

Updates on Global and Local Tax Laws

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1.0 Introduction

Taxation is a fundamental pillar of economic policy, serving as the primary mechanism through which governments generate revenue to finance public services, infrastructure development, and social programs. Effective tax systems not only ensure fiscal sustainability but also influence economic growth, business competitiveness, and income distribution. However, the dynamic nature of the global economy, characterized by rapid technological advancements, increased cross-border transactions, and evolving business models, has necessitated continuous reforms in tax policies to address emerging challenges.

One of the most significant developments in global taxation has been the increasing efforts to curb tax avoidance and profit shifting by multinational corporations (MNCs). The OECD's Base Erosion and Profit Shifting (BEPS) project, launched in 2013, has played a critical role in reshaping international tax rules to prevent aggressive tax planning strategies that exploit gaps and mismatches in tax regulations (OECD, 2021). The BEPS framework has led to the implementation of key measures such as Country-by-Country Reporting (CbCR), stricter transfer pricing regulations, and the introduction of Pillar One and Pillar Two frameworks, which aim to redistribute taxing rights and establish a global minimum tax.

At the national level, countries, including Nigeria, have been proactive in revising tax laws to enhance compliance, increase revenue mobilization, and align with global best practices. The introduction of Nigeria's Finance Acts (2019–2023) has brought significant amendments to corporate taxation, Value Added Tax (VAT), and the taxation of digital services, among others. Additionally, regulatory authorities such as the Federal Inland Revenue Service (FIRS) have implemented digital tax administration tools to improve efficiency and reduce tax evasion. These reforms reflect broader efforts to modernize tax systems and create a more transparent and equitable tax environment.

Given these continuous changes in tax regulations, it is imperative for businesses, individuals, and policymakers to stay informed about new compliance requirements and strategic tax planning opportunities. Failure to adapt to tax law changes can result in legal penalties, financial losses, and reputational damage. Moreover, the increasing complexity of cross-border taxation, driven by globalization and digitalization, necessitates a deeper understanding of international tax agreements, transfer pricing rules, and anti-avoidance measures.

This paper provides an analysis of recent changes in tax laws at both global and national levels. It looks at the impact of tax reforms and explores the implications of tax law changes for cross-border transactions and international business operations. Finally, it offers recommendations for businesses and individuals on navigating the evolving tax landscape while ensuring compliance and optimizing tax efficiency.

2.0 Overview of Recent Changes in Global and National Tax Laws

2.1 Global Trends in Taxation

The international tax landscape has undergone significant transformations in recent years, driven by factors such as global economic integration, digitalization, and increasing concerns about tax avoidance and revenue losses by governments. As businesses expand their operations across multiple jurisdictions, tax authorities worldwide have sought to establish a more coherent and equitable taxation framework. The Organization for Economic Cooperation and Development (OECD) has played a pivotal role in shaping these reforms, particularly through the Base Erosion and Profit Shifting (BEPS) project, which aims to address loopholes in tax regulations that allow multinational enterprises (MNEs) to minimize their tax liabilities artificially (OECD, 2022).

The OECD's BEPS Framework

The BEPS project, initiated in 2013 and continuously evolving, has introduced several key measures designed to improve tax transparency, prevent tax base erosion, and curb artificial profit shifting. These initiatives seek to reduce harmful tax competition and level the playing field for businesses operating in multiple jurisdictions. Among its most notable provisions are:

- a) **Country-by-Country Reporting (CbCR):** Requires MNEs to disclose detailed financial and tax-related information on a per-country basis. This measure increases tax transparency and enables tax authorities to assess risks and identify instances of tax avoidance.
- b) **Revisions to Transfer Pricing Rules:** Aimed at ensuring that related-party transactions reflect **arm's length pricing**, preventing MNEs from artificially shifting profits to low-tax jurisdictions.
- c) **Global Minimum Tax (Pillar Two):** Establishes a minimum effective tax rate (currently set at 15%) for large multinational corporations, ensuring that they pay a fair share of taxes in each country where they operate (OECD, 2022).

The Rise of Digital Taxation

The rapid growth of the digital economy has challenged traditional tax models, which historically relied on physical presence to determine tax obligations. With digital businesses generating significant revenues in multiple countries without a substantial physical footprint, governments have sought new ways to tax digital transactions fairly.

- **Digital Services Taxes (DSTs):** In response to this challenge, several countries, including France, the UK, India, and Nigeria, have implemented **DSTs**, which impose taxes on revenue generated by large digital companies from users within their territories, regardless of where the company is headquartered (European Commission, 2023).

- **Pillar One Framework:** As part of the OECD's global tax reform efforts, the **Pillar One** initiative aims to reallocate taxing rights to market jurisdictions where large multinational companies generate revenue, even if they lack a physical presence there (OECD, 2023).

