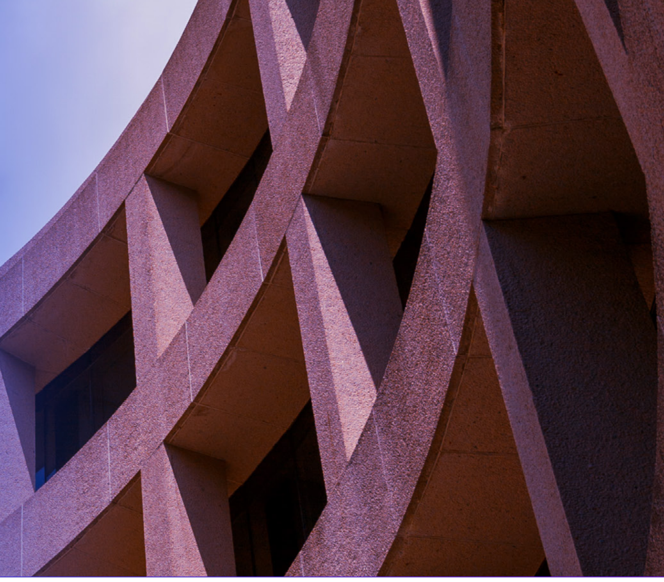
The Nigeria Revenue Service (Establishment) Act[1], 2025



The Nigeria Revenue Service (Establishment) Act, 2025 (the Act) has rebranded the Federal Inland Revenue Service (FIRS) as the Nigeria Revenue Service (NRS or the Service) as a centralised body for tax administration in Nigeria. The change is driven by the need to recognise the fact that the NRS collects revenue for the Federation and not just the Federal Government.

The primary objective of the Act is to enhance tax compliance, improve revenue generation, and streamline tax administration to minimise leakages and inefficiencies. The NRS will be responsible for assessing, collecting, and accounting for revenue accruable to the Federal Government of Nigeria, among other related functions.

Key Provisions of the Act

- **Organisational Rebranding**

  Section 3 of the Act establishes the NRS. The shift from the FIRS to the NRS represents a rebranding of the tax authority, marking the establishment of a new national identity. Though the Service will retain similar features with the FIRS in terms of corporate status, the rebranding could modernise the perception of the tax authority, aligning it with a broader mandate that goes beyond tax collection to include all forms of revenue. This could enhance national identity and strengthen the authority's role in managing public finances. It may also signal a fresh start, with potential improvements in efficiency and transparency. However, the transition could create confusion or disrupt existing systems, especially for businesses and individuals accustomed to dealing with the FIRS. Additionally, rebranding may lead to temporary inefficiencies, a steep learning curve, and costs associated with updating systems, communication materials, and public awareness.

- **Powers of the NRS**

  Section 3 of the Act expands the scope of the Service's powers to include not just the laws made by the National Assembly but also any other law that may confer the NRS with similar powers. However, the key point is that such other laws must specifically confer the NRS with such powers before it can operate under those laws.

- **Expanded Functions of the Service**

  Section 1 of the Act mandates that the Service account for all forms of revenue, not just tax, accruing to the government, significantly broadening its authority.

  Section 4 also expands the Service's scope by including individuals chargeable to tax within the Service's tax assessment framework. However, Section 3, Part 1 of the Nigeria Tax Administration Act (NTAA), 2025, defines the specific categories under which the NRS has the authority to administer tax, ensuring a structured approach to tax governance.

  A notable amendment in the Act is the deletion of the requirement for collaboration with law enforcement agencies when conducting investigations to enforce tax compliance. This change streamlines enforcement procedures and enhances the Service's independence in carrying out its duties.

- **Assistance in Tax Collection**

  Section 5 of the Act empowers the NRS to assist in tax collection and administration at both domestic and international levels for a fee.

[1]The President has signed the bill into law. However, the relevant gazette is not yet publicly available. Therefore, the signed version may be different from the one commented on.

