TAXATION OF NON-RESIDENT COMPANIES UNDER THE NIGERIA TAX ACT 2025: A CRITICAL ANALYSIS OF NIGERIA'S JURISDICTION TO TAX CROSS-BORDER BUSINESS INCOME

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Abstract

*Nigeria had for a long-time taxed non-resident businesses through a narrower lens of a fixed based, a dependent agent, a warehouse from which goods were delivered, amongst others. However, the Nigeria Tax Act, 2025 ("**NTA**") changes that calculus. This article examines how the NTA widens Nigeria's claim over cross-border business income, principally through sections 17 to 19, and asks whether that wider claim is one Nigeria can actually administer. It traces the statutory journey from the Companies Income Tax Act's fixed-base test, through the 2019 introduction of significant economic presence, to the NTA's considerably more elaborate regime: an expanded permanent establishment concept, a formal separate-enterprise method for attributing profit, a minimum tax floor pegged to turnover, and, most strikingly, a place-of-effective-management test folded into the very definition of a 'Nigerian company'. We argue that while these reforms are a genuine and largely overdue modernisation, several of them, the undefined economic presence threshold, the turnover-based floor, and the untested residence test in particular, have been enacted ahead of the administrative and interpretive infrastructure needed to apply them with any consistency. The article closes with practical recommendations directed at the*

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1.0 INTRODUCTION

Every tax system begins with a jurisdictional claim, and that claim is drawn along one of two lines: residence, which taxes a person because they belong to the state, or source, which taxes income because it arose within the state's borders.[1] Nigeria draws on both. A Nigerian company pays tax on its worldwide profit, while a non-resident company pays tax only on the profit it earns from Nigeria.[2] For most of Nigeria's modern tax history, non-resident companies' taxation was drawn narrowly, mostly around physical things: an office, a warehouse, an agent authorised to sign contracts on a foreign company's behalf.[3]

The Companies Income Tax Act, Cap C21 LFN 2004 ("**CITA**") gave that narrow conception the force of law. Under section 13(2) CITA, a non-resident company's Nigerian profit was taxable only where the company maintained a fixed base, operated through a dependent agent, held stock from which deliveries were made, executed a single qualifying contract, or engaged in some comparable transaction.[4] The trouble with drawing the line this way is that a great deal of modern commerce needs none of those things. For examples, a streaming

[1]R S Avi-Yonah, International Tax as International Law (Cambridge University Press 2007) 1–3.
[2]Companies Income Tax Act, Cap C21 LFN 2004, ss 9, 13(1)–(2); Nigeria Tax Act 2025 ('NTA'), ss 6, 12, 17.
[3]E Ikedinobi, 'The Applicability of the Rules of Residence under the Nigerian Tax Regime' (unpublished, 2025) 1–6.
[4] CITA, s 13(2).

platform headquartered in Los Angeles can earn substantial subscription revenue from Nigerian viewers without ever opening an office in Lagos; an advertising network based in Dublin can sell placements to Nigerian businesses without a single employee setting foot in the country. This left a widening gap through which internationally mobile digital and service businesses could, and did, escape the Nigerian tax net altogether.[5]

Nigeria's response to this issue came in stages. First, the Finance Act 2019 grafted the concept of significant economic presence onto section 13(2)(c) of CITA, conceding for the first time that a business could generate real value in Nigeria without any physical footprint at all.[6] The Companies Income Tax (Significant Economic Presence) Order 2020 then provided for the relevant threshold, being ₦25,000,000 in gross turnover or income from qualifying digital activities, together with an illustrative list of taxable digital activities and a domain-name nexus test.[7] The Finance Act 2020 did the similar job on the consumption side by extending VAT registration and remittance obligations to non-resident suppliers of goods and services.[8]

The NTA which came into force in January 1, 2026 and repealed the CITA in its entirety,[9] retains this trajectory for the taxation of non resident companies, making it more elaborate than the CITA. NTA, sections 17 to 19, now provides for a considerably more elaborate provisions for the taxation of non-resident persons. This article examines how far these provisions actually extends Nigeria's reach

