

## EVALUATING TAX REGIMES IN THE NIGERIAN PETROLEUM INDUSTRY: THE IMPLICATION OF THE TAX REFORMS ACTS, 2025

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### Abstract

Nigeria as a hydrocarbon nation have massively benefitted from the operations of petroleum companies and allied activities in terms of revenue through taxes. Since its discovery in Nigeria, petroleum has been the most dominant of Nigeria's natural resources in terms of revenue generation. This feat has been achieved overtime through a combination of different tax laws that constitutes the tax regime in the petroleum industry. Notwithstanding the enactment of the Petroleum Industry Act, 2021, with the principal objective of streamlining the fiscal framework of petroleum taxation, a taxpayer still requires to navigate through multiple tax legislations to ensure full compliance in the sector. However, the emergence of Nigerian Tax Reform Acts, 2025 marks a landmark reform that consolidates, simplifies, and modernizes Nigeria's tax landscape in the petroleum sector with the tax laws set to taking effect, on 1<sup>st</sup> January, 2026. This article therefore examined the different laws constituting the current tax regimes in the Nigerian Petroleum industry towards determining the implications of the repealing, amendment, consolidation and/or unification of these petroleum taxes applicable in the varying streams of petroleum operations in a single legislation known as the Nigeria Tax Act, 2025. The doctrinal research method was adopted in conducting this research whereby both primary and secondary sources of information were relied on. It found that the overarching objective of the Nigeria Tax Act divests PIA of its position as a principal legislation for petroleum taxation. It concluded that the unification of the multiple tax laws has the propensity of promoting consistency, reducing ambiguity in tax interpretation and enforcement, and aiding overall compliance by taxpayers in the petroleum sector. The researcher recommended that while stakeholders await the gazetted versions of the new laws, they should prioritize being abreast of the revised compliance requirements to foster awareness and preparedness.

**Keywords:** Regime, Tax, Evaluation

### 1.0 Introduction:

The petroleum or oil and gas industry, also known as the energy sector, relates to the process of exploration, development, refinement of crude oil and natural gas<sup>1</sup>. The industry includes all the companies involved in the process of finding, drilling, extracting, refining and distributing the commodity. It is considered being the biggest sector in the world in terms of dollar value; in other words, the oil and gas sector is a global powerhouse controlling a massive workforce worldwide and generating hundreds of billions of dollars globally each year. In regions which house major National Oil Companies, these oil and gas companies are so indispensable that they often contribute a significant amount towards the national GDP.<sup>2</sup> With an ample cash flow and healthy balance sheets, the industry has overtime maintained an ever soaring economic value to play an influential role in the global

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<sup>1</sup> J Schmidt, 'Oil & Gas Primer' <<https://corporatefinanceinstitute.com/resources/career/oil-gas-primer>> accessed 10<sup>th</sup> July, 2025.

<sup>2</sup> A Muspratt, 'Introduction to the Oil and Gas Industry' <<https://www.oilandgasiq.com/strategy-management-and-information/articles/oil-gas-industry>> accessed 10<sup>th</sup> July, 2025.

economy.<sup>3</sup> Current statistics indicate that Nigeria is sub Saharan Africa's largest oil producer and is among the top five exporters of Liquefied Natural Gas (LNG) in the world. The income generated from oil and gas accounts for over 40% of the country's GDP, 75% of budget revenues, 95% of foreign exchange earnings<sup>4</sup>. However, currently, the value chain of the Nigerian petroleum industry comprises of three categories: upstream, midstream and downstream. The upstream sector of the industry which is also known as the E&P focuses on the exploration and production of crude oil and natural gas. This involves the search for underwater and underground natural gas fields or crude oil fields and drilling of exploration wells and drilling into established wells to recover oil and gas. It also comprises of service companies that assist the E&P processes, such as, rig operators, engineering and scientific firms and equipment manufacturers. The midstream entails transportation, storage and processing of oil and gas. After the discovery, recovery and production of oil and gas by upstream sector, the midstream companies work to connect the petroleum producing areas to population centers where customers are, which is done through pipelines, rails, tankers, and trucks; the oil and gas are majorly transported to a refinery. Thus, while the midstream companies deliver products, the downstream segment refers to the filtering of the raw materials obtained during the upstream phase<sup>5</sup>. This means refining crude oil and purifying natural gas, the marketing and distribution of these products to end users in a number of forms including gasoline, jet fuel, heating oil, diesel, lubricants, kerosene and a number of other types of petrochemicals.

## 2.0 Oil and Gas Taxes

Petroleum or Oil and Gas taxes are simply taxes applicable to oil and gas companies. The oil and gas industry being a major revenue earner for the state, the oil and gas taxes are usually quite high because of the high economic rent that tend to accrue during periods of high prices.<sup>6</sup> In Nigeria, prior to the enactment of the PIA, the taxation of the oil and gas companies operating in the upstream sector of the industry was governed principally by the Petroleum Profit Tax Act<sup>7</sup> and the Deep Offshore Inland Basin Production Sharing Contract Act<sup>8</sup>, while the Companies operating in the midstream and downstream sectors were taxed under the Company Income Tax Act (CITA).<sup>9</sup> In other words, the upstream petroleum companies were by operation of the law exempted from taxation under CITA. However, since the commencement of the PIA, the Act provides that companies involved in upstream, midstream and downstream operations in the petroleum industry shall be subject to pay tax under CITA<sup>10</sup>. Therefore, presently, every company engaged in the upstream, midstream and downstream petroleum operations in Nigeria shall in addition to CITA be subject to the payment of the following taxes: Hydrocarbon Tax, Value Added Tax<sup>11</sup>, Capital Gains Tax<sup>12</sup>, Education Tax<sup>13</sup> and Withholding

<sup>3</sup> Deloitte, 2023 Oil and Gas Industry Outlook

<sup>4</sup> L Atsegbua, *Oil And Gas Law In Nigeria (Theory & Practice)* ( 4th edn, Four Pillars Publishers 2021) 187-206

<sup>5</sup> S C Dike & others, 'An Appraisal of the Fiscal Laws of Oil and Gas Industry Operation in Nigeria'(2023)(7) *African of International Energy and Environmental Law*, pp.1-21

<sup>6</sup> Y Omorogbe, *Oil and Gas Law in Nigeria: Simplified series* (Malthouse Press Limited 2001) 64-79

<sup>7</sup> Petroleum Profit Tax Act, Cap P.13 LFN 2004

<sup>8</sup> Deep Offshore Inland Basin Production Sharing Contract Act 1999 (as amended) Cap D3 LFN 2004

