



L E G A L

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# Beyond The News: A Deep Dive into the Nigeria Tax Laws

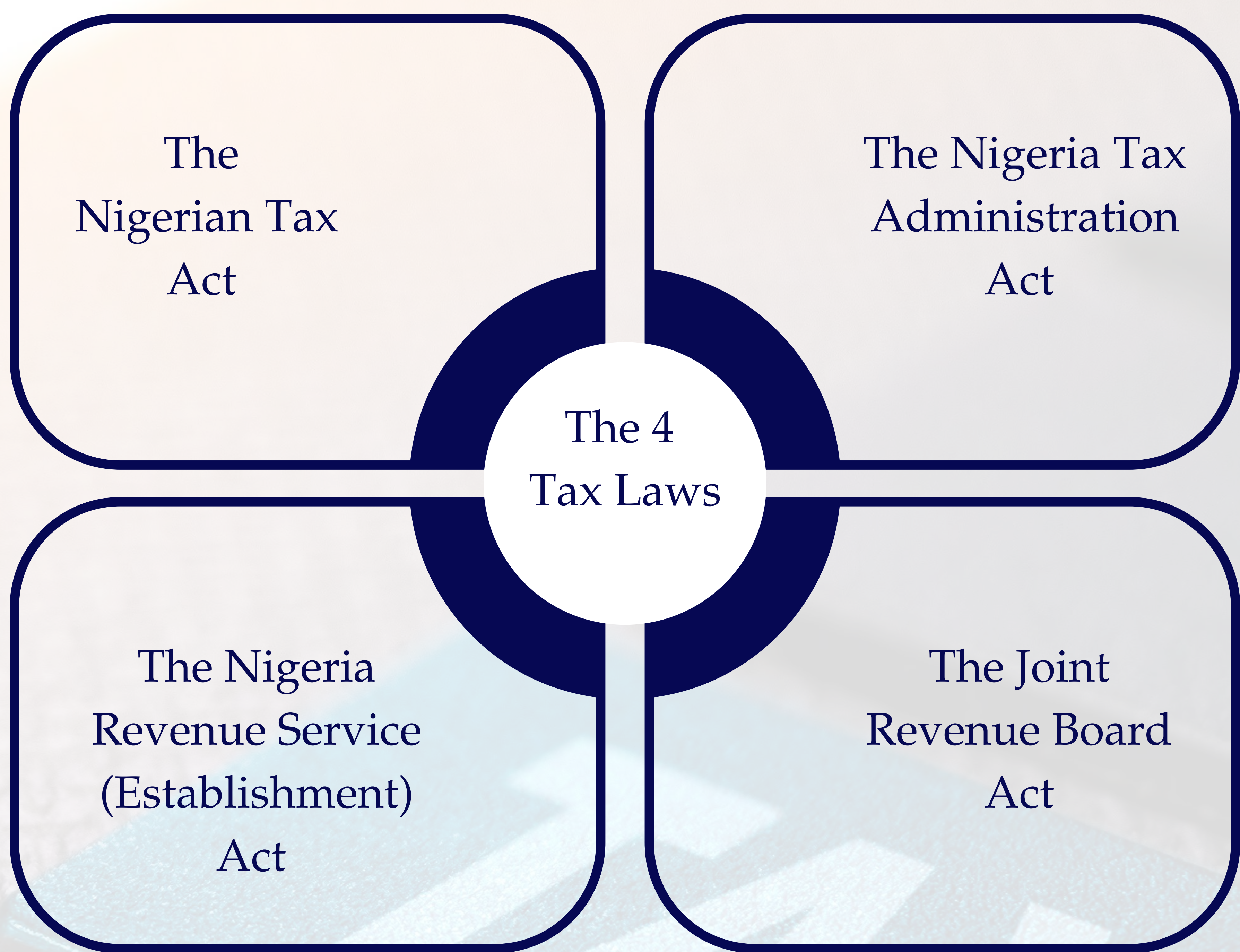
Policy Analysis of the  
2025 Tax Reform Act

## Introduction

Tax is not just a compulsory contribution to state revenue levied on people and businesses by the government but a policy instrument for prosperity and national development. In a bold step towards building a more efficient, equitable, and growth-driven fiscal landscape, President Bola Ahmed Tinubu inaugurated the *Presidential Committee on Fiscal Policy and Tax Reform*, led by tax expert Mr. Taiwo Oyedele, and comprising over 180 cross-sector stakeholders to redefine the Nigerian tax architecture to align with global best practices, simplify revenue collection and compliance, and ultimately unlocking Nigeria's economic potential.