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[5]A Oyinlade, 'An Overview of the Taxation of Non-Resident Companies in Nigeria' <https://www.legal500.com/developments/thought-leadership/an-overview-of-the-taxation-of-non-resident-companies-in-nigeria/> accessed 24 March 2025.
[6]Finance Act 2019, s 4(a)(ii), amending CITA, s 13(2)(c).
[7]Companies Income Tax (Significant Economic Presence) Order 2020.
[8]Finance Act 2020, s 43.
[9]NTA, s 195(c).

over cross-border business income, and whether the extension is one Nigeria can administer coherently and defend internationally. We trace the legislative path that produced the NTA, examine its permanent establishment and significant economic presence rules, its method for attributing profit, its treatment of passive income and shipping profits, its newly disjunctive test for corporate residence, and its enforcement mechanics, before setting the Nigerian position against OECD practice and closing with recommendations.

2.0 THE TRANSITION FROM FIXED BASE TO ECONOMIC PRESENCE

Under CITA, a non-resident company was simply any company that is not incorporated under the Companies and Allied Matters Act. This means, by implication, a company incorporated outside Nigeria but carrying on business or earning income in Nigeria. Tax liability for such companies depended on entirely on whether the statutory markers of presence in section 13(2) were actually met.[10]

The significant economic presence criterion, once introduced, marked the first real legislative concession that value creation and physical presence had come apart.[11] The 2020 Order supplied the operative number and, with it, a measure of certainty: gross turnover or digital income above ₦25 million, plus a list of qualifying activities and a domain-name test.[12] The NTA captures all of these into a single Part III while, in the same breath, repealing the operative threshold provision of the 2020 Order.[13] That is a more consequential move than it might first appear: the Act removes the very instrument that gave significant economic presence a measurable trigger, without putting a

[10]CITA, s 13(2).
[11]Finance Act 2019, s 4(a)(ii) (n 6).
[12]Companies Income Tax (Significant Economic Presence) Order 2020 (n 7).
[13]NTA, s 197(1)(d).

fresh number in its place, leaving the matter, once again, to whatever regulation the Minister eventually issues.[14]

2.1 Permanent Establishment Test: Analysis of NTA, Section 17

NTA, section 17(1) restates the source principle of taxation: the income, profits, or gains of a non-resident person accruing in or derived from Nigeria are chargeable to tax.[15] Subsection 2 extends this to chargeable gains on the disposal of assets connected with a Nigerian trade, or assets located, or deemed located, in Nigeria.[16] Section 17(3) NTA taxes a non-resident's trade or business profit where the person has a permanent establishment or significant economic presence to the extent profit is attributable to it; where payment is made by a Nigerian resident, or a Nigerian permanent establishment of a non-resident, for services furnished from outside Nigeria, subject to carve-outs for employees, teachers, and foreign permanent establishments bearing the relevant expense; or where insurance premiums or risks insured from Nigeria are involved.[17] Section 17(4) makes withholding tax deducted under the second and third of these limbs the final tax, unless a permanent establishment or significant economic presence exists to which the payment is properly attributable.[18]

2.1.1 **Permanent Establishment:**

A non-resident person is deemed to have one in Nigeria where it keeps a fixed place of business there; operates through a dependent agent; maintains stock from which deliveries are made on its behalf; executes, alone or together with others, a single project involving surveys, design, construction, assembly, installation, commissioning, or supervisory activity, irrespective of how the work is split among

[14]Nigeria Tax Administration Act 2025 (**"NTAA"**), s 144(3)(a).
[15]NTA, s 17(1).
[16]ibid, s 17(2).
[17]ibid, s 17(3).
[18]ibid, s 17(4).

entities or jurisdictions; or furnishes services in Nigeria through employees, agents, subcontractors, or other engaged persons.[19]

2.1.2 **Significant Economic Presence:**

This arises where a non-resident, without any physical presence at all, transmits data, signals, or content to Nigeria in connection with specified digital activities, electronic commerce, application stores, high-frequency trading, online advertising, digital content services, cloud computing, online gaming, and so on, to the extent that profit can be attributed to the activity.[20] A carve-out preserves the position of non-residents who merely employ Nigerian-resident staff whose duties are not primarily performed for Nigerian customers,[21] and 'a place' is itself defined expansively enough to capture not just offices and factories but wells, quarries, extraction sites, and installation vessels.[22] Comparing the concept of fixed based and SEP under CITA's with the concept of PE and SEP under the NTA, it is obvious that the provisions of NTA are far more granular, and the subcontractor limb and the single-project rule deserve particular notice: they extend permanent establishment status to fragmented, multi-entity project structures of exactly the kind long used to avoid triggering a fixed base, and they do so 'irrespective of any split or number of entities' involved.[23] That is a pointed, and probably deliberate, answer to the contract-splitting arrangements that scholars have identified as a persistent avoidance technique in Nigeria's construction and oil-service sectors.[24]

