEITI, with representation from NRS, MoF, civil society, and industry.

3. Grievance and Redress System

- Create a Taxpayer Recourse and Transparency Unit (TRTU) within the NRS, in partnership with NEITI and other key stakeholders, to handle feedback, petitions, and disputes.
- Operationalize community-level fiscal feedback platforms in extractive host regions to track remittances, CSR responsibilities, and public investments.

4. Subnational Fiscal Integration

- Ensure a transparent revenue-sharing model for VAT and mining royalties is implemented for the subnational in line with the constitution in order to promote fiscal inclusion.
- Support state revenue authorities through capacity building and digital tools to interact with centralised systems effectively.

C. Long-Term Recommendations (3–5 Years and Beyond)

Objective: Embed global standards, strengthen legal frameworks, and future-proof Nigeria's tax and revenue governance system.

1. Statutory and Institutional Reform

- Review and revise the NEITI Act to reflect its expanded oversight responsibilities under the unified tax system.
- Institutionalize NEITI's role as a permanent fiscal accountability partner to the NRS through legislation or executive policy.

2. Benchmarking and Global Alignment

- Develop a Nigerian Model for Extractive Fiscal Transparency, positioning the country as a global leader in tax accountability reforms.
- Integrate international benchmarks such as the EITI Standard, IMF Fiscal Transparency Code, and PEFA indicators into national performance targets.

3. Civic Awareness and Participation

- Launch a long-term public education campaign to promote tax consciousness and civic oversight of extractive revenues.
- Establish fiscal monitoring platforms for civil society and community groups to independently track tax and royalty flows.

4. Sovereign Resource Revenue Strategy

- Integrate extractive revenues into a Natural Resource Fund and Stabilization Framework, governed by transparency rules and public reporting obligations.
- Align all extractive income with national and state budgets, eliminating off-budget expenditures and quasi-fiscal practices.

8.0 IMPLEMENTATION ROADMAP

For the successful delivery of these recommendations, the Nigeria Tax Act must be implemented through a well-defined, multi-stakeholder-developed strategic plan, co-created by government institutions, civil society, industry actors, subnational representatives, and development partners.

This implementation strategy should:

- Clearly define institutional mandates and reporting responsibilities.
- Establish enforcement, compliance, and monitoring mechanisms.
- Set measurable timelines and performance benchmarks.
- Incorporate public feedback and recourse systems

Furthermore, a suite of tax policy regulations anchored on the new law should be urgently developed. These regulations must provide clarity on the administration of sector-specific revenues, standardise reporting formats, enforce transparency triggers, and protect fiscal rights across all tiers of government.

Without a structured, inclusive, and rules-based approach to implementation, even the most progressive reforms risk being diluted in practice. NEITI stands ready to support the formulation, monitoring, and periodic review of this implementation strategy, ensuring the reform not only transforms institutions but truly benefits the Nigerian people.

Specifically, this paper proposes the following conditions for effective implementation.

a. Inter-Institutional Protocols and Legal Clarity

Establish formal cooperation frameworks (e.g., MoUs or inter-agency regulations) between NRS, NEITI, NUPRC, FIRS (legacy functions), and subnational tax bodies. These must outline data-sharing responsibilities, reporting timelines, and transparency safeguards—especially for extractive revenues.

b. Legislative Safeguards for Sectoral Transparency
Amend the Tax Act to include specific provisions for disaggregated reporting of oil, gas, and solid minerals revenues. This ensures continued compliance with NEITI and EITI obligations without ambiguity.

c. Transition Support and Capacity Building
Provide institutional transition support to legacy revenue agencies to avoid capacity loss, redundancy, or fragmentation. NEITI can facilitate technical workshops on data integration, fiscal traceability, and sector-specific audit reconciliation.

3. Feedback, Petitions, and Dispute Redress: Institutionalizing Recourse Mechanisms
A successful tax reform must be accountable, fair, and responsive. To achieve this, the NRS and other relevant institutions must adopt structured grievance redress and stakeholder feedback systems.

a. National Tax Grievance Redress System (NTGRS):
Establish an independent, technology-enabled recourse mechanism for taxpayers, extractive companies, CSOs, and state actors to file complaints on:

- Improper assessments or remittances
- Delays in royalty or tax refunds
- Withheld disclosures or opaque exemptions
- Disputes over in-kind revenues or misallocated collections

b. Multi-Stakeholder Redress Panels:
Create an Extractive Fiscal Appeals Committee, coordinated by NEITI, comprising representatives from government, industry, and civil society, to review complaints specific to resource revenue management.

c. Annual Feedback and Performance Hearings:
Institutionalise annual public hearings, hosted by the National Assembly or a neutral fiscal body, where the NRS reports on tax collection, public complaints received, resolution status, and audit findings. NEITI can contribute by publishing a Petitions and Public Feedback Digest to capture grassroots perspectives.

4. Legal Empowerment and Civic Engagement

To enhance the credibility of the reforms, citizens and local governments must not only be consulted but also empowered to seek redress.

This can be achieved by:

Embedding citizens' right to information and fiscal redress within the new tax laws.

- Supporting civil society to provide legal aid for tax-related grievances, especially in host communities.
- Mandating public disclosure of all resolved and unresolved disputes in annual reports of the NRS.

9.0 CONCLUSION

The tax reform seeks to harmonise, streamline, and make Nigeria's tax administration more efficient. However, a unified national tax system should not come at the cost of weakening the financial independence of states and LGAs. A modern tax regime is not defined by its centralisation or automation alone—it is defined by its ability to listen, respond, and correct itself. By institutionalising structured mechanisms for risk identification, feedback processing, and dispute resolution, Nigeria can ensure that the 2025 Tax Reform is not only efficient but fair, inclusive, and resilient. To be truly inclusive, the 2025 tax reform must reflect Nigeria's federal character and promote a revenue governance framework where all tiers of government retain a meaningful role in fiscal generation, administration, and accountability.

By embedding safeguards for subnational fiscal rights and creating transparent mechanisms for collaboration, the reform can serve as a vehicle not only for improved revenue generation but also for strengthening Nigeria's democratic foundations and developmental equity. The Tax Reform maintains the autonomy of states/LGAs. Section 3 of the Nigeria Tax Administration Act, 2025, outlines the jurisdiction of tax authorities.

NEITI remains committed to advocating for a balanced, inclusive, and accountable fiscal future—one where every level of government contributes to, and benefits from, national prosperity.

The reform has the potential to redefine the rules of fiscal engagement in the extractive sector—but only if transparency, traceability, and sectoral specificity are embedded in its implementation. For NEITI, the stakes are high: the credibility of extractive governance, the accuracy of national resource revenue data, and the ability to hold both companies and government entities accountable depend on it.

In summary, a transparent tax system is not just good governance; it is good economics. NEITI remains committed to ensuring that Nigeria's new tax architecture delivers both. As such, NEITI calls for a structured interface between the NRS and EITI reporting processes, backed by legislation that protects disaggregated reporting and stakeholder access to fiscal data. The reform must not only be technically sound but also transparently executed, sector-aware, and institutionally inclusive. Only then can it strengthen domestic resource mobilisation while preserving the integrity and trust that NEITI has built over two decades of rigorous oversight.

NEITI reaffirms its readiness to play a lead role in this process—providing independent oversight, hosting public dialogues, and acting as a trusted arbiter between citizens, corporations, and the state. This is how trust is earned. This is how reforms endure.

THE PRESIDENCY

NEITI

Nigeria Extractive Industries Transparency Initiative