

NIGERIA 2025 NEW TAX LAWS:

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CONTENT

- Introduction
- Peculiarity of the tax reforms
- Taxation of Individuals
- Chargeable Gain
- Taxation of Companies
- Value Added Tax
- Withholding Tax

Introduction

On 26 June 2025, President Bola Ahmed Tinubu signed the four (4) Tax Reform Bills into law. These laws include

- **Nigeria Tax Act (NTA)** – Consolidates over 20 different tax laws, modernizing core tax provisions.
- **Nigeria Tax Administration Act (NTAA)** – Enhances tax administration by focusing on efficiency, enforcement, and taxpayer education.
- **Nigeria Revenue Service Act (NRSA)** – Establishes the Nigeria Revenue Service (NRS) as a centralized body to handle all tax collection and management.
- **Joint Revenue Board Act (JRBA)** – Facilitates collaboration between federal and state governments to harmonize revenue collection.

The implementation Date is January 1, 2026

Peculiarity of the Tax Reforms

VAT Reform
Eligibility to claim input VAT on assets and services. VAT refund system. Self accounting and withholding VAT

PIT Reform

Exemption threshold, taxable income bands and rates, reliefs and allowances.

CIT Reform
Zero percent CIT for small size companies, simplified returns, simplified and business friendly capital allowance regime & no CAFA

CGT Reform
Incorporated into income tax regime. Deduction for digital assets rule. Exempt share proceeds up to N150m and gains not more than N10m in any 12 consecutive months.

Curbing Evasion
Cross validation of expenses, fiscalisation and e-invoicing tax intelligence and Tax ID harmonization.

Moderating Avoidance
Introduction of top-up tax to minimum effective tax rate of 15%, tax planning disclosure and incentives returns.

Tax Ombud
Independent and impartial arbiter, to conduct equiries, institute legal proceedings on behalf of a taxpayer, act as a watchdog against arbitrary tax policy

Tax Agents

Every company shall designate a representative(s) to attend to its tax matters provided that a paid agent shall be accredited.

WHT Regime
Exemptions for manufacturers, small businesss etc, lower rates, taxpayer issued credit notes.

Taxation of Individual



Employment Income

The income from employment is derived from Nigeria where:

- The employee is a resident of Nigeria or
- The duties of the employment are wholly or partly performed in Nigeria and the remuneration is paid by or on behalf of an employer who is a resident of Nigeria or the remuneration is borne by a Nigerian fixed base of PE or not liable to tax in the employee's country of residence

The employment income of a non-resident employee shall not be taxed in Nigeria where the:

- Employer is a start-up or is engaged in technology-driven services or creative arts
- The employment income is taxable in the employee's country of residence

Residency

The income, gains or profits of an individual who is a resident of Nigeria are deemed to accrue in Nigeria and are chargeable to tax in Nigeria wherever they arise, and whether or not the income, profits or gains have been brought into or received in Nigeria.

Resident individual: An individual that in any year of assessment-

- is domiciled in Nigeria ;
- has a permanent place available for his domestic use in Nigeria
- serves as a diplomat or diplomatic agent of Nigeria in another country;

Determination of Residence

Foreign Employment: If the duty is performed outside Nigeria, the territory in which the principal office of his employer is situated. But if the duty is performed in Nigeria, the place where he usually resides.

Nigeria Employment: In the territory where he has a place of residence or principal place of residence even when he is on leave outside Nigeria.

Partnership: For active partner, the territory in Nigeria of the office where he performs his duty. Dormant partner, the territory where he usually resides.

Other Earned/Unearned Income: In the territory in which he had a place or principal place of residence on 1st January. If the income is earned in different territory and he has no place of residence, in the territory where the income is derived.