The cross-border provision highlights the country's commitment to international tax compliance, ensuring fair treatment of foreign governments while supporting efficient global tax administration practices. It will also help prevent double taxation for entities operating in multiple jurisdictions and promote international business relations.

- **Establishment of a Governing Board**

  Section 6 of the Act provides that the NRS shall be governed by a Board. The Board is tasked with setting general policy direction, reviewing strategic plans, overseeing staff performance, ensuring operational effectiveness, and supervising the overall functions of the NRS.

  According to Section 7, the Board will comprise the Chairman, who will also be the Executive Chairman of the Service, appointed by the President, subject to confirmation by the Senate, ex-officio members and Executive Directors appointed by the President. The members of the Board, other than the ex-officio members, shall have a tenure of 4 years that is renewable only once.

- **Powers to Fix Board Members' Remuneration**

  Section 10 of the Act empowers the Service to determine the remuneration of all the Board members in collaboration with the National Salaries, Incomes and Wages Commission (NSIWC). However, the final decision lies with the Service. This is a significant departure from the current system, where the NSIWC approves the remuneration.

- **Creation of a Technical Committee**

  Section 14 of the Act speaks to the creation of a streamlined Technical Committee to provide expert advice on tax matters requiring professional or technical expertise. It will include key personnel such as the Executive Chairman, 2 Board members, the Executive Directors, the Director Legal and the Director in charge of Tax Policy Matters of the NRS. In the current FIRS Establishment Act, the membership of the Committee is comprised of the Executive Chairman, legal adviser, all the Directors and Departmental Heads.

- **Establishment of a Management Committee**

  Section 18 of the Act establishes a Management Committee to oversee the dayto-day operations and ensure the effective implementation of policies. Only the Executive Chairman and the Executive Directors are members of the Committee.

- **Secondment Programs/Stay of Staff**

  Section 19 of the Act introduces a secondment program, allowing the staff of the Service to be temporarily assigned to other agencies for capacity building and skill development purposes.

- **Funds of the Service**

  Section 22 of the Act broadens the funding base by including all revenue collected, including revenue from oil and gas, which was previously excluded. The NRS shall be entitled to 4% of total revenue collected less petroleum royalty, aligning the system with global benchmarks and promoting greater cost efficiency. However, the National Assembly still needs to appropriate the money as the NRS is obliged to prepare an estimate of its income and expenditure for the succeeding year by 30th September of each year.

- **Accounts and Audits**

  Section 25 requires the Service to maintain accurate financial records, which must be audited by auditors appointed by the Board in accordance with guidelines provided by the Auditor-General of the Federation, no later than six months after the end of each year. The Service is also required to submit quarterly and annual reports on its activities, performance and financial statements to the National Assembly.

- **Publishing of Annual Report**

  Section 26 mandates the Service to publish an annual report of its activities, and the Minister must, within 30 days of the receipt of the report, present same to the Federal Executive Council and the National Assembly. The report must be prepared by 30 June of the year following the relevant period covered by the annual report. The National Assembly has the right to summon the Executive Chairman or members of the Board in respect of matters relating to administration and governance.

- **Tax Exemptions**

  Section 29 of the Act exempts the Service from all income taxes imposed under any law in Nigeria. However, what is not clear is whether the Service is also exempt from non-income taxes such as Value Added Tax. This may be the intention.

- **Accountability**

  Section 30 requires the Executive Chairman to maintain proper accounting records, prepare annual reports, and ensure the adequacy and efficient use of available accounting resources. The Executive Chairman is also responsible for submitting regular reports, updates, plans, budgets, and other relevant documentation to the Minister and the National Assembly. In the exercise of their supervisory authority, the Minister and the National Assembly may provide recommendations to promote fiscal discipline and ensure alignment with national economic priorities. Following the implementation of such recommendations, the Executive Chairman shall submit progress reports to both the Minister and the National Assembly.