After over a year of wide-ranging stakeholder consultations and in-depth deliberations spanning more than 40 sectors, the Tax Reform Committee developed approximately 200 proposals that were consolidated into 4 landmark Tax Reform Bills, which were transmitted to the National Assembly by the President on October 3, 2024. The Bills were subsequently passed by both chambers and signed into law by the President on the 26<sup>th</sup> June, 2025.





These new Acts represent the most comprehensive reform of Nigeria's tax system in decades, addressing longstanding challenges such as overlapping taxes, fragmented policies, and inefficiencies in tax administration. The overarching objective is to broaden Nigeria's revenue base by simplifying tax processes to enhance compliance, improving the efficiency of tax collection, supporting intergovernmental coordination and collaboration among tax authorities, safeguarding taxpayers' rights, and boosting government revenue. The reforms also aim to promote tax equity by ensuring that low- and middle-income earners are not overburdened, while high-income earners; those with the greatest ability to pay taxes contribute a fairer share, in line with global calls for progressive taxation. Together, these measures are designed to establish a more sustainable, transparent, efficient and equitable revenue framework that supports inclusive and long-term national development.

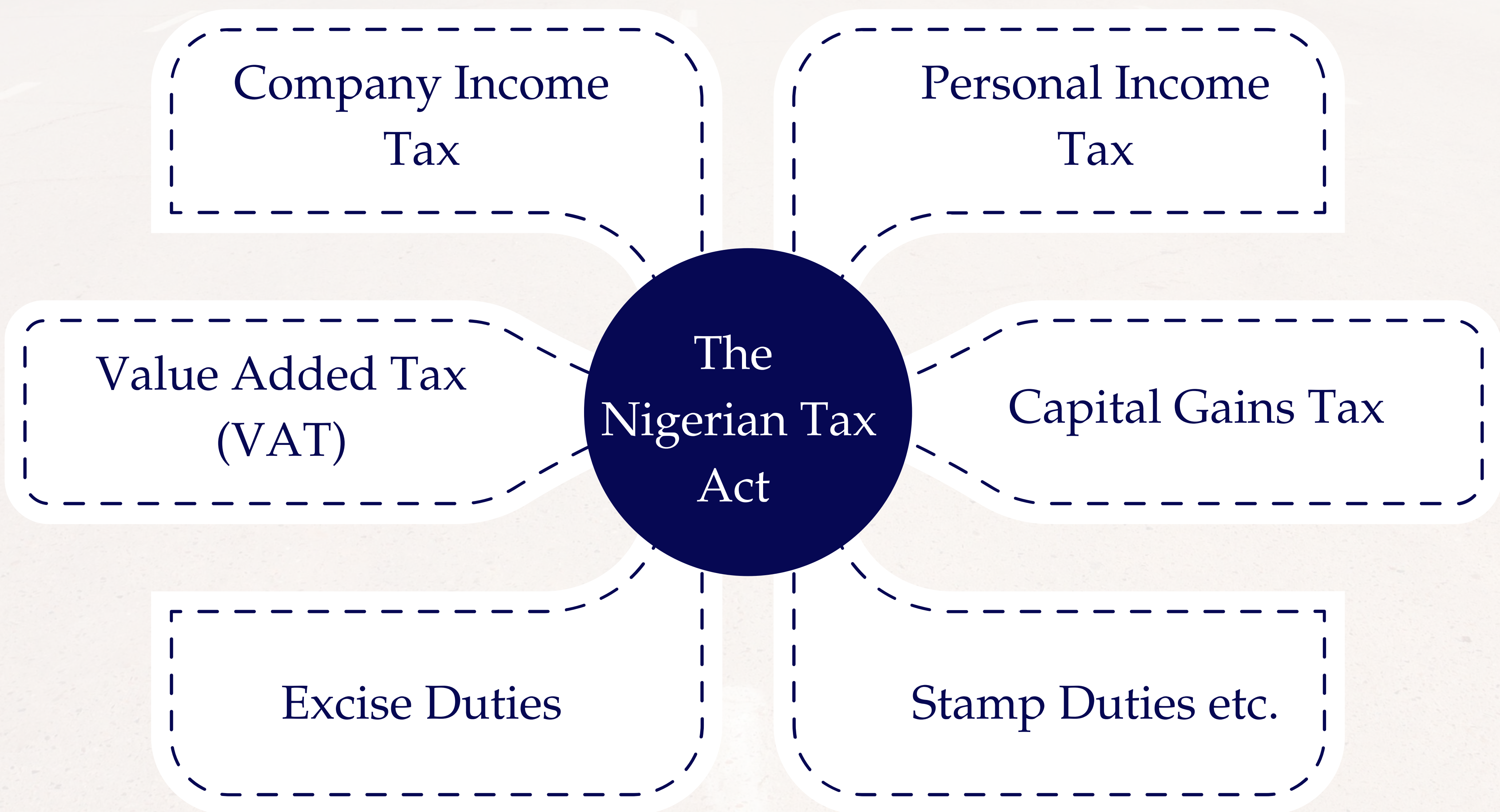


This 3-part policy analysis takes a deep dive into the objectives and core provisions of the 4 Tax legislations. It is designed to serve as a reader guide, enabling stakeholders to understand the substance of the Act without having to read over 400 pages of the Acts.

For this publication, the focus is on the Nigeria Tax Act, while the remaining tax legislations will be reviewed in subsequent editions of this series. The analysis breaks down key components of the Act, examines the implications for individuals, small and medium enterprises (SMEs), companies, non-governmental organisations (NGOs), and public institutions. framework and actively contribute to its effective implementation.

## Overview of the Tax Reform Acts

i) **The Nigerian Tax Act** repeals and consolidates multiple previously fragmented tax laws, including Company Income Tax (CIT), Personal Income Tax (PIT), Value Added Tax (VAT), Capital Gains Tax, Excise Duties, Stamp Duties etc. into a single, unified legislation. This major reform simplifies the tax framework, reduces the number of separate taxes, and makes it easier for taxpayers to understand and comply with their obligations.