Basis of Assessment

The basis of assessing individuals to tax depends on the source of income accruing to the individuals as follows:

- Income from employment e.g. salaries & wages, allowances & bonus, BIK, etc are assessed to tax on actual year basis (AYB)
- Income derived from investments e.g. dividend, interest, annuities, rent, royalty etc are assessed to tax on preceding year basis (PYB)
- Income derived from trade, business, vocation or professions are assessed to tax on PYB.
- Chargeable gains are assessed to tax on PYB
- Income of a trustee, executor or beneficial of a trust or estate - PYB



Income, Profits or Gains Chargeable to Tax

- Profits or gains from any trade, business, profession or vocation
- Royalties, fees, rents or interest
- Dividends, premium, charges or annuities
- Fees, dues, allowances or any remuneration for services rendered
- Discounts or rebates
- Disposal of money or money instruments
- Prizes, winnings, honoraria, grants, awards, laurels, etc
- Employment income
- Profits from digital or virtual transactions
- Gains or profits from disposal of assets

Income Exempted

- Pension, gratuity or any retirement benefits granted in accordance with the Pension Reform Act
- Wound and disability pension granted to members of the armed forces or recognized national defence organization or person injured as a result of enemy action.
- A sum received by way of death gratuities
- Redundancy lump sum & any compensation for loss of employment
- Income earned from State or FGN bonds
- Emoluments of any person serving in hazardous areas
- Dividends received from investments in wholly-export oriented businesses
- Income of persons who earn minimum wage or less
- Wages and Salaries of military officers



Ascertainment of Total Income of an Individual

The total income of an individual in any year of assessment is the taxable income less total deduction.

Taxable income is the aggregate amount of:

- Assessable profits from trade, business, professional or vocation
- Employment income
- Income from investing activities
- Profits or income from any other source
- chargeable gains from the disposal of chargeable assets.

The total deduction is the sum of:

- Any loss ascertained
- Capital allowance
- Exempted income
- Deductions at source income



Ascertainment of Chargeable Income

The chargeable income of an individual is the total income less eligible deductions.

Eligible deductions include:

- National Housing Fund
- National Health Insurance Scheme
- Pension contributions
- Interest on loans for developing an owner-occupied residential house
- Life assurance premium or deferred annuity on self or spouse
- Rent relief of 20% annual rent paid, subject to maximum of N500,000 whichever is lower.



Rate of Tax

The taxable income of an individual shall be taxed at the following rates:

First N800,000 @ 0%

Next N2,200,000 @ 15%

Next N9,000,000 @ 18%

Next 13,000,000 @ 21%

Next N25,000,000 @ 23%

Above N50,000,000 @ 25%

Chargeable Gains

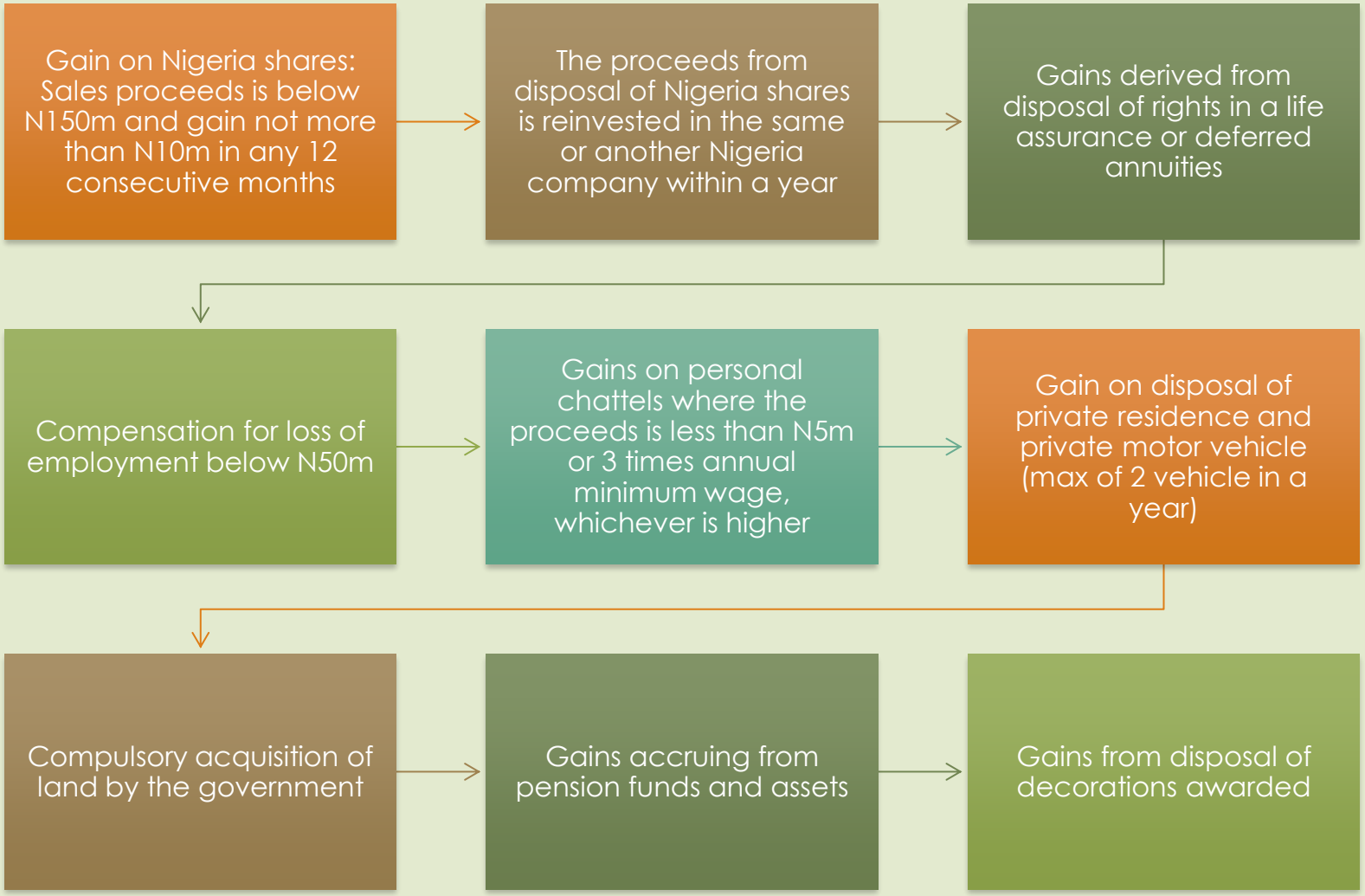
Introduction

Chargeable gain arises from disposal of chargeable assets. Chargeable assets include tangible assets, shares, options, rights, debts, digital or virtual assets, any other intangible assets and foreign currency.

A disposal will occur where a sum is derived on chargeable assets from sale, lease, transfer, assignment and compulsory acquisition.

Under the NTA, chargeable gain is taxed at the same rate the individual or company is assessed to tax.

Exemption From Chargeable Gain



Taxation of Companies

Introduction

Nigeria companies are liable to tax on their worldwide income at the rate of 30%, except for small company which is exempted from tax. Small companies are companies with turnover of N100m & below and assets of less than N250m.

