

IMPLICATIONS OF THE NEW TAX LAWS FOR THE AVIATION SECTOR

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OUTLINE



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 - ❑ Impact of Changes in the VAT Act
 - ❑ Key Tax Obligations
 - ❑ Conclusion

INTRODUCTION

- ❑ The Federal Government of Nigeria has implemented a comprehensive tax reform initiative aimed at enhancing ease of doing business, boosting revenue generation, strengthening tax compliance and aligning the Nigerian tax system with global best practices across key sectors.
- ❑ These reforms introduce significant changes to existing tax laws, with certain implications for the aviation sector—a critical contributor to Nigeria's economic growth and employment.
- ❑ This paper explores the major changes in the new tax laws and assesses their potential impact on the aviation sector.

RATIONALE FOR THE TAX REFORMS



Harmonization of various tax laws to create a unified system in order to eliminate inconsistencies and drive efficiency.



Simplify tax laws and ensure synergy across Revenue collection agencies to enhance compliance and reduce redundancies.

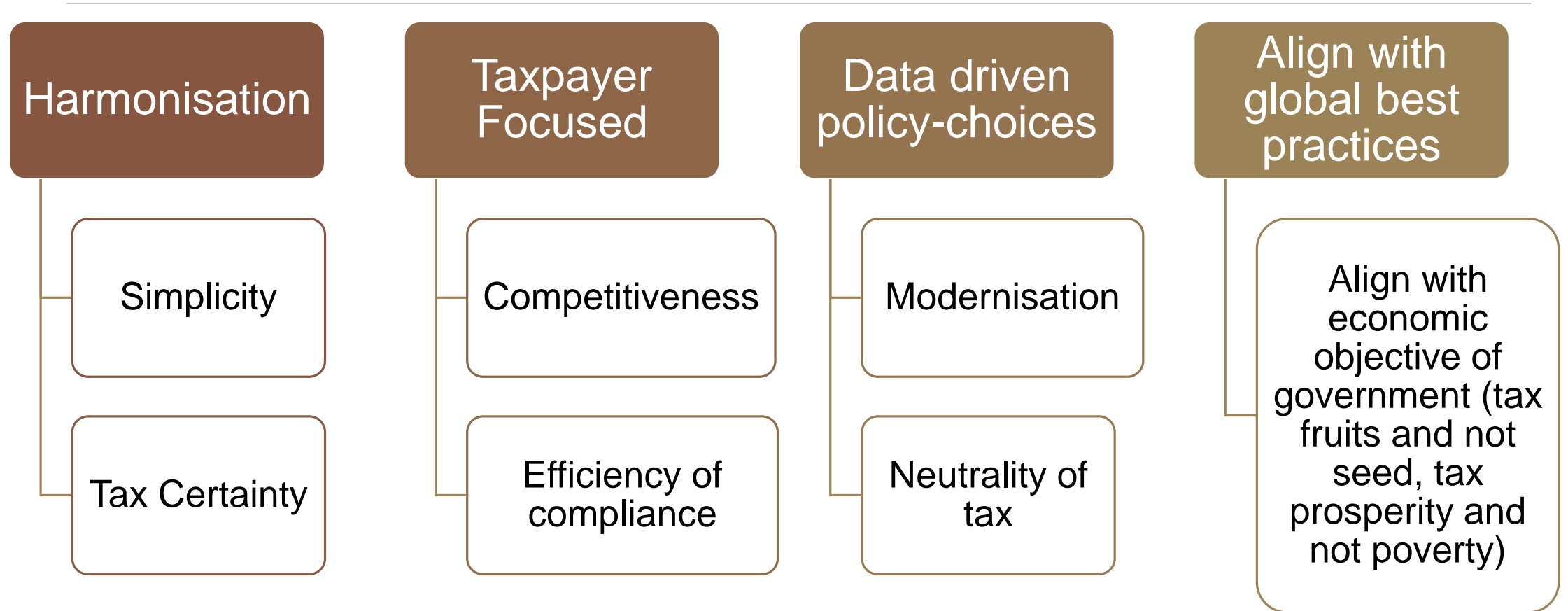


Update tax laws to reflect present realities and align with modern economic activities and international standards.



Broaden the tax base by including untaxed sectors thereby increasing revenue.