Other Key Global Tax Trends

Apart from BEPS and digital taxation, other significant trends shaping the global tax landscape include:

- **Increased Focus on Environmental Taxes:** Countries are implementing carbon taxes and green levies to encourage environmentally sustainable practices.
- **Greater Use of Tax Technology:** Many governments are adopting e-filing systems, AI-powered tax audits, and blockchain technology to improve tax administration and reduce evasion (KPMG, 2023).

2.2 Nigeria's Tax Law Reforms

Nigeria's Tax Law Reforms

In recent years, Nigeria has implemented a series of tax reforms to enhance revenue mobilization, improve compliance, and align with global best practices. Given the country's historical dependence on oil revenues, fluctuating crude oil prices have necessitated the diversification of revenue sources, with taxation playing a crucial role in economic sustainability. The Finance Acts (2019-2023) have introduced various amendments aimed at broadening the tax base, modernizing tax administration, and promoting ease of doing business. Emphasis is placed on the most recent which is Finance Act 2023.

i. Value Added Tax

One of the most significant changes introduced by the Finance Act was the increase in VAT from 5% to 7.5%, which took effect in 2020. This increase was designed to boost non-oil revenue and enhance government funding for critical infrastructure and social services. However, the higher VAT rate has also led to an increase in the cost of goods and services, impacting both businesses and consumers. While the government exempted basic food items and essential goods from VAT to mitigate the impact on low-income earners, businesses have faced higher compliance costs and administrative burdens. Other notable issues include;

Adjustment of Artificial/ Fictitious Transactions: The Finance 2023 empowers the Federal Inland Revenue Service to disregard, in its opinion, artificial or fictitious or generally not carried out at arm's length in the case of related party transactions (KPMG, 2023).

Remittance of VAT withheld by appointed Agent: VAT Collection Agents: Section 14(3) of the VAT Act has been amended to empower the FIRS to appoint persons to withhold or collect VAT. Persons appointed by the FIRS are to remit the applicable tax in the currency withheld on or before the 14th day of the following month.

VAT on Goods Purchased from A Non-Resident Supplier: The Finance Act 2023, provides that, where a Nigerian customer purchases goods from an online or digital platform operated by a non-resident supplier (NRS) that has been appointed as agent of FIRS for the collection of VAT, the Nigerian customer/ importer does not need to pay additional VAT at the port to clear the goods. However, such importer shall, present proof of registration or appointment of the non-resident

supplier by the FIRS as an agent of VAT collection and such other documents as may be required by FIRS. This is an effort to ease the business climate in Nigeria with respect to international online purchases

Redefinition of Building: Prior to Finance Act, 2023, the definition of buildings in the VAT Act included items (such as vehicle etc) which were not consistent with legally and internationally accepted definition of buildings (KPMG, 2023). This meant that the VAT exemption applicable to buildings would also extend to some items that were ordinarily not listed as ‘VAT exempt’. This led to disputes between taxpayers and FIRS (KPMG, 2023). The Act defines building as

“any structure permanently affixed to land for all or most of the useful life of that structure and shall include, without limiting the generality of the foregoing, a house, garage, dwelling apartment, hospital and institutional building, factory, warehouse, theatre, cinema, store, mill building and similarly fixed structure affording protection and shelter, but excludes any fixtures or structures that can easily be removed from such land, such as radio and television masts, transmission lines, cell towers, vehicles, mobile homes, caravans and trailers”

This definition excludes any fixtures or structures that can be easily removed from land such as radio and television masts, transmission lines, cell towers, mobile homes, caravans and trailers. This implies that such assets are not eligible for the VAT exemption on buildings (Ososami, Eimunjeze & Akintayo, 2023).

ii. Digital Service Tax (DST) and Taxation of Non-Resident Companies

The rise of digital transactions and e-commerce has prompted the Nigerian government to introduce digital service taxes (DSTs) to ensure that multinational technology companies operating in Nigeria contribute their fair share of taxes. The new provisions under the Finance Act impose taxes on non-resident digital service providers offering services such as:

- a. Online advertising
- b. E-commerce platforms
- c. Streaming services
- d. Software and cloud computing services

The DST applies to non-resident companies with significant economic presence in Nigeria, even if they do not have a physical office in the country. This aligns with global tax trends, where governments are increasingly taxing the digital economy to prevent revenue losses from cross-border digital transactions.

Significant Economic Presence: A foreign entity involved in digital transactions will be deemed to have created an SEP in Nigeria and is therefore liable to tax if it:

- i. derives income of NGN 25 million or equivalent in other currencies from Nigeria in a year
- ii. uses a Nigerian domain name (.ng) or registers a website address in Nigeria, or
- iii. has purposeful and sustained interactions with persons in Nigeria by customizing its digital platform to target persons in Nigeria (e.g. by stating the prices of its products or services in naira).