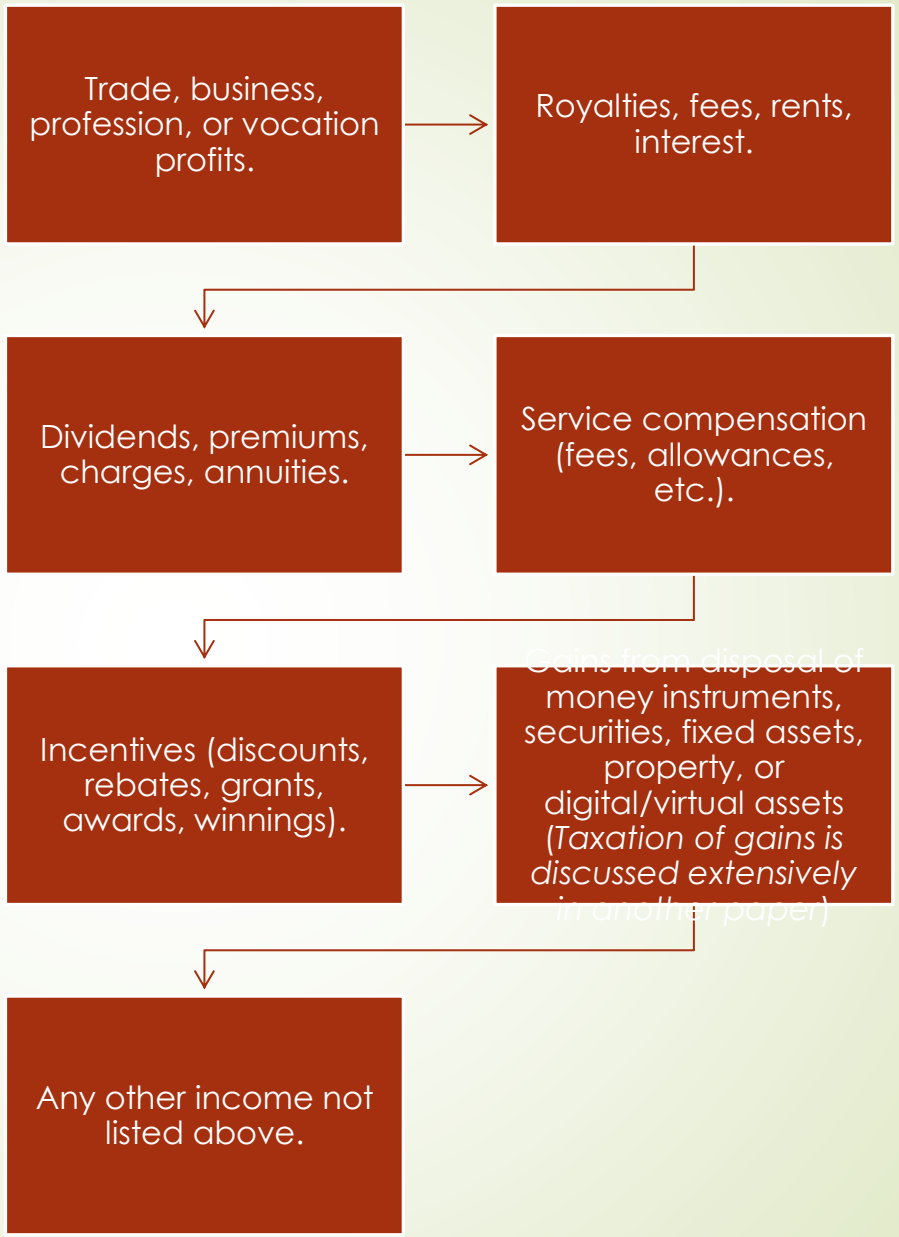
Taxation of Companies - Impact

- No more minimum tax for loss making companies
- Introduction of effective tax rate of 15% for multinational and large companies
- Any expenses on which VAT or import duty is due but not charged will not be allowed for tax purpose
- Introduction of a 4% development levy
- Deduction of interest on related party loan is restricted to 30% of EBITDA
- Undistributed dividends of close companies with not more than 5 shareholders may be treated as distributed.
- NRC that earn income from Nigeria shall be liable to 4% minimum tax where the income is not subject to WHT or the NRC has no PE or SEP in Nigeria

Taxation of Companies - Impact

- All waived or forgiven debts or liabilities are now liable to tax
- Changes to capital allowance computations – no more initial allowance and balancing adjustments
- Pre-commencement expenses limited to 6 years

Taxable Income



Exempted Incomes

- Income generated by friendly societies, co-operatives, charitable/religious / educational entities, except any income derived from trading.
- Income derived by trade unions, except any income derived from trading.
- Income derived by the Government or Government Ministries, Departments, Agencies, and parastatals, except any income derived from trading.
- Income earned from bonds issued by the State or Federal Government.
- Income generated by agricultural businesses in the first five (5) years of business
- Profits from exports of goods and services, provided the proceeds are repatriated through official channels

Exempted Incomes

- Wholly export-oriented dividends.
- Dividend received from an authorized collective investment scheme
- Dividend or rental income received by a Real Estate Investment Company (REICO), provided that at least 75% of such income is distributed within 12 months of the year-end.
- Compensating payments which qualify as a dividend or interest received by an approved lender or borrower, or agent in a Regulated Securities Lending Transaction (RSLT)

Allowable Deductions

- Interest on loans (subject to certain restrictions for related party loans)
- Rent/premiums for business property
- Employee costs (wages, benefits)
- Repairs/maintenance of income assets
- Legal fees for asset rights
- Staff pensions/provident funds
- Stock losses/damages (if proven)
- Bad and doubtful debts

Allowable Deductions

- Research and development expenses (subject to a maximum of 5% of turnover)
- Compensating payments which qualify as interest made by a lender to a borrower/agent in an RSLT
- Pre-commencement expenses (limited to 6 years)
- Dividends or mandatory payments paid by SEC-approved REICOs
- Expense incurred for assistive devices, e.g., hearing aids, braille, etc.