<sup>9</sup> Company Income Tax Act (as amended) Cap C21 LFN 2004

<sup>10</sup> Section 302, Petroleum Industry Act, 2021

<sup>11</sup> Section 4, Value Added Tax Act, Cap V1 LFN 2004

<sup>12</sup> Section 2 Capital Gain Tax Act, Cap C1 LFN 2004

<sup>13</sup> Educational Tax Act, Cap E4 LFN 2004

Tax.<sup>14</sup> The listed taxes which are embodied in different tax legislations represent the current tax regimes of oil and gas companies in Nigeria. These are in addition to levies, remittance and other contributions introduced under the PIA. This article aligns with the position that the said levies, remittance and contributions are by the provision of the PIA imposed as mandatory obligations on the oil and gas companies for the provision of social amenities for a healthier and safe society and thus possess the necessary features to be rightly classified as oil and gas taxes. However, apart from the above taxes, the Federal Government of Nigeria also levies and collects other oil production revenues. They include Royalties, Signature Bonuses, Fees and Rents, Fees payable for licenses and leases and permits.<sup>15</sup>

### **Tax Regime**

A regime is the way that something such as an institution, company, or economy is run, especially when it involves tough or severe action. Tax regime is therefore defined as the set of laws governing the imposition, computation and enforcement of taxation. It typically covers the various types of taxes that are imposed by the government and also varies widely, based on types of taxes covered, the tax bases covered, exemptions from tax allowed, and the tax calculation method employed for a particular taxpayer<sup>16</sup>. Tax regime can thus be described as the tax system operational in a country or a particular sector of the economy. Nigeria operates a decentralized system in which the various levels of government are responsible for the taxes within their jurisdiction. They also employ the progressive tax system where the individual with higher income pays higher taxes. Hence, Tax regime is the totality of the frameworks, rules, regulations, guidelines and standards that regulate the administration of taxes in the country. This definition suggests that the concept of tax regime can be viewed from a holistic perspective of the entire country's tax system or on sectoral taxable aspects of country's economy, such as the oil and gas sector and others. Thus, for the purpose of this article, tax regime can be aptly defined as the totality of the fiscal framework and other tax laws operational in the oil and gas sector.

### **3.0 Evaluating Tax Regimes in the Nigerian Petroleum Industry**

The payment of tax or who is entitled to pay tax is an issue of law not of agreement, contract or compromise, as held by the Court in *Mattschappy B v. FBIR*.<sup>17</sup> The tax regimes in the context of this article are domestic legislations governing oil and gas taxation in Nigeria and through which the imposition of taxes on oil and gas companies and attendant sanctions for non-compliance derive their powers and validity. They are as follows:

#### **The Constitution of the Federal Republic of Nigeria, 1999(as amended)**

The constitution is the establishment enactment for the procurement of petroleum rights with the auxiliary enactment, guidelines and instruments instituted under it. Nigerian constitution is the foundation upon which other statutes derive its validity. This is the matchless quality of the Constitution which makes it supreme, and its provisions having binding force on all authorities and persons throughout the Federal Republic of Nigeria.<sup>18</sup> To this extent, if any other law is inconsistent with the

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<sup>14</sup> (n7) ss. 60-64

<sup>15</sup> PIA, ss. 258(2) & 305

<sup>16</sup> Akrivia, 'Tax Regime' [https:// www.akriviahcm.com](https://www.akriviahcm.com), available at <<https://akriviahcm.com/hr-glossary/tax-regime/>> accessed 10<sup>th</sup> July, 2024

<sup>17</sup> (2011) 4 TLRN 97

<sup>18</sup> General Sani Abacha v Fawehinmi (2000) 6NWLR (Pt.660) 228

provisions of the Constitution, the Constitution shall prevail, and that other law to the extent of the inconsistency is void.<sup>19</sup> Essentially, the ownership of oil and gas is traced to the provision of Section 44(3) of the Constitution of the Federal Republic of Nigeria which vests restrictive control, possession, and the board of oil and gas to the Federal Government and not the State or Local Government where the oil and gas are arranged or discovered. Hence, oil and gas assets are presumed to be held in trust by the Federal Government in the interest of the residents of Nigeria for the general advantage and improvement of the country under the overarching law. In the case of *The Attorney – General of The Federation v Attorney-General of Abia State and 35 ors*<sup>20</sup> the Court held that only the Federal Government has control and income rights over mineral assets created in the nation and Section 162(2) of the same Constitution which accommodates the installments of at least 13% of the income building from such assets to combining states in which the minerals are found. Also, the Constitution under Item 39 of the Second Schedule vests exclusive powers to make laws on mines, minerals, including oilfields, oil mining, geological surveys and natural gas on the National Assembly. Although there is no express mention of the word petroleum on this list but petroleum activities encompass all the activities listed. Similarly, Item 59 of the Second Schedule provides for “taxation of incomes, profits and capital gains, except as otherwise prescribed by this provision. This was the foundation upon which the Petroleum Profit Tax Act and subsequently the fiscal provisions of the Petroleum Industry Act, 2021 was enacted and is a source of government revenue as provided under section 162(10) of the constitution. However, the Nigerian Tax system being basically structured as a tool for revenue generation and set up for maximum collection of revenue, the duty of tax administration is therefore vested in the Federal, State and Local Government by virtue of the Constitution of the Federal Republic of Nigeria 1999 with the charging powers of the tiers of government created in the legislative lists provided for in the Constitution.

### **The Taxes and Levies (Approved List for Collection) Act**

In the Nigerian Federation, the National Assembly is empowered by S.4 (3) of the Constitution of the Federal Republic 1999 to make laws for the Federation in respect of matters included in the exclusive legislative list to the exclusion of the Houses of Assembly of the States. The Taxes and Levies (Approved List of Collection) Act (TLA)<sup>21</sup> is an Act of the National Assembly enacted pursuant to this power derived from the constitution. The TLA stipulates the different taxes and levies that are collectible by three tiers of government in Nigeria. Therefore, under current Nigerian law, taxation is enforced by the three tiers of Government, i.e. Federal, State, and local Government with each having its sphere clearly spelt out in the TLA. In other words, the TLA was enacted by the Nigerian legislature in a bid to stop the challenges of multiplicity of taxes and levies in Nigeria. The TLA contains three parts: Part I contains a list of approved taxes to be collected by the Federal Government. While parts II and III contain a list of taxes to be collected by the State and Local Governments respectively. Under part I of the TLA the taxes to be collected by the federal government includes the Companies Income Tax, Education Tax and Petroleum Profit Tax (Hydrocarbon Tax) which constitutes taxes oil and gas companies in Nigeria are liable to pay.