**ii) The Nigeria Tax Administration Act** governs processes like registration, filing, assessment, and enforcement. It introduces harmonized tax identity systems and expands digital tax filing systems to reduce leakages, cut bureaucracy, and boost compliance.



**iii) The Nigeria Revenue Service (Establishment) Act** restructures the Federal Inland Revenue Service (FIRS) into the Nigeria Revenue Service (NRS), which will become the central agency for all revenue collection. This move aims to increase efficiency, ensure coordination, with other government revenue agencies, and reduce leakages.

**iv) The Joint Revenue Board Act** establishes the Joint Revenue Board to replace the current Joint Tax Board. It also establishes the Tax Appeal Tribunal and the Office of the Tax Ombudsman to handle all tax related disputes.

## Dissecting The Nigeria Tax Act, 2025

The Nigeria Tax Act (NTA) repeals and consolidates various tax laws into a single, unified legislation to simplify the country's tax system and improve administration. By eliminating overlapping and conflicting provisions, the Act enhances legal clarity and transparency. Its key aim is to reduce the number of taxes to a manageable, single-digit figure, shifting focus from low-revenue, burdensome "nuisance taxes" to broader, high-yielding ones that are easier to collect and comply with. It also merges similar taxes to curb duplication and inefficiency, while promoting sustainable tax harmonisation across federal, state, and local governments.



## Assessment of Profit and Income

The Act allows businesses to deduct all expenses that are entirely and solely used to generate income when calculating their profits or losses from any trade, business, or profession. It also lists the types of expenses that can be deducted. Under the previous regime, for an expense to be deductible, it must not only be wholly and exclusively for the business but also considered necessary and reasonable. The new provision removes the “necessary and reasonable” test, requiring only that the expense be wholly and exclusively related to income generation.<sup>[1]</sup> This change aligns Nigeria’s tax rules with international practice, such as that of the United Kingdom.

