

THE NEW TAX ACT 2025 AND THE AVIATION INDUSTRY IN NIGERIA: PROF YUSUF ALI SAN FCIArb¹ AND KEHINDE IJATUYI ESQ².

1.0 ABSTRACT

The enactment of the Nigeria Tax Act 2025 marks one of the most comprehensive overhauls of Nigeria's fiscal architecture in decades. Designed to modernize tax administration, expand revenue base, and consolidate fragmented levies, the reform carries profound implications for capital-intensive sectors such as the aviation industry.

This paper critically examines the statutory provisions of the Nigeria Tax Act 2025 as they affect the aviation industry, focusing on Value Added Tax (VAT), import duties, withholding taxes on aircraft leases, levy harmonisation, and compliance obligations. It evaluates stakeholder concerns, government justifications, and potential conflicts with international aviation norms.

This paper adopts a doctrinal approach to examine the legal regimes governing the new Act in Nigeria and its relationship with the aviation sector in Nigeria.

This paper concludes that while the reform advances fiscal consolidation, its success in the aviation sector depends heavily on administrative efficiency, VAT neutrality implementation, and policy sensitivity to the economic realities of air transportation.

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1.1 Introduction

In June 2025, President Bola Ahmed Tinubu, the President of Nigeria assented to a suite of tax reform legislation collectively referred to as the 2025 Tax Reform Acts, comprising the Nigeria Tax Act 2025,³ the Nigeria Tax Administration Act 2025,⁴ the Nigeria Revenue Service (Establishment) Act 2025,⁵ and the Joint Revenue Board (Establishment) Act 2025.⁶ The reforms are scheduled to take effect from 1st January 2026.⁷

The reform agenda seeks to address Nigeria's historically low tax-to-GDP ratio, improve revenue collection efficiency, eliminate multiplicity of levies, and align domestic tax policy with international best practices. However, sector-specific implications vary significantly. The aviation industry, characterised by high capital intensity, foreign exchange exposure, and thin profit margins, faces structural sensitivity to fiscal adjustments.⁸

Although the Act is framed as sector-neutral legislation, its economic consequences are not evenly distributed. Few sectors illustrate this asymmetry more clearly than the aviation industry. The aviation industry occupies a strategic, yet fragile position within Nigeria's economy. It facilitates trade, tourism, investment mobility, and regional integration, while simultaneously operating within thin profit margins and heavy foreign exchange exposure. Aircraft acquisition, leasing obligations, maintenance operations, insurance, and training costs are largely denominated in foreign currency. Revenue, however, particularly in domestic operations, is primarily earned in naira.⁹

This paper interrogates the implications of the Nigeria Tax Act 2025 (NTA 2025) for Nigeria's aviation industry, assessing both statutory intent and practical impact.

³ Nigeria Tax Act 2025.

⁴ Nigeria Tax Administration Act 2025.

⁵ Nigeria Revenue Service (Establishment) Act 2025.

⁶ Joint Revenue Board (Establishment) Act 2025.

⁷ Nigeria Tax Act 2025, chapter 1 (objective and application).

⁸ 'New Tax Reform Acts May Kill Aviation Sector – Operators' *Independent Newspaper* (Lagos, 22 July 2025) <https://independent.ng> accessed 3 March 2026.

⁹ 'Airlines Struggle with FX Crisis and Rising Operational Costs' *The Guardian Nigeria* (Lagos, 5 December 2025) <https://guardian.ng> accessed 3 March 2026.

2.0. Structure and Objectives of the Nigeria Tax Act 2025

The Nigerian Tax Act 2025 consolidates various tax provisions into a unified framework while introducing institutional reforms through the establishment of the Nigeria Revenue Service (NRS), replacing the Federal Inland Revenue Service (FIRS).

Key objectives include:

- a. Broadening the tax base by reducing exemptions;
- b. Consolidating overlapping levies into a harmonized development levy;
- c. Introducing improved VAT administration and refund mechanisms;
- d. Reducing compliance fragmentation across sectors.

The Act also introduces a minimum effective tax rate for large entities and streamlines corporate income taxation structures.