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<sup>19</sup>Constitution of the Federal Republic Of Nigeria 1999 (as amended), s 1(1) and (3)

<sup>20</sup>(2011) 6 NWLR (PT.1242) 195

<sup>21</sup> Cap T2, LFN 2004

### **The Petroleum Industry Act, 2021**

The current piece of legislation under which the oil and gas companies in Nigeria are generally taxed is the Petroleum Industry Act, 2021. Specifically, the fiscal framework is contained in Chapter 4 of the Act, titled “The Petroleum Industry Fiscal Framework”. It contains the statutory regulatory rules that constitute tax law applicable to companies operating in the petroleum industry in Nigeria. The PIA introduced several changes to the fiscal and tax regimes in the Nigerian petroleum industry. These changes are aimed at making Nigeria attractive for petroleum operations. The PIA introduced the Hydrocarbon tax (HT) as a replacement for Petroleum Profit Tax under the Petroleum Act. HT is imposed on the profits of oil and gas companies involved in the upstream petroleum operations. This tax is only imposed on profits related to the operations. The legal basis for the imposition and payment of HT is contained in Section 261 of the Act and the objectives in Section 258 (1) of the Act. It also introduced several changes in the rate of taxation and levies in the industry, applicable taxes, and the agencies responsible for the collection of revenue, allowable and non-allowable deductions amongst other innovations. It reduced the corporate taxes, royalties and gave tax incentives for companies engaged in midstream petroleum operations, downstream gas operations and large scale gas infrastructures and also widened the tax payable by the petroleum upstream companies to include tax under the CITA<sup>22</sup> and contributions to be made to the host communities’ development fund, the environmental remediation fund and so on. It is important to note that this new tax regime is only applicable to holders of the new licenses under the Act, therefore, persons operating under the OPL and OML interested in benefiting from the new tax rates, will be required to convert to the new licenses applicable under the Act. Hence, albeit the PIA is yet to be codified, its application has however reshaped the Nigerian oil and gas taxation structure to a commendable direction.

### **The Companies Income Tax Act**

Prior to the enactment of the PIA, taxation of companies engaged in upstream petroleum operations was principally regulated by PPTA<sup>23</sup> and the Deep Offshore Inland Basin Production Sharing Contracts Act<sup>24</sup> while midstream and downstream oil and gas companies were taxed under the Companies and Income Tax Act (CITA).<sup>25</sup> In other words, upstream petroleum companies were exempted from taxation under the CITA. However, under the PIA, every company involved in upstream, midstream and downstream operations in the petroleum industry, shall be subject to the CITA<sup>26</sup> In application, the income tax applicable to companies engaged in upstream, midstream and downstream petroleum operations shall be determined separately,<sup>27</sup> with incentives for investors in gas pipelines also provided.<sup>28</sup>

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<sup>22</sup> PIA, s 302

<sup>23</sup>Petroleum Profit Tax Act, Cap P.13 LFN 2004

<sup>24</sup>Deep Offshore Inland Basin Production Sharing Contract Act 1999(as amended) Cap D3 LFN 2004

<sup>25</sup>*Halliburton West Africa Limited v. FBIR (2006) CLRN 138*

<sup>26</sup>PIA, s 260(5) and 302(1)

<sup>27</sup>Ibid, s 302(2)

<sup>28</sup> CITA, s 39



### **Tertiary Education Trust Fund (Establishment) Act, 2011**

The Tertiary Education Trust Fund (Establishment, etc) Act<sup>29</sup>(TETFA) established a tertiary education tax (TET) payable annually, which shall be assessed, collected and administered by the provisions of this Act.<sup>30</sup> By the provisions of the Act, tax at the rate of 2 percent shall be charged on the assessable profit of a company registered in Nigeria<sup>31</sup> and collected by the Federal Inland Revenue Service at the time of assessing the tax payable by oil and gas companies. It is instructive to note that the TET rate was increased in 2021 Finance Act from 2% to 2.5%. Recently, the Nigerian Finance Act, 2023 further increased the tertiary education tax from 2.5 percent to 3 percent.<sup>32</sup>In effect, Section 1(2) of the TETFA was amended by increasing the rate of TET from 2.5% to 3% with the revised rate of 3% taking effect from accounting years ending or after 1 July, 2023.

### **Value Added Tax Act, 2007**

Value Added Tax (VAT) is a consumption tax paid when goods are purchased and services rendered. It is a multi-stage tax that is borne by the final consumer. It is an indirect tax levied on goods and services. VAT paid on goods and services purchased or goods imported into Nigeria is known as input VAT while the VAT on goods and services sold is referred to as output VAT. In Nigeria, VAT is governed by Value Added Tax Act (as amended).<sup>33</sup> In other words, the VAT Act (as amended) provides the legal basis for the imposition of VAT on the supply of goods and services in Nigeria except those specifically listed as exempt in the First Schedule of the VAT Act or the VAT Modification Orders. The VAT(Modification) Order 2021 was issued by the then Honourable Minister of Finance, Budget and Planning which modifies and expands the list of exempt items provided in the First Schedule of the VAT Act. The Order revokes and supersedes the VAT (Modification) Order 2020 and all other VAT (Modification) Orders issued before the commencement of the Order. Importantly, the Finance Act, 2020<sup>34</sup> was amended and increased the rate of VAT on VATable goods and services including automobile gas oil from 5% to 7.5% with the revised rate of 7.5% taking effect from 2020. The Finance Act now provides for the payment of a Value Added Tax (VAT) of 7.5 percent by persons and companies in Nigeria who receive services from non-resident companies. This means that oil and gas companies are now required to submit VAT to the tax authority where they receive services from foreign companies.<sup>35</sup>

### **Gas for Growth Initiative 2023/Presidential CNG Initiative**

The initiative was introduced pursuant to Country's commitment to the global agenda for progressive realization of a cleaner, affordable and sustainable energy source. Accordingly, the policy direction is aimed at promoting the utilization of gas derivatives such as Compressed Natural Gas (CNG) in the implementation of the trending drive for domestic gas utilization and overall aspiration to make gas the transition fuel of Nigeria. The initiative prescribes 0% import duty rate on importation of all equipment related to CNG and Liquid Petroleum Gas (LPG) including conversion kit. It also prescribes zero

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<sup>29</sup>The Tertiary Education Trust Fund (Establishment, etc) Act, Cap E4 LFN 2004

<sup>30</sup>Ibid, s 1(1)

<sup>31</sup>Ibid, s 1(2)

<sup>32</sup> Global Tax News Updates, 'Highlights of Finance Act, 2023' <<https://globaltaxnews.ey.co>> accessed 12<sup>th</sup> July, 2025

<sup>33</sup> Value Added Tax Act, Cap VI LFN 2004(as amended)

<sup>34</sup>Finance Act, 2020

<sup>35</sup> C Okwurionu, 'Recent Fiscal Changes in Nigeria's Oil and Gas Sector' <<https://www.ibanet.org>> accessed 12<sup>th</sup> July, 2025

percent VAT for Feed Gas for all processed gas; CNG and Imported LPG with their respective equipment components, conversion and installation services and all equipment and infrastructure related to expansion of CNG, LPG and the Presidential CNG initiative<sup>36</sup>.

