



PUBLIC NOTICE

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Date: January, 2026

TREATMENT OF ARTIFICIAL TRANSACTIONS UNDER THE NIGERIA TAX ADMINISTRATION ACT, 2025

PREAMBLE

In line with the provisions of the newly gazetted tax laws, the Lagos State Internal Revenue Service (LIRS) hereby issues this Public Notice to inform all taxpayers including incorporated entities, partnerships, trusts, natural persons and other stakeholders of the treatment of artificial or fictitious transactions for tax purposes. This Notice is issued to ensure compliance with the legal framework and to promote transparency, accuracy, and fairness in tax administration within Lagos State.

LEGAL FRAMEWORK

Section 46 of the Nigeria Tax Administration Act, 2025 – Artificial Transactions

The law provides that:

- Where the relevant tax authority is satisfied that any disposition or transaction is artificial or fictitious and has the effect of reducing tax liability, it may disregard such transaction or make necessary adjustments to counteract the reduction of tax. The taxpayer shall be assessed accordingly.
- Transactions between connected persons such as related companies or persons shall be deemed artificial or fictitious if, in the opinion of the relevant tax authority, they are not conducted at arm's length that is, not on terms that would reasonably be expected between independent persons dealing at arm's length.
- Any person in respect of whom a direction is issued under this section shall be liable for the revised assessment and any additional tax arising therefrom and has a right of appeal against the assessment.

IMPLICATIONS

- All taxpayers must ensure that their transactions reflect economic substance and are conducted at arm's length, especially when dealing with connected persons.
- LIRS is empowered to disregard, adjust, or recast any arrangement perceived to be artificial or structured primarily to reduce tax liability.
- Any additional tax, penalty, or interest that arises from such adjustment shall be payable by the taxpayer.
- Artificial transactions may also expose taxpayers to investigations, audits, and penalties as prescribed under the NTAA, 2025.

COMPLIANCE REQUIREMENTS

All taxpayers, including individuals, corporate bodies, partnerships, and trusts, are hereby required to:

- Ensure that all transactions are genuine, commercially driven, and properly documented.
- Maintain full records supporting the legitimacy and commercial basis of each transaction.
- Disclose relationships with connected persons and ensure that dealings with such persons comply with arm's length principles.
- Respond promptly to any LIRS request for clarification or documentation during tax reviews or audits.

Lagos State Internal Revenue Service

Lagos Revenue House, Assbifi Road, Central Business District, Ikeja, Lagos State

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LAGOS STATE GOVERNMENT



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Furthermore, based on the **Transfer Pricing regulatory** compliance requirement as provided in the **Income Tax (Transfer Pricing) regulations 2018**, taxpayers are required to disclose transactions between related entities where at least one party is a non- corporate entity (individual). The LIRS reserves the right to demand for transfer pricing documentation for transactions between company and individual shareholders including but not limited to shareholder loans, write-offs of balances, leases, advances etc.

Taxpayers are reminded that transparent and accurate disclosures form an essential part of their statutory obligations under the Nigeria Tax Administration Act, 2025.

Failure to comply with provisions of the Act including providing accurate information or engaging in transactions deemed artificial for the purpose of reducing tax liability attracts administrative penalties.

This Public Notice takes effect from **January 1, 2026** in accordance with the commencement date of the newly gazetted tax laws.

Enquiries

The office of the **Executive Chairman LIRS**, Revenue House, Assbifi Road, Alausa, Ikeja Lagos
or
visit www.lirs.gov.ng or email:info@lirs.gov.ng or call **0700-CALL-LIRS (0700 2255 5477)**

Signed

Ayodele Subair
Executive Chairman, LIRS
Date: 21/ 01/ 26