For the purposes of (i) above, revenue derived from Nigeria includes that in respect of:

- Streaming or downloading of digital contents.
- Transmission of data collected about users in Nigeria.
- Provision of goods or services directly or through a digital platform.

- Intermediation services that link suppliers and customers in Nigeria. Activities carried out by connected persons shall be aggregated to determine the NGN 25 million threshold (where applicable).

iii. Companies Income Tax

There were significant changes/amendments made to the Companies Income Tax Act within the period 2019-2023. The emphasis here is made on the most recent which is the Finance Act 2023.

Cancellation of Investment Allowance on Plant and Equipment: The Finance Act 2023 came with the cancellation of the 10% investment allowance on plant and equipment purchased by any company, and claimable in the year that such qualifying asset was first used for the business of the company. Thus, any plant and equipment that is acquired and first used by a company for its trade or business after the effective date of the Finance Act 2023 can no longer enjoy the 10% investment allowance. However, companies that have incurred capital expenditure on plants and equipment on or before the effective date of Finance Act 2023 are permitted to claim these allowances (KPMG,2023).

Cancellation of Investment Allowance on Plant and Equipment: Rural investment allowance provided in Section 34 of CITA has been cancelled by the provisions of the Finance Act 2023. However, Companies already enjoying the incentive before 28 May 2023 are allowed to continue claiming the allowance until it is fully utilised.

Cancellation of 25% Exemption to Hotels: Finance Act 2023 has cancelled the 25% tax exemption available to hotels in connection with income that they earn from trading convertible currencies provided by tourists (Ososami, Eimunjeze, & Akintayo 2023). Previously, the 25% exemption was granted with the condition that the amount shall be set aside in a reserve fund and utilized for expansion of the physical infrastructure of the business within five (5) years. By the new provision, any balance in such dedicated/ reserve fund currently held by any hotel must be fully utilised within the next 5 years. Otherwise, such balance would be subject to income tax at the appropriate rate (KPMG,2023).

Compliance Obligation for Shipping and Air Transport Businesses: The Finance Act 2020 had mandated non-resident companies (NRCs) to submit fully audited financial statements duly attested by an independent and qualified/ certified accountant in Nigeria when filing for CIT. Recognizing the unique challenges of the shipping and air transport industries, the Finance Act 2023 introduced an alternative requirement for international shipping and air transport companies that fail to provide audited financial statements when filing their CIT. Such companies are required to submit a comprehensive gross revenue statement of their operations in Nigerian, endorsed by a director of the company and an external auditor, along with supporting invoices. This amendment ensures compliance while accommodating industry-specific constraints.

The Act also introduced a new Section 14(6) to the CIT Act which mandates regulatory agencies to request evidence of income tax filing and tax clearance certificates from shipping and air transport companies before processing and granting business approvals and permits or allowing them to continue to carry on business in Nigeria. The objective of the amendment is to ensure that

shipping and air transport companies fulfil their tax obligations by filing income tax returns and obtaining tax clearance certificates (KPMG, 2023).

Capital Allowance claim by Companies in the Oil and Gas sector: The Finance Act, 2023 allows companies involved in upstream and midstream gas operations to fully offset their capital allowances against their assessable profits in view of the provisions of the Petroleum Industry Act (PIA) 2021. The Finance Act 2023 further restated that capital allowance on qualifying assets is limited to sixty-six two-thirds percent of the assessable profits of a company excluding companies engaged in upstream and midstream gas operations, agro-allied industry or in the trade or business of manufacturing.

Changes in Corporate Tax Rates: To promote economic growth and encourage small and medium enterprises (SMEs), the Finance Act 2019 introduced a tiered corporate tax system based on company turnover:

- a. 0% corporate income tax for small businesses with annual revenue below ₦25 million.
- b. 20% corporate tax rate for medium-sized companies with annual revenue between ₦25 million and ₦100 million.
- c. 30% corporate tax rate for large companies with revenue above ₦100 million.

These measures aim to support SME growth by reducing their tax burden, thereby improving their sustainability and contribution to economic development.

iv. Tertiary Education Tax

Finance Act, 2023 has further increased the rate to 3%. The increased TET rate will be applicable to the assessable profits of any company registered in Nigeria, except for small companies as defined in the CITA.

v. Personal Income Tax (PIT)

Allowable deduction of life insurance premiums: Amounts paid as premium by an individual during the preceding year of assessment in respect of his/her own life or the life of a spouse, or contract for a deferred annuity are now tax deductible. The tax-deductible premiums are restricted to premiums with a minimum of five (5) year holding period. This implies that any portion of the deferred annuity that is withdrawn before the end of the five (5) year holding period shall be subject to tax at the point of withdrawal.