## Revision of Personal Income Tax (PIT) Rates

The Act introduces a commendable revision to personal income tax (PIT) rates through Section 58 and the Fourth Schedule of the Act. This revision replaces the previous tax structure with a new graduated rate system aimed at promoting fairness and reducing the tax burden on lower-income earners. A notable feature of the new system is the exemption of the first ₦800,000.00 of chargeable income from taxation. As a result, individuals earning within this threshold are now completely exempt from personal income tax. Those earning above this amount are taxed based on a progressive scale, as outlined below:

Taxable Income	Rate
First ₦800,000.00	0%
Next ₦2,200,000.00	15%
Next ₦9,000,000.00	18%
Next ₦13,000,000.00	21%
Next ₦25,000,000.00 at 23%	23%
Above ₦50,000,000.00 at 25%	25%

<sup>[1]</sup>Section 20, Nigeria Tax Act, 2025



Compared to the previous tax regime, these revised rates offer substantial relief to individuals in the lower and middle-income categories. For example, under the old structure, even the first ₦300,000.00 of the chargeable income was taxed at 7%, with rates rising to 24% on income above ₦3.2 Million. The NTA not only raises the tax-free threshold but also reduces the sharp jumps in rates across higher income bands, thereby enhancing equity.

Given that a significant proportion of Nigerians earn within or just above the ₦800,000.00 threshold, the new rates will ease the tax burden for a large portion of the population. As such, the PIT revision is considered notably “pro-the masses” and positions the tax system to be more responsive to current income realities.

### **Removal of Consolidated Relief Allowance and Introduction of Rent Relief Allowance**

The Act omitted the Consolidated Relief Allowance (CRA), which was a key component of the personal income tax regime in Nigeria. Under the repealed provisions of the Personal Income Tax Act 2004, the CRA allowed taxpayers to deduct the higher of ₦200,000.00 or 1% of gross income, plus 20% of gross income, thereby providing a broad-based and automatic relief applicable to all individual taxpayers. In its place, the Act now introduces a Rent Relief Allowance, aimed at providing targeted relief for housing expenses. As provided by the Act, an individual may deduct 20% of the annual rent paid, subject to a maximum of ₦500,000.00 whichever is lower.<sup>[2]</sup>

This shift from CRA to rent relief allowance may be less beneficial to some taxpayers. Since the relief is tied strictly to rent paid, rather than income earned, it could result in lower total relief deductions and higher chargeable income, especially for individuals who do not pay rent. However, low and middle-income earners will very likely be protected by the revised progressive tax scale rate, so the higher chargeable income does not result in an increase in tax payable.

<sup>[2]</sup> Section 30(2)(a)(iv), Nigeria Tax Act, 2025



For very high-income earners, on the other hand, a higher chargeable income may increase their tax liability, as the revised tax rate is structured to increase the tax payable.

Additionally, access to this relief alongside other deductions under the Act is not automatic. Section 31 requires that the taxpayer apply to the relevant tax authority, submitting prescribed information before the relief can be granted. While this requirement for prior approval is expected to help the tax authority ensure that the relief not abused by taxpayers, it introduces additional compliance obligations, which may complicate access to the relief, especially if the administrative process is not automated.

### **Introduction of Development Levy**

Section 59 of the NTA introduces a Development Levy imposed at a flat rate of 4% on the assessable profits of all companies excluding small companies and non-resident companies. The proceeds of the levy will be distributed among Tertiary Education Trust Fund (TETFund), Nigerian Education Loan Fund (NELFund), National Information Technology Development Fund (NITDA), National Agency for Science and Engineering Infrastructure (NASENI), National Board for Technological Incubation (NBTI), Defence and Security Infrastructure Fund, and National Cybersecurity Fund.