Although sector-neutral in drafting, the removal of longstanding aviation-specific exemptions has triggered considerable industry concern.

2.1. VAT Reform and the Aviation Sector

2.1.1. Reinstatement of VAT on Aircraft and Aviation Inputs

Prior to the 2025 reform, Nigeria's aviation industry operated within a relatively protective fiscal enclave. Aircraft, aircraft engines, spare parts, and certain technical equipment were exempted from Value Added Tax and, in many cases, from import duties.¹⁰ These exemptions were not accidental concessions. They reflected a deliberate policy choice grounded in economic sensitivity, sectorial fragility, and international aviation norms.¹¹

The Nigeria Tax Act 2025 (NTA 2025) reverses that posture. By removing sector-specific VAT exemptions and restoring aircraft and aviation inputs to the general VAT regime, the legislature has signaled a move toward horizontal equity in taxation.¹² From 1 January 2026, airlines importing aircraft, engines, spare parts, and related equipment will be subject to VAT at the prevailing statutory rate, alongside applicable customs duties where relevant.¹³

At first glance, the reform appears straightforward. If VAT is designed as a consumption tax borne by the final consumer, then input VAT paid on aircraft and spare parts should, in principle, be recoverable through input tax credits.¹⁴ Under orthodox VAT theory, a properly functioning credit-and-refund system ensures tax neutrality for businesses. The airline pays VAT on imported inputs but offsets it against output VAT collected on ticket sales and related services.

The difficulty, however, lies in the application rather than in theory. Aviation is not a typical retail business with rapid inventory turnover. Aircraft acquisitions involve extraordinarily high capital outlays. A single narrow-body aircraft may cost tens of millions of dollars. Even routine engine overhauls or heavy maintenance checks can involve multi-million-dollar expenditures.

¹⁰ Civil Aviation Act 2022, ss 22; Value Added Tax Act, Cap V1 Laws of the Federation of Nigeria 2004 (as amended prior to repeal), Fifth Schedule; Customs and Excise Management Act, Cap C45 Laws of the Federation of Nigeria 2004 (as amended), ss 8–12.

¹¹ Civil Aviation Act 2022, ss 22–23

¹² Nigeria Tax Act 2025, ss 32.

¹³ Ibid

¹⁴ Alan Schenk, Victor Thuronyi and Wei Cui, *Value Added Tax: A Comparative Approach* (2nd edn, Cambridge University Press 2015) 9.

The imposition of VAT on importation creates significant upfront cash-flow obligations.¹⁵

In jurisdictions where VAT refund systems are efficient, such exposure may be temporary. Yet Nigeria's refund administration has historically been criticized for procedural delays and bureaucratic bottlenecks. Where refund timelines are prolonged, airlines may experience liquidity strain. In a sector already grappling with foreign exchange volatility and thin operating margins, temporary liquidity constraints can quickly translate into operational distress. There is also the question of cost pass-through. If input VAT credits are delayed or partially disallowed, airlines may attempt to internalize or transfer the burden. Internalization reduces profitability, which is already fragile among Nigerian carriers. Transfer, on the other hand, results in higher ticket prices. Given the price elasticity of demand for domestic air travel, higher fares may reduce passenger traffic, thereby diminishing the very VAT base the reform seeks to expand.¹⁶

A further complication arises in respect of international carriage. Under established international aviation practice, particularly within the policy framework of the International Civil Aviation Organization, (ICAO) taxation of international air transport is treated cautiously in order to avoid distortion of cross-border connectivity.¹⁷ Many jurisdictions zero-rate international air transport for VAT purposes. If Nigeria adopts a similar zero-rating approach for outbound international tickets while still imposing VAT on imported aircraft and spare parts, airlines may accumulate excess input credits without corresponding output liabilities. The economic neutrality of the system then depends entirely on the efficiency of refund administration.