### **The Oil and Gas Companies (Tax Incentives, Exemption, Remission, Etc) Order, 2024**

Also, in the spirit of promoting domestic gas investments in Nigeria, In February, 2024, President Bola Ahmed Tinubu signed the Executive Order which is aimed to encourage Non-Associated Gas (NAG) Greenfield projects for onshore and shallow waters. Some of the highlights of the executive order includes: Gas projects with first gas production date on or before 1<sup>st</sup> January, 2029 to enjoy Gas Tax Credits; Gas projects with first gas production date after 1<sup>st</sup> January, 2029 to enjoy Gas Tax Allowance; A new category of incentives called “Gas Utilization Investment Allowance” (GUIA) for new and ongoing projects; and possible “Claw Back” of Gas Utilization Investment Allowance<sup>37</sup>.

### **Personal Income Tax Act, 2011**

The Personal Income Tax Act<sup>38</sup> governs the collection and payment of the personal income tax in Nigeria. Nigeria adopts a Pay-As-You-Earn (PAYE) system to calculate the personal income tax of employees. It is called PAYE tax. Personal income taxes are therefore taxes levied on the income, wages and earnings of individual. Under, the PAYE system, workers are expected to pay their income tax to the state in which they are residing. Oil and gas companies’ workers are subject to this tax which are mostly deducted from source and remitted to the state revenue authority where they reside.

### **The Finance Act, 2023**

Generally, the Finance Act amends primary tax legislations. The Finance Act, 2023(FA) introduced changes to the CGT Act, CITA, PITA, Customs and Excise Tariff Etc. (Consolidation) Act (CETA), VAT Act, PPTA, Stamp Duties Act(SDA), Corrupt Practices and other Related Offences (CPORO) Act, TETF (Establishment) Act, Public Procurement Act(PPA) and the Ministry of Finance (Incorporated) (Mofi) Act. The commencement date of these amendments was 1<sup>st</sup> September, 2023, in line with the Finance Act (Effective Date Variation) Order, 2023<sup>39</sup> which was signed by His Excellency, President Bola Ahmed Tinubu, GCFR on 6<sup>th</sup> July, 2023. The Act also made slight modifications to its predecessors, Finance Acts 2019, 2020 and 2021, to clarify some changes introduced by these Acts and align them more with the government’s fiscal plans and current economic realities. Thus, the FA, 2023 is the fourth in the series of legislative amendments to be enacted by the Federal Government on an annual timeframe. In relation to oil and gas taxation, the FA, 2023 in seeking to harmonize and align the relevant provisions of the PPT Act with the PIA and best practices in the Petroleum Industry made key amendments that recognized the Nigerian Upstream Petroleum Regulatory Commission (the Commission) established under the PIA as the regulator of the Nigerian upstream petroleum sector. Also, the FA was further amended to provide that rents incurred by a petroleum company for a period in respect of land and buildings occupied under Oil Prospecting Licenses and Oil Mining Leases for

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<sup>36</sup> Presidential Directive 40

<sup>37</sup> Oil and Gas Companies (Tax Incentives, Exemption, Remission, Etc) Order, 2024

<sup>38</sup> Personal Income Tax(Amendment) Act, 2011 Cap P8 LFN 2004

<sup>39</sup>Finance Act (Effective Date Variation) Order, 2023

disturbances of surface rights or for any other disturbance, are no longer considered deductible amounts for petroleum profits tax purposes. Instead, the PPTA now provides that any amount contributed to a fund, scheme or arrangement approved by the commission for the purpose of Decommissioning and Abandonment (D&A), may be deducted for petroleum profit tax assessment purposes, so long as same can be proved by the statement of account of the D&A fund, and that where there is surplus or residue of the fund after D&A of the field, such funds shall be subject to tax.<sup>40</sup> Furthermore, in light of the current economic realities and the value of the Nigerian currency today, the Act amended the penalty provisions of the PPTA to bring them into conformity with the economic realities of the country<sup>41</sup>.

Also, there is an alignment of the PPTA with the PIA on the determination of chargeable oil. Section 23 of the PPTA was amended to align with the provisions of section 268 of the PIA. The foregoing essentially provides that the basis for ascertaining the total value of chargeable oil determined at the measurement point multiplied by the fiscal oil price per barrel. The Finance Act also introduced the 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 including the oil and gas sector. Interestingly, prior to the FA 2023, only agricultural and manufacturing companies are permitted to claim or fully deduct all available capital allowances each tax year against their assessable profits.

However, the FA, 2023 has introduced an amendment to this provision in the CITA to also exempt companies involved in upstream and midstream gas operations from the above stated restriction under the law. Thus, companies involved in upstream and midstream gas operations are now allowed to fully offset their capital allowances against their assessable profits in view of the provisions of the Petroleum Industry Act (PIA), 2021. This provides more room for upstream and midstream oil and gas companies to deduct qualifying capital costs. Notably, the capital allowance restriction for upstream oil and gas companies that are yet to convert to the fiscal terms of PIA will continue to apply as the capital allowance restriction under the PPTA was not amended. Generally, the changes introduced by FA, 2023 in the oil and gas sector are geared towards enforcing compliance, deterring non-compliance through increased penalties for non-compliance and aligning the fiscal regime for the upstream oil and gas companies.<sup>42</sup>

### **Niger-Delta Development Commission (Establishment etc) Act**

The oil and gas companies in Nigeria are liable to pay the Niger-Delta Development Commission (NDDC) levy. The Niger-Delta region of Nigeria has been ravaged by environmental degradation mostly caused by the oil exploration activities of oil and gas companies operating in the region. In order to ameliorate the impact of the oil and gas exploration activities in the Niger-Delta, with the core objective of compensating the residents, the Federal Government, by the provisions of section 14(2) of the Act, imposes a levy of 3% on the total annual budget of all onshore and offshore oil producing companies as well as gas processing companies operating in the Niger-Delta area of Nigeria.<sup>43</sup>

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<sup>40</sup>KPMG, 'Finance Act, 2023: Impact Analysis' <<https://www.mondaq.com>> accessed 11<sup>th</sup> July, 2025.

