



TAX LITIGATION IN NIGERIA: PROTECTING YOUR BUSINESS FROM COSTLY TAX DISPUTES

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Introduction

While the payment of taxes is an essential legal obligation, disputes over tax liabilities are not uncommon. They often arise from differing interpretations of tax legislation, disagreements over the application of tax incentives, valuation of transactions, transfer pricing arrangements, the deductibility of business expenses, value added tax (“VAT”) obligations, withholding tax (“WHT”) compliance, and the allocation of taxing powers between federal and state authorities.

The commercial consequences of a tax dispute can be significant. In addition to the immediate financial exposure from disputed assessments, penalties and accrued interest, businesses may face operational disruption, cash flow constraints, heightened regulatory scrutiny, delayed investment decisions, and reputational risks. For many organisations, the indirect costs of tax litigation often exceed the value of the tax assessment itself.

Against this backdrop, tax litigation should no longer be viewed merely as a legal issue to be addressed after an assessment is issued. Rather, it should form part of a company’s broader governance, compliance and enterprise risk management framework. Businesses that adopt proactive tax risk management strategies through sound record-keeping, periodic compliance reviews, early engagement with tax authorities, and timely legal advice are significantly better placed to minimise disputes and protect shareholder value.

This publication examines the evolving landscape of tax litigation in Nigeria, highlights the principal sources of tax disputes, outlines the applicable dispute-resolution framework, reviews emerging judicial trends, and identifies practical measures businesses can adopt to reduce exposure to costly tax controversies.



The New Landscape

Nigeria's tax landscape has entered a transformative phase. The enactment of the 2025 Tax Reform Acts¹ marks the most comprehensive overhaul of the country's tax system in decades, introducing significant changes to tax administration, compliance, dispute resolution and institutional governance. The reforms have modernised Nigeria's tax framework, simplified the tax regime, improved revenue mobilisation, enhanced taxpayer confidence and created a more transparent and investment-friendly fiscal environment.

However, the reforms have also led to an increasingly assertive enforcement environment. Thus, revenue authorities at both the federal and state levels have intensified audit activities, strengthened compliance monitoring and expanded the use of technology, data analytics and inter-agency information sharing to identify tax leakages and recover outstanding tax liabilities.

Thus, businesses operate in an environment where tax compliance is under greater scrutiny than ever before. In addition to the basic triggers of tax disputes, businesses should anticipate disputes over the interpretation of savings provisions, the treatment of existing transactions, and the application of transitional rules.

Businesses that understand the evolving legal landscape and respond strategically to tax risks will be better placed to avoid costly disputes and protect long-term enterprise value.

¹ "2025 Nigeria Tax Reform Acts": Presidential Fiscal Policy and Tax Reforms Committee—
<https://www.fiscalreforms.ng/news/gazetted-tax-reform-acts-authorized-by-national-assembly>

Major Triggers of Tax Litigation in Nigeria

Several interrelated factors have contributed to the marked rise in tax disputes across Nigeria:

a) Increased revenue mobilisation efforts

Persistent fiscal pressures have compelled governments at both federal and state levels to pursue more aggressive revenue mobilisation strategies. Tax authorities are under growing pressure to improve internally generated revenue, leading to more frequent audits, investigations and enforcement actions.

b) Digitalisation of tax administration

The deployment of electronic filing platforms, taxpayer identification systems, integrated databases and digital audit tools has significantly enhanced tax authorities' ability to detect inconsistencies and potential non-compliance. Data from banks, customs authorities, land registries, the **Corporate Affairs Commission ("CAC")**, other regulators and government agencies increasingly informs audit activities.

c) Growth in complex commercial transactions

Modern businesses engage in increasingly sophisticated commercial arrangements, including multinational group structures, cross-border financing, intellectual property licensing, digital services, mergers and acquisitions ("M&A") and intra-group transactions. These arrangements frequently raise complex tax questions that can give rise to legitimate disagreements between taxpayers and revenue authorities.

