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TECHNICAL BULLETIN

Research and Technical of the Institute of Chartered Accountants of Nigeria

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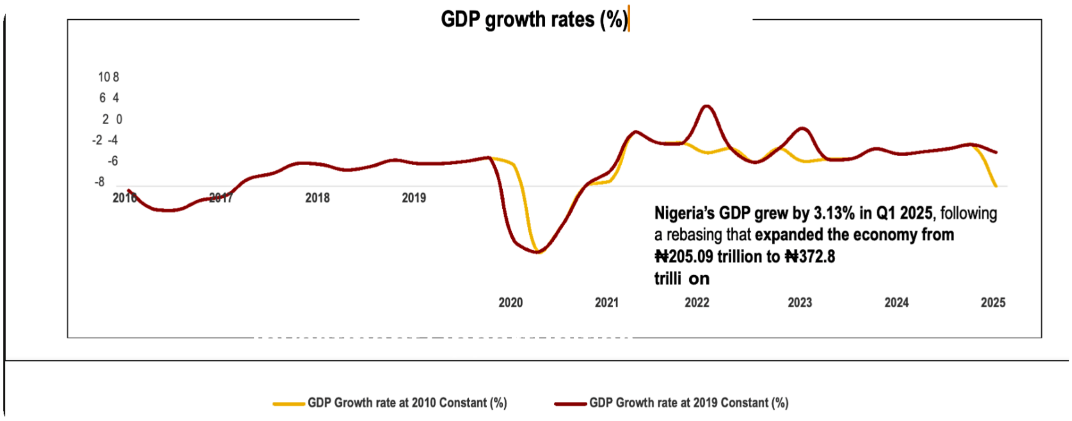
Editorial Note

This September edition of the Technical Bulletin attempted to illuminate key contemporary Nigerian economic issues that have immediate and continuing impact on Nigerians and also have practical relevance for professional accountants. The bulletin began with a global overview of Nigeria's economic landscape, followed by a discussion of various key contemporary issues. The specific issues dealt with include the recent adoption of the International Standard on Auditing for Less Complex Entities by the FRC for Nigeria. This is expected to apply to the majority of corporate entities in Nigeria, making it also important for the majority of ICAN members who operate as small practice firms and service these companies. The bulletin also shed light on the newly signed Insurance Act, explaining the technicalities and how it impacts the stakeholders, including professional accountants.

The recently concluded tax overhaul, which climaxed with the signing into Law of four different Acts, was not left out in the bulletin. Based on the wide-ranging implications for the whole of Nigerians and the work effect for accountants in Tax practice, it will be a disservice not to use the bulletin to inform all concerned about the unfolding tax regime. The bulletin concluded with an overview of the recent GDP rebase and the updated unemployment figures. It attempted to elucidate on nature, modalities and the alternative methodologies of the routines, against the backdrop of the popular expectations of the populace.

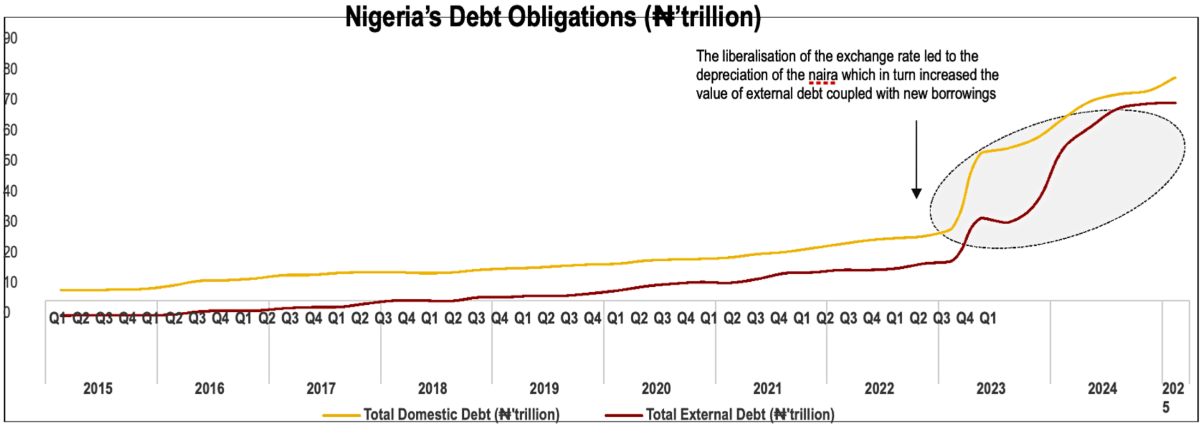
The Nigerian Economy in 2025: Resilience Amid Structural Change at a Glance

Nigeria's economy is undergoing a significant transformation in 2025, shaped by GDP rebasing, fiscal reforms, and monetary tightening. Following the rebasing exercise using 2019 as the new base year, Nigeria's GDP expanded from ₦277.5 trillion to ₦372.8 trillion, reflecting a more accurate picture of economic activity. Growth in Q1 2025 stood at 3.13%, driven by Finance & Insurance (15.03%), ICT (7.4%), Construction (6.21%), and Real Estate (4.61%)



Despite this growth, fiscal vulnerabilities persist. Nigeria's total public debt rose by 22.8% year-on-year, reaching ₦149.4 trillion in Q1 2025. External debt accounted for 47.3% of this figure, driven by exchange rate depreciation and high interest costs. Although the debt-to-GDP ratio eased to 39.4%, the debt service-to-revenue ratio remains high at 77.5%, limiting fiscal headroom.

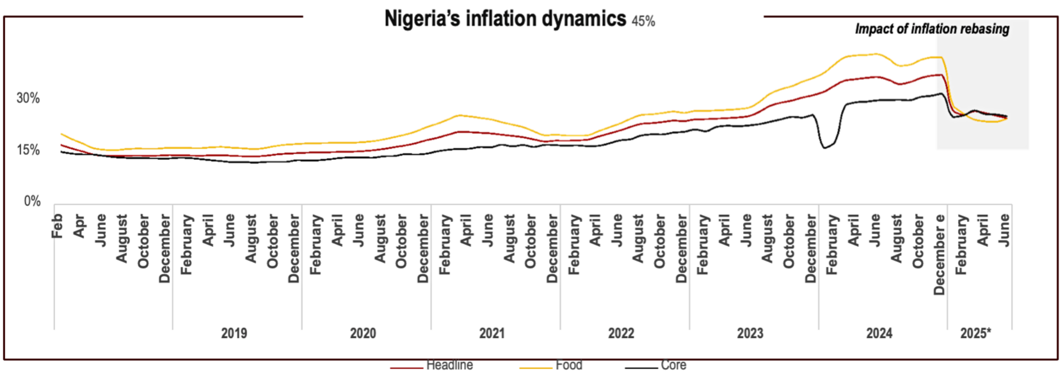
To address these challenges, the government enacted four major tax reform laws in June 2025, effective from January 2026. These include the Nigeria Tax Act, Nigeria Revenue Service Act, Tax Administration Act, and Joint Revenue Board Act. The reforms aim to harmonize tax laws, simplify compliance, and improve non-oil revenue mobilization..