<sup>41</sup> PPTA, s 51

<sup>42</sup>Olaniyi, Williams and Bamisile, 'Nigeria's Finance Act 2023: Insight Series'<<https://www.pwc.com>> accessed 11<sup>th</sup> July, 2025.

<sup>43</sup>Niger-Delta Development Commission (Establishment etc) Act, LFN 2004, S 14



### **The Nigerian Oil and Gas Industry Content Development Act, 2010**

The Nigerian Oil and Gas Industry Content Development (Local Content Act) 2010 (LCA) was enacted to promote the indigenous participation in Nigeria's oil and gas industry for the purpose of improving the economic and social wellbeing of those engaged in operating in the oil and gas industry.<sup>44</sup> The LCA provides for the development of the Nigerian oil and gas industry, Nigerian content plan, supervision, coordination, monitoring and implementation of the Nigerian content. The sole purpose of the Local Content is to increase Nigerian participation in the oil and gas industry by prescribing minimum thresholds for the use of local services and materials for the promotion of technology and skill to the Nigerian labour in the oil and gas industry. The LCA applies to all operations in Nigerian hydro-carbon industry which includes exploration, prospecting, production, refining and other services delivery affecting the industry. It gives first priority to Nigerian operators and has been fundamental to the promotion of the development of indigenous capacity in the Nigeria oil and gas sector. Section 2 of LCA mandates all industry stakeholders to "consider Nigerian content as an important element of their overall project development and management philosophy for project execution". It establishes, and vests regulatory oversight of LCA in the Nigerian Content Development and Monitoring Board (NCMBD). Section 104(1) establishes the Nigerian Content Development Fund (NCDF) for implementing Nigerian content development in the oil and gas industry. Specifically, section 104(2) provides for the collection of a 1% (percent) levy on all upstream oil and gas transactions in the country<sup>45</sup> and which sum shall be deducted at source and paid into the fund. Although, no remittance timeline is stipulated, "reasonable time" can be implied. Interestingly, the recent petroleum companies' divestitures which has increased participation of indigenous oil and gas companies in the upstream petroleum operations and the importation of refined products has facilitated the profit revenue of these companies to be captured by our tax laws. Thus, under the monopoly conferred by this LCA, the yearly investments of these companies are now centered in Nigeria thereby preventing capital flight while at the same time insuring training of local manpower skills development and sustaining labour capacity building.

### **4.0 The Nigerian Tax Reform Acts, 2025 and its Implication to Petroleum Taxation**

Generally, Nigerian's tax framework has changed, On June, 26, 2025, President Bola Ahmed Tinubu signed into law four transformative pieces of tax legislations; The Nigeria Tax Act, 2025, The Nigeria Tax Administration Act, 2025 (NTAA), The Nigerian Revenue Service (Establishment) Act, 2025 (NRSEA), and Joint Revenue Board of Nigeria (Establishment) Act, 2025 (JRBEA). The laws are expected to take effect from January 1, 2026 under a renamed agency -the Nigerian Revenue Service (NRS). Commendably, The Nigerian Tax Reform Acts, which has its aim rooted in streamlining all existing tax laws with a new revenue sharing formula among all the three (3) tiers of government<sup>46</sup> represents a bold and necessary step towards modernizing the country's tax regime in order to promote

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<sup>44</sup>O Jegede, 'Overview of Nigerian Local Content Law in Oil and Gas Industry' <<https://www.mondaq.com>> accessed 11<sup>th</sup> July, 2025

<sup>45</sup>Nigerian Oil and Gas Industry Content Development Act, s 104(2)

<sup>46</sup>B Aduloju, 'Sanitary Pads, Energy Exports, land ..items exempted from VAT in new tax law' *The Cable* (Nigeria, 25<sup>th</sup> July, 2025) <<https://www.thecable.ng/full-list-sanitary-pads-products-energy-exports-land-items-exempted-from-vat-in-new-tax-law>> accessed 25<sup>th</sup> July, 2025

fairness, transparency, and economic accountability and also brings significant innovations and new responsibilities for taxpayers in the petroleum industry<sup>47</sup>.

### **The Nigerian Tax Act, 2025**

The emergence of the Nigerian Tax Act, 2025 (NTA) marks a landmark reform that consolidates, simplifies, and modernizes Nigeria's tax framework. Before the enactment of the NTA, various taxes were governed by separate, distinct legislations. However, the NTA has repealed certain existing tax laws and merges them into a unified legislation.<sup>48</sup> This unification offers a comprehensive view of oil and gas tax laws and eliminates conflicting, ambiguous and overlapping provisions that cause complexity and uncertainty. The Act consolidates over 20 tax-related laws in Nigeria, but for the purposes of this research, the author will examine the legal implications of the repealing and consolidation of the Companies Income Tax Act, Deep offshore and inland Basin Production Sharing Contract Act, Personal Income Tax, Value Added Tax Act, The Taxes and Levies (Approved List for Collection) Act; also further examination shall be made towards deciphering the implications of the amendment of Petroleum Industry Act, Tertiary Education Trust Fund Establishment Act; and the codification of the energy -related executive orders issued between 2024 and 2025.