From a statutory interpretation perspective, the removal of aviation-specific exemptions must be read purposively. The legislature appears to have prioritised tax base expansion and uniformity over sectoral protection.¹⁸ In doing so, it has embedded aviation within the broader fiscal consolidation agenda. Yet a textual reading alone does not exhaust the interpretive inquiry. The courts, when confronted with disputes, may be required to

¹⁵ International Air Transport Association, *Airline Cost Management Report 2024* (International Air Transport Association 2024) pg 6. accessed 3 March 2026

¹⁶ *ibid*

¹⁷ Convention on International Civil Aviation (adopted 7 December 1944, entered into force 4 April 1947) 15 UNTS 295 (Chicago Convention), art 24

¹⁸ Nigeria Tax Act 2025, long title and s 1.

balance revenue objectives against constitutional principles of fairness, legitimate expectation, and non-discrimination, particularly where transitional investments were made under prior exemption regimes.¹⁹

Customs duty implications also deserve attention. While VAT is theoretically neutral, customs duties are not creditable consumption taxes. Where duties apply to imported aircraft or components, they represent a direct cost increment.²⁰ If duty waivers previously granted under sectoral incentives are withdrawn or narrowed, the cumulative fiscal burden may exceed what the headline VAT rate alone suggests.

Ultimately, the reinstatement of VAT on aircraft and aviation inputs under the NTA 2025 represents a profound fiscal recalibration. Its long-term impact will depend less on the statutory rate and more on implementation mechanisms.

¹⁹ Constitution of the Federal Republic of Nigeria 1999 (as amended), ss 36, 42; *Attorney-General of the Federation v Attorney-General of Lagos State* (2013) 16 NWLR (Pt 1380) 249.

²⁰ Customs and Excise Management Act (n 1).

3.0. Legal Framework Governing Withholding Tax on Aircraft Leases

a. Nigeria Tax Act 2025 (NTA 2025).

The *NTA 2025* consolidates Nigeria’s prior corporate taxation regimes, including the *Companies Income Tax Act (CITA)*, into a single unified legislative framework. The Act explicitly empowers the Nigeria Revenue Service (NRS) to administer and collect withholding taxes on payments derived from leases, rents, and similar transactions.²¹ Section 121 of the *NTA 2025* provides that WHT must be deducted at source from payments of interest, rent, royalties, and other recurring income derived from Nigeria. Lease payments for movable property, including aircraft, fall within the definition of “rent,” making them subject to WHT.²² For non-resident companies (foreign lessors) without a fixed base or permanent establishment in Nigeria, the WHT deducted at source represents the final tax on the income derived from Nigeria.²³

b. Companies Income Tax Act (now codified under NTA 2025)

Section 78–81 of the *Companies Income Tax Act (CITA)*—now integrated into the *NTA 2025*—mandates that any Nigerian company making payment of rents or lease charges must deduct WHT at a statutory rate of 10% from the total payment due to the recipient.²⁴ The lessee has a legal duty to deduct and remit the tax to the NRS within 21 days after deduction. Failure to withhold or remit attracts penalties and interest under Section 31 of the *Nigeria Tax Administration Act 2025*, ensuring enforceability and compliance integrity.²⁵

c. Nigeria Tax Administration Act 2025 (NTAA 2025)

The *NTAA 2025* complements the *NTA* by establishing procedural and compliance mechanisms for the administration of taxes, including WHT. It mandates uniform reporting, electronic filing, and cross-agency verification of source deductions for cross-border payments.²⁶

Under the prevailing tax regime, the applicable withholding tax rate on aircraft lease rentals is generally **10 percent of the gross**

²¹ *Nigeria Tax Act 2025*, s.121.

²² *Companies Income Tax Act* (Cap C21, Laws of the Federation of Nigeria 2004), s.79; as consolidated in *NTA 2025*.
Federal Inland Revenue Service (FIRS) Circular on Withholding Tax Deduction at Source, 24 February 2025

²⁴ *Nigeria Tax Act 2025*, s.122; *Companies Income Tax Act*, s.80.

²⁵ *Nigeria Tax Administration Act 2025*, s.31.

²⁶ *Nigeria Tax Administration Act 2025*, ss.15–18.

lease payment.²⁷ The tax must be deducted by the Nigerian airline at the time the payment becomes due or is actually paid, whichever occurs first.