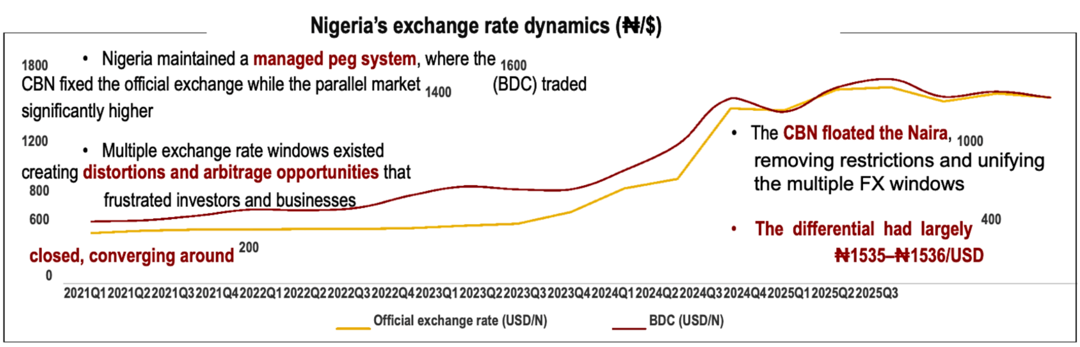


- Inflationary pressures in Nigeria moderated in July 2025, largely due to statistical rebasing and foreign exchange (FX) stability measures implemented earlier in the year. Headline inflation declined to 21.88%, marking a significant drop from 33.4% recorded in July 2024. Despite this overall easing, food inflation rose to 22.74%, driven by festive-related demand, rising transportation costs, and ongoing supply chain challenges in agricultural regions. Additionally, month-on-month inflation increased to 1.99%, indicating that short-term price pressures remain persistent.

- The Central Bank of Nigeria (CBN) maintained a tight monetary stance, holding the Monetary Policy Rate (MPR) at 27.5% and injecting $4.1 billion into the FX market in H1 2025 to stabilize the naira. These interventions helped the official exchange rate appreciate by 1.79%, reaching ₦1,530.8/$ in July 2025.

- Investment inflows have increased, with capital importation increasing by 67.1% year-on-year to $5.64 billion in Q1 2025. However, 92% of these inflows were portfolio investments, raising concerns about long-term stability. Foreign Direct Investment (FDI) grew by only 6%, indicating the need for deeper structural reforms to attract sustainable capital.





Nigeria’s sectoral performance in 2025 reflects a dynamic shift in economic activity following the GDP rebasing to the 2019 base year. The top-performing sectors include Finance & Insurance, which grew by 15.03% due to strong banking performance and digital adoption; ICT, expanding by 7.40% driven by broadband investment; Construction at 6.21%, supported by infrastructure projects; and Real Estate, which rose 4.61% amid increased demand for urban rentals and logistics spaces. In contrast, traditional sectors like Agriculture (0.07%), Trade (1.78%), and Manufacturing (1.69%) showed slower growth.

- The rebasing also revealed significant upward revisions in Crop Production (137.2%) and Metal Ores (517.3%), while Oil Refining declined by 65%, highlighting structural inefficiencies. Additionally, inflationary pressures were most pronounced in Housing & Utilities (21%), Education Services (19%), and Health (16%), reflecting the cost burden on essential services. These insights underscore the need for targeted investment and policy support to sustain growth and address sectoral disparities.

- Despite these gains, consumer spending remains pressured. Real household spending contracted by 0.4% in 2024, and recovery in 2025 may be slow due to high inflation and interest rates. Transportation costs rose across all modes, airfare (74%), intercity bus (98%), motorcycle (43%), and water transport (64%), further straining household budgets.

- As such, Nigeria’s economy is projected to grow modestly by 3.4% in 2025, supported by increased crude oil production and strong performance in Finance, ICT, Construction, and Real Estate sectors. Headline inflation is expected to moderate to 21.46%, driven by tighter monetary policy and improved FX stability.

- The naira is forecast to remain broadly stable, following the Central Bank’s injection of $4.1 billion into the FX market and ongoing reforms. While interest rates are likely to stay elevated in the near term, the CBN may begin gradual easing in H2 2025 to support growth.

- However, fiscal sustainability risks persist due to weak revenue mobilization and high debt service obligations, with public debt reaching ₦149.4 trillion and a debt service-to-revenue ratio of 77.5%. Investment inflows are rising, but dominated by short-term portfolio investments (92%), raising concerns about long-term stability. Overall, Nigeria’s outlook remains cautiously optimistic, contingent on sustained reforms, improved security, and strategic investment in key sectors.

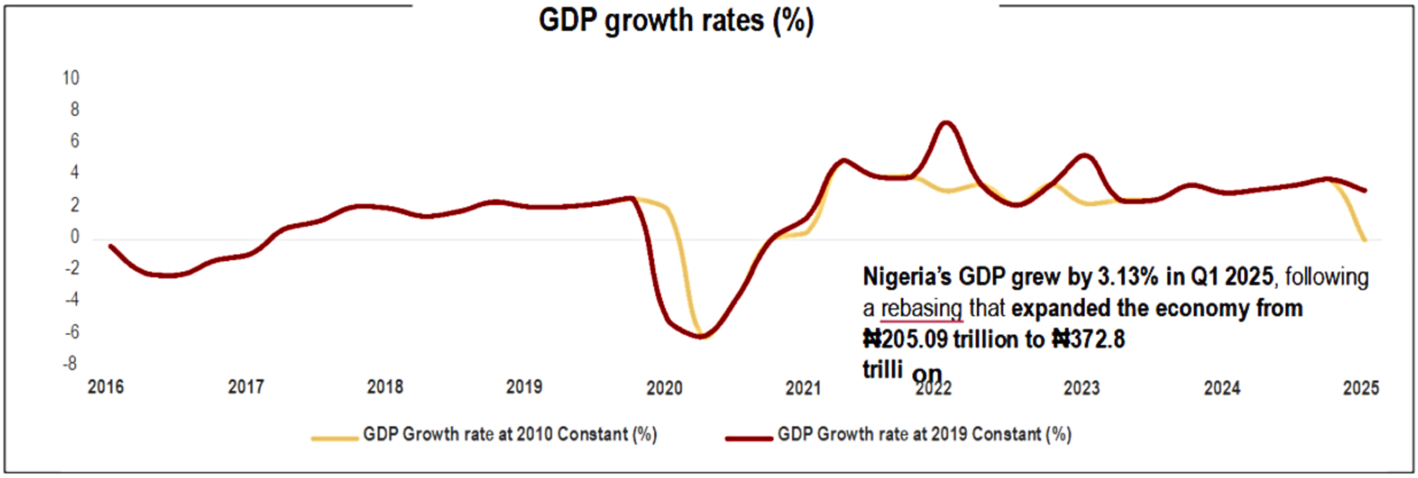
- To navigate the challenges ahead, there are six strategic imperatives for government and business leaders:

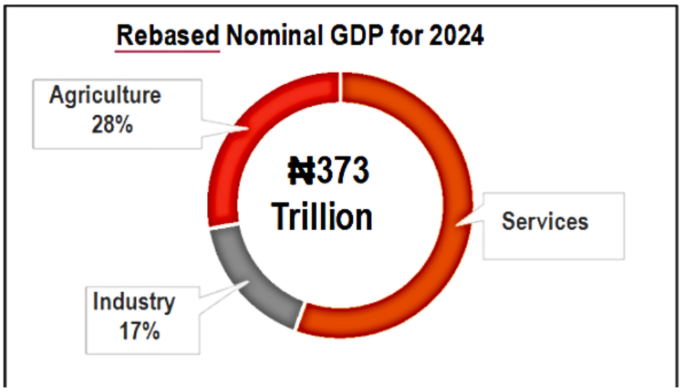
Government Strategic Responses	Business Strategic Responses
Strengthen Fiscal Sustainability - Align spending with revenue - Implement tax reforms - Reduce reliance on borrowing - Improve fiscal discipline	**Prioritise Cost Efficiency** - Optimise cost structures - Delay non-essential capital spending - Strengthen internal controls and cash flow management
Disciplined Monetary Policy - Maintain tight monetary stance - Stabilise FX and curb inflation - Ensure credit flows to productive sectors	**Leverage FX Stability** - Use current FX stability for planning - Build buffers and flexible pricing - Stay adaptive to FX shifts
Accelerate Real Sector Productivity - Support MSMEs - Improve access to affordable finance - Address energy and FX constraints - Fast-track infrastructure delivery	**Embrace Digital & Operational Transformation** - Invest in automation, cloud, and data analytics - Enhance customer experience digitally - Build digital talent and culture
Boost Investment Confidence - Deepen structural reforms - Improve ease of doing business - Attract sustainable finance - Strengthen investor protections	**Engage with Policy & Regulatory Changes** - Stay informed and compliant - Build relationships with regulators - Adapt business models to new rules
Expand Social Protection & Human Capital - Invest in education and healthcare - Scale up social safety nets - Reduce poverty and cushion inflation shocks	**Model Inflation & Consumer Risks** - Plan for consumer demand shifts - Support employee wellbeing - Monitor inflation expectations
Respond to Global & Domestic Risks - Develop adaptive strategies - Mitigate geopolitical, trade, and climate risks - Leverage AI, digitalisation, and green finance	**Strengthen Risk Management** - Build resilient supply chains - Insure assets - Conduct scenario planning including climate risks

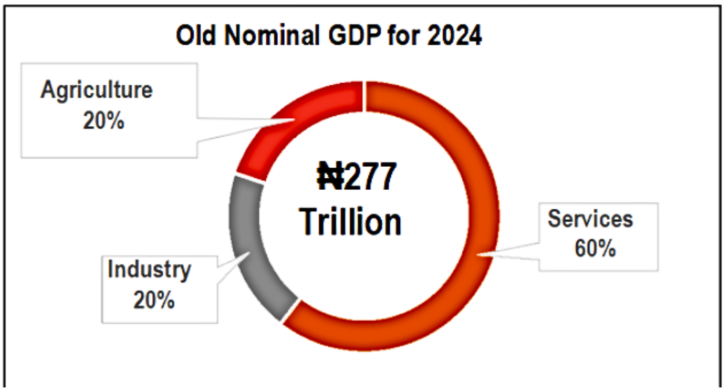
- Nigeria's economy recorded a stronger performance in the first quarter of 2025, with real GDP growing by 3.13%, compared to 2.27% in the same period of 2024. Growth was driven largely by the Financial and Insurance sector (+15.03%), the Information and Communication sector (+7.40%), and the Mining and Quarrying sector (+3.42%), highlighting both services and extractive industries as key contributors to economic momentum.

- In 2025, Nigeria rebased its GDP, updating the base year from 2010 to 2019, resulting in a significant increase in the size of the economy from ₦277.5 trillion to ₦372.82 trillion. The rebasing exercise expanded GDP coverage to include 46 industries and 217 products, capturing new and previously underrepresented sectors such as digital services, modular refineries, pension fund administration, and informal household employment. This broader measurement provides a more accurate representation of economic activity.

- The statistical impact of the rebasing was substantial, with 2019 GDP rising by 41.7% compared to the old series. This recalibration also lowered Nigeria's debt-to-GDP ratio to 39.4% in Q1 2025, from above 50% before the rebasing. Beyond improving fiscal sustainability indicators, the updated GDP structure enhances the quality of economic data, offers policymakers better tools for planning, and may boost investor confidence by reflecting the role of emerging high-growth sectors in the economy.







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- The rebasing also revealed significant upward revisions in Crop Production (137.2%) and Metal Ores (517.3%), while Oil Refining declined by 65%, highlighting structural inefficiencies. Additionally, inflationary pressures were most pronounced in Housing & Utilities (21%), Education Services (19%), and Health (16%), reflecting the cost burden on essential services. These insights underscore the need for targeted investment and policy support to sustain growth and address sectoral disparities.

▪ Despite these gains, consumer spending remains pressured. Real household spending contracted by 0.4% in 2024, and recovery in 2025 may be slow due to high inflation and interest rates. Transportation costs surged across allnmodes—airfare (74%), intercity bus (98%), motorcycle (43%), and water transport (64%)—further straining household budgets (see: Cost of Transportation in Nigeria).

