REGULATORY OUTLOOK FOR 2026 IN NIGERIA:

PROJECT FINANCE

INTRODUCTION

1.1 The year 2026 is poised to be a defining period for the project finance landscape in Nigeria, as regulators across critical sectors such as power, infrastructure and financial services intensify reforms aimed at strengthening governance frameworks, enhancing transparency, and deepening investor confidence. From a policy standpoint, these reforms reflect a deliberate shift towards creating a more predictable, resilient, and investor-friendly environment for large-scale infrastructure and capital-intensive projects.

1.2 Against the backdrop of Nigeria's rapidly growing population and rising infrastructure and development needs, this evolving regulatory terrain is underscored by the enactment of significant legislative and subsidiary instruments, including the Investment and Securities Act 2025 (**ISA 2025**), the Electricity Act 2023 (**the Electricity Act**), the Nigeria Tax Act 2025 (**NTA**), the Nigeria Tax Administration Act 2025 (**NTAA**), the Nigeria Revenue Service Act 2025 (**NRSA**), and the Joint Revenue Board (Establishment) Act 2025 (**JRBA**).

1.3 We note that these legislations introduce material changes to the legal and regulatory framework in Nigeria, as it relates to the above-mentioned critical sectors of the economy, with significant implications for project structuring and financing for both local and foreign participants/investors.

1.4 Following the above, it is imperative for investors, lenders, project sponsors, and other market participants to proactively assess the regulatory implications of these reforms, adapt transaction structures accordingly, and ensure robust compliance strategies are embedded at every stage of the project lifecycle to mitigate regulatory risk and enhance bankability in 2026 and beyond.

2.0 KEY REGULATORY CHANGES IN THE NIGERIAN PROJECT FINANCE TERRAIN

Investment and Securities Act 2025 (ISA 2025)

2.1 On 25th March 2025, the President of the Federal Republic of Nigeria, Bola Ahmed Tinubu (the "President"), assented to the Investment and Securities Act 2025(ISA 2025), which effectively repealed the Investments and Securities Act, No. 29 of 2007. Amongst other things, the ISA 2025 introduced a comprehensive overhaul of Nigeria's capital market regulatory framework by tightening investor protection, expanding its regulatory framework to cover emerging asset classes such as virtual and digital assets, and significantly enhancing the enforcement and supervisory powers of the Securities and Exchange Commission ("SEC") including the conferral of both investigative and prosecutorial powers.

Key introductions/changes in the ISA 2025

2.2 **Expanded Regulatory Scope to Digital and Virtual Assets:** A key innovation under the ISA 2025 is the formal recognition of virtual and digital assets and the inclusion of virtual and digital asset exchanges, digital asset operators, and virtual asset service providers (VASPs) within the SEC's regulatory oversight. By virtue of section 357 of the ISA 2025 , the term "securities" has been expanded to include virtual and digital assets such as digital tokens, crypto assets, investment contracts, and all other instruments deemed as securities which may be transferred by means of any electronic mode or which may be deposited, kept or stored with any depository or custodian[2] .

2.3 In addition, SEC is empowered under the ISA 2025 to register and supervise virtual/digital asset exchanges (VASPs), Digital Asset Operators (DAOPs), digital investment platforms, online forex platforms, and other market venues, making such operators directly subject to SEC's supervision and enforcement powers[3] .

2.4 **Enhanced Enforcement and Intervention Powers:** The ISA 2025 significantly strengthens the SEC's enforcement mechanism. The SEC may amongst other things, intervene in the management of public companies and regulated entities[4] by removing or placing directors on probation[5] and freezing assets of defaulting companies pending investigation as well as imposing administrative sanction[6].

2.5 **Introduction of Systemic Risk Management Framework:** The ISA 2025 introduces a dedicated framework for systemic risk management, which basically empowers the SEC to request information, issue directives, and coordinate with other regulators to address any threat to market stability. We note that this framework may benefit[7] investors as they are assured of a regulated market system and ultimately boosting investor confidence and long-term investment growth in Nigeria.

2.6 **Establishment of an Investor Protection Fund:** The ISA 2025 establishes a statutory Investor Protection Fund to compensate investors for losses arising from the insolvency or misconduct of capital market operators reaffirming the Commission's commitment to safeguarding investor confidence in the capital market[8] .

2.7 **Stronger Corporate Governance and Internal Control Requirements:** Under the ISA 2025, public companies are required to maintain effective systems of internal control and ensure greater accountability through enhanced reporting obligations[9]. Additionally, auditors of public companies are now required to be registered with the SEC and have a statutory duty to report on internal controls, with penalties for non-compliance[10] For instance a public company which appoints an auditor that is not registered with the SEC is liable to a penalty of not less than N5,000,000 (Five Million Naira) and a further penalty of N50,000 (Fifty Thousand Naira) per day for the period the violation continues[11].

2.8 **Enhanced Market Transparency and Traceability:** The ISA 2025 introduces mandatory Legal Entity Identifiers (LEIs) for securities transactions, thereby standardising the identification of market participants and improving the traceability of transactions across the capital market[12]. This reform strengthens SEC's ability to monitor trading activities, assess interconnected risks, and respond to market abuse or systemic threats. For investors, this translates into improved transparency, reduced counterparty risk, and increased confidence in the integrity of market operations.

[1] Section 3(3)(b) and (i) of the ISA 2025
[2] Section 357 of the ISA 2025
[3] Section 355(1)(o) of the ISA 2025
[4] Section 3(4)(a) of the 1SA 2025
[5] Section 3 (4) (c) of the ISA 2025
[6] section 3(4)(k) of the ISA 2025
[7] Sections 82–85 of the ISA 2025
[8] Section 198-223 of the ISA 2025
[9] sections 88–91
[10] section 92
[11] section 92
[12] section 123

2.9 **Prohibition of Ponzi Schemes and Unlawful Investment Activities:** A central investor protection innovation under the ISA 2025 is the express prohibition of Ponzi, pyramid, and other unauthorised investment schemes. The ISA empowers the SEC to take direct enforcement actions against promoters of illegal schemes, including sealing premises, freezing accounts, seizing assets, and pursuing forfeiture of illicit proceeds[13]. This explicit statutory ban strengthens deterrence, limits investor exposure to fraudulent schemes, and reinforces public confidence in regulated investment channels.