[19] ibid, s 17(9)(a).
[20] ibid, s 17(9)(b).
[21] ibid, s 17(9)(c).
[22] ibid, s 17(9)(d).
[23] ibid, s 17(9)(a)(iv).
[24] Ikedinobi (n 3) 5–7.

2.2 The Unfinished Business of Significant Economic Presence

The point flagged above regarding significant economic presence is worth dwelling on. Section 17(9)(b) NTA defines significant economic presence by reference to digital transmission activity, but it hands the practical content of the concept straight to 'any regulations that may be issued by the Minister'.[25] The repealed 2020 Order supplied the ₦25 million threshold which triggers significant economic presence. Unfortunately, the NTA's transitional provisions delete the operative paragraph of that Order and failed to re-enact an equivalent figure in the primary Act itself.[26] Until fresh regulations appear under the Minister's general rule-making power,[27] non-resident digital businesses and the NRS are left, in effect, without a clear direction. In effect, this will revive precisely the kind of definitional uncertainty that has already been identified as a recurring weakness of Nigeria's digital tax framework.[28] Without a published threshold, both over-enforcement against small foreign vendors with negligible Nigerian turnover, and under-enforcement against large but undeclared operators, are equally plausible outcomes, and neither is one a workable nexus rule should tolerate.

2.3 Profit Attribution: The Separate-Enterprise Method and Its Blunt Instruments

The most doctrinally interesting advance in the NTA is arguably its attribution method. Section 17(5) NTA requires profit attributable to a Nigerian permanent establishment to be computed on a functionally separate-enterprise basis: the establishment is deemed to carry the same credit rating as its non-resident parent; it is deemed to hold the equity and loan capital it could reasonably be expected to hold,

[25] NTA, s 17(9)(b).
[26] ibid, s 197(1)(d).
[27] NTAA, s 144(3)(a).
[28] L L Akanbi, 'Taxation of Cross-Border Digital Services in Nigeria: Challenges and Global Best Practices' (2026) 4(1) African Journal of Legal Research 178, 193–195.

measured against the transfer pricing rules in section 191 of the NTA; attributable income expressly includes revenue from sales of similar goods or services made directly to Nigeria by the non-resident or its connected persons, where these parallel the establishment's own activity; deductions are confined to costs incurred in producing the attributable profit; and no deduction is allowed for royalties or comparable payments to the parent for the use of intellectual property, beyond reimbursement of actual expense.[29] This is a recognisable transplant of the OECD's authorized approach to permanent establishment attribution, which treats the establishment, for computational purposes, as if it were a distinct enterprise dealing at arm's length with the rest of its group.[30]

That represents genuine progress on CITA, under which disputes over what profit was properly attributable to a non-resident's Nigerian activity, illustrated by the long-running controversy in Federal Board of Inland Revenue v Halliburton (WA) Ltd[31], were fought out against a comparatively bare statutory backdrop offering little methodological help. Section 17(5) supplies that help, at the price of importing all the interpretive complexity that ordinarily attends transfer pricing analysis.

That sophistication sits somewhat awkwardly beside the blunter tools in sections 17(6) to (8), however. Where attributable profit cannot be worked out under section 17(5), the NTA falls back on a deemed-profit formula: total profit becomes the non-resident's 'profit margin', the ratio of earnings before interest and tax to revenue, taken from published audited accounts or, failing that, from a comparable

[29]NTA, s 17(5).
[30]Compare Organisation for Economic Co-operation and Development, Model Tax Convention on Income and on Capital, art 7 and accompanying commentary on the Authorised OECD Approach.
[31]FBIR v Halliburton (WA) Ltd (2015) JELR 91702 (CA).

company, multiplied by Nigerian-source turnover.[32] Section 17(7) NTA then adds a sting: where the genuinely computed attributable profit turns out lower than this benchmark figure, the benchmark wins.[33] Section 17(8) NTA caps it off with an absolute floor, the tax payable can never fall below tax already withheld at source or, where no withholding applies, 4% of total Nigerian-source income.[34]