▪ Nigeria's economy is projected to grow modestly by 3.4% in 2025, supported by increased crude oil production and strong performance in Finance, ICT, Construction, and Real Estate sectors. Headline inflation is expected to moderate to 21.46%, driven by tighter monetary policy and improved FX stability. The naira is forecast to remain broadly stable, following the Central Bank's injection of $4.1 billion into the FX market and ongoing reforms. While interest rates are likely to stay elevated in the near term, the CBN may begin gradual easing in H2 2025 to support growth. However, fiscal sustainability risks persist due to weak revenue mobilization and high debt service obligations, with public debt reaching ₦149.4 trillion and a debt service-to-revenue ratio of 77.5%. Investment inflows are rising, but dominated by short-term portfolio investments (92%), raising concerns about long-term stability. Overall, Nigeria's outlook remains cautiously optimistic, contingent on sustained reforms, improved security, and strategic investment in critical infrastructure, human capital development, and the non-oil economy.

Paper Two

International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)
1. Overview

he International Auditing and Assurance Standards Board (IAASB) issued a stand-alone International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) in December 2023. The standard is intended for entities that do not have public-interest characteristics and whose operations are straightforward, with less complicated transactions and reporting requirements. It provides the same level of assurance as audits conducted under the full suite of ISAs but in a more streamlined format tailored to smaller, less complex businesses. ISA for LCE is built on the principles of the ISAs but is not a "lite" ISA—it is a separate standard with requirements streamlined for LCE contexts.

"*The audit of a small bakery is different from the audit of a multinational. The IAASB's responsibility to set audit standards in the public interest covers the entire spectrum of the economy, including the multinational company and the small bakery.*"

On 23 July 2025, the Financial Reporting Council of Nigeria (FRCN) issued a public notice announcing the adoption of ISA for LCE in Nigeria. This change positions Nigeria in line with global trends and addresses the needs of small and medium-sized enterprises, which play a crucial role in the Nigerian economy.

In Nigeria, the ISA for LCE is primarily aimed at SMEs and entities without public-interest characteristics. Entities such as listed companies, banks, insurance firms, and other systemically important businesses remain subject to the full ISAs.
Globally, the ISA for LCE becomes effective for audits of financial statements for periods beginning on or after 15 December 2025, that is, periods beginning on or after 1 January 2026 (for calendar year-end entities). However, FRCN is expected to release detailed guidance on the application of the ISA for LCE.

2. Key features of ISA for LCE

- Focused requirements and simpler structure oriented around common LCE risks and processes.
- Built-in scalability without extensive cross-referencing to other ISAs. It's a standalone standard that is proportionate and tailored to the specific needs of the audit of less complex entities.
- Clear scoping and prohibitions to help firms decide when the standard can/cannot be used.
- Same level of assurance as an audit performed under the ISAs, that is, reasonable assurance.
- It will help maintain confidence in financial reporting and promote the consistent application of the auditing standards to LCEs.
- It recognises the importance of smaller businesses and their specific audit needs.

3. Entities that can ISA for LCE
The authority of the ISA for LCE describes the entities for which the standard can be used as follows:

Specific Prohibitions	Qualitative Characteristics	Quantitative Characteristics
The ISA for LCE cannot be used for audits of: – Listed entities – Entities with public interest characteristics such as Banks, Insurance companies and other PIEs as defined by the FRCN Act 2011, (as amended). – Groups where component auditors are involved, except for limited circumstances.	The ISA for LCE describes an LCE's characteristics related to the entity's: - Business activities and model - Organisational and ownership structure - Finance function and Information technology - Finance reporting framework and accounting estimates - Consolidation process	The ISA for LCE anticipates that standard setting authorities set quantitative thresholds as these thresholds assist in the consistent and appropriate use of the ISA for LCE in a jurisdiction. The thresholds can be total revenues, total assets, net assets, number of employees, or other forms as determined by the regulator in such jurisdiction.

"The overarching requirement after all other criteria above has been met is that ***the client must agree or request the use of the ISA for LCE."***

4. Flow of the Standard

Broad Concepts and overarching principles	**Part 1** Fundamental Concepts and General Principles	**Part 2** Audit Evidence and Documentation	**Part 3** Engagement Quality Management	**Part 10 Group Audit**
Procedural requirements	**Part 4** Acceptance or Continuance	**Part 5** Planning	**Part 6** Risk Identification and Assessment	
	Part 7 Responding to Assessed Risks of Material Misstatement	**Part 8** Concluding		
Reporting	**Part 9** Forming and Opinion and Reporting			

Furthermore, the layout of each part of the standard has been designed such that it has four key elements:

a. Introduction: consists mainly of the summary of the content and scope of the Part.
b. Objective: links the requirements of the Part and the overall objectives of the auditor.
c. Requirements are designed to obtain sufficient appropriate audit evidence.
d. Essential explanatory material provides limited guidance where essential to understanding or applying a requirement or a concept, does not impose a requirement or expand any requirement and it is located directly below the relevant requirement.

5. ISA for LCE vs ISAs

5. ISA for LCE vs ISAs

	ISA for LCEs	ISAs
Authority	Audit of LCEs	All audits
Structure	One standard, including 10 Parts	37 Standards
Requirement for matters or circumstances that would have deemed more complex	Not included	Included
Guidance	Adjoined to the requirement	Extensive and separate from the requirements
Examples	Focused on LCE	Wide range of entities

6. Benefits for Stakeholders

- Proportionality: The requirements are tailored to reflect the size and complexity of LCEs, avoiding unnecessary procedures that are more relevant to larger or more complex entities while preserving audit quality and reasonable assurance.
- Efficiency for Small and Medium Practices (SMPs): Audit firms, especially small and medium-sized practices, will benefit from the streamlined requirements which will reduce documentation burden, create a simplified framework and improve consistency while maintaining audit quality.
- Clarity for stakeholders: Stakeholders such as business owners, lenders, and donors receive assurance under a standard that is designed specifically for entities similar to those they deal with, helping reduce misunderstandings. Clearer scoping helps users understand when LCE audits are appropriate and what they deliver.