2.10 **Mandatory Registration for Capital Market Participation:** The ISA 2025 reinforces regulatory discipline by prohibiting participation in the capital market without registration. Securities exchanges, capital market operators, and investment schemes must be registered and authorised by the SEC before commencing operations[14]. Breaches attract stringent administrative and criminal sanctions. This requirement ensures that only properly vetted and supervised entities operate in the market, thereby enhancing investor protection and reducing the risks associated with unregulated or opaque market actors.

2.11 **Introduction of Composite and Non-Composite Securities Exchanges:** ISA 2025 formally introduces a dual classification of securities exchanges into composite and non-composite exchanges[15]. Composite exchanges are permitted to list and trade multiple classes of securities and financial instruments, while non-composite exchanges may operate as mono-product exchanges or alternative trading systems. This framework encourages innovation and specialisation within the capital market, while maintaining regulatory oversight. This introduction ensures that Investors benefit from increased market depth, a wider range of investment products, and platforms tailored to specific asset classes.

2.12 **Expanded Regulation of Collective Investment Schemes:** Under the ISA 2025, the definition of Collective Investment Schemes (CIS) has been significantly expanded to include private equity funds, venture capital funds, real estate investment schemes, and other pooled investment vehicles[16]. These schemes are now subject to authorisation, disclosure, governance, and custodial requirements. For market participants and investors, this statutory provision, offers investors improved legal protection, enhanced disclosure standards, and greater confidence in pooled investment products.

2.13 **Dematerialisation of Securities:** The ISA 2025 mandates the dematerialisation (use of electronic form/certificates instead of paper) of all securities transacted in the secondary market[17]. In essence, this means that investors will no longer receive paper certificates as proof of ownership for shares, bonds, or other securities[18]. Instead, all securities will exist only in electronic form and be recorded in an approved electronic system. Through this forward-thinking reform, the ISA 2025 is poised to reduce the risks of fraud, loss, and forgery of paper certificates. Particularly, investors will benefit from improved security, ease of transfer, and more efficient settlement processes.

2.14 **Sub-National Access to the Capital Market:** The ISA 2025 permits states, local governments, and their agencies to issue securities, subject to SEC approval and compliance with disclosure and custodial requirements[19]. This innovation broadens the range of government-linked investment instruments available in the market, while maintaining regulatory oversight. Investors gain access to diversified public-sector investment opportunities with clearer accountability mechanisms.

2.15 **Expansion of SEC Powers from Investigation to Prosecution:** Beyond investigative authority, the ISA 2025 significantly expands the enforcement powers of the SEC. The SEC is now empowered to impose administrative sanctions, recover penalties as debts, freeze and confiscate assets and collaborate 15with the Attorney-General of the Federation[20]. In addition to the above and as a standalone power, the SEC, subject to the consent of the Attorney General of the Federation, can defend or prosecute criminal matters, through a legal practitioner in its employment[21]. In essence, the days of SEC relying on security agencies such as The Economic and Financial Crimes Commission (EFCC) to prosecute SEC matters may be over. We believe that this shift strengthens deterrence, enhances regulatory credibility, and reassures investors that market misconduct will attract swift and meaningful consequences.

SEC RULES 2025

2.16. On April 24, 2025, The SEC issued its consolidated and improved rules, pursuant to the ISA 2025, SEC Rules 2025 ('the Rules'). The Rules represents a significant recalibration of Nigeria's capital market regulatory framework. The Rules consolidate, update, and align existing regulatory instruments with the enhanced investor protection, market integrity, and enforcement objectives of the ISA 2025. Below are some of its notable highlights, which are similar to the provisions in the principal enactment, the ISA 2025;

2.16.1. **Mandatory Registration and Authorisation of Market Participants:** The Rules reinforced the principle of mandatory registration of market participants under the ISA 2025. Specifically, the Rules provides that no person may operate in the capital market without registration and approval by the SEC, covering exchanges, capital market operators, collective investment schemes, fund managers, and other intermediaries[22]. Investors are expected to engage only with duly registered entities, as participation outside the regulatory perimeter exposes them to heightened legal and financial risk.

2.16.2. **Clear Product Approval and Classification Framework:** Securities and investment products must be clearly classified and approved before being offered to the public, with the SEC empowered to determine whether an instrument qualifies as a security or regulated investment product[23]. This reduces ambiguity around innovative or structured products and ensures investors understand the regulatory status of what they are investing in.

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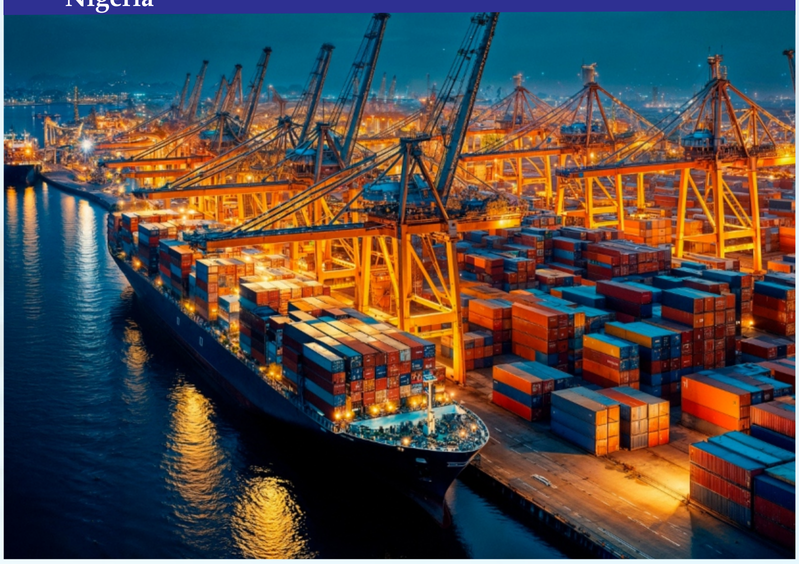
[13] Section 3(3)® and 3 (4)(m),(f)
[14] sections 26, 61 and 196 of the ISA 2025
[15] section 27 of the ISA 2025
[16] section 150
[17] The secondary market is where previously issued securities are traded among investors.
[18] section 122 ISA
[19] section 268 ISA
[20] Sections 3(4)(k)(l)(m), 345 and 348 of the ISA 2025
[21] section 345
[22] Rules 20–28; ISA 2025 sections 26 and 61 of the ISA 2025
[23] Rules 279–282; ISA 2025 section 315 of the ISA 2025