3.02. **Treatment of Withholding Tax for Non-Resident Lessors**

Aircraft leasing transactions frequently involve foreign lessors because most aircraft financing is provided by international leasing companies. Where the lessor is a **non-resident company**, withholding tax serves an additional function as a mechanism for taxing income derived from Nigeria.

In such cases, the withholding tax deducted from lease rentals is typically treated as the **final tax liability of the non-resident lessor in Nigeria**, provided the lessor does not maintain a fixed base or permanent establishment within the country.²⁸ This simplifies compliance obligations, as the non-resident lessor is not required to file a full corporate income tax return in Nigeria in respect of the lease income.

3.03. **Impact of Double Taxation Agreements**²⁹

Nigeria has entered into several **Double Taxation Agreements (DTAs)** with other countries to prevent the same income from being taxed twice. Where the aircraft lessor is resident in a country that has a tax treaty with Nigeria, the applicable withholding tax rate may be reduced.

In many of Nigeria's DTAs, the withholding tax rate on rental or business income is capped at **7.5 percent**, which represents a reduction from the domestic rate of 10 percent.³⁰ To benefit from the reduced treaty rate, the foreign lessor must provide evidence of tax residency in the treaty country.

The existence of DTAs therefore plays an important role in lowering the tax burden associated with aircraft leasing transactions and enhancing the attractiveness of Nigeria's aviation sector to foreign investors.

²⁷ Ibid

²⁸ Chinasa Unaegbunam and Adaobi Amechi, 'Nigeria: Law and Practice' in *Aviation Finance & Leasing 2024* (Chambers and Partners Global Practice Guide 2024) <https://practiceguides.chambers.com/practice-guides/aviation-finance-leasing-2024/nigeria> accessed 6 March 2026.

²⁹ NTA 2025, ss 121

³⁰ Ibid

4.0. Harmonisation of Levies and Development Tax Consolidation

The harmonisation of levies and the consolidation of development taxes have become central elements of Nigeria's recent fiscal reform efforts. Historically, Nigeria's tax environment has been characterised by a proliferation of taxes, levies and charges imposed by different tiers of government.³¹ Businesses, including aviation operators, have frequently faced overlapping fiscal obligations imposed by federal, state and local authorities. This multiplicity of taxes created uncertainty, increased the cost of compliance and often resulted in disputes over taxing powers among government institutions.³² In practical terms, harmonisation seeks to ensure that taxes with similar objectives are consolidated into a more coherent framework, thereby simplifying the tax system for taxpayers and improving revenue administration for government.³³

One of the key reasons for the harmonisation of levies is the need to improve Nigeria's business environment. Prior to recent reforms, companies frequently encountered a wide range of development levies and administrative charges imposed by various authorities under different names. These included development levies, infrastructure levies, environmental charges and other local government assessments. The existence of numerous small levies increased the overall tax burden on businesses and complicated the process of tax compliance.³⁴

International economic organisations have consistently emphasised that a complex tax system with multiple minor levies can discourage investment and undermine economic competitiveness. Simplifying the tax structure through harmonisation therefore serves as an important strategy for improving the ease of doing business and attracting both domestic and foreign investment.³⁵

The legal basis for regulating the imposition of taxes and levies by different tiers of government in Nigeria is primarily found in the Taxes and Levies (Approved List for Collection) Act. The Act was

³¹ S A Ariyo, 'Productivity of the Nigerian Tax System: 1970–1990' (1997) 37 *African Economic Research Consortium Research Paper* 1.

³² *Ibid*

³³ M T Abdulrazaq, *Principles of Nigerian Income Tax Law* (2nd edn, Gravitas Review of Business and Property Law 2016) 18.