Exemption of minimum wage earners: Persons earning less than the minimum wage are exempted from personal income tax.

vi. Capital Gains Tax (CGT) Adjustments

The Finance Act introduced changes to Capital Gains Tax (CGT) in Nigeria, broadening its scope and revising rates to enhance government revenue while encouraging productive investment. Notable amendments include:

Capital Gains Tax on Digital Assets and Cryptocurrency Transactions: Digital assets are subject to Capital Gains Tax (CGT) at 10% on gains realized from their sale or disposal. This measure aligns Nigeria with global tax trends, as many jurisdictions are now taxing gains from digital asset transactions. Digital assets include non-fungible tokens (NFTs), cryptocurrencies and

other tokenized assets. The aim is to capture revenue from the growing digital economy and prevent tax avoidance through unregulated virtual asset trading. However, the Central Bank of Nigeria (CBN) had previously issued restrictions on trading of cryptocurrencies in February 2021. While the amendment in the Act shows the Federal Government's interest in the emerging digital currency market, there is, however, a conflict in policy direction given that the directive from the CBN on digital currency market is yet to be reversed (KPMG, 2023).

Tax deductibility of capital losses from chargeable gains: The amended Finance Act provides that losses that accrue from disposal of a chargeable asset shall be deductible from gains accruing from disposing of such asset, provided that such losses shall only be deductible against the same type/class of asset. Where the aggregate capital losses exceed the aggregate capital profit, taxpayers will now be able to carry forward such losses for a period of up to five (5) years commencing from the immediate year succeeding year in which the loss was incurred. Any unutilized loss after five (5) years will be forfeited.

Roll-over relief for stocks and shares: Finance Act 2023 provides that, in order for the roll-over relief to be applicable to stocks and shares, the proceeds from the qualifying disposals must be reinvested in the acquisition of shares either within the same company or any other Nigerian company. This reinvestment is to be done within the same year of assessment. (Ososami, Eimunjeze & Akintayo, 2023)

Due date for filing and payment: The Finance Act 2020 provides that the deadline for filing capital gains tax (CGT) returns and payment CGT on the disposal of chargeable assets within a given year shall not be later than 30 June and 31 December of the same year. Deloitte (2021) noted that this provision is ambiguous, as it provides two due dates for the filing and payment of CGT. The logical interpretation is that CGT returns and payment of CGT, relating to disposals that occur before 30 June, should be made by 30 June, while CGT returns and payment of CGT relating to disposals that occur after 30 June should be made by 31 December.

CGT for the Disposal of Shares: The Finance Act, 2021 has amended the CGTA to subject gains arising on share disposals to capital gains tax where the aggregate proceeds (gross amount received) from such disposal exceeds N100million in any 12 consecutive months. The CGTA, however, provides a proportionate waiver from CGT where the whole or part of the disposal proceeds are reinvested within the same year of assessment (YOA) in acquiring shares in the same or other Nigerian companies. In addition, an exception is granted for transfer of shares between an approved Borrower and Lender in a regulated securities lending transaction as defined in the CITA (KPMG, 2022).

vii. Petroleum Profits Tax

The following are notable amendments provided by the Finance Act, 2023 in respect of the Petroleum Profit Tax Act.

Recognition of the Nigerian Upstream Petroleum Regulatory Commission ("NUPRC"): The PPTA has now been amended to recognize the NUPRC as the regulator of the Nigerian upstream petroleum sector.

Allowable Deductions

Treatment of decommissioning and abandonment contribution by an upstream company to a fund, scheme or arrangement approved by the Nigerian Upstream Petroleum Regulatory Commission as allowable deduction for PPT purposes subject to the provision of a Statement of Account of the fund. Any surplus or residue monies after decommissioning and abandonment of the field are subject to tax under the PPTA.

Submission of Returns

Requirement for companies that are in pre-production phase to submit tax returns within 18 months from the date of incorporation for a new company, and 5 months after the year end in other cases. This is to ensure uniform application of the tax laws with respect to submission of income tax returns to all sectors of the economy.