2.16.3. **Enhanced Disclosure and Offering Document Standards:** Issuers and fund sponsors are required to provide comprehensive and accurate disclosures in prospectuses, offering memoranda, and other investment documents, including risk factors, fees, governance structures, and use of proceeds[24]. These requirements are designed to support informed investment decisions and reduce the risk of misleading or incomplete information.

2.16.4. **Recognition of Composite and Non-Composite Securities Exchanges:** The regulatory framework accommodates composite securities exchanges, non-composite exchanges, and alternative trading systems, each subject to tailored licensing and compliance requirements[25]. This supports innovation and market specialisation while maintaining regulatory supervision for investor protection.

2.16.5. **Enhanced Reporting, Compliance, and Ongoing Supervision:** Registered operators are subject to periodic reporting, compliance inspections, and supervisory reviews by the SEC[26]. Investors benefit from continuous regulatory monitoring rather than one-off licensing oversight.

3.0 Ease of doing business in the Project and Finance Terrain in Nigeria



3.1. Nigeria has, in recent years, implemented a series of targeted legal and regulatory reforms aimed at improving the ease of doing business, particularly for foreign investors seeking to establish and operate businesses in the country. Central to these reforms are the Business Facilitation (Miscellaneous Provisions) Act, 2022 ('BFA') (which amends multiple business-related statutes to remove bureaucratic bottlenecks, promote transparency, and accelerate regulatory approvals), Nigerian Investment Promotion Commission (NIPC) Act 2007 ('NIPC Act'), Companies and Allied Matters Act 2020 ('CAMA'), Nigeria Immigration Act 2025('NIA'), the Nigeria Tax Act 2025 ('NTA'), Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 1995 ('Forex Act'), etc. These laws work in tandem to facilitate a more seamless investment experience in Nigeria, below are some of the support measures they offer:

3.2. **Default Approval and Time-Bound Regulatory Decisions:** A key innovation under the BFA is that Ministries, Departments, and Agencies('MDAs') are required to publish their list of requirements to obtain the products and services on their websites, in addition to this, is the introduction of a default approval mechanism, whereby applications to are deemed approved if no response is communicated within the prescribed statutory timeframe. This reform, implemented through amendments to laws including the NIPC Act may significantly reduce regulatory delays and uncertainty for investors seeking licences, permits, or approvals to commence or expand business operations in Nigeria[27].

3.3. **Foreign Ownership and Market Entry:** The CAMA and NIPC Act permits 100% foreign ownership of companies in Nigeria[28] Foreign investors seeking to carry on business in Nigeria are however required to first incorporate a Nigerian company under the Companies and Allied Matters Act (CAMA) and meet the minimum issued share capital of N100,000,000 (One Hundred Million Naira). Please note that this share capital requirement also applies to already registered companies with foreign participation in Nigeria.

3.4. **Capital Importation and Repatriation:** Foreign investors are guaranteed the unconditional transferability of capital, dividends, profits, and loan repayments, provided the investment is properly imported through an authorised dealer i.e a bank and evidenced by an electronic Certificate of Capital Importation (e-CCI). This protection, anchored in the Forex Act[29] , provides assurance to investors regarding exit, liquidity, and capital mobility.

3.5. **Expatriate Quota and Immigration Approvals:** Nigeria has improved the ease of obtaining expatriate quotas and work authorisations for foreign-owned businesses. Expatriate quota approvals are administered under the NIA, and it is usually initiated by an application to the Federal Ministry of Interior, when supported by necessary documents and due justification, approval is easily obtained.

3.6. **Tax Incentives and Investment Concessions:** Nigeria offers a wide range of tax concessions and incentives designed to attract foreign investment. Some incentives range from sector to sector while some are targeted at priority sectors that are considered expedient to the economic development of the nation, these category of incentive are called Economic Development Tax Incentive ('EDTI')[30] it works as a tax credit and the eligible businesses in priority sectors would receive a tax credit of 5% on qualifying capital investments annually for five years to offset their corporate taxes. We have dealt with the tax component of this Regulatory Report below.

[24] Rules 283-297, Section 72-75 ISA 2025
[25] Rule 50-75; Section 27 ISA
[26] Rules 610–620; ISA 2025 section 82 of the ISA 2025
[27] section 4(1) BFA 2023
[28] Section 17 NIPC Act, 20(4) CAMA 2020
[29] section 13 Forex Act
[30] section 166 NTA

4.0 Tax Legislation Applicable to Project Finance

4.1 On 26th June 2025, four Tax Reforms Acts were signed into law by President Bola Ahmed Tinubu, and they became effective on 1st January 2026. The four laws consolidate and replace many previous acts and aim to streamline the Nigerian tax system and eliminate regulatory fragmentation. The four Tax Reforms Acts ("Collectively referred to as the Tax Reforms Acts") are as follows:

4.1.1. The Nigeria Tax Administration Act'(NTAA) 2025;

4.1.2. The Nigeria Tax Act (NTA) 2025;

4.1.3. The Nigeria Revenue Service (Establishment) Act (NRSA) 2025; and

4.1.4. The Joint Revenue Board (Establishment) Act (JRBA) 2025.

4.2. The Nigeria Tax Administration Act (NTAA) 2025 introduces new regulatory structures, advances the digitalization of tax records, and enforces stricter compliance measures. The primary objective is to provide uniform procedures for tax administration.