Put together, a non-resident that can show, through proper separate-enterprise accounting, that its true Nigerian-attributable profit is modest, or that it actually made a loss, may still be taxed on a notional profit-margin or turnover basis. In substance, that is a presumptive minimum tax on gross receipts rather than a tax on net profit, and it sits uneasily against the ability-to-pay logic that underlies profit taxation in the first place. It also creates a quiet conflict with Nigeria's double taxation agreements, most of which follow the OECD Model Tax Convention's Article 7 in confining a treaty partner's taxing rights to profits genuinely attributable to a permanent establishment, not to a fixed percentage of gross turnover.[35] Where a treaty applies, section 120 of the Act gives it precedence,[36] so the section 17(8) floor should, in principle, give way for residents of treaty partner states, but the Act offers no explicit mechanism for making that reconciliation happen, leaving it to be worked out, potentially through contentious litigation, case by case. Non-residents from non-treaty jurisdictions get no such protection and carry the floor in full, which produces a two-tier regime in which how much Nigerian tax a business actually pays turns as much on treaty geography as on its genuine economic substance.

2.4 Passive Income and the Finality of Withholding Tax

[32]NTA, s 17(6), (9)(e).
[33]ibid, s 17(7).
[34]ibid, s 17(8).
[35]OECD Model Tax Convention (n 33) art 7.
[36]NTA, s 120(1)–(2).

NTA, section 19 preserves the settled treatment of dividends paid by Nigerian companies to non-residents largely as it used to be; which is making withholding tax under section 51 of the NTAA the final tax due and payable, and neither the non-resident nor the paying company can claim any right of repayment.[37] Section 51(2) of NTAA extends that finality to interest, rent, royalties, directors' fees, and payments to entertainers and sportspersons.[38] The advantage of a gross-basis, final-withholding model is administrative simplicity, it spares the NRS the work of assessing a non-resident recipient's true net position, but the cost shows up in cases where, for instance, a non-resident lender's Nigerian interest income carries significant financing costs that a gross withholding tax simply cannot see. Where a double taxation agreement applies, reduced treaty rates soften the domestic rate,[39] subject to the NTA's own anti-abuse conditions: section 120(6) to (8) require a claimant to be both a genuine resident of the treaty partner and the beneficial owner of the income, and expressly rule out relief obtained through treaty-shopping, a domestic cousin of the principal purpose test embedded in the OECD's Multilateral Instrument.[40]

3.0 SHIPPING AND AIR TRANSPORT: A REGIME OF ITS OWN

Section 18 of the NTA provides for a specialised regime for non-resident carriers, computing Nigerian-attributable profit by reference to a 'global adjusted profit ratio' and 'global depreciation ratio' drawn from the carrier's worldwide accounts and apportioned to Nigerian-sourced revenue.[41] Where that data cannot be obtained, the Act imposes a minimum tax of 2% of gross revenue from carriage

[37] ibid, s 19.
[38] NTAA, s 51(2).
[39] NTA, s 120(2).
[40] ibid, s 120(6)–(8).
[41] ibid, s 18(3)–(4).

originating in Nigeria.[42] This reflects a long-standing international recognition that shipping and aviation profits resist ordinary source attribution, and many of Nigeria's treaties, following the OECD Model once again, reserve taxing rights over such profits exclusively to the carrier's state of effective management, which can exempt treaty-resident carriers from Nigerian tax altogether.[43] The section 18 floor, like its section 17(8) counterpart, therefore bites with full force only against carriers from non-treaty jurisdictions, one more illustration of how much of the Act's practical reach depends on the accident of treaty coverage.

4.0 REDEFINITION OF CORPORATE RESIDENCE

The single most conceptually striking feature of the 2025 tax reforms is in the redefinition of 'Nigerian company'. Section 201 of the NTA defines a Nigerian company as one formed or incorporated under Nigerian law, or whose central place of management or control is Nigeria, or whose effective place of management or control is Nigeria.[44] That three-limbed, disjunctive test is a marked departure from an essentially incorporation-based residence rule, and its effect is that a company incorporated abroad but centrally or effectively managed from within Nigeria is no longer merely a 'non-resident person' taxable under section 17 on its Nigerian-source income; it becomes, for every purpose, a Nigerian company taxable on its worldwide profit under section 6 of the NTA.