This levy consolidates multiple levies, which previously applied separately to company profits or turnover. These include:

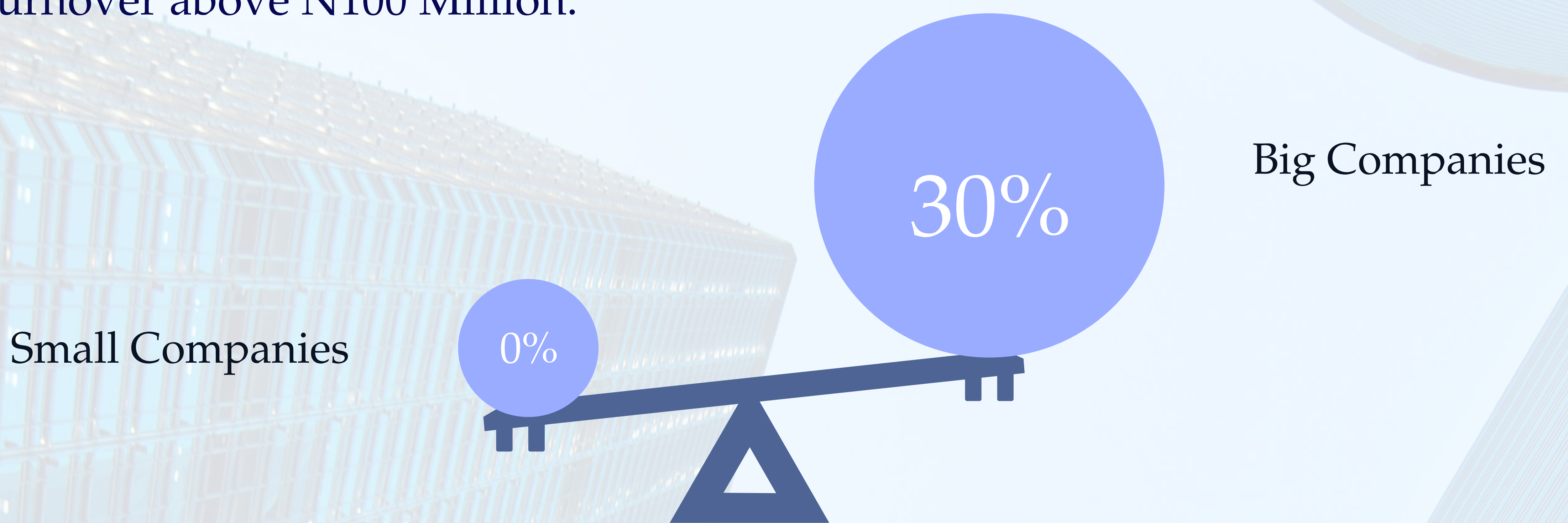
- i) Tertiary Education Tax:** 2% of annual profits, paid to TETFUND.
- ii) NASENI Levy:** 0.25% of turnover for companies with a turnover of ₦4 Million or more, paid to NASENI.
- iii) Information Technology Tax:** 1% of profit before CIT, applicable to specific sectors like banking and telecommunications, paid to the NITDA.

The consolidation is expected to streamline tax administration and simplify compliance for businesses. Additionally, the exclusion of small businesses and non-resident companies will ease their overall tax burden, enhance economic growth and encourage foreign investment.



## Revision of Companies Income Tax Rate and Redefinition of Small Companies

The Act introduces a significant change in Nigeria's Company Income Tax (CIT) framework with a two-tier tax structure, whereby small companies are taxed at 0%, while all other companies are taxed at a flat rate of 30%.<sup>[3]</sup> This replaces the previous three-tier system under the repealed Companies Income Tax Act (CITA), which imposed 0% on small companies with annual turnover less than N25 Million; 20%, on Medium companies with turnover between N25 Million - N100 Million; and 30% rate on large companies with turnover above N100 Million.



The Act also revises the definition of a small company. It defines a small company as one with an annual gross turnover of ₦100,000,000.00\* or less, and total fixed assets not exceeding ₦250,000,000.00, provided that any business providing professional services<sup>[4]</sup> shall not be classified as a small business.<sup>[5]</sup> This expands the turnover threshold from the prior ₦25 Million and introduces a new fixed asset limitation.

While this revenue threshold expansion means that some medium-sized companies will now enjoy tax exemption, those that fall outside the revised definition will face an increased tax burden, as they will no longer be taxed at 20% and are now subject to the flat 30% CIT rate applicable to all non-small companies. The additional requirement that fixed assets must not exceed ₦250,000,000.00 could limit eligibility for businesses with significant fixed assets.