³⁴ *ibid*

³⁵ *ibid*

enacted to clarify which level of government is authorised to impose and collect specific taxes. By providing an approved list of taxes and levies for each tier of government, the legislation seeks to prevent unauthorised taxation and reduce the incidence of overlapping fiscal demands.³⁶

Under the Act, the Federal Government is authorised to collect taxes such as companies income tax, value added tax and petroleum profits tax. State governments are empowered to collect taxes including personal income tax and business premises levies, while local governments may collect certain specified levies such as tenement rates, market taxes and motor park levies.³⁷

The harmonisation of levies has important implications for businesses operating in Nigeria. A simplified tax structure reduces the compliance burden on taxpayers by limiting the number of separate payments and administrative procedures required. It also improves transparency by clearly defining the taxes that are legally payable and the authorities responsible for collecting them.

³⁶ Taxes and Levies (Approved List for Collection) Act Cap T2, Laws of the Federation of Nigeria 2004 s 1.

³⁷ Ibid

5.0. Industry Concerns and Economic Implications

Nigerian airlines already contend with high aviation fuel costs, infrastructure limitations, and volatile exchange rates. When additional taxes such as withholding tax on aircraft lease payments, value added tax on imported services, and development levies are imposed simultaneously, the overall cost of operation rises significantly. In economic terms, these additional fiscal obligations can reduce profit margins and weaken the financial sustainability of domestic carriers.³⁸

Industry stakeholders have therefore expressed concern that excessive taxation could undermine the competitiveness of Nigeria's aviation sector, compared with other jurisdictions where governments provide fiscal incentives to support aviation development. Several countries recognise aviation as a strategic sector, that facilitates trade, tourism, and economic integration. As a result, they implement policies that limit tax burdens on airlines in order to encourage route expansion and fleet investment. Where tax obligations become excessive or unpredictable, airlines may reduce operational capacity, delay fleet acquisition, or limit route expansion in affected jurisdictions.³⁹

Aircraft leasing arrangements represent another major area of concern within the aviation industry. Modern airline fleet management, relies heavily on leasing rather than outright aircraft purchases because of the substantial capital requirements associated with aircraft ownership. Nigerian airlines frequently obtain aircraft through international leasing arrangements with foreign lessors.⁴⁰ Where withholding tax obligations apply to cross-border lease payments, the effective cost of leasing aircraft may increase.⁴¹ International lessors may respond by adjusting lease pricing or imposing more stringent contractual requirements on Nigerian operators.⁴² Such developments could reduce access to aircraft financing for Nigerian airlines and increase their operational costs.

³⁸ *International Air Transport Association 1945, Economic Performance of the Airline Industry (IATA 2023) 12*

³⁹ International Civil Aviation Organization (ICAO), *ICAO's Policies on Taxation in the Field of International Air Transport* (Doc 8632, 3rd edn, ICAO 2018) paras 2.1–2.3,

⁴⁰ *Ibid*

⁴¹ *ibid*

⁴² International Air Transport Association. *Aircraft Leasing and Financing in Aviation* (IATA Aviation Finance Report 2022) 33

Liquidity pressures are also frequently raised in discussions regarding aviation taxation. Under the value added tax credit system, airlines pay VAT on imported inputs such as aircraft parts, maintenance services, and technical consultancy. These payments are subsequently offset against output VAT collected from passengers. In principle, the credit-and-refund mechanism ensures that VAT remains neutral for businesses. However, where delays occur in the administration of VAT refunds, airlines may face temporary liquidity constraints. Nigerian businesses have historically raised concerns regarding procedural delays and administrative bottlenecks in obtaining VAT refunds.⁴³ Given the aviation industry's significant foreign currency obligations, including lease payments and maintenance contracts, delays in refund administration may create working capital pressure for airline operators.

The broader economic implications of aviation taxation extend beyond airlines themselves. Increased operating costs are frequently passed on to consumers through higher ticket prices. Where airfare prices increase significantly, passenger demand may decline, particularly in domestic markets where travellers are highly sensitive to price fluctuations. Reduced passenger demand may lead to fewer flights, reduced connectivity between cities, and slower development of the domestic aviation market.⁴⁴

Another important consideration relates to Nigeria's ambition to develop itself as a regional aviation hub. Countries seeking to establish aviation hubs often adopt policies designed to attract international airlines and aviation investors.⁴⁵ These policies typically include favorable tax regimes, efficient regulatory procedures, and supportive infrastructure development. If Nigeria's fiscal environment is perceived as excessively burdensome or administratively unpredictable, foreign airlines may prefer to route traffic through alternative hubs in other regions. This could limit Nigeria's ability to capture transit traffic and the associated economic benefits.⁴⁶