OVERVIEW OF THE TAX LAWS - PRINCIPLES



OVERVIEW OF THE TAX LAWS - STRUCTURE

	Nigeria Tax Act	<ul style="list-style-type: none"> • Law imposing taxes in Nigeria • 204 sections, 13 schedules, 9 chapters
	Nigeria Tax Administration Act	<ul style="list-style-type: none"> • Rules governing the administration of all taxes • 144 sections, 5 chapters, 4 schedules
	Nigeria Revenue Service (Establishment) Act	<ul style="list-style-type: none"> • Establishes the NRS, repeals FIRSEA • 43 sections and 3 schedules
	Joint Revenue Board (Establishment) Act	<ul style="list-style-type: none"> • Establishes the Joint Revenue Board, Tax Appeal Tribunal and Tax Ombud • 60 sections and 3 schedules

TAXATION OF AIRLINE COMPANIES UNDER THE NIGERIA TAX ACT

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- ❑ Nigerian Companies engaged in airline transportation business and other allied companies are charged to tax like every other Nigerian company under the Nigeria Tax Act (NTA).
 - ❑ Non-resident companies are chargeable to tax under Section 18 (1) of NTA on the profits from the carriage of passengers, mails, livestock or goods loaded into an aircraft in Nigeria.
 - ❑ The rules for the taxation of non resident airline companies under the Act remains largely unchanged

TAXATION OF NON RESIDENT AIRLINE COMPANIES (SECTION 18 NTA)



Objective

- Ensures **fair taxation** of non-resident airline businesses that earn income from Nigeria.
- Aligns with **global best practices** in taxing international transport businesses.

Taxable profit

- Taxed on profits from carriage of passengers, goods, livestock, or mail loaded in Nigeria

Exemptions

- No tax on items in transit or trans-shipped through Nigeria.
- Leasing income or other non-freight income are taxable under the relevant sections of the Act.

Regulatory compliance

- Must submit AFS or gross revenue statement of Nigerian Operations to the NRS.
- Tax filings, TCCs (last 3 years), or evidence of tax payment to regulatory agencies to obtain operational approvals

TAXATION OF NON RESIDENT AIRLINE COMPANIES

HIGHLIGHTS OF CHANGES IN INCOME TAX



TOPIC	CURRENT	NEW	REMARKS
Statement of Nigerian operations	<ul style="list-style-type: none"> Filing of Annual Financial Statements 	<ul style="list-style-type: none"> Where a separate financial statement for Nigerian operations cannot be provided, Companies to provide detailed gross revenue of its Nigerian operations certified by one its directors and external auditors supported with contract agreements 	To enhance compliance.
Monthly Returns Section 21 (1) NTAA	No provision	<ul style="list-style-type: none"> Non resident airline companies required to file monthly tax returns with the Service, including evidence of tax payment Ensure returns pertain exclusively to Nigerian operations. Pay tax on income derived from the carriage of passengers, mail, livestock, or goods loaded in Nigeria. 	To enhance compliance and prevent tax evasion

TAXATION OF RESIDENT AIRLINE AND ALLIED COMPANIES

- ❑ Nigerian Companies engaged in airline transportation business and other allied companies in the aviation sector are charged to tax like every other Nigerian company.

- ❑ Who is a Nigerian company?
 - Under Section 105 of CITA, “Nigerian company” is defined as any company formed or incorporated under any law in Nigeria.
 - Section 202 of NTA Expanded the scope of definition of Nigerian Company to include any company-
 - formed, registered or incorporated under any law in Nigeria;
 - whose central place of management or control is Nigeria;
 - whose effective place of management or control is Nigeria.

TAXATION OF RESIDENT AIRLINE COMPANIES

HIGHLIGHTS OF CHANGES IN INCOME TAX I



TOPIC	CURRENT	NEW	REMARKS
Rates of tax	<ul style="list-style-type: none"> Companies are classified into three with different tax rates- Small - N25M or less, taxed at 0% (exempt) Medium - N25M to N100M, taxed at 20% Large – N100M & above, taxed at 30% 	<ul style="list-style-type: none"> Companies are classified into 2 and with different tax rates- Small - N50M or less , taxed at 0% Any other company, taxed at 30% <ul style="list-style-type: none"> May be reduced to 25% by the President in the future Companies providing professional services cannot be classified as small companies 	<ul style="list-style-type: none"> To promote small businesses and entrepreneurship. To enhance competitiveness of the Nigerian economy.
Development Levy	These are different taxes charged separately at different rates such as the Tertiary Education Trust Fund Act, NITDL, NASENI, etc.	The NTA consolidated all the earmarked taxes into a development levy at 4% of assessable profits of all companies other than small companies and non-resident companies.	Removal of earmarked taxes and prevention of multiplicity of taxes and classification issues