<sup>[3]</sup> Section 56, Nigeria Tax Act, 2025

\***Caveat:** As of the time of this analysis, the official Gazetted version of the Act has not been published, and the exact threshold for small companies can only be confirmed upon its release. This analysis is therefore subject to revision once the official document becomes available.

<sup>[4]</sup> Section 202 defines professional services as those provided by individuals or firms with specialised knowledge, skills, and qualifications in fields such as consulting, planning, and support services, excluding artisans or professional services.

<sup>[5]</sup> Section 202, Nigeria Tax Act, 2025



## **Classification of Tax-exempt Goods as Zero Rated**

The NTA reclassifies several goods, that were previously categorised as VAT-exempt, as zero-rated under Section 187.

These include basic food items, educational books and materials, electric vehicles, electricity generated by GENCOs and supplied to the National Grid, and electricity transmitted by the Transmission Company of Nigeria to electricity distribution companies.

While both VAT-exempt goods and zero-rated goods are similar, the distinction is that, under a zero-rated structure, businesses can reclaim the VAT paid out on items (i.e inputs) used to make or sell zero-rated goods, whereas they cannot reclaim VAT on inputs for VAT-exempt goods.

With the classification of these goods as zero-rated, businesses that supply these items can now claim input VAT, potentially lowering their production costs. Since the consumer bears the burden of VAT, the reduction in the cost of production may be reflected in the cost at which these goods are sold to the consumer.

## **Integration of Capital Gains with Income Tax**

The NTA considers chargeable gains in the computation of total income for both individuals and companies. As stipulated in Sections 27 and 28 of the Act, capital gains arising from the disposal of assets, previously taxed separately under the repealed Capital Gains Tax Act at a flat rate of 10%, will now be treated as part of taxable income for the purposes of income tax assessment.



Under this new framework, capital gains will no longer enjoy the uniform 10% rate. Instead, they will be subject to the applicable income tax rates, which for individuals range from 0% to 25%, depending on income brackets, and for companies can be as high as 30%, depending on their turnover.



This implies that taxpayers, particularly those who realise substantial capital gains, may now face higher tax liabilities, as those gains are taxed alongside their regular income at progressive rates.

Where the amount received exceeds ₦50 Million, only the excess will be regarded as chargeable gains, to be deducted and remitted by the person paying the compensation, in the case of loss of office or employment.

This marks a significant improvement over the previous position under the repealed Capital Gains Tax Act, which imposed CGT on compensation for loss of office exceeding ₦10 Million. By raising the exemption threshold to ₦50 Million, the Act provides greater relief for individuals receiving severance packages or court-awarded damages. This measure helps to cushion the impact of the integration of capital gains into personal income tax. Without such an exemption, taxpayers receiving large one-off payments due to termination, reputational harm, or similar causes could be subjected to higher tax liabilities.

### **Digital Assets as Chargeable Property**

The Act introduces taxation on gains derived from the disposal of digital assets<sup>[6]</sup> by classifying them as chargeable assets for tax purposes<sup>[7]</sup>. The provisions apply to both resident individuals and companies, as well as Non-Resident Persons<sup>[8]</sup> that derive such gains within Nigeria. This marks a significant move to align Nigeria's tax regime with emerging trends in digital finance and ensure the taxation of the fast-growing digital economy.

### **Free Trade Zone**

The NTA introduces significant changes in the tax exemption status of entities that operate within the Free Trade Zones (Approved Enterprises), under the Nigerian Export Processing Zones Act and the Oil and Gas Free Zone Act. The NTA amends both acts by deleting the sections of the laws that provide for the exemption of Approved Enterprises from CIT<sup>[9]</sup>.

<sup>[6]</sup> The Act defines digital assets as electronic representations of value capable of being transferred or stored digitally, including cryptocurrencies and non-fungible tokens (NFTs)

<sup>[7]</sup> Section 34, Nigeria Tax Act 2025

<sup>[8]</sup> Section 17(2) Nigeria Tax Act 2025

<sup>[9]</sup> Section 197(2) and (3), Nigeria Tax Act ,2025



Additionally, paragraph 3 of the 2nd Schedule provides for conditional tax exemption by granting 100% tax exemption on profits of Approved Enterprises that exclusively export goods or services or make not more than 25% of their sales within the Nigerian customs territory. However, where more than 25% of an Approved Enterprise's annual sales are made to the Nigerian customs territory, income tax will apply to profits derived from such local sales.