7. Challenges/ risk to manage

- Eligibility assessment: Firms must be diligent in applying the scoping provisions and documenting why an entity qualifies as an LCE. Entities with complex structures, listed status, or significant public-interest impact are excluded. Firms must also document robust eligibility assessments (such as, absence of public-interest characteristics) and monitor for changes during the engagement.
- **Implementation effort:** Firms will need to revise their methodologies, partners and staff need targeted training to avoid "mixing" standards inappropriately and Firms would need to develop new audit templates and tools specific to ISA for LCE.
- **Market acceptance**: Some regulators, financial institutions, or investors may still prefer or mandate the use of the full ISAs, which may require auditors to maintain capacity for both standards. Hence, appropriate awareness needs to be carried out to the various stakeholders.
- **Transitioning between ISA for LCE and the 'full' ISA mid-engagement:** Based on circumstances that may be specific to each engagement, an entity may at some point have to switch between the ISA for LCE and the full ISA. This transitioning can result in significant cost implications in terms of time and efforts involved. Hence, audit firms would need to design appropriate policies to ensure such transitioning are appropriately managed. "For transitioning between the ISA for LCE and the full ISA, see the First-Time Implementation Guide for approach."
- **Further guidance** would be required by the FRCN with respect to non-PIEs, as it would be appropriate to adequately define the non-PIEs that can be able to use the ISA for LCE. The FRC can define specific thresholds such as revenue, total assets, net assets, number of employees, etc. which would further guide audit firms and entities in planning for transitioning, if required.

- **8. Practical Next Steps for Audit Firms in Nigeria**
- Establish clear policies, eligibility criteria, prohibitions and pre-acceptance checklists for determining whether an entity qualifies as an LCE. "The establishment of a clear policy and procedures for the use of the standard is a critical requirement which must be fulfilled before use of the ISA for LCE."
- Update audit manuals and working paper and reporting templates to reflect ISA for LCE requirements. "For ISA for LCE audits, updates would be made on the audit report that to reflect that the audit was done in line with ISA for LCE"
- Train partners and staff on the structure and application of the new standard, including ensuring the understanding of the equivalence of reasonable assurance under ISA for LCE.
- Communicate with clients and stakeholders to explain the benefits and limitations of ISA for LCE, including the continued expectation of delivering a reasonable assurance.
- Ensure quality management systems, that is, the ISQM 1 and 2 systems, continue to operate effectively and are adapted to cover audits conducted under ISA for LCE.
- Stand back requirement during the risk identification and assessment process to ensure the entity or engagement continues to meet the criteria for use of ISA for LCE and determine whether to transition to the full ISA.

Paper Two

Nigeria Insurance Industry Reform Act (NIIRA) 2025
Summary

On 31 July 2025, the President of the Federal Republic of Nigeria signed into Law the Nigeria Insurance Industry Reform Act (NIIRA) 2025 ("the Act"). NIIRA 2025 overhauls Nigeria's insurance laws into a single modern framework, including those previously directly under the purview of the insurance regulator, National Insurance Commission ("NAICOM" or "the Commission"). This Act has now codified many regulations, guidance and circulars of NAICOM over the years, such as the prudential guidelines, NAICOM circular on no premium no cover and now regulates activities of commission agents, actuaries and other operators previously not regulated by the old Act. The NIIRA now aligns with global standards, will strengthen financial stability, restore confidence, attract investment and boost insurance penetration.

The Act repeals the following old Acts:

a. Insurance Act, Cap. 117, Laws of the Federation of Nigeria, 2004;
b. Marine Insurance Act, Cap. M2, Laws of the Federation of Nigeria, 2004;
c. Motor Vehicles (Third Party Insurance) Act, Cap. M22, Laws of the Federation of Nigeria, 2004;
d. National Insurance Corporation of Nigeria Act, Cap. N54, Laws of the Federation of Nigeria, 2004; and e. Nigeria Reinsurance Corporation Act, Cap. N131, Laws of the Federation of Nigeria, 2004.

The primary purpose of the new Act is to enhance solvency, protect policyholders, and modernise operations through digitization and transparency, to support growth.

Key Highlights of the NIIRA 2025

1. Capital recapitalisation & Risk-Based Capital (RBC): NIIRA has revised the definition of capital requirement for insurance companies as it has now introduced Risk Based Capital (RBC) as part of capital management. Insurance companies are now to determine the RBC along with the MCR to determine the capital compliance. The higher of the RBC or the MCR would be the new capital required for an insurance company. The MCR has been revised upward for each category of license:

- Life Insurance: ₦10 billion (previously ₦2 billion)
- Non-life Insurance: ₦15 billion (previously ₦3 billion)
- Reinsurance: ₦35 billion (previously ₦10 billion)

The Act mandates a full RBC regime – required capital is now explicitly linked to each insurer's risk profile (credit, market, underwriting, etc.). NAICOM has set a 12-month deadline to July 2026 for insurance companies to meet the new capital base which is the higher of MCR or RBC or face forced mergers/liquidation. The Act further requires that all insurance and reinsurance companies to maintain 100% Capital Adequacy Ratio, i.e. sufficient capital to fully always cover their liabilities. The Commission will prescribe allowable capital forms and verify all assets (disallowing encumbered or non-owned assets).

2**. Discontinuation of composite insurance:** The Act discontinues the issuance of composite insurance licenses (that is, life and non-life insurance license) to insurance companies. However, the Commission may issue a composite insurance license to a reinsurance company only. Existing insurance companies, with composite insurance license, have a five (5) year period from the date of commencement of the Act to comply, which is till 30 June 2030. Furthermore, NIIRA has introduced the holding structure model for insurance companies, where a group may licenses split in separate legal entities held by a holding company that consolidate both businesses. The holding company would also be regulated by NAICOM.

3. Increase in statutory deposits: With immediate effect, the statutory deposits of insurance companies have been increased as follows:
- Life business: N1.0 billion (previously N200 million)
- Non-life business: N1.5 billion (previously N300 million)
- Reinsurance business: N3.5 billion (previously N1 billion)
The implication is that additional deposits would need to be made to increase the statutory deposits which would maximise returns on such balances.

4. Mandatory Insurance Coverages: The Act reinforces enforcement of compulsory policies, in addition to the existing motor vehicle policy. The enforcement of these mandatory insurance coverages is on the following insurable activities:

- builders' liability to insurers funding real estate projects, the new law hardwires insurance into property development, ownership, and management;
- public buildings;
- government assets and employees;
- petroleum and gas stations and products in transit;
- professional indemnity insurance by health care providers; - aviation services;
- import of goods and merchandise, including the containers;
- full coverage credit life policy on loans exceeding ₦10million.

Breach attracts hefty fines, sanction of directors, licence suspension and imprisonment. NAICOM is empowered to supervise compliance on all lines "made compulsory by law".

5. Policyholder Protection: A dedicated protection fund called Insurance Policy Protection Fund (IPPF) has been introduced. The Fund will be financed by contributions from insurers and reinsurers of a levy of 0.25% of gross premium income and NAICOM would contribute 0.25% of the Security and Insurance Development Fund to compensate policyholders if an insurer fails. This "safety net" ensures claimants can be paid even in insolvency. NAICOM, Nigeria Insurance Associate and the Fund Manager are expected to manage the scheme under prescribed rules.