Nigeria's Tax Dispute Resolution Framework

d) Legislative and regulatory reforms

The 2025 tax reforms harmonised all previously applicable tax statutes in Nigeria and replaced them with just four (4) new principal tax legislation:

- Nigeria Tax Act, 2025 (“NTA”)
- Nigeria Tax Administration Act, 2025 (“NTAA”)
- Nigeria Revenue Service (Establishment) Act, 2025
- Joint Revenue Board (Establishment) Act, 2025

The reforms have introduced new compliance obligations and led to evolving administrative practices. While the reforms have improved certainty and efficiency, as noted earlier, transitional periods often give rise to interpretative disputes until judicial guidance fully emerges.

e) Greater regulatory coordination

Closer collaboration between tax authorities and other regulators has increased the availability of taxpayer information and strengthened enforcement capabilities. Information sharing among regulators has made tax audits more comprehensive and targeted.

f) Increased taxpayer awareness

Businesses are increasingly willing to challenge assessments they consider excessive or inconsistent with applicable legislation. Improved access to professional tax advice and the development of Nigerian tax jurisprudence have encouraged taxpayers to use available dispute resolution mechanisms rather than accept assessments unquestioningly.

An effective understanding of Nigeria's tax dispute resolution framework is essential for every business. The legal framework is designed not only to safeguard the government's revenue collection powers but also to protect taxpayers from arbitrary or unlawful assessments.

a. The process generally begins with a tax audit, compliance review or investigation conducted by the relevant tax authority. If the authority concludes that additional tax is payable, it may issue an assessment or a demand notice setting out the amount claimed.

b. A taxpayer who disputes the assessment is ordinarily entitled to lodge a formal Notice of Objection within the applicable statutory period².

c. The objection provides the taxpayer with an opportunity to present supporting documentation, legal arguments and factual explanations showing that the assessment should be amended or withdrawn.

d. Upon receipt of the objection, the tax authority is expected to review the taxpayer's representations and issue its determination within the timeline set by law³. In many cases, this administrative process offers an opportunity for clarification and may lead to the revision or withdrawal of the assessment. Constructive engagement at this stage can often prevent unnecessary litigation and preserve the commercial relationship between taxpayers and revenue authorities.

² The Notice of Objection must be submitted to the relevant tax authority within 30 days of the service of the disputed assessment. See section 41 of the Nigeria Tax Administration Act, 2025.

³ A tax authority is required to respond to a Notice of Objection from a dissatisfied taxpayer within 90 days. Here no response is received within this period, the law deems the taxpayer's objection as upheld – See section 41(6) of the Nigeria Tax Administration Act, 2025.

e. Where the dispute remains unresolved, the taxpayer may pursue further remedies before the Tax Appeal Tribunal (“TAT”)⁴ – the specialised adjudicatory body that plays a vital role in resolving complex tax controversies by considering both factual and legal issues arising under Nigeria’s tax legislation. An appeal before the TAT must be filed within 30 days of the decision of the relevant tax authority.⁵

f. Decisions of the TAT are subject to appellate review by the Federal High Court, and appeals must be filed within 30 days of the disputed TAT decision, limited to points of the TAT law.⁶ Further appeals, where appropriate, lie to the Court of Appeal and ultimately to the Supreme Court⁷. This appellate structure has significantly contributed to the development of Nigerian tax jurisprudence and has provided greater certainty on several previously contentious issues.

Businesses should recognise that tax litigation is highly procedural. Statutory timelines for filing objections and appeals are strictly enforced, and non-compliance may result in otherwise meritorious challenges being dismissed. Equally important is the quality of documentary evidence. Contemporary records, accounting documentation and comprehensive transaction records often determine the outcome of tax disputes.

Accordingly, effective tax dispute management begins long before litigation is contemplated. Businesses that establish robust internal controls, maintain accurate records and seek timely professional advice are considerably better placed to defend their tax positions when disputes arise.