#### **(a) Companies Income Tax Under the Nigerian Tax Act, 2025**

The Companies Income Tax Act,<sup>49</sup> has been repealed and now forms part of Chapter Two of the NTA. Chapter Two of NTA created a new corporate tax rate and threshold. In other words, there is a revised corporate tax bracket for different categories of companies which includes: 0% for small companies, 30% for medium and large companies and companies<sup>50</sup> with annual turnover of N50 billion or above, those belonging to multinational group with global turnover exceeding EUR750 million, are now required to pay a minimum effective tax rate (ETR) of 15% on net income. The implication is that in the latter category which most oil and gas companies operational in the upstream petroleum sector fall under, where the foreign subsidiaries of Nigerian parent companies pay tax at a rate below 15%, the parent company will be responsible to pay the difference in Nigeria.<sup>51</sup> This measure aligns with OECD global minimum tax rules and prevents base erosion and profit shifting (BEPS).<sup>52</sup>

#### **(b) Tertiary Education Tax Under the Nigerian Tax Act, 2025**

The legislation also introduces the Development Levy, set at 4% which applies to the assessable profits (i.e., tax profits before deducting tax depreciation and losses) of medium and large companies only.<sup>53</sup> The development levy replaces several existing taxes, such as the Tertiary Education Tax, Information Technology Levy, National Agency for Science and Engineering Infrastructure (NASENI) Levy, and the Police Trust Fund Levy. The implication is that the legislation merged taxes and levies on substantially similar tax bases to reduce duplication and inefficiency, and upon commencement of the

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<sup>47</sup> N Oragwu, 'The Nigerian Tax Reform Acts, 2025: An In-Depth Guide For Businesses, Investors, And Taxpayers' <[www.mondaq.com/nigeria/tax-authorities/16522](http://www.mondaq.com/nigeria/tax-authorities/16522)>accessed 25<sup>th</sup> July, 2025

<sup>48</sup> Nigerian Tax Act, 2025, s 1

<sup>49</sup> Companies Income Tax Act, Cap C21 LFN 2004

<sup>50</sup> NTA, s 56

<sup>51</sup> Ibid, s, 6(3)

<sup>52</sup> Global Minimum Tax <<https://www.oecd.org/en/topics/global-minimum-tax>>accessed 26<sup>th</sup> July, 2025

<sup>53</sup> (n49) s, 59(1)

NTA, oil and gas companies will no longer be required to pay Tertiary Education Tax as it has been subsumed under the newly introduced Development levy which is the current tax payable in that regard.

### **(c) Personal Income Tax under the Nigerian Tax Act, 2025**

The legislation introduces a waiver for low-income earners from paying personal income tax. It provides that individuals earning N800,000 per year are exempt from personal income tax (PIT) liability as some form of relief. High earners will be taxed at progressive rates up to 25%. Also compensation for loss of office or injury is exempt up to N50million thus revised from previous N10million. In effect, despite the focus on revenue enhancement, the reforms provide significant relief measures that demonstrate sensitivity to different business scales and individual taxpayers. Small companies with the annual gross turnover of 50million and below are completely exempted from company income tax, capital gain tax, and development levy, encouraging small business growth and entrepreneurship. For individual taxpayers including oil and gas workers, the first N800,000 of annual personal income is taxed at 0 percent,<sup>54</sup> providing substantial relief for low and middle-income earners while ensuring that tax burden falls more equitably on those with higher earning capacity. The implication is that this progressive income tax approach will negatively impact on oil and gas workers who are known to be high earners.

### **(d) Hydrocarbon Tax under the Nigerian Tax Act, 2025**

Chapter Three of the NTA contains provisions on taxation of income from petroleum operations. It applies to companies engaged in the upstream petroleum operations in the onshore, shallow water and deep offshore with licences and leases under the Petroleum Act.<sup>55</sup> Notably, in enacting these provisions, the contents of Section 65 of the NTA demonstrates a replication of the provisions of Section 260 of the PIA on application of hydrocarbon tax. Thus, where the PIA mentioned the Companies Income Tax under the relevant sections, the NTA replaced it with “Chapter Two of this Act<sup>56</sup>.” This is so, because as discussed above, the companies income tax has been repealed and consolidated as forming part of the Chapter Two of the NTA.

Also, Section 66 of the NTA contains provisions as to the legal basis for the imposition of hydrocarbon tax in the same manner as provided by Section 261 of PIA. Interestingly, the same Section 66 specifically makes its provisions subject to the provisions of 65(2) of the NTA and not the PIA<sup>57</sup>. The implication is that PIA as a legislation has by reason of the provision under reference statutorily divested of the enabling authority for charge or imposition of hydrocarbon tax. Thus, the authority has been removed from the PIA and now vested on the NTA.

Accordingly, in computing oil and gas taxes, the adjusted profits, assessable profits and chargeable profits of an accounting period shall (from the commencement of the NTA) be profits of that periods after deductions and/or additions allowed by the relevant provisions of the NTA<sup>58</sup> and no longer the PIA. In other words, the determination and/or ascertainment of chargeable tax, ascertainment of

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<sup>54</sup> Ibid, Fourth Schedule

<sup>55</sup> Ibid, s 65

<sup>56</sup> PIA, s 260(2) & (5), NTA, s 65(3) &(6)

<sup>57</sup> NTA s 66

<sup>58</sup> Ibid, ss 67, 68, 70 & 71

chargeable profits for taxation of companies operation in the Nigerian upstream petroleum operations shall be subject to the provisions of Part II of Chapter Three of NTA.<sup>59</sup>

In effect, the Nigeria Tax Act on the 1<sup>st</sup> of January, 2026 shall assume the position of the principal legislation that governs petroleum taxation in Nigeria. Thus, in further demonstration of its overarching status as a bespoke legislation on petroleum taxation; notwithstanding the provisions of the PIA on application of companies income tax to petroleum operations,<sup>60</sup> the NTA in Sections 78-88<sup>61</sup> and the provisions of its Chapter Two provides for the application of companies income tax to petroleum operations in the upstream, midstream or downstream value chains, including the deductibles and non-deductibles in ascertainment of the chargeable income tax. However, the NTA like the PIA, maintained that in determining the Companies income tax, hydrocarbon tax shall not be deductible.<sup>62</sup> This has the implication of retaining the burden of double taxation regime introduced by the PIA as applicable to upstream petroleum operators. Commendably, it also maintained and referenced the provisions of the PIA on the mandatory requirement to use separate company for each stream of petroleum operation.<sup>63</sup>

#### **(e) Economic Development Tax Incentives**

In provisions relating to gas, the NTA provides that natural gas disposed from the upstream to the midstream or downstream and natural gas liquids and liquid petroleum gases derived from natural gas shall be subject to tax under the relevant provisions of its Chapter Two.<sup>64</sup> Also, similar to the provisions of the PIA, the NTA created incentives for investors in gas pipeline<sup>65</sup> and introduced the economic development tax incentive (EDI)<sup>66</sup> as a replacement for the pioneer status incentives provided under the Companies Income Tax Act,<sup>67</sup> and offering a five-year tax credit and additional credit on qualifying capital expenditure for companies in designated priority sector.