6**. Claims & Settlement:** NIIRA imposes zero tolerance for claims delays. All admitted claims (excluding "special risk" lines) must be assessed and paid within 60 days of notice. For special risk cases (such as, oil and gas and aviation claims), a total of 120 days from notification is required for claims settlement, this includes 60 days for notification and issuance of discharge certificate and 60 days for settlement. The Commission shall sanction insurers for undue delays. Standardized timelines and documentation requirements will force insurers to tighten their claims processes and timely reserve for provisions.

7. Road Accident Victims Fund: NIIRA introduces the Road Safety and Accident Victims Compensation Fund, into which shall be paid 0.5% of the underwriting profit on motor insurance business. This Fund is to be administered by the Road Safety Accident Victims Compensation Committee (RSAVCC).

The Fund would be disbursed as follows:
- 10% to Federal Road Safety Commission - 10% to Nigeria Police Force
- 10% to road-traffic agencies
- 65% into a separate fund for payment to any person in respect of death or bodily injury following a motor vehicle accident caused by an uninsured vehicle or unidentified driver, with a maximum payout limit of N2million per claim.
- 5% as cost of administrating and managing the Fund.

8. Digital Transformation: The law mandates end-to-end digitization of insurance processes. Licensing, product approvals, premium collections and claims filings must be done on NAICOM-approved digital platforms. This is intended to improve efficiency, expand rural/retail access, and reduce paperwork. NAICOM will issue or manage the necessary electronic systems for underwriting, claims settlement and reporting.

9. Internal Controls & Governance: The Act now mandates that every insurer must establish robust internal control systems. Boards are responsible for ICFR (Internal Control over Financial Reporting) and must certify and report on control effectiveness in annual reports. Management must document policies to safeguard assets and ensure accurate financial records.

10. Regulatory Oversight: NAICOM is charged with administering all provisions. The Commission now has regulatory oversight over actuaries, brokers and other agents. The Commission can issue regulations, verify compliance, and coordinate with other bodies (CAC, SEC, etc.) for recapitalization support. NAICOM will publish guidelines on capital composition, investment limits, and reporting templates. Insurers and other stakeholders failing to comply face penalties, license revocation, merger, or liquidation.

11. **Regional Integration:** NIIRA encourages Nigeria's participation in regional insurance schemes. For instance, it explicitly supports the ECOWAS "Brown Card" motor insurance pool to allow cross-border coverage and claims settlement.

Benefits of NIIRA 2025

- Stronger Solvency and Stability: Higher capital buffers and RBC tailored to risk should make insurers more financially resilient. Industry analysts expect a healthier capital base and reduced systemic risk. Consolidating regulations eliminates loopholes and improves regulatory clarity, enhancing overall market stability.

- Market penetration and Coverage: The introduction of the additional mandatory insurance products is expected to significantly deepen market penetration and strengthen insurers' capacity to deliver a broader range of services profitably.

- Improved Consumer Protection: Policyholders gain better coverage and recourse. Mandatory cover enforcement and the new protection fund mean claims are more likely to be paid promptly, even if an insurer fails. Claims deadlines and fair practices (via tighter agent rules) build consumer trust.
- Enhanced Market Confidence and Investment: By aligning with global norms, NIIRA aims to attract foreign capital. Observers note the Act is meant to "restore public confidence and attract investment" into Nigerian insurance. Reliable, transparent reporting under IFRS 17 Insurance Contracts should make financial statements more comparable, drawing institutional investors.

- Operational Efficiency and Growth: Digitization and clear, unified rules reduce friction. Processes that formerly involved heavy manual paperwork (licensing, renewals, claims) will be faster and more accessible. Over time, this should raise insurance penetration, especially in underserved regions.

- Policyholder Trust: Together, these reforms signal a commitment to accountability and transparency. Public trust is expected to improve as stronger regulation curbs fraud and as NAICOM is empowered to act decisively, positioning Nigeria as a leading West African insurance market.

- Stronger Corporate Governance: The introduction of ICFR enhances financial transparency and governance within the insurance sector as it supports broader reform goals such as improved risk management, operational efficiency, and digital transformation. It encourages insurers to automate financial processes and integrate controls into daily operations, which can lead to faster claims processing and better customer service. Overall, this reform positions Nigeria's insurance industry for sustainable growth, increased competitiveness, and readiness for regional and international partnerships as the country pursues its economic development targets.

Challenges for Insurers

- Recapitalisation Strain: Smaller or older insurers may struggle to meet the steep new capital floors. Industry commentators warn that many small firms will need to merge or exit the market. The tight 12-month deadline which commenced immediately, adds pressure on companies that require to raise or inject additional capital.
- · Compliance Costs: Upgrading systems and processes for RBC calculations, internal controls, and digital platforms will be costly. Insurers must invest in actuarial, IT, and audit capabilities. The costs of external asset verification and of any required capital increases could be significant.

- · Market Consolidation: The MCR increased threshold, and introduction of the RBC could trigger mergers and acquisitions. While healthy consolidation may be a goal, managing these deals (due diligence, valuations under IFRS 17, legal paperwork) is a challenge. Regulators may face a wave of merger applications.

- Enforcement Risks: As NAICOM starts stringent enforcement (e.g. on agents or underwriting), some practices may be upended. Companies will need to retrain staff, renegotiate agent contracts, and closely monitor compliance to avoid fines or licence issues.

- Operational Disruption: Rapid digitization and new processes can disrupt business-as-usual. For example, claims teams must adapt to strict60-day turnaround rules. Any IT failures or delays in rolling out NAICOM's platforms could temporarily impede operations.

Next Steps for Stakeholders

- Capital Gap Analysis: Immediately assess existing capital vs. NIIRA's new MCR and RBC requirements. Develop a recapitalisation plan (capital raise, mergers or restructuring) as needed. NAICOM has urged companies to "immediately commence internal assessments, craft recapitalisation strategies, and proactively align with the new requirements".

- Engage with Regulators: Work closely with NAICOM (and CAC, SEC) on the recapitalisation process. Expect to submit documentation for capital verification. Insurers should prepare to pay fees for capital inspection and satisfy any criteria on asset eligibility (clear title, no encumbrances). Solicit guidance on permitted capital instruments and any exemptions or incentives.

- Systems & Digitization: Prepare IT teams and processes for mandated digitization. Work with NAICOM to access its digital platforms (for licensing, premium remittance, claims reporting, etc.). Integrate internal systems for automated reporting. CFOs should budget for potential software upgrades or new data management tools.