Tax Dispute Outlook

While the new tax regime is expected to simplify tax administration, broaden the tax base and enhance voluntary compliance, it also introduces a legal framework that will inevitably be tested in litigation.

Experience of previous tax reforms shows that significant legislative changes are often accompanied by an increase in disputes in the early years of implementation. New statutory provisions require judicial interpretation, administrative practices evolve, and taxpayers seek clarity on the scope of their rights and obligations. Consequently, tax litigation is likely to remain an important feature of Nigeria’s fiscal landscape for the foreseeable future.

The emerging litigation landscape is expected to be marked by disputes involving:

- **interpretation of newly enacted provisions under the 2025 tax legislation;**
- **transitional issues arising from the repeal or amendment of previous tax statutes;**
- **the scope and administration of tax incentives;**
- **digital and cross-border transactions;**
- **transfer pricing and related party arrangements;**
- **VAT compliance;**
- **WHT obligations;**
- **deductibility of business expenses;**

⁴ See section 41(7) of the Nigeria Tax Administration Act, 2025.

⁵ See paragraph 2, Second Schedule to the Joint Revenue Board of Nigeria (Establishment) Act, 2025.

⁶ See paragraph 10, Second Schedule to the Joint Revenue Board of Nigeria (Establishment) Act, 2025.

⁷ See section 41(8) of the Nigeria Tax Administration Act, 2025.

- constitutional allocation of taxing powers between different tiers of government; and
- the powers and procedures of tax authorities in conducting audits, investigations and assessments.

Businesses should expect tax disputes to become increasingly technical, documentation-intensive and commercially significant. Essentially, taxpayers seeking to challenge assessments must comply with statutory procedures and maintain adequate records to substantiate their tax positions.

The message emerging from recent judicial decisions is clear: successful tax litigation depends not only on the substantive merits of a taxpayer's case but also on procedural compliance, documentary evidence and timely engagement with the dispute resolution process. Businesses should take all of these into account in emerging tax disputes.

Recent Judicial Decisions Shaping Tax Litigation

Nigerian courts have consistently emphasised that although tax authorities possess extensive statutory powers to assess and recover taxes, those powers must be exercised strictly within the limits prescribed by law.

- a) Tax authorities cannot apply tax laws retrospectively in the absence of express statutory provisions

In *Accugas Limited v. Federal Inland Revenue Service & Anor* (2022)⁸, the appellant, an oil & gas company, reported a loss for the financial year ending December 31, 2020. The then Federal Inland Revenue Service, applying the provisions of the Finance Act of 2019 (which took effect in January 2020 and amended the then Companies Income Tax Act), assessed the appellant to a minimum tax of \$609,178.

Contending that it was entitled to an exemption from payment of minimum tax under the Companies Income Tax Act, the appellant challenged the minimum tax assessment. Relying on the principle established by the Supreme Court in the landmark case of *Afolabi & Ors. v. Governor of Oyo State & Ors.*⁹, the Federal High Court held that a tax authority cannot give retroactive effect to the provisions of a new tax statute. It consequently quashed the tax assessment and ordered a refund of the tax paid by the plaintiff/appellant.

Relatedly, provisions in the NTA and NTAA, or in any of the 2025 Tax Reform Acts, cannot apply retroactively to tax periods or transactions occurring before the new regime commenced on January 1, 2026. The court will declare null and void any administrative instrument – such as a Circular or Public Notice – issued by any tax authority to the contrary.¹⁰

⁸ Suit No: FHC/ABJ/CS/1289/2020

⁹ (1985) 2 NWLR (Pt. 9) 734

¹⁰ See *Accugas Limited v. Federal Inland Revenue Service*, *supra*.

b) Tax authorities must exercise their audit, assessment, regulatory and enforcement powers within the ambit of the law.