#### **(f) Value added Tax (VAT)**

Chapter Six of the NTA contains provisions for value added tax (VAT) rate at 7.5%.<sup>68</sup> It has exempted about 15 items from the 7.5 percent value-added tax (VAT),<sup>69</sup> subjecting an additional 19 to VAT at a zero percent rate.<sup>70</sup> Among the list of items that fall under the VAT exemption category are Oil and Gas exports, Crude Oil and feed gas for all processed gas, and among the zero-rated are electricity generated by generation companies (GENCO's) and supplied to national grid or Nigeria Bulk Electricity Trading Company (NBET), Electricity transmitted by Transmission, Company of Nigeria (TCN), to electricity distribution companies (DISCO's).

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<sup>59</sup> Ibid, ss 87, 88 & 89

<sup>60</sup> PIA, s 302

<sup>61</sup> NTA 2025, s 78-88

<sup>62</sup> Ibid, s 78(3)

<sup>63</sup> Ibid, s 79

<sup>64</sup> Ibid, s 80(2) (3)

<sup>65</sup> PIA, s 302(6)

<sup>66</sup> NTA 2025, s 166

<sup>67</sup> (n28)

<sup>68</sup> (n65), s 144 & 148

<sup>69</sup> Ibid, s 186

<sup>70</sup> Ibid, s 187

### **(g) Codification of Three Major Energy Executive Orders**

In furtherance to its aim of overhauling the country's fiscal revenue framework, the tax reforms not only give legal backing to several long-debated tax measures but also formally codifies three major energy-related executive orders issued between 2024 and 2025. These include: The Presidential Directive 40, The 2024 VAT Modification Order and The 2025 Upstream Petroleum Cost Efficiency Order, which have now all been integrated into the Nigeria Tax Act, giving them permanent legislative authority. The Presidential Directive 40 which was introduced in 2024 was aimed at providing fiscal incentives for onshore and shallow water non-associated gas (NAG) projects and deep offshore oil and gas developments. Also the VAT Modification Order 2024 provides value-added tax exemptions on a wide range of energy-related products aimed at lowering costs and encouraging cleaner energy use. The codification has delivered long-term certainty and regulatory clarity, ensuring these critical incentives are protected from future policy reversals. According to the new tax Act, the VAT would not be collected on petroleum products, renewable energy equipment, compressed natural gas (CNG), Liquefied Petroleum Gas (LPG), and other gaseous hydrocarbons<sup>71</sup>. However, the laws stipulated that the minister by an order published in the official gazette, can determine when VAT collection would commence, or suspended on the items where it is expedient to so in the public interest<sup>72</sup>. According to the Act, some other items may also be classified as exempt or zero-rated supplies by an order issued by the minister in the official gazette. The listed items include equipment, components and infrastructure related to the conversion and installation or expansion of CNG and LPG, including conversion kits; and services relating to the conversion and installation of CNG and LPG.<sup>73</sup>

### **(h) New Conditions for Decommissioning and Abandonment Fund Deduction**

Importantly, the NTA creates new condition for decommissioning and abandonment fund deduction by restricting petroleum companies, operating under the PIA, from claiming tax deductions for decommissioning and abandonment fund contribution. To qualify, a specified portion of the contribution must be deposited in a Nigerian bank escrow accessible to the Nigerian Upstream Petroleum Regulatory Commission or the Nigerian Midstream and Downstream Petroleum Regulatory Authority.<sup>74</sup>

### **(i) Surcharge of 5% on Fossil Fuel Products**

Notably, under the Nigeria Tax Act, a surcharge of 5% on fossil fuel products provided or produced in Nigeria, is to be collected at a time a chargeable transaction occurs<sup>75</sup>. The following fossil fuel products are exempted from the Surcharge: household kerosene, cooking gas, compressed natural gas and clean or renewable energy products<sup>76</sup>. The computation of the surcharge shall be based on retail price which shall be remitted to the Nigeria Revenue Service on a monthly basis<sup>77</sup>. The Service will issue regulations to give more information on the administration of the tax. Surcharge on fossil fuel products will not commence until the Minister, by an order in the official gazette, indicate the effective date of

<sup>71</sup> Ibid, paragraph 1 Eleventh Schedule

<sup>72</sup> Ibid, s 186(2)

<sup>73</sup> Ibid, paragraph 2 Eleventh Schedule

<sup>74</sup> NTA 2025, s 86

<sup>75</sup> Ibid, s 159

<sup>76</sup> Ibid, s 162

<sup>77</sup> Nigeria Tax Administration Act, 2025, s 24



commencement of the administration of the surcharge on fossil fuel products.<sup>78</sup> With the rising government borrowing and growing fiscal pressures, the surcharge is expected to form part of new efforts to boost non-oil revenue, though its real impact will depend largely on how and when it is implemented. However, consumers decrying this fuel tax have opposed the move, stressing that the government had earlier removed fuel subsidies and now plot to impose a 5% surcharge on fuel without considering the harsh economic realities nationwide, especially as it may further hike the pump prices of refined petroleum products. The development could complicate Nigeria's already fragile downstream pricing environment. The only implication is that industry players like the refineries will add it to their pre-pricing costs, but not post-pricing costs, but indirectly, it would lead to an increase in the pump price. Any additional charge on the cost of importation or refining of petroleum products will, by extension, reflect in the final retail price. This is because marketers operate on thin margins and cannot absorb such levies without a ripple effect.<sup>79</sup> According to the law, the surcharge will be imposed on all chargeable fossil fuel products, and will be calculated based on the retail price of the product. The Act stipulates that the surcharge will apply to chargeable transactions such as the supply, sale, or payment for the product, whichever occurs first.

#### **(j) The Supremacy of the Nigeria Tax Act**

The Nigeria Tax Act will upon commencement assume an overarching status as the principal legislation on the fiscal issues for oil and gas taxation. In doing so, the NTA did not repeal the PIA but accordingly required for an amendment of the relevant provisions of the PIA by deleting Part I-X of Chapter Four of the PIA. Thus, effecting the required amendment shall entail deleting the Sections 258 to 302 of the PIA which contains provisions on the petroleum industry fiscal framework. In effect, all the provisions of the PIA relating to the imposition and application of hydrocarbon tax and companies income tax to petroleum operations in the upstream including midstream and downstream petroleum operations will be deleted as part of the amendment.<sup>80</sup>

Also, from the commencement of NTA, the Fifth and Sixth Schedules, Paragraphs 6,9,10,11 and 12 of the Seventh Schedule; and paragraph 14(6) of Part IV of Seventh Schedule of the PIA will be deleted in compliance to its amendment. For clarity, it is noteworthy that while the Fifth and Sixth schedule to PIA borders on capital allowances and production allowances and cost price ratio limit for upstream petroleum operations respectively, the relevant paragraphs to be deleted from the Seventh Schedule of the PIA are the provisions on royalties. On the other hand, the NTA as a replacement to the deleted schedules of the PIA has by its First Schedule introduced a split regime of, Capital allowance for companies in Chapter two of the Act, Capital allowance for petroleum operations for upstream petroleum operations under the PIA and Capital allowance for petroleum operations under petroleum profit tax and deep offshore and inland basin product sharing contracts. It also made provisions for production allowances and cost price ratio limit its Sixth Schedule and provisions for petroleum royalty in its Seventh Schedule.