TAXATION OF RESIDENT AIRLINE COMPANIES

HIGHLIGHT OF CHANGES IN INCOME TAX II



TOPIC	CURRENT	NEW	REMARKS
Minimum Tax	Current Minimum tax is 0.5% of Gross turnover of a company less franked investment income	<ul style="list-style-type: none"> • Minimum tax is repealed • 15 % Effective tax rate, applicable to - • Companies that are constituents of multinational entities group with aggregate group turnover of €750,000,000 • Any other company with aggregate turnover of ₦50,000,000,000 and above; • Where in a year of assessment, the company pays an effective tax rate of less than 15%, such company shall re-compute and pay an additional tax to make it 15%. • The Act defined “effective tax rate” as the rate produced by dividing the aggregate covered tax paid by a company for a year of assessment by the profits of the company. 	To align with global best practices and ensure there is no tax loss to other jurisdictions.

TAXATION OF RESIDENT AIRLINE COMPANIES

HIGHLIGHT OF CHANGES IN INCOME TAX III



TOPIC	CURRENT	NEW	REMARKS
Capital gains tax	Capital Gains tax is charged at 10% on the chargeable gains accrued on the disposal of an asset.	<ul style="list-style-type: none"> Gains from the disposal of assets has been included in the list of income chargeable to income tax and capital loss is allowed for relief from profits. There is no separate tax or rate in respect of capital gains 	<ul style="list-style-type: none"> To align the taxation of profits and prevent arbitrage To promote ease of doing business
Relief for Double Taxation	A relief in respect of commonwealth income tax as provided for in Section 44 of CITA.	Removal and replacement of commonwealth relief with unilateral relief of double taxation by granting credit for foreign tax paid on income / profit also chargeable to tax in Nigeria	To eliminate the discrimination associated with restricting this relief to income derived from commonwealth countries.

TAXATION OF RESIDENT AIRLINE COMPANIES

HIGHLIGHT OF CHANGES IN INCOME TAX IV



TOPIC	CURRENT	NEW	REMARKS
Capital Allowance	<p>An initial allowance which is granted once in the life span of a Qualifying Capital Expenditure for the first year of assessment the asset is used .</p> <p>Balancing adjustments (balancing charge and balancing allowance) where an asset is disposed off.</p> <p>Capital allowance claim is restricted to 66 2/3% of assessable profit.</p>	<ul style="list-style-type: none"> • Straight line method of claiming allowance (no initial or investment allowance). • Profit or loss on disposal of assets are taxable under the Income tax rules, as such, balancing adjustments no longer required. • Capital allowance rate bands has been streamlined into 3 classes. Class 1-10%, Class2- 20% and Class 3- 25% • No more restriction of capital allowance. • Capital allowance can be claimed at 100% of cost of the QCE without the need for a retention. • 1% of the QCE (notional figure for statistical purposes) will be recorded in the tax computation. 	<ul style="list-style-type: none"> • Simplification of the capital allowance regime for ease of compliance and administration. • To promote ease of doing business

TAXATION OF RESIDENT AIRLINE COMPANIES

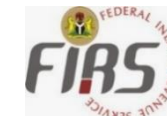
HIGHLIGHT OF CHANGES IN INCOME TAX V



TOPIC	CURRENT	NEW	REMARKS
Business Restructuring	<p>Companies involved in business restructuring must be related for at least 365 days before they can enjoy the tax concessions under CITA, CGTA and VATA.</p> <p>Utilisation of unrelieved losses, unutilised capital allowances and withholding tax credit notes by the emerging entity is at the discretion of the Service</p>	<ul style="list-style-type: none"> • Business restructuring now broken down into merger, sale or transfer of assets that results in a cessation or a sale or transfer of asset that does not result in cessation. • Removal of one year pre-merger relationship as a condition for carry forward of tax benefits • Unutilised capital allowance, unrelieved losses, and transfer of credit notes shall be available for carry forward in the case of a merger and sale or transfer of asset which does not result into a cessation of business. 	<ul style="list-style-type: none"> • For ease of doing business. • Less burdensome tax provisions for business restructuring and reorganization

TAXATION OF RESIDENT AIRLINE COMPANIES

HIGHLIGHT OF CHANGES IN INCOME TAX VI



TOPIC	CURRENT	NEW	REMARKS
Export Processing And Free Zones	<p>Entities in the NEPZA territory are exempt from all levies and rates , also exempt from all import and export requirements.</p> <p>Up to 25% of production may be sold in custom territory against a valid permit and on payment of duties.</p>	<ul style="list-style-type: none"> Profits of the entities in the zones are exempt from tax where 100% of its sales arise from export only. Where 75% of the sales arise from export, tax shall apply proportionately to the 25% sold in customs territory Where more than 25% of the sales arise from customs territory, then the entire profits of the entity will be taxed. Entities subject to effective tax rate provision where they fall under the rule (sales in customs territory and constituent of MNE group) Services provided to approved entities by companies in the custom territory subject to tax 	To streamline tax expenditure and create more effective fiscal regime for the entities.