Amendments to Penalties

- i. Revision of the late filing penalty to ₦10 million for the first day of default and ₦2 million for each day that the default continues.
- ii. Introduction of administrative penalty of ₦10 million in the first month of default for non-compliance with the provisions of the PPT Act where no specific penalty is provided and a further ₦2million, or such sum as may be approved by the Minister of Finance, for each day the continues.
- iii. The Act imposes an administrative penalty of NGN15 million and 1% of the amount of tax undercharged, whichever is higher, on the filing of incorrect returns.

viii. Stamp Duties

Allocation of Revenue from Electronic Money Transfer (EMT) Levy

Finance Act 2023 has amended the sharing formula for revenue generated from the Electronic Money Transfer Levy has been amended. The Act provides that 15% is to go to the Federal Government and FCT, 50% to the state governments, and 35% to the local governments.

ix. Customs and Excise Duties Reforms

The Finance Act introduced reforms in customs and excise duties to boost government revenue, protect local industries, and promote public health. These changes align with Nigeria's broader economic and fiscal policies aimed at reducing import dependency, discouraging harmful consumption, and generating additional revenue. Some notable amendments are:

Excise duty on goods imported from outside Africa

Section 13 of the Customs, Excise, Tariffs etc (Consolidation) Act (CETA) was amended to introduce a new subsection (4), which imposes a 0.5% levy on all eligible goods imported into Nigeria from outside Africa. This levy will be used to fund capital contributions, subscriptions and other financial commitments to multilateral institutions such as the African Union AU, African Development Bank, African Export-Import Bank, ECOWAS Bank for Investment and Development, Islamic Development Bank, United Nations, and others as may be designated by regulation issued by the Minister of Finance (Finance Act, 2023).

Expansion of scope of excise duty: By the provisions of the Finance Act 2023, Excise Duty will now apply to all services including telecommunication services provided in Nigeria at rates to be specified by the President in an order pursuant to Section 13 of the Act. However, President Bola

Tinubu has suspended indefinitely the application of excise duties to telecommunication services. It is assumed that the suspension will also apply to all services (KPMG, 2023).

Responsibility for Tariff Review: Section 22 of CETA was also amended to clarify the responsibility and powers of the Minister of Finance (the “Minister”) to review customs and excise tariffs through the Tariff Review Board set up by the Minister. The Tariff Review Board is the Board responsible for the review of customs and excise tariffs under CETA.

Excise Tax on Carbonated Drinks to Promote Public Health

- The Finance Act introduced an excise tax on carbonated and sugar-sweetened beverages to address rising health concerns related to excessive sugar consumption, such as obesity and diabetes.
- According to the regulations released by the Minister of Finance, Budget and National Planning, the relevant excise duty should be remitted on or before the 21st of the month following the taxable event.

This tax aligns with policies in other countries that have successfully used sugar taxes to promote healthier consumer choices. While the policy helps reduce sugar consumption and its associated health risks, it has faced opposition from beverage manufacturers who argue that it could increase production costs and affect employment in the sector.

x. Enhancements in Tax Administration and Compliance

To improve tax collection efficiency and reduce evasion, the Nigerian government has leveraged technology-driven tax administration through initiatives such as:

- a. **Electronic tax filing (e-Tax):** Businesses and individuals can now file tax returns online, reducing paperwork and administrative delays.
- b. **Automated VAT and withholding tax systems:** These systems ensure real-time tax deductions and remittances to the Federal Inland Revenue Service (FIRS).
- c. **Introduction of the TaxPro Max platform:** A digital platform that enhances taxpayer registration, filing, and payments, ensuring greater transparency and ease of compliance.

These digital initiatives have improved tax compliance rates by reducing manual interventions and increasing tax transparency.

3.0 Analysis of National Tax Reforms and Their Impact

Macroeconomic and Revenue Impact

One of the core objectives of the Finance Act 2023 is to increase government revenue while addressing Nigeria’s growing fiscal deficit. In terms of revenue generation, the Act introduces new tax measures, such as the taxation of digital assets and stricter compliance requirements for businesses, which will boost government revenue. From macroeconomic point, by increasing tax compliance, particularly among non-resident companies (NRCs), oil and gas operators, and digital businesses, the Act aims to stabilize Nigeria’s economy and create a more sustainable tax system. The reforms align with the government’s push to diversify revenue sources away from oil dependence, ensuring that sectors like technology, consumer markets, and financial services contribute more to national income.

Direct Tax Reforms and Their Implications

Capital Gains Tax (CGT)

The inclusion of digital assets (cryptocurrency, NFTs, etc.) as chargeable assets for Capital Gains Tax (CGT) at 10% is a major shift in taxation policy. This move aligns Nigeria with global tax trends where digital assets are increasingly being taxed. It provides clarity on the taxation of cryptocurrency and digital investments, which were previously in a regulatory grey area. However, there is a conflict in policy direction as the CBN had previously restricted cryptocurrency trading in Nigeria.

The introduction of capital loss deductions and rollover relief on shares and stocks is a positive reform, incentivizing investment in capital markets and ensuring tax fairness.