Additionally, starting from 1 January, 2028, all profits from sales in the customs territory will become subject to tax, regardless of the volume or proportion of such sales. This ensures that entities engaging predominantly in export activities continue to benefit from the free zone incentives.

### **Minimum Effective Tax Rate**

The Act provides for a minimum effective tax rate of 15%<sup>[10]</sup> for Companies that are part of a Multinational Enterprise (MNE) Group with a global turnover of at least €750 Million and any other company with an annual turnover of ₦50 Billion.<sup>[11]</sup> In line with this provision, even Free Zone Companies that qualify for conditional tax exemptions could still face a tax liability under this section, if they meet the criteria for effective tax.

While this may deter foreign investment in the interim, it is important to note, however, that for MNEs, the introduction of the minimum effective tax is in alignment with international best practices for the taxation of MNEs and is expected to become a global standard. Therefore, as more countries adopt it, it will become less likely to deter foreign investment because businesses will face similar tax obligations in other jurisdictions.

### **Economic Development Tax Incentive (EDTI)**

The Act introduces the Economic Development Tax Incentive (EDTI), a new regime aimed at replacing the Pioneer Status Incentive under the repealed Industrial Development (Income Tax Relief) Act.<sup>[12]</sup>

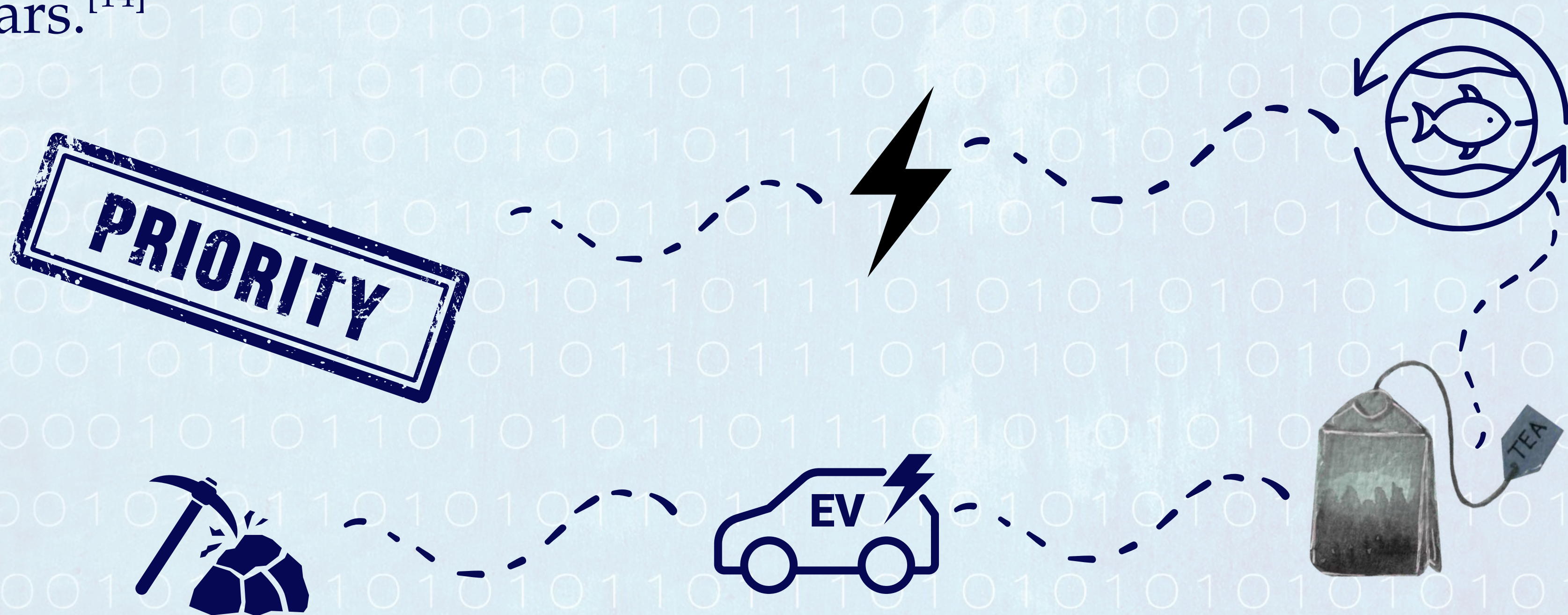
<sup>[10]</sup> Section 57, Nigeria Tax Act, 2025