This reform speaks directly to a mischief that has existed in Nigeria for so long: the use of offshore incorporation, coupled with continued management from Nigeria, to recast what is in substance a Nigerian

[42]ibid, s 18(5)–(6).
[43]OECD Model Tax Convention (n 33) art 8.
[44]NTA, s 201, definition of 'Nigerian company'.

enterprise as a non-resident one for tax purposes.[45] The controversy surrounding Oando Plc v Federal Board of Inland Revenue, where the Court of Appeal examined the location of the company's place of effective management in deciding its tax residence, has been read by commentators as illustrating exactly this tension.[46] Comparative case law offers further context. In Wood v Holden, the English Court of Appeal treated central management and control as turning on where the company's real, as opposed to nominal, decision-making actually happens;[47] in Commissioner for South African Revenue Service v Tradehold Ltd, the South African Supreme Court of Appeal held that effective management sits wherever strategic, as distinct from purely administrative, decisions are actually taken.[48] Neither authority binds Nigeria, but given the complete absence of Nigerian statutory or appellate guidance on 'central' or 'effective' place of management, both are likely to prove persuasive, arguably indispensable, once a Nigerian court or tribunal is asked the question for the first time under the new Act.

The difficulty is that section 201 NTA offers two distinct place-of-effective-management-type limbs, 'central place of management or control' and 'effective place of management or control', without saying whether they are meant to be synonymous, cumulative, or aimed at different factual situations, and without any statutory steer on how either enquiry should actually be conducted. Nor does the NTA deal with the case where a company's central management points to Nigeria while its effective management, on the comparative tests above, points elsewhere, a scenario obviously relevant to dual-resident entities and to the tie-breaker rules in Nigeria's double taxation

[45]Ikedinobi (n 3) 6–8.
[46]Oando Plc v Federal Board of Inland Revenue (2015) JELR 91702 (CA).
[47]Wood v Holden [2006] EWCA Civ 26.
[48]Commissioner for SARS v Tradehold Ltd (2012) ZASCA 61.

agreements, most of which themselves resolve corporate dual residence by reference to place of effective management.[49] Left as it is, this gap risks turning what should be a welcome anti-avoidance reform into a fresh source of dispute.

5.0 ENFORCEMENT OF TAX ON COMPANIES WITHOUT ASSETS IN NIGERIA

However well the charging provisions are drafted, a source-based tax regime is only as good as its ability to enforce against taxpayers who, almost by definition, may hold no assets inside the taxing jurisdiction at all. The NTA's principal answer is withholding at source: sections 17(3)(b) and (4) of the NTA, read with section 51 of the NTAA, shift the job of accounting for tax onto the Nigerian payer.[50] The power to appoint any person holding a non-resident's funds as its tax agent performs much the same function from a different angle.[51] Both mechanisms are pragmatically necessary, given that the conventional enforcement toolkit, distraint of goods, land, or securities, presupposes a Nigerian presence that a genuinely non-resident taxpayer may simply not have. The Federal High Court's decision in Vodacom Business Nigeria Ltd v Federal Inland Revenue Service, which upheld VAT withholding obligations imposed on a Nigerian recipient of services from a non-resident supplier, shows the judiciary's evident readiness to endorse this shift of compliance burden onto Nigerian intermediaries,[52] and it is a precedent likely to be invoked by analogy the moment a dispute arises over income tax withholding under section 17(3)(b). The consequence, already noted in the digital-tax literature, is that Nigerian businesses, rather than the foreign suppliers

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[49]NTA, s 120; OECD Model Tax Convention (n 33) art 4(3).
[50]NTA, s 17(3)(b), (4); NTAA, s 51.
[51]NTAA, s 60.
[52]Vodacom Business Nigeria Ltd v FIRS [2020] FHC/ABJ/TA/1/2020.

the regime actually targets, end up carrying the practical cost and legal risk of getting it right.[53]