4.3. The Nigeria Tax Act (NTA) 2025 seeks to modernize the tax system, enhance transparency, and improve compliance procedures. It seeks to reduce the number of taxes and focuses on high-yielding and broad-based taxes. The Nigerian Tax Act 2025 repealed the Capital Gains Tax Act (CGTA) 2004, Companies Income Tax Act (CITA) 2007, Personal Income Tax Act (PITA) 2011, Value Added Tax Act 2004, Stamp Duties Act 2004, Petroleum Profits Tax Act 2004, Industrial Development (Income Tax Relief) Act 2004 and the Venture Capital (Incentives) Act 2004.

4.4. The Nigeria Revenue Service (Establishment) Act (NSRA) 2025 officially rebrands the Federal Inland Revenue Service (FIRS) as the Nigeria Revenue Service (NRS). The NSRA reflects the NSR's role in collecting revenue for the entire Federation, not just the Federal Government of Nigeria (FGN). The NSRA aims at improving tax compliance, streamline tax administration and minimize inefficiencies in revenue collection. The NSRA also repealed the Federal Inland Revenue Service (Establishment) Act 2007.

4.5. The Joint Revenue Board (Establishment) Act (JRBA) 2025 is designed to establish a framework for the Joint Revenue Board of Nigeria, which will oversee the harmonization of tax policies and practices across various levels of government.

<u>KEY REGULATORY CHANGES UNDER THE TAX REFORM ACTS</u>

4.6. **Increased Capital Gains Tax (CGT) rate –** The Nigeria Tax Act has increased the Capital Gains Tax (CGT) rate from 10% to 30% for companies (Private and Public). For individuals, the CGT will be taxed at the applicable income tax rate based on the progressive tax band of the individual. For context, CGT refers to a tax chargeable on gains from the disposal of assets such as land, buildings, shares, goodwill, and other investments. This now includes digital assets like cryptocurrencies and tokens. In simple terms, if you sell an asset for more than its purchase cost, the difference (profit) is the gain, and that gain is taxable[32].

4.7. **Increased exemption threshold for small companies –** Small and medium enterprises (SMEs) are now exempt from Companies Income Tax (CIT), Capital Gains Tax (CGT) and the newly introduced Development Levy[33]. We note that companies with an annual gross turnover of N50,000,000 (Fifty Million Naira) and below and total fixed assets not exceeding N250,000,000 (Two Hundred and Fifty Million Naira) are classified as small companies[34].

4.8. **Introduction of Development Levy -** All Nigerian companies, excluding small companies and non-resident companies[35], are liable to pay a Development Levy. Under the current regime, the levy is imposed at 4% of assessable profits (i.e., taxable profits before deducting capital allowances and losses). Prior to this, the Development Levy was assessed at 4.25% of assessable profits. The Development Levy now serves as a single consolidated charge, replacing and unifying the following previously separate levies i.e Tertiary Education Trust Fund (TET) Levy, Information Technology (IT) Levy, National Agency for Science and Engineering Infrastructure (NASENI) Levy and Police Trust Fund (PTF) Levy etc[36].

4.9. **Controlled Foreign Company Rules -** The NTA imposes a tax on undistributed profits of foreign companies controlled by Nigerian companies, where it is considered that the foreign subsidiary could have distributed dividends without harming its business[37]. A company is deemed to be a Nigerian company when its profits are deemed to accrue or arise in Nigeria[38].

4.10. **Taxable Profits of Non-Residents –** The NTA expands the scope of the activities of non-resident companies that are subject to tax in Nigeria. Under the NTA, certain activities carried out by a non-resident company or its related parties, can be taxed as part of the non-resident company's permanent establishment (PE) in Nigeria, even if those activities are not physically conducted through the PE. In addition, profits from Engineering, Procurement, and Construction contracts can be taxed in Nigeria, even if some of the activities are performed under separate contracts or outside Nigeria[39].

4.11. **Introduction of Economic Development Incentive -** The NTA replaced the "pioneer" tax holiday incentive[40], with an "Economic Development Incentive" (EDI). Under the former regime, pioneer status granted qualifying companies a tax holiday of up to three years, with the possibility of an extension for a further one or two

[31] tenth schedule ITA
[32] Section 36 of The Nigeria Tax Act 2025
[33] Section 56 of the Nigeria Tax Act 2025
[34] Section 202 of The Nigeria Tax Act 2025
[35] a) is not domiciled in Nigeria; (b) has no permanent place available for his domestic use in Nigeria; (c) has no place of habitual abode in Nigeria; (d) has no substantial economic and immediate family ties in Nigeria; See; Section 202 of the Nigeria Tax Act 2025
[36] Section 59 of the Nigeria Tax Act 2025
[37] Section 6 (2) of the Nigeria Tax Act 2025
[38] Section 6 of the Nigeria Tax Act 2025
[39] Section 17 of the Nigeria Tax Act 2025
[40] The Pioneer Tax Holiday Incentive was established by the Industrial Development (Income Tax Relief) Act, No 22 of 1971 and is a tax holiday which grants qualifying industries and products relief from payment of corporate income tax for an initial period of three years, extendable for one or two additional years

years. The NTA introduces a tax credit of 5% per annum for 5 years on qualifying capital expenditure purchased by eligible companies within 5 years effective from the production date. If a company has unused tax credits or qualifying capital expenses, it can carry them forward for another 5 years. Any credits still unused after this timeline will expire[41].

4.12 **Progressive Personal Income Tax (PIT) Regime -** The NTA changes the income brackets and applicable tax rates for each bracket. Individuals earning N800,000 (Eight Hundred Thousand Naira) or less per annum will now be exempt from tax on their income and gains, while higher income earners will be taxed at a higher rate up to 25%. The NTA also increases the tax exemption threshold for compensation for loss of employment or injury from N10,000,000 (Ten Million Naira) to N50,000,000 (Fifty Million Naira)[42].