In the case of Check Point Software Technologies B. V. Nigeria Ltd v. Federal Inland Revenue Service¹¹, the respondent imposed administrative penalties on the appellant for late filing of the 2019 and 2020 Country-by-Country (“CBC”) Notifications in accordance with the CBC Regulations 2018. The appellant objected to the penalties on the ground that they were well above the limits stipulated in the Federal Inland Revenue Service (Establishment) Act and therefore filed an appeal at the TAT. The TAT set aside the

penalties on the basis that the Board of the FIRS, which purportedly made the CBC Regulations 2018, did not exist between 2012 and 2020. Since the establishment/principal Act of the federal tax authority exclusively gave the power to make rules and regulations to its Board¹², the CBC Regulations made without an existing Board were therefore declared null and void by the TAT. The decision of the TAT, which has significant implications for Transfer Pricing in Nigeria, was upheld on appeal to the Federal High Court¹³.



¹¹ Tax Appeal Tribunal – Suit No. TAT/LZ/CIT/121/2022 (decided August 17, 2023).

¹² Section 61 of the Federal Inland Service (Establishment) Act of 2007 gives the powers to make rules and regulations for effective tax administration to the Board of the Federal Inland Revenue Service.

¹³ See Suit No. FHC/L/10A/2023, decided by the Federal High Court on May 5, 2025.

Conclusion – Turning Potential Tax Dispute Risks into Strategic Advantage

Legislative reform alone cannot eliminate tax disputes, and major tax reforms are often accompanied by an initial rise in litigation as taxpayers, tax authorities and the courts interpret new statutory provisions and address transitional issues.

For businesses, this means that tax litigation should no longer be seen merely as a reactive legal process initiated after an assessment has been issued. Rather, it should be recognised as an integral component of corporate governance, enterprise risk management and strategic decision-making.

The consequences of poorly managed tax disputes can be significant. Beyond the immediate financial impact of additional assessments, penalties and interest, unresolved tax controversies may disrupt commercial operations, delay strategic transactions, strain relationships with regulators, increase compliance costs and undermine investor confidence. In an increasingly competitive marketplace, these indirect costs may prove more damaging than the disputed tax liability itself.

At any rate, organisations that invest in robust tax governance are better placed to navigate regulatory change, manage compliance risks and resolve disputes efficiently. Maintaining accurate records, conducting periodic tax health checks, engaging experienced advisers early and fostering constructive dialogue with tax authorities can significantly reduce both the likelihood and the cost of litigation.

The courts will continue to play a central role in shaping the interpretation and application of Nigeria's tax laws. As new disputes arise under the new tax regime, judicial decisions will provide much-needed clarity on areas of uncertainty and help develop a more predictable and coherent body of tax jurisprudence. Businesses should therefore monitor emerging case law and administrative guidance to ensure their compliance strategies remain aligned with evolving legal and regulatory requirements.

Ultimately, the most successful businesses will not be those that merely respond to tax disputes after they arise, but those that embed tax governance within their corporate culture and treat tax compliance as a strategic business function. By adopting a proactive approach to tax risk management, organisations can minimise costly disputes, preserve commercial value, strengthen stakeholder confidence and focus on their long-term growth objectives.



How Our Experienced Tax Team Adds Value

Effective tax dispute management extends beyond courtroom advocacy. Our Dispute Resolution Team provides strategic support throughout the life cycle of a tax controversy, from compliance planning and audit readiness to administrative engagement, dispute resolution and appellate litigation.

Depending on the circumstances, our legal support services cover:

- advising on the interpretation and application of tax legislation;
- conducting tax risk assessments and compliance reviews;
- assisting with responses to tax audits, investigations and assessments;
- preparing and prosecuting objections and appeals;
- representing taxpayers before dispute-resolution bodies, including the TAT and the superior courts;
- advising on tax aspects of corporate restructurings and commercial transactions;
- reviewing contracts to minimize tax-related risks; and
- developing governance frameworks that promote sustainable tax compliance.

It is important to recognise that early engagement with experienced legal advisers often enables businesses to resolve disputes more efficiently, preserve valuable commercial relationships and minimise financial exposure.



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