VALUE ADDED TAX



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- ❑ Value Added Tax (VAT) is now enshrined in Chapter vi, Chapter viii-PT IV, the Eleventh and Thirteenth Schedules of the Nigerian Tax Act and the relevant provisions of Nigeria Tax Administration Act;
 - ❑ The VAT (Modification) Order 2024 continues to be in force;
 - ❑ Repeal of the Value Added Tax Act
 - ❑ The VAT (Modification) Order, 2021 has been revoked

HIGHLIGHT OF CHANGES IN VAT I



TOPIC	CURRENT	NEW	REMARKS
Collection of VAT by Agents Earning Commission Only S151 (5) NTA	No provision	An appointed VAT collection agent who does not handle payments for the main supply but earns a commission must use the same platform used to collect their commission to also collect and remit the VAT on the related supply.	intermediaries or facilitators who play a role in the supply chain and earn commission from the transaction can be appointed as VAT agents
Electronic Platforms & Digital Goods Section 151(8) NTA	No provision	Where goods are Imported or purchased through an online electronic or digital platform operated by a non resident supplier and VAT has been collected by the Service or its agent at the point of purchase, such goods are exempt from further VAT at the point of clearance, upon provision of proof of payment of VAT.	protect against double taxation if VAT was collected through digital platform appointed by the Service.

HIGHLIGHT OF CHANGES IN VAT II



TOPIC	CURRENT	NEW	REMARKS
Sequential Numbering of VAT invoice Section 153 (1), (4) NTA	No provision	<ul style="list-style-type: none">A taxable person who makes a taxable supply shall maintain a sequential invoice numbering system and shall, in respect of each taxable supply, issue and furnish the purchaser with a Value Added Tax (VAT) invoice.	<ul style="list-style-type: none">Proper invoicing facilitates claim of input VAT and audit trail purposes
VAT Treatment for Zero-Rated Supplies Section 156 (4) NTA	No provision	<ul style="list-style-type: none">Taxable supplies are chargeable to VAT at the rate of 0%. VAT paid on taxable inputs or services consumed in the course of producing such zero-rated supplies may be available for refund on application by taxpayer.	<ul style="list-style-type: none">zero-rated suppliers are not unfairly burdened with unrecoverable VAT costspreserving the integrity of the VAT system

HIGHLIGHT OF CHANGES IN VAT III



TOPIC	CURRENT	NEW	REMARKS
Input VAT Recovery Section 156 (5 & 6) NTA	Input VAT allowed on – <ul style="list-style-type: none"> • goods purchased for resale • goods which form stock in trade for direct production of new products on which VAT is charged • VAT on services, capital items and assets not allowed for input 	<ul style="list-style-type: none"> ▪ Businesses can now recover input VAT on any taxable supplies including input tax on services and fixed assets. ▪ Input tax incurred for the purpose of consumption, use or supply in making taxable supplies ▪ Input tax will be apportioned between taxable and non-taxable supplies. ▪ Input tax may be allowable for deduction within 5 years after the end of the tax period in which the input tax was incurred. 	<ul style="list-style-type: none"> ▪ Alignment with global VAT standards ▪ Enhances the neutrality and efficiency of the VAT system.
Accelerated VAT Refund Timeline Section 56 NTAA	Refund timeline 90 days	<ul style="list-style-type: none"> ▪ VAT refund timeline now 30 days 	This will improve cash flow for businesses and enhance ease of doing business