4.13 **Resident and Non-Resident Individuals Defined -** PIT will apply to the worldwide income of a resident individual which is now clearly defined in the Nigeria Tax Act 2025. Prior to now there had been varied interpretations due to a lack of proper definition of "residence". With the definition extending to individuals with substantial economic and immediate family ties in a year of assessment[43], the law widens the tax net. 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 Nigerian Tax Reform Acts.

4.14 **Introduction of the Tax Ombud Office -** The JRBN introduces the Tax Ombud office[44] 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.

4.15 **Input VAT Recovery -** The VAT rate of 7.5% has been retained. Nigeria now adopts globally recognised VAT principles that allow for the claim of input VAT on all purchases including services and fixed assets. Businesses can now recover input VAT provided that the input VAT is directly related to their supplies that are also subject to VAT at zero rate on essential goods and services[45].

4.16 **VAT Fiscalisation rules -** Nigeria has now codified VAT fiscalisation rules and mandatory e-invoicing for businesses operating in the country[46]. This sets Nigeria apart as an early adopter of e-invoicing in Africa. Companies in Nigeria are now mandated to implement the fiscalisation system deployed by the tax authority for the collection of VAT.

4.17 **Update to the VAT Sharing Formula -** The NTAA reduces the Federal Government of Nigeria's share of VAT from 15% to 10%, while increasing the allocations of states and Local Government Areas to 55% and 35%, respectively. The VAT revenue assigned to states and local governments is further allocated as follows: 50% divided equally, 20% based on population, and 30% based on place of consumption.

4.18 **Increased Penalties for Non-Compliance -** There has been a significant increase in non-compliance penalties and the introduction of new penalties. The NTAA introduces an increase in the penalty for failure of a taxable person to file returns. The new penalty is as follows, N100,000 (One Hundred Thousand Naira) in the first month, and N50,000 (Fifty Thousand Naira) for each subsequent month in which the failure continues. Also, the introduction of new penalty of N5,000,000 (Five Million Naira) for awarding contracts to individuals or entities that are not registered for tax[48].

4.19 **Disclosure of Tax Planning Arrangements –** The NTAA requires companies to voluntarily and proactively notify the tax authorities of tax planning transactions or schemes which can provide a tax advantage. The term "tax advantage" refers broadly to any situation where a person or entity benefits from a favorable tax outcome. This includes obtaining new or increased tax reliefs, receiving or increasing tax repayments, reducing or avoiding tax charges or assessments, deferring tax payments or accelerating tax repayments, and avoiding obligations to deduct or account for tax. Essentially, it covers any arrangement or action that results in a more beneficial tax position than would otherwise occur[49].

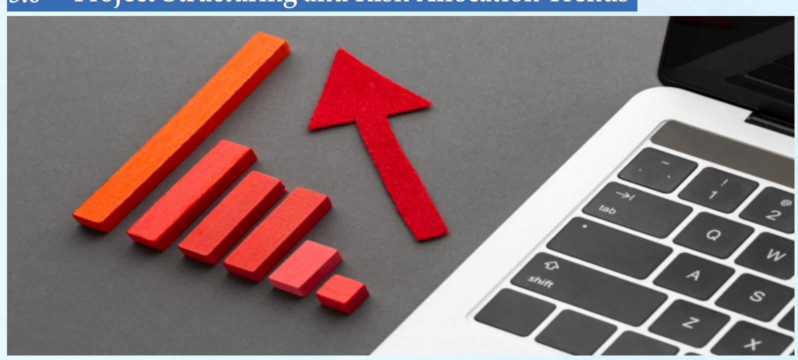
4.20. **FIRS renamed the Nigeria Revenue Service -** The Federal Inland Revenue Service (FIRS) has now been renamed the Nigeria Revenue Service (NRS)[50] to reflect its responsibilities as the body to assess, collect and account for revenue due to the Federation.

4.21. **State Inland Revenue Service (SIRS) -** The NTAA establishes the State Internal Revenue Service. It also provides that the State Internal Revenue Service will be autonomous in the running of their affairs[51].

4.22. **Free Trade Zone and EPZ Reform -** Companies operating in Free Zones or Export Processing Zones such as The Lekki Free Trade Zone remain exempt on exports but now face tighter scrutiny when supplying Nigeria's customs territory. Free Trade Zone is an approved and licensed enterprise under Oil and Gas Free Zones Authority Act 2004. Export Processing Zones are approved and licensed enterprise under the Nigeria Export Processing Zones Act 2004. Furthermore, the conditions for maintaining exemption status are now stricter and clearly defined[52].

4.23. **Launch of the Joint Revenue Board (JRB) -** To combat multiple taxation and regulatory overlap, the JRB brings together federal, state, and local revenue authorities. It serves as a forum for data sharing, harmonized policy execution and conflict resolution across all tiers of government.

5.0 Project Structuring and Risk Allocation Trends



5.1. We understand that all over the world, projects are germane for infrastructure development, which in turn drives economic growth and Nigeria is no exception. Typically, Projects whether small or large require significant funding, often sourced through debt, equity or a combination of both, along with alternative financing mechanisms

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[42] Section 58 of the Nigeria Tax Act 2025

[43] "resident individual" means an individual that, in any year of assessment – (a) is domiciled in Nigeria ; (b) has a permanent place available for his domestic use in Nigeria ; (c) has place of habitual abode in Nigeria; (d) has substantial economic and immediate family ties in Nigeria; (e) sojourns in Nigeria for a period or periods amounting to an aggregate of not less than 183 days in a 12-month period inclusive of annual leave or temporary period of absence; or (f) serves as a diplomat or diplomatic agent of Nigeria in another country;

[44] Section 36 of the Joint Revenue Board (Establishment) Act 2025

[45] Section 187 of the Nigeria Tax Act 2025

[46] Section 158 of the Nigeria Tax Act 2025

[47] Section 81 of the Nigeria Tax Administration Act 2025

5.2 As Nigeria's regulatory landscape continues to evolve, project]sponsors, investors, and lenders are placing increased emphasis on robust project structuring and clearer risk allocation mechanisms. In 2026, this trend is expected to deepen, driven by heightened regulatory scrutiny, investor protection standards under the various regulatory laws and regulations in force. Please note that the list below is not exhaustive.