In addition, the aviation sector plays an important multiplier role within national economies. Air transport supports tourism, trade, logistics, employment, and industrial development.⁴⁷ Research

⁴³ *Value Added Tax Act* Cap V1 Laws of the Federation of Nigeria 2004 (as amended) ss 16

⁴⁴ The African Airlines Association (AFRAA), *African Aviation Industry Outlook 2022* (AFRAA 2022) 22

⁴⁵ *Ibid*

⁴⁶ International Civil Aviation Organization (ICAO), *Air Transport Policy and Economic Development* (ICAO 2020) 45–48.

⁴⁷ *Ibid*

consistently demonstrates that aviation contributes significantly to economic growth by facilitating international trade and enhancing connectivity between markets. Consequently, fiscal policies that substantially increase the cost of aviation operations may generate broader economic effects beyond the aviation industry itself.⁴⁸

For these reasons, industry stakeholders often advocate for a more harmonised and predictable fiscal framework for aviation. A stable and transparent tax regime can promote investment, reduce uncertainty, and support long-term growth within the aviation sector.⁴⁹ Such stability is particularly important because aircraft financing and leasing arrangements typically extend over long periods, sometimes exceeding ten years. Unexpected changes in tax policy during the lifespan of these agreements may disrupt financial planning and increase investment risks for airlines and aviation investors.⁵⁰

⁴⁸ *ibid*

⁴⁹ Paul Stephen Dempsey *Public International Air Law* (McGill Institute of Air and Space Law 2008) 742 745.

⁵⁰ *Ibid*

6.0. RECOMMENDATIONS

- a. Enhance VAT Refund Efficiency:** The Federal Government and Nigeria Revenue Service (NRS) should establish transparent, automated, and time-bound VAT refund systems.⁵¹ Efficient refund processing will preserve liquidity for airlines and uphold the intended neutrality of VAT as a consumption tax rather than a production cost. Dedicated refund units should be established within the NRS to manage aviation-related VAT credits, reflecting the scale and sensitivity of the sector’s cash flows. These reforms will help maintain VAT neutrality ensuring it functions as a true consumption tax rather than a disguised cost burden.
- b. Reintroduce and adopt effective Administrative Innovations from the former Tax Regime:** It is recommended that the government reintroduce and adapt effective administrative innovations from the former tax regime, such as streamlined electronic filing, fast-track dispute resolution panels, and simplified WHT credit systems, into the new Nigeria Tax Act 2025 to enhance continuity, compliance efficiency, and taxpayer confidence. Though broad tax waivers are being phased out, selective incentives should be retained for investments in Maintenance, Repair, and Overhaul (MRO) facilities, training institutions, and sustainability initiatives. Such incentives encourage infrastructure growth while preserving fiscal discipline.
- c. Streamline and Harmonise Levies:** The harmonisation of multiple levies must be fully enforced under the Taxes and Levies (Approved List for Collection) Act.⁵² A unified framework possibly through a single aviation development levy would reduce compliance burdens and mitigate double taxation across different levels of government.⁵³ Any levy not explicitly authorised under the approved list should be prohibited to eliminate arbitrary or overlapping charges. Harmonisation will enhance the ease of doing business and improve Nigeria’s attractiveness to domestic and foreign aviation investors.
- d. Zero-Rate International Air Transport Services:** Consistent with ICAO’s Policies on Taxation in the Field of International Air Transport, Nigeria should reaffirm zero-rating for international

⁵¹ International Monetary Fund, *VAT Refund Practices – A Cross-Country Comparison* (IMF 2021) 4.

⁵² Taxes and Levies (Approved List for Collection) Act, Cap T2, Laws of the Federation of Nigeria 2004, s.1.