Non-allowable Deductions

Capital repaid or withdrawn from the business	Capital expenditure (e.g., asset purchases)	Private or domestic expenses
Amounts recoverable under insurance or indemnity	Taxes paid	Payments to unapproved pension or similar funds
Depreciation, impairment, or unrealised foreign exchange losses	Payments to related parties are inconsistent with the Transfer Pricing Regulations	Expenses relating to exempt income
Expenses allowable in computing chargeable gains	Penalties and fines imposed under any law	Taxes/fines paid on behalf of another person

Value Added Tax

Introduction

Value Added Tax is a tax on the consumption of goods and services which is borne by the final consumer but collected at each stage of the production and distribution chain.

The VAT rate is 7.5%

Threshold for vat registration

The NTA exempts small business from VAT. It considers company with annual turnover of less than N100m and fixed assets of not more than N250m as small company.

The following supplies are excluded from determining small company:

- Supply of the business's capital assets; and
- Supplies resulting solely from the sale or partial sale of the business or from permanently ceasing operations.

However, small company may voluntarily opt out of the exemption.

Taxable Supplies (S. 146 of NTA)

A taxable supply shall be deemed to take place in Nigeria where,

In respect of goods

The goods are physically present in Nigeria at the time of supply,

imported into Nigeria for use by a person,

assembled or installed in Nigeria, or

the beneficial owner of the rights in or over the goods is a taxable person in Nigeria and the goods or right thereof is situated, registered or exercisable in Nigeria.

In respect of service

The services are provided to a person in Nigeria, regardless of whether the services are rendered within or outside Nigeria.

directly connected with immovable property situated in Nigeria, including services provided by agents, engineers, architects, valuers, or other professionals in relation to such property.

Taxable Supplies (S. 146 of NTA)

In respect of incorporeal properties	is used or exploited by a person in Nigeria or by a resident of Nigeria
	is registered in Nigeria or acquired by a person in Nigeria, irrespective of where payment is made.
	relates to a tangible or immovable asset located in Nigeria.

Taxable Supplies (S. 146 of NTA)

This implies that:

- Services performed in Nigeria to persons in Nigeria is liable to VAT irrespective of the residence status of the service provided.
- Services provided to persons while in Nigeria, regardless of the medium of delivery of the service, is liable to VAT in Nigeria.
- Services rendered remotely, online or by other virtual means to Nigerian residents or persons in Nigeria are liable to VAT in Nigeria.
- Services rendered to and consumed by a Nigerian resident while physically outside Nigeria is not liable to VAT in Nigeria.

Withholding VAT (S. 155 of NTA)

- Government Agencies – Ministries, Departments and Agencies
- Oil and gas companies
- MTN, Airtel and money deposit banks in Nigeria
- Any other persons appointed by the Service

Appointed agents shall remit the VAT withheld on or before 14th of the following month.

Input vat

Section 156 (5) of the NTA states that all input VAT incurred on any taxable supply including services and fixed assets shall be recoverable, provided that:

the input VAT was incurred for the purpose of consumption, use or supply in the course of making taxable supply;

where any input VAT is incurred in making both taxable and non-taxable supplies, only the proportion relating to taxable supplies will be recoverable.

the input VAT is available for deduction only within 5 years after the end of the tax period in which the input VAT was incurred.

only input VAT on services and fixed assets from the effective date of the NTA will enjoy the deduction from output VAT.

Reverse VAT

Similar to deduction of VAT as source, reverse VAT occurs where the customer is responsible for charging and remitting VAT directly to the Service.

The principle of reverse VAT is such that where a taxable person receives a VAT-exclusive invoice, the customer is expected to self-charge itself the applicable VAT and remit the tax to the tax authority

This will typically happen in the case of invoices received from non-resident suppliers (who have not been appointed as VAT collection agents) or small companies who are not required to charge VAT.

Determination of VAT Payable

The amount of VAT payable or refundable is arrived at as follows:

Ascertain the VAT on supplies made during the reporting period. This VAT is known as OUTPUT VAT.

Ascertain the VAT paid on to provide the taxable goods and services during the same reporting period this is known as INPUT VAT.

Determine the difference between the input VAT and the output VAT to arrive at the VAT payable or refundable to government or to the taxable person.