5.3 Special Purpose Vehicles (SPVs): We note that SPVs are legal entities created for a specific, limited purpose, typically to isolate financial and legal risk from the parent company or project sponsors. In Project Finance, the use of SPVs remains a central feature of project structuring, particularly in infrastructure, energy, fintech, and capital market transactions. SPVs are increasingly deployed to:

i.Ring-fence project assets and liabilities from the sponsors' balance sheets, thereby protecting investors and lenders from broader corporate risk. In the wider context, this structure enhances project bankability, facilitates non-recourse or limited-recourse financing, and aligns risk allocation more closely with the underlying project cash flows or assets.

ii.Isolate regulatory, operational, and financial risks

iii.Enhance transparency and governance, especially where multiple investors or lenders are involved.

5.4 Furthermore, it is important to note that project assets used as security are required to be stamped by virtue of section 127 of the Nigerian Tax Act. Depending on the nature of the security, there may be need for additional registration in the land registry or the Corporate Affairs Commission (CAC). For instance, For instance, a legal mortgage or charge over land must be perfected by stamping, registration at the land registry, and the obtaining of the Governor's consent pursuant to the Land Use Act, while a fixed or floating charge over a company's assets must be registered with the CAC within the prescribed statutory period to be valid against a liquidator or other creditors.

5.5 By virtue of section 22 of the stamp duties Act, which has now been replaced with Section 127 of the Nigerian Tax Act 2025, only a stamped document can be admissible as evidence before a Nigerian court.

5.6 Public-Private Partnerships (PPPs): PPPs continue to be a cornerstone of Nigeria's strategy for closing the infrastructure gap, attracting private capital, and delivering critical services across transport, energy, healthcare, housing, and social infrastructure. As regulators intensify their oversight, PPPs remain a high-priority structuring model into 2026.

5.6.1. Legal and Policy Framework: The foundational legal statute for PPPs in Nigeria is the Infrastructure Concession Regulatory Commission (Establishment, Etc.) Act, 2005, ("The ICRC Act") which establishes the legal basis for PPP arrangements involving Federal Government infrastructure and vests regulatory authority in the Infrastructure Concession Regulatory Commission ("ICRC").

5.6.2. Under the ICRC Act, Federal Ministries, Departments, and Agencies (MDAs) may enter concessions or contracts with the private sector for financing, building, operating, and maintaining infrastructure projects. The Act empowers ICRC to regulate, monitor, and enforce compliance with PPP agreements

5.6.3. In 2025, the ICRC issued new PPP regulatory guidelines , and a Regulatory Notice, decentralizing certain approval powers to MDAs to accelerate project delivery while retaining central oversight. Under these reforms, MDAs can approve smaller projects, N20,000,000,000 (Twenty Billion Naira) and below for ministries; above N10,000,000,000 (Ten Billion Naira) but below N20,000,000,000 (Twenty Billion Naira for agencies/parastatals, with larger or multi-agency projects requiring Federal Executive Council (FEC) approval. We believe that this decentralisation is intended to reduce bureaucratic delays, shorten approval timelines, and enhance project bankability by improving regulatory efficiency, while ensuring that high-value and strategically significant projects continue to benefit from central oversight.

5.7. **Bureau of Public Enterprises (BPE) –** While the ICRC is the statutory regulator, the BPE remains integral where PPPs intersect with privatization, commercialization, and enterprise restructuring. In sectors or transactions involving asset reform or corporatization, the BPE provides policy support, transaction advisory services, and sector-specific compliance inputs, ensuring that PPP projects align with broader public enterprise reforms and competitive efficiency mandates.

5.8. Escrow Accounts as Risk Mitigation Tools: Another notable trend is the increased reliance on escrow accounts to manage financial risk and build stakeholder confidence. Escrow arrangements are now commonly embedded in project finance documentation to:

i. Secure investor funds pending satisfaction of conditions precedents in any project transaction;

ii. Manage phased disbursements linked to project milestones and

iii. Protect counterparties against diversion or misuse of funds

5.9. In 2026, escrow structures are expected to become more sophisticated, with clearer triggers for release, enhanced reporting obligations, and stronger oversight by regulated financial institutions. This aligns with regulators' broader focus on investor protection, transparency, and anti-money laundering controls. In Nigeria, the principal legislations that guards against money laundering are Money Laundering (Prevention and Prohibition) Act 2022, Economic and Financial Crimes Commission (Establishment) Act, 2004 etc.

6.0 ESG, Sustainability, and Compliance Expectations

6.1. Given the increasing complexity of regulatory requirements and growing stakeholder awareness, Environmental, Social, and Governance ("ESG") considerations are becoming integral to project development, investment decisions, and corporate governance frameworks in Nigeria. In 2026, ESG compliance will no longer be viewed as a soft or voluntary obligation but as a material risk and value driver across regulated sectors, particularly energy, infrastructure, financial services, and capital markets.

6.2. Although Nigeria does not yet operate a single, consolidated "ESG law," ESG obligations are embedded across multiple sector-specific statutes and regulations, which collectively impose enforceable compliance standards on project sponsors and investors.

6.3. Environmental Compliance Obligations: This remains the most developed pillar of ESG regulation in Nigeria. A core statute is the Environmental Impact Assessment Act, Cap E12, Laws of the Federation of Nigeria 2004 ("EIA Act"), which mandates that projects likely to have significant environmental effects particularly in the energy, oil and gas, power, and infrastructure sectors, must undergo an environmental impact assessment prior to approval and execution.

6.4. Under the EIA Act, Environmental impact assessments are mandatory for prescribed projects[55], Public consultation and disclosure are required, and Regulatory approval must be obtained before project commencement.

6.5. We note that failure to comply may result in project suspension, regulatory sanctions, or civil liability. Specifically, under section 60 of the EIA Act, any person who fails to comply with the provisions of this EIA Act shall be guilty of an offence under this EIA Act and liable on conviction in the case of an individual to N100,000(One Hundred Thousand Naira) fine or to five years' imprisonment and in the case of a firm or corporation to a fine of not less than N50,000 (Fifty Thousand Naira) and not more than N100,000 (One Hundred Thousand Naira).