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<sup>78</sup> Ibid, s 161

<sup>79</sup> Damilola Aina, 'FG Eyes N796bn Annually from 5% Petrol Surcharge' *The Punch* (Nigeria, 31 July 2025)<<https://punchng.com/FG-eyes-796bn-annually-from-5%-petrol-surcharge>>accessed 31<sup>st</sup> July, 2025

<sup>80</sup> Ibid, s 197

In essence, the required amendment of the PIA, when effected, will cement the overarching status of NTA as single legislation for regulation of oil and gas taxes including royalties in Nigeria. In this wise, Section 201<sup>81</sup> of the NTA addresses the supremacy of the Act as regards the imposition of tax, royalty, levy, surcharge on services and fossil fuel or any other tax, to the effect that where there is a conflict or the provisions of any law is inconsistent with the provision of the NTA, the provisions of the NTA shall prevail and the provisions of that other laws shall to the extent of the inconsistency, be void<sup>82</sup>.

### **The Nigerian Tax Administration Act, 2025 (NTAA)**

The NTAA provides uniform procedure for a consistent and efficient administration of tax laws in order to promote tax compliance and optimize tax revenue.<sup>83</sup> One of its significant provision introduces a framework for advance tax rulings, enabling taxpayers to seek formal guidance on the interpretation of and application of tax laws to specific transaction inclusive of the petroleum sector. In addition, Section 63 of the NTAA stipulates that if a company engaged in petroleum or mining operations fail to pay any petroleum or mining royalty or tax after a demand notice has been issued, the service may notify the Commission or the relevant ministry or agency about the default, which may lead to the revocation of the company's license or lease under the applicable Act. Also, Section 145 of the NTAA addresses the supremacy of the Act over other laws concerning the administration of taxes and levies in Nigeria. The provision establishes that, in the event of any conflict between the NTAA and other existing laws the NTAA shall take precedence. This means that if there is any inconsistency between the NTAA and any other legal framework related to tax administration, collection, assessment, or enforcement, the provision of NTAA will override those of the conflicting laws.

### **The Joint Revenue Board of Nigeria (Establishment) Act, 2025 (JRBA)**

In a bid to enhance taxpayers' protection and promote accountability in tax administration, the Act establishes the Joint Tax Board (JTB), Tax Appeal Tribunal (TAT) and introduced the Offices of the Tax Ombud Office to address compulsory complaints against tax officials and authorities. Notably, while the function of the JTB primarily includes resolving disputes between tax authorities, and the TAT for resolution of tax disputes premised on interpretation of tax laws; the jurisdiction of the Ombud is limited to resolving administrative and procedural tax-related grievances. Thus, it cannot interpret tax laws or interfere with matters under the jurisdiction of the Tax Appeal Tribunal.<sup>84</sup> Hence, oil and gas companies can leverage on the services to be rendered by this office to resolving administrative issues on tax, levy, regulatory fees and charge,<sup>85</sup> instead of proceeding directly to the tax tribunal.

### **The Nigerian Revenue Service (Establishment) Act, 2025 (the NRSA)**

The NRSA repeals the Federal Inland Revenue Service Act<sup>86</sup> and thereby dissolves the FIRS and establishes the Nigerian Revenue Services (NRS) as its successor. Thus, the NRS replaces the Federal Inland Revenue Service. In effect, the NRS is vested with broader powers to collect and administer

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<sup>81</sup> Ibid, s 201

<sup>82</sup> Ibid

<sup>83</sup> Nigeria Tax Administration Act, 2025, s 1

<sup>84</sup> The Joint Revenue Board of Nigeria (Establishment) Act, s 43

<sup>85</sup> Ibid, s 41(1)

<sup>86</sup> Federal Inland Revenue Service (Establishment) Act, 2007

taxes, duties, levies and other revenue accruable to the federal government, positioning it as the central agency under Nigeria's reformed tax framework.<sup>87</sup> The implication is that, NRS now has a broader power in the administration and collection of government revenue in the petroleum industry. Thus, unlike the FIRS its responsibility is no longer limited to the collection of hydrocarbon tax and companies income tax, rather with the deletion of section 259 of the PIA by the NTA,<sup>88</sup> the NRS functions have been expanded to include the determination and collection of royalties, signature bonus, rents, including gas flare penalty arising from midstream operations and their respective enforcements,<sup>89</sup> thereby stripping the Commission and Authority of these responsibilities and statutorily vested them on NRS to the exclusion of any other agency.

## **5.0 Conclusion**

This paper confirms that the tax regime of petroleum taxation has undergone commendable innovations vide the Nigerian Tax Reform. The paper demonstrates that the reform having unified all the petroleum taxes have the propensity of enhancing revenue collection efficiency, promoting fiscal transparency, consistency, reducing ambiguity in tax interpretation and enforcement, and aiding overall compliance by taxpayers in the petroleum sector, especially as taxpayers in the petroleum sector will now work within a single legal framework rather than navigating multiple statutes. Above all, there is a significant shift in the overarching framework for petroleum taxation from the PIA to the NTA.

## **6.0 Recommendations**

1.0 With the new tax laws set to taking effect on 1<sup>st</sup> January, 2026, the intervening months present a critical window for the Petroleum Industry operators to revisit contract terms and consider how these fiscal tweaks may influence project viability and investor confidence.

2.0 The need to consciously strive to be abreast of the revised compliance requirements by the tax authority through capacity building by training staff of the NRS to foster awareness and preparedness.

3.0 The dire urgency of addressing the impact of double taxation on the income of companies operational in the upstream sector by reducing the applicable rates of HT and CIT or making HT deductible in assessment of the chargeable incomes of companies for CIT, to avoid same resulting to disinvestments and creating impediment to international enterprise and trade

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<sup>87</sup> The Nigerian Revenue Service (Establishment) Act, 2025, s 3(1)

<sup>88</sup> NTA, s 196

<sup>89</sup> PIA, s 259(b) &(c)