- Claims & Underwriting Procedures: Review and revise claims-handling workflows to meet the NIIRA deadlines (e.g. 60-day limits). Strengthen underwriting guidelines to ensure all third-party exposures are covered by compulsory policies. Train staff on new compliance expectations to avoid disputes or payment delays.

- Financial Reporting Alignment: Incorporate NIIRA changes into financial policies. Accountants should reconcile IFRS equity with regulatory capital and verify that IFRS 17 measurements feed into any RBC models. Note that NIIRA (§11) requires reporting consistent with IFRS in force; ensure current IFRSs (17 and 9) are applied. Update disclosures (e.g. risk management, capital adequacy) to explain the impact of NIIRA reforms.

- Stakeholder Communication: Communicate plans to investors, boards, and employees. Explain how the new law will be addressed (e.g. capital raising, process changes). Early engagement can build confidence and pre-empt market concerns about solvency or disruptions.

Highlights of the Financial Reporting Implications

- **Capital Adequacy and IFRS Equity:** IFRS financial statements do not directly define "regulatory capital," but NIIRA implies that RBC will be calculated from IFRS-basis balance sheets. CFOs must reconcile IFRS net assets (equity plus any regulatory surplus) with NAICOM's capital rules. Any changes in IFRS 17 liabilities (e.g. new loss recognition or CSM amortization) will change reported surplus. Insurers should ensure reported IFRS equity consistently meets or exceeds NIIRA thresholds. Any shift to the IFRS 17 model will also affect how much capital insurers report, directly tying back to NIIRA's RBC calculations. There would also be the need for insurers to frequently assess their ability to continue as a going concern through the evaluation of their equity, solvency and capital adequacy ratio alongside the new minimum capital requirement.

- **Real Estate and Investments (IFRS 9 and 40):** The Act now allows insurers to hold specified investments (including real estate) for capital and investment purposes. Under IFRS, real estate held for rent or capital appreciation qualifies as Investment Property (IAS 40). Such properties can be measured at fair value or cost. If the fair-value model is chosen, investment properties are revalued at each reporting date and changes are reported in profit or loss. (IAS 40 requires disclosure of chosen model and fair values). Land/buildings used in insurers' operations (e.g. branch offices) fall under PPE (IAS 16). IFRS 9 covers debt/equity securities: insurers must classify instruments (amortized cost, FVOCI, FVTPL) and apply expected credit losses. These IFRS measurements affect the value of admitted capital assets under NIIRA.

- **Claims Provisions and Liabilities:** NIIRA requires that insurers establish and maintain provisions for reserves for unearned premium and unexpired risk which may not be compliant with IFRS 17. Hence, a question arises whether insurers are required to maintain these old reserves separately on their books in addition to the IFRS 17 reserves, which is the liability for incurred claims and liability for remaining coverage.

Conclusion

The NIIRA 2025 ushers in a new era for Nigeria's insurance sector, setting higher standards for capital adequacy, operational governance, and consumer protection. While implementation may be challenging, the reforms offer long-term benefits in deepening market penetration, enhancing trust, and aligning Nigeria's insurance industry with global best practice.

By integrating NIIRA's rules with best practices, insurers and accountants will now need to map these regulatory requirements and concepts into their reporting and compliance activities. Proactive coordination between shareholders, directors, product development, technical operations finance and compliance teams will be essential to ensure that the insurance industry is sound robust and able to meet the dynamic changes required.

Paper Four

KEY ISSUES IN NIGERIA 2025 TAX REFORM

The current administration's Tax system reforms started at the inception of the Administration of the current President, Bola Ahmed Tinubu, with the inauguration of the Oyedele-led committee on the Presidential Committee on Fiscal Policy and Tax Reforms. The whole exercise was concluded on 26 June 2025 when the President signed the four (4) Tax Reform Bills into law. The new laws are:

1. NIGERIA TAX ACT (NTA): This Act repeals certain tax Acts and enacts the Nigeria Tax Act 2025 to provide for taxation of Income, transactions and instruments. The Act covers the following in nine chapters:

- Application and Objectives
- Taxation of income of person
- Taxation of income from petroleum operations
- Relief for Double taxation
- Taxation of Dutiable instruments
- Value added tax
- Surcharge
- Tax incentives
- General provisions

2. NIGERIA TAX ADMINISTRATION ACT (NTAA): This Act provides a uniform procedure for a consistent and efficient administration of tax laws in order to facilitate tax compliance by tax payers and optimize tax revenue

3. NIGERIA REVENUE SERVICE ACT (NRSA): This Act repeals the Federal Inland Revenue Service (Establishment) Act, No.13, 2007 and enacts the Nigeria Revenue Service (Establishment) Act, 2025 to establish the Nigeria Revenue Service, charged with powers of assessment, collection of, and accounting for all the revenues accruable to the Government of the Federation.

4. JOINT REVENUE BOARD ACT (JRBA). This Act establishes the Joint Revenue Board, the Tax Appeal Tribunal and the Office of the Tax Ombud, for the harmonisation, coordination and settlement of disputes arising from revenue administration in Nigeria.
These Acts represent a significant achievement for the Federal Government in transforming the scope, system, and phase of taxation in Nigeria. It is a landscape which completely overhauls the Nigerian Tax System. According to PWC (2025), the Acts comprehensively overhaul the Nigerian tax landscape to drive economic growth, increase revenue generation, improve the business environment and enhance effective tax administration across the different levels of government in Nigeria.

NIGERA TAX ACT 2025 is a major law which coordinates the old tax laws into one Act Some of the areas covered includes the following:

- The turnover of small companies are exempted from Company Income Tax and Education Tax, the Act now include exemption from Capital Gains Tax, while development levy is now introduced. The exemption threshold has been increased from N25 million to below N100 million and non-current Assets not exceeding N250 million, respectfully. The old 20% rate has been removed and replaced with 0% while all other companies above N100 million turnover are taxed at the rate is 30%..

- The New Development levy consolidates the National Agency for Science and Engineering Infrastructure (NASENI) levy, Police Trust Fund (PTF) levy, Tertiary Education Tax (TET), and Information Technology Levy (IT). The Development Levy is now at 4% of the assessable profits.

- The CGT tax exemption threshold for the sale of shares in Nigerian companies has been increased from N100 million to NGN150million in any 12 consecutive months, provided that the gains do not exceed N10million.

- The Capital Gains Tax (CGT) rate is increased from 10% to 30% for companies, while the rate applicable to individuals are the income tax rate based on the progressive tax band of the individual.

- Individuals earning N800,000 or less per annum are now exempted from tax on their income and gains, while higher income earners will be taxed at a higher rate up to 25%.

- Tax exemption for compensation for loss of employment or injury is now increased from N10million to N50million.