6.6. Beyond the EIA Act, sector-specific regulators such as the Federal Ministry of Environment, NESREA, and, in the energy space, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) enforce environmental standards relating to emissions, waste management, remediation, and sustainability practices.

6.7. In 2026, environmental compliance in line with global environmental compliance/standards is expected to attract more scrutiny, with project sponsors required to demonstrate adherence to environmental impact assessment requirements, climate-related risk management, and sustainable resource utilization. Investors and lenders are also factoring environmental performance into financing terms, making compliance a prerequisite for access to capital.

6.8. Employment Issues: On the social front, issues such as labour standards, data protection, consumer protection, and community engagement are gaining prominence. Organisations are expected to implement policies that promote fair labour practices, inclusion, and social responsibility, while ensuring compliance with sector-specific regulations.

6.9. We understand that Governance remains a critical pillar, with regulators and investors focusing on board accountability, internal controls, risk management systems, and disclosure obligations. Under the ISA 2025 framework, governance failures particularly in public offerings and investment schemes, may expose issuers and promoters to enhanced regulatory enforcement and reputational risk.

7.0. The Role of Regulators in Project Finance:

Generally, regulators amongst other things play a central role in shaping project structuring, financing models, and investor behaviour in Nigeria. In 2026 and beyond, regulatory oversight is a major determinant of bankability, capital inflows, and investor confidence, particularly in capital-intensive and long-tenor projects. Hence, the effectiveness, consistency, and predictability of regulatory actions directly influence how projects are structured, financed, and priced, as well as the willingness of both domestic and foreign investors to commit capital to the Nigerian market

7.2. Central Bank of Nigeria (CBN)

7.2.1. The CBN is the apex regulatory body for banking and financial services in Nigeria. As a major regulator, the CBN remains pivotal to project finance and investment flows, particularly through its control over monetary policy, foreign exchange regulation, and banking sector supervision. Typically, the CBN issues guidelines, circulars, and regulatory directives governing foreign exchange transactions, capital importation, repatriation of profits, prudential lending limits, and risk management standards, all of which have direct implications for the structuring and financing of projects in Nigeria.

7.2.2. From a project finance perspective, CBN influences: Access to credit and lending conditions through prudential guidelines; Participation of banks in long-term project financing, foreign exchange availability for debt servicing and dividend repatriation etc.

7.2.3. For investor, capital repatriation remains a critical investor concern. The CBN's regulatory framework on foreign investment inflows particularly the issuance and recognition of Certificates of Capital Importation (CCIs), continues to be a fundamental mechanism for facilitating repatriation of dividends, loan repayments, and investment proceeds.

7.2.4. By virtue of section 15(1) of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, capital importation into Nigeria whether in the form of cash or tangible assets, such as machinery and equipment, must be effected through an authorized dealer, being a bank licensed by the CBN. Where capital is imported in compliance with this requirement, the authorized dealer is mandated under section 15(2) of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, to issue a CCI as evidence of the inflow of foreign capital.

7.3. Other Regulators- Sector-Specific and Coordinating Regulators

7.3.1 Beyond the CBN and SEC, sector regulators play a decisive role in project viability and financing certainty. Regulatory approvals, licensing regimes, and tariff frameworks issued by sector regulators often form conditions precedent to financing and project execution.

7.3.2 For instance, in the oil and gas sector, the Petroleum Industry Act 2021("PIA"), and its regulatory regime under the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) impose specific statutory requirements for project transactions. Under the PIA:

i.Ministerial Consent for Transfers: The PIA requires prior written consent from the Minister of Petroleum Resources and approval by the relevant regulator (NUPRC or NMDPRA) for assignments, transfers, or allotments of petroleum licences, leases, or production sharing contracts[56]. The exceptions include:

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[55] Sec 2(1)(2) of the EIA Act makes it mandatory for projects listed in the Schedule to the Act, including oil and gas, power, mining and major infrastructure projects, to undergo an environmental impact assessment prior to approval and commencement

[56] Section 95(1-4), (6-9) of the Petroleum Industry Act, 2021.

a. where specified transactions fall solely within the upstream regulator's purview, the consent of the commission (NUPRC) may suffice in limited circumstances, for instance, where the PIA or applicable regulations expressly provide that the commission's approval may operate without further ministerial sign-off (such as for small downstream permits or license types where prescribed by regulation)

b. Where the relevant authority (either the commission or the minister) fails to communicate a decision on the application within the time prescribed by the Act or relevant regulations (60 or 90 days), the application may be deemed granted.

c. Non-license transactions: Transfers of purely corporate rights or shareholdings that do not constitute an assignment or transfer of a petroleum license, lease, permit or participating interest may, depending on the context and applicable regulations, fall outside the ministerial consent requirement (for example, internal reorganizations within an incorporated joint venture where no substantive license interest changes hands, although this is determined on a case-by-case regulatory basis).

ii These consent requirements are embedded in the PIA's provisions governing participating interests, farm-outs, sale of all or part of assets, and changes in control.

7.3.3. Failure to secure such consent and regulatory approvals can render the transaction unenforceable and jeopardise project financing, as lenders treat Ministerial and regulatory approvals as conditions precedent to credit availability. Accordingly, early and coordinated engagement with the sector regulators is essential to preserve project bankability and investor confidence.

7.3.4. **The Federal Competition and Consumer Protection Commission (“FCCPC”):** The FCCPC also plays a critical role in regulating transactions that may affect competitive market conditions in Nigeria. Established under the Federal Competition and Consumer Protection Act, 2018 (“FCCPA”), the FCCPC is the primary competition authority responsible for promoting fair competition and protecting consumer welfare across all sectors of the economy.