- **Power to Collect Unremitted Revenue**

  Section 39 provides the Service with the power to request the Accountant General of the Federation to deduct unremitted revenue due from any Ministry, Department, Agency or Government from its budgetary allocation or such other money accruing to it on presentation of a duly executed warrant.

Potential Concern

The expanded scope of power of the NRS could lead to overreach, where the Service might start interfering in areas that were previously managed by other specialised agencies or bodies. This could create duplication of efforts or conflicts between it and the different governmental agencies, leading to inefficiencies. With such broad powers, there might be concerns about the lack of checks and balances. If the Service is not properly overseen, it could misuse its expanded powers or make arbitrary decisions regarding the administration of various forms of revenue.

Conclusion

The Nigeria Revenue Service (Establishment) Act has the potential to significantly enhance the efficiency of Nigeria's revenue collection, thereby boosting public finances and improving service delivery. However, its success will depend on careful planning, effective implementation, and strong political will.

One of the Act's key objectives is to increase revenue generation for both Federal and State governments. By creating a centralised body, the Act could reduce revenue leakage, improve compliance, and strengthen tax collection, ultimately enhancing the country's fiscal position. This would provide greater financial support for critical sectors such as power, telecommunications, healthcare, and education. An efficient revenue service could also foster a more transparent resource allocation system, ensuring better use of public funds and promoting sustainable development. Research has shown that a streamlined and transparent revenue collection system could boost investor confidence, potentially increasing foreign direct investment (FDI), as investors often prefer countries with stable and predictable tax systems. Furthermore, the establishment of a central revenue authority might help reduce the size of Nigeria's informal economy by encouraging more businesses and individuals to formalise their activities, thereby expanding the tax base.

From a business perspective, the adoption of digital tax administration will likely reduce the administrative burden on businesses, particularly small and medium-sized enterprises (SMEs). Given the FIRS's progress in digitizing tax processes in Nigeria, the NRS is expected to go further by enhancing technology for tax filing, reporting, payment, and compliance. This will make it easier for businesses to fulfill their tax obligations while allowing them to focus on their core operations. The NRS's enhanced enforcement powers should also help create a fairer business environment by ensuring that taxcompliant businesses are not disadvantaged by those that evade taxes. Advanced data analytics, monitoring tools, and stronger law enforcement mechanisms will facilitate the swift identification and resolution of non-compliance issues.

Public awareness initiatives will be crucial in ensuring the successful implementation of the provisions of the Act. The Service is expected to prioritise educating businesses and individuals about tax compliance benefits, fostering voluntary compliance, and improving public trust in the tax system. Greater awareness of the NRS's functions and responsibilities will help demystify tax administration and encourage more people to comply with their obligations willingly.

From a social perspective, improved revenue collection could lead to better-funded public services. With increased financial resources, essential services such as healthcare, education, and security could experience significant improvements, enhancing the standard of living and promoting social stability. If Nigerians perceive that tax revenue is being managed transparently and efficiently, public trust in government institutions could increase. However, any inefficiency or lack of transparency in revenue management could lead to dissatisfaction and apathy among taxpayers.

While a centralised revenue service offers many advantages, its implementation may be costly and complex. Substantial investment will be required to build infrastructure, recruit skilled personnel, and develop robust revenue management systems. The government appears to have anticipated these challenges, as Section 41 of the Act includes measures to ensure a smooth transition from the FIRS to the NRS. Ensuring a well-coordinated transition will be crucial to avoiding disruptions in revenue collection and administration.

In conclusion, the Act presents a transformative opportunity for Nigeria's revenue collection. If effectively implemented, it could enhance tax administration, foster economic growth, and improve public service delivery. However, its success will depend on disciplined execution, technological advancements, and sustained public trust in the tax system.

For further enquiries, please contact:

Adewale Ajayi

ng-fmtaxenquiries@ng.kpmg.com

home.kpmg/ng home.
kpmg/socialmedia