6.0 COMPARATIVE PERSPECTIVE

Nigeria's reformed regime tracks, without fully replicating, the direction of travel at the OECD level. The Authorised Approach reflected in section 17(5) mirrors Article 7 of the OECD Model Tax Convention and its accompanying attribution guidance.[54] The OECD/G20 Inclusive Framework's Two-Pillar Solution, and in particular Pillar One's reallocation of a share of residual profit to market jurisdictions regardless of physical presence, rests on the same underlying insight that animates Nigeria's significant economic presence rule: that real value can now be generated in a market without any conventional nexus at all.[55] Nigeria's approach, however, remains unilateral rather than treaty-coordinated, which exposes it to exactly the risk of double taxation and treaty friction the OECD process was built to avoid.[56] South Africa's Tradehold jurisprudence and England's Wood v Holden give Nigeria a ready, if imported, vocabulary for working out its own untested place-of-effective-management concept while indigenous authority develops.[57] What Nigeria has not yet done, and what Pillar One's Amount A mechanism, however imperfectly, attempts, is build a coordinated allocation formula capable of heading off disputes over how much profit a market state may properly claim, rather than simply litigating them after the fact.

[53]Akanbi (n 31) 194–195.
[54]OECD Model Tax Convention (n 33) art 7.
[55]OECD, Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy (OECD 2021), discussed in Akanbi (n 31) 196–198.
[56]Akanbi (n 31) 196.
[57]Wood v Holden (n 50); Tradehold (n 51).

7.0 CONCLUSION

The NTA represents the most comprehensive reform of Nigeria's international corporate tax regime since the enactment of the CITA. It reflects a deliberate legislative shift from a tax system anchored predominantly on physical presence to one that recognizes the realities of digitalization, globalization, and increasingly borderless commercial activities. Through the introduction of a broader permanent establishment concept, the retention and expansion of the significant economic presence doctrine, the adoption of a separate-enterprise approach to profit attribution, and the incorporation of place of effective management as an additional basis for determining corporate residence, the Act significantly enlarges Nigeria's jurisdiction to tax cross-border business income.

These reforms bring Nigeria's domestic tax framework closer to contemporary international tax standards reflected in the OECD Model Tax Convention and the OECD/G20 Inclusive Framework. They also respond to long-standing concerns that multinational enterprises have increasingly been able to derive substantial economic value from the Nigerian market without creating a sufficient taxable nexus under the traditional fixed-base doctrine. By extending taxing rights to digital businesses and fragmented multinational operations, the Act strengthens Nigeria's ability to protect its tax base and curb profit shifting.

Notwithstanding these significant advancements, the article demonstrates that several provisions of the Act remain incomplete or insufficiently developed. The repeal of the Significant Economic Presence Order without simultaneously prescribing a replacement threshold has created legal uncertainty regarding when digital activities become taxable in Nigeria. Likewise, the introduction of the concepts of "central place of management or control" and "effective place of management or control" without statutory definitions or interpretative guidance is likely to generate considerable disputes concerning corporate residence. Equally problematic is the interaction between the Act's minimum tax provisions and Nigeria's obligations under its network of double taxation agreements, particularly those based on the OECD Model Convention, which generally restrict taxation to profits properly attributable to a permanent establishment. Unless clarified, these provisions may expose Nigeria to allegations of treaty inconsistency and increase the risk of double taxation.

The article further illustrates that the practical success of the new regime will depend less on the breadth of the legislative provisions than on their effective administration. A sophisticated statutory framework cannot achieve its objectives without clear regulations, coherent administrative guidance, consistent enforcement practices, and a judiciary equipped to resolve complex international tax disputes. The increasing reliance on Nigerian withholding agents and domestic counterparties to enforce tax obligations against non-resident companies equally necessitates an appropriate balance between efficient tax collection and fairness to compliant taxpayers.

Ultimately, the NTA should be viewed as an important foundation rather than a completed framework. It modernises Nigeria's international tax architecture and substantially improves the country's ability to tax cross-border business activities. However, unless the outstanding interpretative and administrative gaps are addressed promptly, the reforms may generate uncertainty, increase compliance costs, encourage litigation, and undermine the very certainty that modern international taxation seeks to achieve. The long-term effectiveness of the Act will therefore depend on sustained legislative refinement, administrative responsiveness, judicial consistency, and continued alignment with evolving international tax standards.