⁵³ M.T. Abdulrazaq, *Principles of Nigerian Income Tax Law* (2nd edn, Gravitas Review 2016) 18.

carriage.⁵⁴ This measure would prevent double taxation, preserve competitiveness, and support Nigeria’s ambition to become a regional aviation hub.⁵⁵

- e. **Institutionalise Stakeholder Engagement:** Regular consultation between the Ministry of Aviation, NRS, airlines, and industry bodies like IATA and AFRAA is essential for monitoring fiscal impacts and aligning reform measures with practical industry realities. Inclusive policy making fosters predictability and regulatory trust.
- f. **Strengthen Inter-Agency Coordination:** Enhanced synergy between the NRS, Nigerian Customs Service, and Central Bank of Nigeria will ensure coherent enforcement, reduce import clearance delays, and align foreign exchange procedures with the aviation industry’s operational needs.

⁵⁴ International Civil Aviation Organization (ICAO), *Policies on Taxation in the Field of International Air Transport* (Doc 8632, 3rd edn, 2018) paras. 2.1–2.3.

⁵⁵ International Civil Aviation Organization (ICAO), *Air Transport Policy and Economic Development* (ICAO 2020) 45–48.

7.0. CONCLUSION

The Nigeria Tax Act 2025 (NTA 2025) marks a transformative shift in Nigeria's fiscal policy, embodying an effort to broaden the tax base, enhance administrative coherence, and consolidate fragmented levies.⁵⁶ However, for the aviation industry, these reforms come with complex ramifications. The reintroduction of Value Added Tax (VAT) on aircraft and aviation inputs, the application of Withholding Tax (WHT) on cross-border leases, and the harmonisation of multiple development levies combine to recalibrate the sector's fiscal structure.⁵⁷

While the Act's overarching goals revenue expansion, administrative efficiency, and fiscal neutrality are consistent with global best practices, their translation into the aviation context poses unique challenges. The industry's dependence on imported capital goods, foreign currency exposure, and thin profit margins make it uniquely vulnerable to upfront tax obligations and refund delays.⁵⁸

The potential inefficiencies of VAT refund systems could impose severe liquidity constraints on airlines, while WHT on aircraft leases may inflate financing costs or discourage foreign lessors from participating in the Nigerian market.⁵⁹ Similarly, the withdrawal of prior exemptions without transitional mechanisms risks aggravating operational burdens in an already fragile sector. Effective implementation of the NTA 2025 in aviation therefore hinges on administrative diligence, policy adaptability, and sector-specific sensitivity.⁶⁰

The Nigeria Tax Act 2025 represents a landmark in fiscal reforms. For aviation, it removes protective exemption, while promising administrative neutrality and structural simplification. Whether the reform strengthens or constrains the sector will depend on refund efficiency, regulatory harmonization, and sustained stakeholder engagement.

Beyond taxation, the reform's success also depends on policy coherence and administrative infrastructure. Without a

⁵⁶ Nigeria Tax Act 2025, Long Title; s.1 (Objectives and Application).

⁵⁷ Nigeria Tax Act 2025, ss. 32–36; Civil Aviation Act 2022, ss. 22–23.

⁵⁸ *Airline Cost Management Report 2024* (International Air Transport Association 2024) 6.

⁵⁹ *Ibid*

⁶⁰ Constitution of the Federal Republic of Nigeria 1999 (as amended), ss. 36, 42.

transparent, technology-driven tax system, revenue targets will not only prove elusive but also counter productive, as inefficient collection drives up operational costs, fuels disputes, and deters private investment. In aviation, where margins are thin and safety obligations paramount, fiscal uncertainty can have cascading effects on connectivity, employment, and macroeconomic performance.⁶¹

Therefore, the NTA 2025 embodies both potential and peril for Nigeria's aviation sector. Its overarching design aligns with international best practice by promoting equity and consolidation. However, the disconnect between legislative ambition and administrative execution may threaten its benefits. To achieve real reform, Nigeria must prioritize efficiency over expansion, pragmatism over uniformity, and sectoral sensitivity over fiscal dogmatism. Only through such a balanced approach can the Act simultaneously advance national revenue objectives and sustain the growth of a globally competitive aviation industry.

⁶¹ Ibid (n44)