HIGHLIGHT OF CHANGES IN VAT IV



TOPIC	CURRENT	NEW	REMARKS
VAT Fiscalisation & E-Invoicing Part II Section 158 NTA	No provision	<ul style="list-style-type: none">It is mandatory on a taxable person making taxable supplies to implement digital VAT Fiscalisation system deployed by the Service.VAT Fiscalisation could involve the use of electronic devices, software solutions or a communication system for electronic invoicing, and data transfer.An Electronic Fiscal Systems (EFS) will be used for recording and reporting of all taxable supplies by the taxable person.Enables the Service to monitor VAT collections at the point of sale, reduce underreporting and evasion, enhance compliance and boost overall revenue mobilisation.	<ul style="list-style-type: none">Enhance ease of compliance as VAT is paid in real timeCompanies will have to prepare for the implementation

HIGHLIGHT OF CHANGES IN VAT V



TOPIC	CURRENT	NEW	REMARKS
VAT exemption	Exemption of – <ul style="list-style-type: none">• commercial aircraft,• commercial aircraft engines,• commercial aircraft spare parts and• airline transportation tickets issued and sold by commercial airlines registered in Nigeria	<ul style="list-style-type: none">▪ Liable to VAT	<ul style="list-style-type: none">• Input VAT on aircraft and parts claimable

VALUE IMPACT OF CHANGES TO ADDED TAX



HIGHLIGHTS OF CHANGES IN TAX ADMINISTRATION



TOPIC	Details
Registration S. 4 NTAD	<ul style="list-style-type: none">➤ This provides a registration requirement for all taxable persons, with provision for deregistration and cancellation of Tax ID.➤ Tax Identification Number (TIN) now known as 'Tax ID'.
Tax agents S.33 NTAD	Accreditation of tax agents representing a taxpayer for a fee by relevant tax authorities.
Tax refund Ss. 55 & 56 NTAD	<ul style="list-style-type: none">➤ Tax refund to be made within 90 days of decision post audit with option of set-off against any tax liability of the taxpayer. AGF/S to open dedicated accounts for each tax-type to pay money for tax refunds based on estimates provided by relevant tax authority.➤ Special provision for VAT refund without the need for audit.
Technology S. 71 NTAD	Deployment of technology for the real time filing of returns as may be prescribed by the Service and introduction of VAT fiscalisation system.

HIGHLIGHTS OF CHANGES IN TAX ADMINISTRATION II



TOPIC	Details
Returns Ss. 11; 13 & 22 NTAD	➤ Provision of the returns for companies, individuals and specialized businesses.
Assessments Part 2 of NTAD	➤ All types of assessments in a single part.
Payments S.49	➤ Aligned due date of payment for all transaction taxes for ease of administration.
Advance Rulings S. 73 NTAD	➤ Codification of Advanced Rulings into law to be administered by the relevant tax authority, to provide clarity, certainty and support to taxpayers.
Offences and Penalties – Chapter 4 of NTAD	➤ Integration of all offences and penalties into one chapter for ease of reference, simplicity and compliance.

TAXATION OF INCOME OF INDIVIDUALS



❑ Residency Rule

- ❑ Section 12 of NTA established residency-based taxation which means global income is taxable in Nigeria for residents.

- ❑ Deeming Provision: Even if the income, profit or gains is earned abroad or not received in Nigeria, it is treated as Nigerian-sourced and taxable in Nigeria so long as the individual is resident in Nigeria.
- ❑ Income chargeable to tax include, salaries, fees, allowances, compensations, premiums, benefits, other perquisites given to employees, etc.

❑ Employment Income

- ❑ derived from Nigeria if the employee is a Nigerian resident or the work is performed in Nigeria, and the income is:
 - ✓ Paid by a Nigerian employer,
 - ✓ Borne by a Nigerian fixed base of a foreign employer, or
 - ✓ Not taxed in the employee's home country.