8.0 RECOMMENDATIONS

To ensure that the NTA achieves its intended objectives while promoting certainty, fairness, and international competitiveness, the following recommendations are proposed:

a. Prescribe A Clear Significant Economic Presence (SEP) Threshold

The Minister of Finance should, pursuant to section 144(3)(a) of the NTAA, immediately issue regulations prescribing measurable thresholds for determining significant economic presence. Such regulations should specify revenue thresholds, categories of digital activities, user-based indicators, and other relevant nexus criteria. Doing so will restore the certainty that previously existed under the Companies Income Tax (Significant Economic Presence) Order 2020 and provide both taxpayers and the NRS with objective standards for compliance and enforcement.

b. Issue Comprehensive Guidelines on the Place of Effective Management (POEM) Test

The NRS should publish detailed interpretative guidelines explaining the meaning of "central place of management or control" and "effective place of management or control" under section 201 of the NTA. The guidelines should adopt a substance-over-form approach by identifying relevant factors such as the location of board meetings, strategic decision-making, executive management, financial control, and day-to-day management. They should also explain how conflicting indicators should be resolved and how the domestic rules interact with residence tie-breaker provisions contained in Nigeria's double taxation agreements.

c. Clarify The Interaction Between Domestic Minimum Tax Provisions and Treaty Obligations

Legislative or administrative clarification should expressly state that where Nigeria has concluded a valid double taxation agreement, the treaty provisions prevail over any conflicting domestic minimum tax rules in accordance with section 120 of the NTA. Clear procedures should also be established for claiming treaty relief, obtaining refunds where excessive withholding has occurred, and resolving disputes involving treaty interpretation. Such clarification would reduce litigation and reinforce Nigeria's reputation as a treaty-compliant jurisdiction.

d. Develop Detailed Transfer Pricing and Profit Attribution Guidance

Although section 17 NTA adopts a separate-enterprise approach to profit attribution, additional administrative guidance is necessary to explain how attributable profits should be determined in practice. The NRS should issue sector-specific guidance, particularly for digital services, financial services, telecommunications, construction, oil and gas, and professional services. Such guidance should incorporate internationally recognised transfer pricing principles while reflecting Nigeria's economic realities.

e. Introduce Statutory Safe-Harbour Provisions for Withholding Agents

Because Nigerian businesses increasingly bear responsibility for collecting taxes on behalf of non-resident companies, the law should provide statutory protection for withholding agents who act reasonably and in good faith. Safe-harbour provisions would encourage voluntary compliance while protecting domestic businesses from penalties arising from genuine interpretative uncertainties in complex cross-border transactions.

f. Strengthen Institutional Capacity for International Tax Administration

The implementation of the new regime requires specialized expertise within the NRS, the Tax Appeal Tribunal, and the judiciary. Continuous professional training should therefore be provided in areas such as digital taxation, permanent establishment disputes, transfer pricing, treaty interpretation, profit attribution, and OECD international tax standards. Enhanced technical capacity will promote consistent administration and improve the quality of dispute resolution.

g. Expand Nigeria's Network of Double Taxation Agreements

Nigeria should continue negotiating and updating its double taxation agreements with major trading partners. A broader and more modern treaty network would reduce instances of double taxation, improve cross-border investment certainty, facilitate international cooperation in tax administration, and align Nigeria more closely with evolving global tax norms under the OECD/G20 Inclusive Framework.

h. Provide Periodic Administrative Guidance and Stakeholder Engagement

Given the rapidly evolving nature of international taxation, the NRS should adopt a practice of issuing periodic public guidance, explanatory circulars, advance rulings, and frequently asked questions addressing emerging issues under the Act. Regular engagement with taxpayers, professional bodies, multinational enterprises, and academic institutions would improve compliance, minimise uncertainty, and ensure that administrative practice evolves consistently with legislative objectives.

i. Consider Future Alignment with Emerging International Tax Developments

Finally, Nigeria should continue monitoring developments under the OECD/G20 Inclusive Framework, particularly Pillar One and Pillar Two, as well as other global initiatives on digital taxation. While preserving its fiscal sovereignty, Nigeria should seek greater convergence with internationally accepted standards to minimise cross-border disputes, enhance investor confidence, and maintain the competitiveness of its international tax system.

These recommendations would not only strengthen the implementation of the NTA but also enhance legal certainty, improve revenue mobilisation, reduce international tax disputes, and position Nigeria as a modern and credible participant in the evolving international tax order.