- Employment income will now be taxed in Nigeria only if the individual is resident in Nigeria or performs duties in Nigeria without paying tax in their country of residence.

- The Acts introduce the Tax Ombuds office to liaise with the tax authorities on behalf of taxpayers, and serve as an independent arbiter to review and resolve complaints relating to taxes, levies, duties or similar regulatory charges.

- Nigerian companies who are members of a multinational group with aggregate group turnover of EUR750million and above or have an annual turnover of N50billion and above, will now be subject to a minimum effective tax rate (ETR) of 15% of their "Net Income".

- The pioneer tax holiday incentive has been replaced with an Economic Development Incentive (EDI) which has introduced a tax credit of 5% per annum for 5 years on qualifying capital expenditure purchased by eligible companies within 5 years, with effect from the production date. A company can carry forward any unused tax credits for another five years after which it will lapse.

- Nigeria has now embraced VAT fiscalisation rules and mandatory e-invoicing for businesses operating in the country. Companies in Nigeria are now mandated to implement the fiscalisation system deployed by the tax authority for the collection of VAT. The VAT rate of 7.5% has been retained.

- The Act has increased the list of zero-rated items to include essential goods and services such as basic food items, tuition fees, educational books and materials, medical and pharmaceutical products, electricity generation and transmission services, medical equipment and services, exports (excluding oil and gas exports) . The implication of this is that businesses in the listed goods and services can recover their VAT costs, despite the zero rating, which was not possible under the previous Act.

Paper Five

Rebased Inflation rate and Unemployment Recalculation in Nigeria

Recently, the National Bureau of Statistics (NBS) announced a rebased inflation rate, which reflects the change in the Consumer Price Index (CPI), as well as updates to the methodology used for calculating unemployment in Nigeria. While these technical updates are crucial for ensuring that the CPI and unemployment rates accurately represent current trends, they have sparked public debate regarding the relationship between these methodological changes and the actual standard of living in Nigeria. Do the new rates for unemployment and inflation truly reflect the economic realities faced by Nigerians? This write-up aims to clarify the methodology and provide an overview to help answer this question.

The CPI measures the percentage changes in the average price of a basket of consumer goods and services over time, serving as the primary indicator of the inflation rate. Rebasing the CPI involves updating the base year to better reflect current consumer spending behaviour, patterns, and economic conditions. The base year has now been shifted from 2009 to 2024, a change that is timely since international best practices recommend updating the base year every five years. The National Bureau of Statistics (NBS) explains that the CPI has been expanded to include around 960 goods and services, compared to the previous 740 items in the earlier baskets. Additionally, the weights assigned to various categories of consumer products and services have been adjusted. For instance, the weight for the food subcategories has been reduced to 40.1% from the previous 51.8%. Meanwhile, transport, housing, and healthcare now hold a more significant weight in the calculation.

The changes to the unemployment rate are part of a methodological update in the statistical measures used. According to the new criteria, a person is considered unemployed if they have not engaged in any employment activities for at least one hour within a week. Additionally, this individual must actively seek employment and be available to take a job if offered. This represents a significant shift from the previouscriteria, which classified individuals as unemployed if they worked less than 20 hours per week. Moreover, the sample size for data collection has been expanded, ensuring greater commitment and consistency in gathering and timely releasing unemployment data. This improvement also accelerates data-driven policy decision-making. Another advantage of the revised methodology is that it puts more emphasis on the issue of underemployment, rather than focusing solely on unemployment.

Table 1: Nigerian Inflation rate (December 2024-June 2025) (figures in %)

Period	Overall Inflation	Food Inflation	Core Inflation*
Jun-25	22.22	21.97	22.76
May-25	22.97	21.14	22.28
Apr-25	23.71	21.26	23.39
Mar-25	24.23	21.79	24.43
Feb-25	23.18	23.51	23.01
Jan-25	24.48	26.08	22.59
*Excluding volatile items like energy/ food			

Source: Central Bank of Nigeria

Do these changes reflect the realities? The rebased CPI has impacted the headline inflation rate (see Table 1). For instance, in January 2025, the rate was reported to have dropped to 24.48 per cent against the 34.8 per cent documented in December 2024, based on the old methodology. Likewise, the food inflation was 26.08 per cent, with the core inflation rate reported to be 22.59 per cent (excluding volatile items such as food and energy). These new rates show overall improvements, but they may not simply translate to a reduction in prices of every necessity in the country. The moderate food inflation rate provides evidence of money illusion. The lost weights in the computation of inflation may not necessarily translate to price reduction in the markets, as may be expected. This is because inflation easing actually meant that increases are abated, lowered rather than price reductions.

Another benefit of the rebased inflation is the recognition of non-food items as a key driver of inflation. This development emphasised the importance of housing expenses, transport costs and the household spending on health care, in the core budget of the individual households in Nigeria. With this overall rebasing, the differential inflation rate between urban and rural cities is around 4 per cent. This reflects the high costs of living in most Nigerian cities, in which the main drivers are inadequacy of transport networks, house shortage and increase in energy prices for household use. These serve to alert the governments on the need to invest more in the necessary infrastructures in housing, transportation and energy, which households currently grapple with.

On the new unemployment rate calculation, the historical records show that 3 years ago, the rate stood between 32 and 35 percentage points, which was among the highest in the developing nations. In contrast, the latest unemployment rate, based on the new methodology, stood at 4.3 per cent as of the first quarter of 2023, from 5.3 per cent documented for 2022. This provides a signal that the rate has decreased drastically compared to the 17.5 per cent recorded for the last quarter of 2020. This is in accordance with the NBS's press release. This provides evidence of a decline in the unemployment rate in Nigeria. One of the advantages of this new unemployment methodology is that we can now compare the Nigerian rate with other countries in the developed world. Many commentators have argued that these new rates do not reflect reality, lack context and are unrealistic for all that an average Nigerian is currently facing in the labour market. Although the revised methodology intends to update the unemployment rate in line with other developing economies by assuming that an individual who works for an hour is classified as employed, even in a low-paid job, this development deviates from the realities in the Nigerian labour market. For instance, the level of inequality in the market is high, and the GDP per capita is declining due to the higher rate of population growth. This issue is said to further fuel the possibility of non-inclusiveness of economic growth and social development in Nigeria. Citizens expect the authorities to adopt Nigerian-specific guidelines for collating the unemployment data that are more reflective of observable realities. This may include the use of a comprehensive labour force survey and the use of social insurance statistics. The claim count basis is another practical methodology that may be adopted. Those will better assist the government in making effective economic policy decisions, with impactful outcomes for the generality of Nigerians.