Companies Income Tax (CIT)

By exempting small businesses from corporate income tax and reducing tax rates for mid-sized enterprises, the government creates a supportive environment for startups and entrepreneurs, fostering SME growth. This approach improves cash flow for SMEs, allowing them to reinvest earnings into business expansion, job creation, and innovation rather than being burdened by high taxes. A thriving SME sector, in turn, contributes significantly to GDP growth, employment generation, and industrial diversification, strengthening overall economic development. Additionally, this tiered tax structure aligns Nigeria with global trends, as many countries implement progressive tax systems to support SMEs and attract investment.

With the cancellations of investment allowances in CITA, companies will no longer enjoy certain tax reliefs thus may experience an increase in cost of investment. On the other hand, compliance is strengthened as foreign shipping and airline companies must now submit revenue statements instead of full audited accounts, making tax compliance easier.

Personal Income Tax (PIT)

The exemption of minimum wage earners from personal income tax, ensuring that individuals earning below the national minimum wage do not bear any tax burden. This exemption enhances social equity, allowing low-income earners to retain more of their earnings and improve their standard of living. By focusing on tax relief for both financial planning and low-income protection, these changes align with the government's broader goal of creating a fairer and more inclusive tax system.

The allowable deduction for life insurance premiums, which permits individuals to deduct premiums paid on life insurance or deferred annuity contracts for themselves or their spouses from their taxable income. However, to prevent abuse, the deduction applies only to premiums with a minimum holding period of five years. If any portion of the annuity is withdrawn before the five-year period, it becomes taxable at the point of withdrawal. This reform encourages long-term financial planning, incentivizing individuals to secure their future while benefiting from tax savings.

Petroleum Profits Tax (PPT)

The reform addresses decommissioning and abandonment costs, allowing petroleum companies to claim tax deductions for contributions made to a NUPRC-approved fund. This provides companies with financial relief in handling site restoration and environmental responsibilities after oilfield operations end.

In addition, the reform will improve transparency, accountability, and compliance in the petroleum sector. There is alignment with best global practices by ensuring that petroleum companies fulfill their tax obligations while still benefiting from legitimate deductions.

Indirect Tax Reforms and Their Implications

Value Added Tax (VAT)

The increase in VAT from 5% to 7.5% in 2020, has implication of boosting non-oil revenue and enhancing funding for infrastructure and social services. While basic food items and essential goods were exempted to reduce the burden on low-income earners, the higher VAT rate has generally increased the cost of goods and services, affecting both businesses and consumers.

The Federal Inland Revenue Service (FIRS) now has the power to disregard artificial or fictitious transactions in related party dealings, thereby preventing tax evasion. A key change benefiting e-commerce and international trade is that importers no longer need to pay additional VAT at ports for goods purchased from non-resident suppliers (NRS) that are registered VAT collection agents. This reform simplifies online purchases and improves Nigeria's business climate.

Lastly, the redefinition of "building" for VAT exemption clarifies that temporary structures like masts, cell towers, and trailers are taxable, eliminating disputes and ensuring greater tax certainty for businesses. Overall, these reforms enhance tax enforcement, improve compliance, and support government revenue growth but also increase costs and administrative burdens for businesses.

Customs and Excise Duties

The imposition of levy on all eligible goods imported from outside Africa to support Nigeria's financial commitments to multilateral institutions aligns with Nigeria's economic diversification strategy and encourages intra-African trade under the African Continental Free Trade Agreement (AfCFTA). However, it also increases the cost of imported goods, potentially inflating consumer prices and impacting businesses reliant on non-African imports.

Excise tax on carbonated and sugar-sweetened beverages has implications on reducing excessive sugar consumption and lower health risks such as obesity and diabetes. While this aligns with global health taxation trends, this may production costs and could lead to job losses in the sector . Overall, these reforms support revenue generation and public health policies but increase costs for businesses and consumers, requiring careful implementation to balance economic and social objectives.

Digital Services Tax

The introduction of the Digital Service Tax (DST) and taxation of non-resident companies under the Finance Act reflects Nigeria's effort to capture revenue from the growing digital economy and ensure multinational tech companies contribute their fair share of taxes. This aligns with global tax reforms aimed at preventing tax avoidance by foreign digital service providers operating in local markets without a physical presence. In addition, the taxation of non-resident digital service providers addresses the long-standing issue of revenue leakage from cross-border digital transactions.

4.0 Importance of Staying Informed About Tax Law Changes

Tax laws are constantly evolving due to economic, political, and technological changes, both at national and global levels. Staying informed about these changes is crucial for individuals, businesses, and policymakers to ensure compliance, optimize tax planning strategies, and mitigate risks.

Ensuring Compliance and Avoiding Legal Penalties

Staying informed about tax law changes helps businesses and individuals avoid legal penalties, interest charges, and reputational damage. Tax authorities impose strict compliance measures, and failure to meet new filing and reporting requirements—such as transfer pricing regulations and Country-by-Country Reporting (CbCR)—can lead to financial losses and legal consequences. Additionally, non-compliance can result in negative publicity and loss of investor confidence, affecting long-term business sustainability.