<sup>[11]</sup> Section 57(2)(c), Nigeria Tax Act, 2025

<sup>[12]</sup> Chapter 8, Part 2, Nigeria Tax Act, 2025



The EDTI offers tax incentives to businesses operating in designated priority sectors<sup>[13]</sup> (e.g. mining of coal and lithium, aquaculture, manufacture of teas, starches electric equipment and electronics and renewable energy) subject to conditions relating to eligibility and duration. The incentive period shall commence on the production day of the company and continue for a period of five years.<sup>[14]</sup>



### Stamp Duties and Dutiable Instruments

This Act provides an updated and detailed list of dutiable instruments subject to stamp duties, including the applicable rates and the party responsible for payment.<sup>[15]</sup> It further introduces exemptions from stamping for specific instruments and transactions<sup>[16]</sup>, thereby clarifying ambiguities under the repealed Stamp Duties Act. This development is intended to modernise and streamline the stamp duty regime, ensuring clearer compliance obligations for taxpayers.

### International Tax Relief and Treaty Override

The Act introduces a unilateral foreign tax credit regime, allowing Nigerian residents to claim a tax credit for foreign income taxes paid in a source country, provided the same income is also subject to tax in Nigeria.<sup>[17]</sup> The allowable credit is either the Nigerian tax attributable to the foreign income, or the foreign tax actually paid, whichever is lower. For instance, since Nigerian residents are taxed on their worldwide income, if a resident taxpayer earns rental income from a property located in the UK, which the

<sup>[13]</sup> Schedule 10, Nigeria Tax Act, 2025

<sup>[14]</sup> Section 178, Nigeria Tax Act, 2025

<sup>[15]</sup> Schedule 9, Nigeria Tax Act, 2025

<sup>[16]</sup> Section 185, Nigeria Tax Act, 2025

<sup>[17]</sup> Section 120, Nigeria Tax Act, 2025



UK taxes even for non-resident owners, and the taxpayer has paid the applicable tax to the UK tax authority, upon assessment the taxpayer will be allowed to claim tax credit to reduce their Nigerian tax liability by either the amount of UK tax paid or the amount of the Nigerian tax that applies to the rental income, whichever is lower.

Unlike the repealed regime, which only allowed partial credit on taxes paid in commonwealth countries and full tax credit on foreign taxes paid in only treaty countries, this approach is broader and provides a more generous offset. The Act also changes the treatment of Double Taxation Agreements (DTAs), which now require formal domestication to be effective in Nigeria.<sup>[18]</sup> Moreover, the precedence previously granted to DTAs over local tax legislation has been removed. Notably, reliefs under DTAs will not apply to taxes paid in line with global minimum tax rules.

These changes reflect Nigeria's efforts to balance its international commitments with domestic revenue protection.

### Conclusion

The Nigeria Tax Act marks a significant step in modernising the nation's fiscal framework, with provisions aimed at simplifying compliance, broadening the tax base and fostering economic growth. While its scope and ambition are commendable, effective implementation will depend on consistent stakeholder engagement, institutional capacity, and transparent enforcement.

This review has provided a roadmap for understanding its key provisions and potential impacts. In our next policy publication, we will turn our focus to the Nigeria Tax Administration Act (NTAA).

[18] Section 121, Nigeria Tax Act, 2025





The information contained in this analysis is solely for educational purposes. It does not and is not intended to constitute legal or any other professional advice.

If you require any further information or professional advice on navigating the Tax Reform Act, you can reach out to our Policy Desk at [contactus@tundeadisa.com](mailto:contactus@tundeadisa.com) and we will be happy to provide any assistance you may need.



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