7.3.5. Under the FCCPA, mergers and acquisitions that qualify as “notifiable” transactions must be notified to and approved by the FCCPC before implementation to ensure they do not substantially prevent or lessen competition in the relevant market. A proposed merger must not be implemented until the FCCPC has reviewed and granted approval.

i.Merger notification and review: Pursuant to sections 92, and 93 of the FCCPA, and the FCCPC Merger Review Regulations, parties to a “large merger” (e.g., where annual turnover and market thresholds[57] are met) are required to notify the FCCPC of the transaction in the prescribed manner and form, and to obtain the approval of the FCCPC prior to closing.

ii.Small mergers: Transactions that fall below the statutory threshold[58] may not require mandatory notification initially, however the FCCPC may comply with notification within six months if it determines the merger may substantially lessen competition.

iii.Approval and conditions: Upon review, the FCCPC may approve a merger unconditionally, approve subject to conditions, or prohibit a transaction that would negatively affect competition.

7.3.6. The FCCPC's review obligations extend to cross-sector transactions and may require coordination with sector regulators (e.g., NUPRC, NMDPRA, NCC) so that any sector-specific licensing or regulatory approvals align with competition clearance. In practice, it is common for sector regulators to issue letters of no objection or for merging parties to satisfy both competition and sector regulatory requirements before consummating major project transactions.

7.4. Regulatory Predictability and Investor Confidence

7.4.1. Investor confidence in 2026 will be closely tied to regulatory predictability, transparency, and consistency. Sudden policy shifts, overlapping regulatory mandates, or unclear enforcement approaches can materially affect project cash flows and risk profiles.

7.4.2. Conversely, clear regulatory processes, stakeholder engagement, and timely approvals contribute to reduced regulatory risk premiums, lower cost of capital, increased appetite for long-term investment. Regulators are therefore increasingly viewed not only as enforcement bodies but as market enablers whose actions shape the overall investment climate.

7.5. Capital Repatriation and Cross-Border Investment Considerations

For foreign investors and lenders, the ability to repatriate capital remains a fundamental consideration in project structuring. Regulatory assurance around profit and dividend remittance, loan repayment, exit proceeds, is often built into financing documentation through conditions precedent, escrow mechanisms, and political risk mitigation tools[59].

In 2026, sustained collaboration between financial regulators and fiscal authorities will be critical to maintaining Nigeria's attractiveness as an investment destination, particularly in the context of foreign exchange management and cross-border capital flows.

8.0 Dispute Resolution and Regulatory Enforcement

8.1. Typically, disputes arising from project finance transactions in Nigeria stem from contractual breaches, regulatory non-compliance, force majeure events, delays in approvals, and payment defaults. Disputes are sometimes inevitable and given the long-term and capital-intensive nature of infrastructure and project finance arrangements, the choice of an effective dispute resolution mechanism remains a critical consideration for project sponsors, lenders, and investors.

8.2. In practice, parties to project and finance transactions in Nigeria frequently adopt multi-tiered dispute resolution clauses, incorporating, mutual consultation, negotiation and mediation as preliminary steps, followed by arbitration or litigation as a final recourse.

8.3. From a commercial standpoint, Arbitration remains the preferred mechanism for resolving complex project finance disputes, particularly in cross-border transactions, due to its flexibility, confidentiality, and enforceability of awards under the New York Convention, to which Nigeria is a signatory. The enactment of the Arbitration and Mediation Act 2023 has further strengthened Nigeria's arbitration framework by modernising arbitral procedures and promoting institutional and ad hoc arbitration.

[57] Combined annual turnover of the merging entities equals or exceeds N1,000,000,000(One Billion Naira)
[58] combined annual turnover of the merging entities is below N1,000,000,000 (One Billion Naira)
[59] Section 15(1) and (4) of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, 1995.

8.4. Notwithstanding the increasing reliance on arbitration, Nigerian courts continue to play a pivotal role in the project and finance ecosystem, particularly in matters relating to interim reliefs, enforcement of security, insolvency proceedings, and the recognition and enforcement of arbitral awards.

8.5. In our view, investors, lenders and other participant in the project and finance space prioritise carefully considered dispute resolution clauses, proactive regulatory compliance, and early risk-management strategies. As regulatory oversight and enforcement continue to intensify, particularly in 2026, effective dispute resolution planning will remain central to safeguarding project viability and sustaining investor confidence.

9.0 CONCLUSION

9.1. The regulatory outlook for 2026 marks a significant inflection point for Nigeria's project and finance ecosystem. The combined effect of the Investment and Securities Act 2025, the comprehensive tax reform legislations, sector-specific and ESG compliance expectations reflects a shift towards stronger governance, enhanced investor protection, and greater regulatory certainty. While these reforms introduce more stringent compliance obligations and enforcement mechanisms, they also lay the foundation for a more transparent, resilient, and investor -friendly project finance environment.

9.2. For project sponsors, investors, and lenders, success in 2026 will depend on early regulatory engagement, robust transaction structuring, and proactive compliance planning. The emphasis on sound governance, clear risk allocation, tax efficiency, and sustainability is no longer optional but central to project bankability and long-term viability.

9.3. Regulators, on their part, continue to play a dual role as both enforcers and enablers of investment, with regulatory predictability and coordination remaining critical to sustaining capital inflows. Market participants that align their strategies with the regulatory framework, leverage professional advisory support, and integrate compliance, ESG, and risk management considerations into project design and execution will be best positioned to navigate the complexities of 2026 and capitalize on emerging opportunities within Nigeria's project and finance landscape.

10.0. Qualifications

10.1. This regulatory outlook should not be considered as legal advice or a comprehensive treatment of all laws, regulations, or regulatory developments in Nigeria. It is intended for general informational purposes only and does not constitute a substitute for professional legal advice tailored to specific transactions or circumstances.

10.2. We advise readers to seek independent legal, financial, and regulatory guidance before acting on any matters discussed in this report. You can reach out the Berkeley Legal Team via the provided means below.

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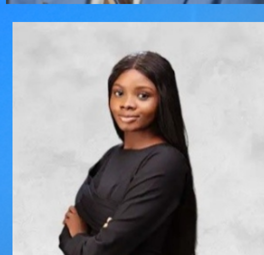

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