Optimizing Tax Planning Strategies

Tax laws frequently introduce new incentives, deductions, and exemptions, which businesses can leverage to reduce tax liabilities and improve financial efficiency. Companies that stay updated can claim allowable deductions, benefit from tax credits, and structure operations more effectively to align with new policies. Strategic tax planning also enables businesses to optimize corporate structures and investment decisions while remaining compliant with regulatory requirements.

Mitigating Financial and Operational Risks

Failure to stay informed about tax law changes can lead to unexpected tax liabilities, disrupting cash flow and financial stability. Businesses engaged in cross-border operations must navigate evolving international tax rules, including BEPS regulations, transfer pricing adjustments, and withholding tax policies. Regulatory uncertainty can also impact business operations and investment planning, making proactive tax compliance essential for risk management and long-term sustainability.

Enhancing Decision-Making and Financial Planning

Understanding tax law changes helps businesses and individuals improve financial forecasting, budgeting, and tax compliance. Staying informed ensures that taxpayers avoid overpayment or underpayment of taxes, reducing unnecessary financial burdens. Additionally, governments may adjust tax policies in response to economic conditions, such as introducing tax relief measures during downturns or increasing tax rates to boost revenue. Awareness of these changes enables businesses to adjust strategies accordingly.

Improving Competitiveness and Business Growth

Businesses that stay updated on tax laws can gain a competitive advantage by leveraging tax-saving opportunities and expanding into new markets efficiently. Understanding international tax policies, such as Double Taxation Agreements (DTAs), allows companies to optimize cross-border expansion while minimizing tax exposure. Additionally, proactive compliance fosters stronger relationships with tax authorities, leading to smoother audits, favorable tax rulings, and better regulatory cooperation.

6.0 Implications of Tax Law Changes for Cross-Border Transactions

Cross-border transactions are increasingly influenced by evolving tax laws, global regulatory frameworks, and international tax agreements. As governments seek to enhance revenue collection, prevent tax avoidance, and ensure fairness in taxation, businesses and individuals engaged in international trade, investments, and services must adapt to these changes to remain

compliant and financially efficient. The following are key implications of tax law changes for cross-border transactions.

Impact on Transfer Pricing Regulations

Governments worldwide have tightened transfer pricing regulations to prevent multinational enterprises (MNEs) from artificially shifting profits to low-tax jurisdictions. The OECD's Base Erosion and Profit Shifting (BEPS) project has introduced stricter compliance requirements, compelling businesses to justify intra-company pricing through Country-by-Country Reporting (CbCR) and master file documentation (OECD, 2023). These measures aim to enhance transparency and ensure that taxable profits are allocated to jurisdictions where economic activities take place. However, the increased documentation burden means that businesses must allocate more resources to tax compliance, increasing operational costs. Additionally, transfer pricing disputes and tax audits have become more frequent, leading to higher litigation risks and potential financial penalties for non-compliant businesses.

Changes in Withholding Tax Rates and Cross-Border Payments

Withholding tax (WHT) plays a critical role in cross-border transactions, as it applies to dividends, interest, and royalty payments between entities in different countries. Many nations, including Nigeria, have revised WHT rates to curb tax avoidance and ensure that non-resident companies pay their fair share of taxes (FIRS, 2023). These changes have made international business transactions more expensive, particularly for companies that do not benefit from Double Taxation Agreements (DTAs). Moreover, tax authorities are expanding digital taxation rules, requiring foreign companies that offer online services, such as streaming platforms and e-commerce businesses, to register for local taxes and remit payments in jurisdictions where they operate. This development has increased the compliance burden for non-resident companies, making it crucial for businesses to reassess their tax structures.

Double Taxation and Tax Treaty Adjustments

Countries are renegotiating Double Taxation Agreements (DTAs) to prevent treaty shopping, where businesses exploit loopholes to pay lower taxes. The OECD's BEPS Action 6 has introduced anti-abuse provisions, ensuring that tax treaty benefits are only available to businesses with genuine economic activities (OECD, 2022). While these reforms enhance fairness in tax administration, they also increase compliance costs for multinational corporations, which must now provide additional documentation to prove their eligibility for treaty benefits. Additionally, some countries have imposed limitation-on-benefit (LOB) clauses, restricting the ability of companies to claim tax treaty benefits unless they meet specific economic substance requirements. As a result, businesses must carefully assess their holding structures, supply chains, and financing arrangements to remain compliant with changing international tax laws.