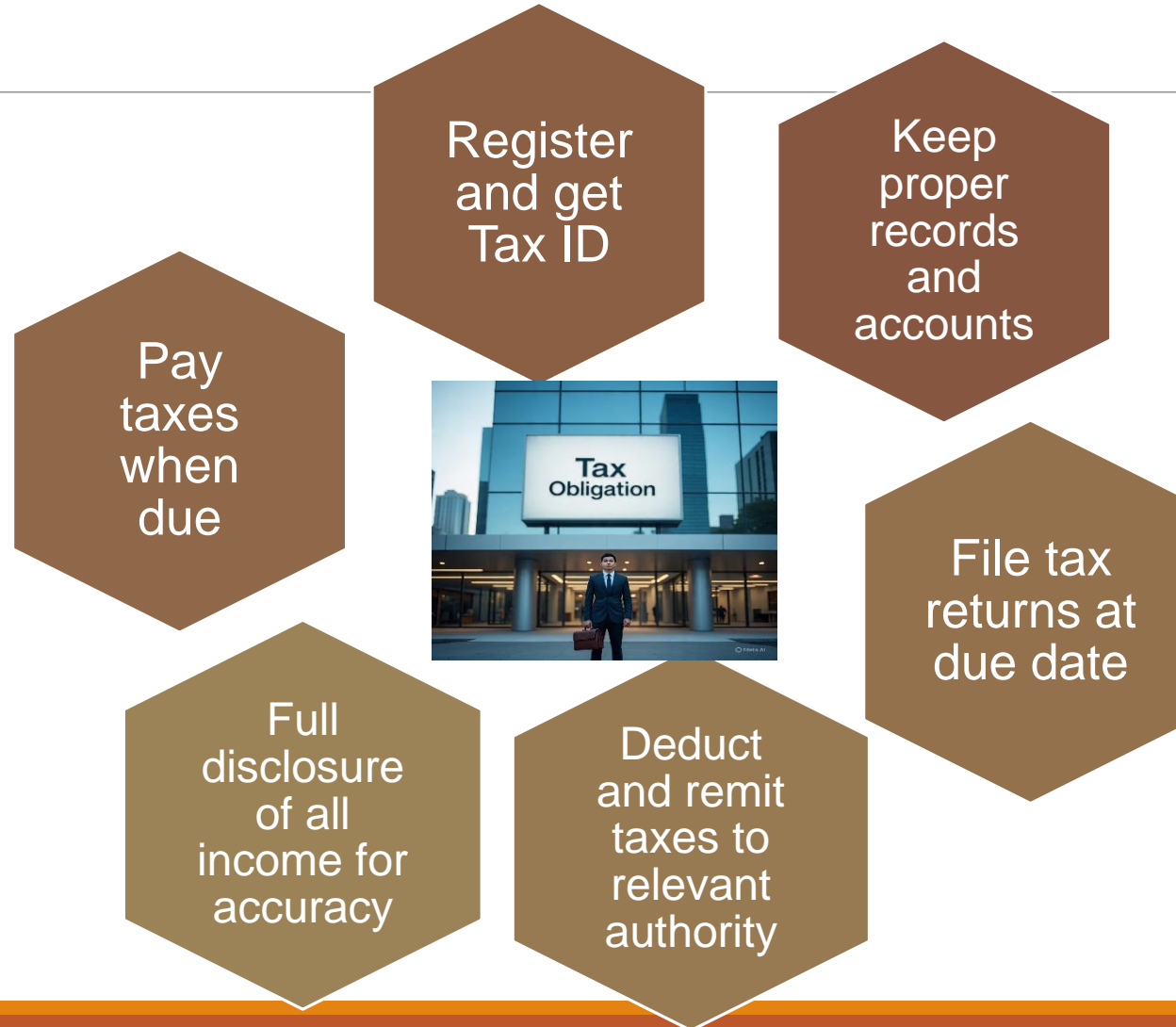
TAXATION OF INCOME OF INDIVIDUALS

HIGHLIGHT OF CHANGES



TOPIC	CURRENT	NEW	REMARKS
Rate of Tax - Section 58 & Schedule Four of NTA	<p>Graduated Tax rates with subject to a minimum tax of 1 per cent of Gross Income whichever is higher</p> <ol style="list-style-type: none"> 1. First ₦300,000 @ 7% 2. Next ₦300,000 @ 11% 3. Next ₦500,000 @ 15 % 4. Next ₦500,000 @ 19 % 5. Next ₦1,600,000 @ 21% 6. Above ₦3, 200,000@ 24% 	<p>• Individuals are taxed on a sliding scale of 0% to 25%. The table of tax rates for individuals was restructured as follows –</p> <ol style="list-style-type: none"> 1. First ₦800,000 @ 0% 2. Next ₦2,200,000 @ 15% 3. Next ₦9,000,000 @ 18 % 4. Next ₦13,000,000 @ 21 % 5. Next ₦25,000,000 @ 23% 6. Above ₦50,000,000@ 25% 	<ul style="list-style-type: none"> • To make the personal income tax regime more progressive. • Low income earners will pay less tax, while high-income earners will pay more income tax than they currently do • To implement government's policy objective not to tax poverty but prosperity.

KEY TAX OBLIGATIONS



CONCLUSION

“Understanding the implications of recent tax law reforms is critical for businesses. It promotes voluntary compliance, reduces exposure to penalties, safeguards corporate reputation, and supports uninterrupted operations across the sector.”

THANK YOU