Implications of Global Minimum Tax (Pillar Two)

The introduction of the OECD's Global Minimum Tax (Pillar Two) has significant implications for multinational companies. Under this framework, MNEs with annual revenues exceeding €750 million must pay a minimum effective tax rate (ETR) of 15%, regardless of where they are headquartered (OECD, 2023). This reform reduces the benefits of using tax havens, as profits booked in low-tax jurisdictions will now be subject to top-up taxes in the company's home country. While this measure is expected to increase global tax fairness, it also introduces complex tax planning challenges for businesses operating in multiple jurisdictions. Companies must now

reassess their entity structures, profit allocation methods, and tax planning strategies to comply with these new rules while minimizing tax liabilities.

VAT and Indirect Tax Implications on Cross-Border Transactions

The rise of digital trade and cross-border e-commerce has prompted many governments to implement new VAT rules for foreign suppliers. Countries, including Nigeria, now require non-resident businesses offering digital services to register for VAT, collect tax, and remit payments in the jurisdiction where their customers reside (FIRS, 2023). These changes impact foreign companies providing cloud computing, software subscriptions, and digital advertising services, increasing their tax compliance obligations. Additionally, customs authorities have revised import duties, excise taxes, and levies on foreign goods, making global supply chains more costly. Businesses must now factor in these indirect taxes when pricing products and structuring international transactions to avoid profit margin erosion and unexpected financial burdens.

Compliance with Anti-Tax Avoidance Measures

To combat tax avoidance, many countries have tightened anti-tax avoidance regulations, implementing Controlled Foreign Corporation (CFC) rules, thin capitalization restrictions, and hybrid mismatch rules. These measures prevent businesses from shifting profits to low-tax jurisdictions through artificial financing structures. Additionally, under OECD's Common Reporting Standard (CRS) and the U.S. Foreign Account Tax Compliance Act (FATCA), tax authorities now automatically exchange taxpayer information to detect offshore tax evasion (IMF, 2022). As a result, businesses and high-net-worth individuals must ensure full tax transparency and compliance with reporting requirements to avoid hefty fines and reputational damage.

Increased Taxation of the Digital Economy

Governments are adapting tax policies to capture revenues from the growing digital economy. Many countries have introduced Digital Services Taxes (DSTs) on non-resident digital companies generating revenue from advertising, e-commerce, and streaming services (European Commission, 2023). Additionally, tax authorities are redefining permanent establishment (PE) rules, ensuring that companies with significant online engagement in a jurisdiction pay corporate taxes even if they lack physical presence. The OECD's Pillar One framework aims to redistribute taxing rights so that revenue is taxed in the country where customers are located, rather than where the business is headquartered. These changes force tech companies and global service providers to restructure their tax planning and compliance strategies to meet new regulatory requirements while minimizing operational disruptions.

7.0 Strategies for Compliance and Risk Mitigation

To navigate evolving tax regulations, businesses and individuals should adopt the following strategies:

Proactive Tax Planning

- Conducting regular tax assessments to align with new regulations.
- Leveraging available tax incentives and deductions to optimize tax liabilities (PwC, 2023).

Leveraging Technology for Compliance

- Utilizing e-tax filing systems and automation to reduce compliance burdens.
- Adopting artificial intelligence (AI) and blockchain for tax reporting and fraud detection (KPMG, 2023).

Strengthening Internal Tax Governance

- Establishing robust tax risk management frameworks within organizations.
- Enhancing tax training and awareness among finance professionals (Deloitte, 2023).

Engagement with Tax Authorities and Advisors

- Consulting with tax professionals and regulatory bodies to ensure compliance.
- Participating in tax policy discussions to stay informed on legislative changes.

8.0 Conclusion

Tax laws are continuously evolving due to technological advancements, globalization, and efforts to curb tax avoidance, impacting businesses and individuals globally and nationally. International initiatives such as the OECD's BEPS project, Pillar One and Pillar Two frameworks, and digital taxation are reshaping how multinational enterprises are taxed. Meanwhile, Nigeria's Finance Acts (2019–2023) have introduced significant tax reforms aimed at broadening the tax base, modernizing tax administration, and enhancing revenue mobilization.

These tax law changes affect corporate income tax, VAT, capital gains tax, and indirect taxation, influencing SMEs, multinational corporations, and digital businesses. Businesses engaged in cross-border transactions must adapt to stricter compliance requirements, transfer pricing regulations, and digital tax obligations to avoid double taxation and regulatory penalties. To navigate these changes, businesses and individuals must adopt proactive tax planning strategies, leverage technology for compliance, strengthen internal tax governance, and engage with tax authorities. Staying informed about tax law changes ensures compliance, optimizes tax planning, mitigates risks, and enhances business competitiveness.

In conclusion, adapting to tax law changes is essential for financial stability, business growth, and long-term success. Policymakers must balance revenue generation with economic sustainability, while businesses must take a strategic approach to compliance and risk management to thrive in an increasingly complex tax environment.

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