Fiscalisation of Supplies for VAT (S. 158 of NTA)

The NTA introduces the e-invoicing system, which allows for real-time reporting and monitoring of invoices.

The electronic fiscalisation system (EFS) allows for accurate record keeping, improved regulatory oversight, and improved VAT compliance.

The Service determines the type of software required for the EFS and is expected to outline the transition from the current system to the EFS.

Currently, the pilot phase has commenced on 1 August 2025 starting with businesses with turnover of at least ₦5bn, in respect of their Business-to-Business (B2B) transactions.

The implementation deadline for this category of businesses has been set as November, 2025.

Exempt Supplies (S. 186 of NTA)

The following supplies are exempted

- oil & gas exports
- Crude petroleum oil and feed gas for all processed gas
- Goods purchased for use in humanitarian donor funded projects
- Baby products
- Locally manufactured sanitary towels, pads or tampons
- Military hardware, arms, ammunitions and locally manufactured universal forms supplied to armed forces, para-military and other security agencies of a Nigeria government
- Shared passenger road-transport service
- Purchase, hire, rental or lease of tractors, ploughs and other equipment used for agricultural purposes
- Supplied consumed in free trade or export processing zones
- Goods/services to diplomatic missions, diplomats or persons recognised under the Diplomatic Immunities and Privileges Act
- Plays and performances conducted by educational institutions as part of learning
- Land and buildings including interest in land or building
- Money, securities, and government licences
- Assistive/disability-related devices (e.g., braille, hearing aids)

Zero Rated Taxable Supplies (S. 187 of NTA)

The following taxable supplies are charged to VAT at 0%

- Basic food items
- All medical and pharmaceutical products including medicinal herbal products
- Educational books and materials
- Fertilizers
- Locally produced agricultural chemicals, veterinary medicine and animal feeds
- Live cattle, goats sheep and poultry
- Agricultural seeds and seedlings
- Electricity generated by generation companies and supplied to National Grid or Nigeria Bulk Electricity Trading Companny
- Electricity transmitted by Transmission Company of Nigeria or Electricity Distribution Companies
- Medical services
- Tuition relating to nursery, primary, secondary or tertiary institution
- Exported goods including oil and gos
- Exported services
- Exported incorporeal property
- Medical equipment
- Electric vehicles
- Parts, semi-knock-down units for the assembly of electric vehicles

Withholding Tax

Introduction

Withholding tax is an advance payment of income tax deducted at source. Upon deduction, the tax is remitted to the appropriate tax authority within the time stipulated under the regulations. It is a way of assuring steady revenue inflow to government by bringing taxpayers such as consultants, contractors, suppliers, landlords, shareholders and non-residents persons into the tax net and curbing tax evasion.

Upon the remittance of withholding tax deducted and submission of the WHT schedule to the relevant tax authority, a "WHT Credit Note" in favour of the beneficiary who has suffered the tax is obtained. Thus, for a resident company, is used as a set-off on tax assessment. WHT is payable in the same currency as the transaction that gave rise to it.

WHO SHOULD DEDUCT WITHHOLDING TAX?

The persons empowered to deduct and remit WHT are Companies, Government Ministries, Departments, Parastatals, Statutory Bodies, Institutions and other established organisations approved for the operation of Pay-As-You-Earn (PAYE) system. Non-residents companies are outside the regulatory control of NRS and therefore, cannot perform this statutory function.

Withholding Tax Table

	Corporate Recipients		Non-Corporate Recipients	
Qualified Transactions for WHT	Resident	Non-Resident	Resident	Non-Resident
Dividends, interest, rent, hire or lease	10%	10%	10%	10%
Royalty	10%	10%	5%	5%
Commission, consultancy, technical, management & professional fee	5%	10%	5%	10%
Co-location, telecommunication tower services, supply or rendering of services and construction of roads, bridges, buildings and power plants	2%	5%	2%	5%
Other forms of construction or related activities and brokerage fees	5%	10%	5%	10%
Directors fee	N/A	N/A	15%	20%
Compensation for loss of employment (above restriction)	N/A	N/A	10%	10%
Entertainers & Sportspersons	N/A	15%	N/A	15%
Winnings from lottery, gaming and reality show	N/A	N/A	5%	15%

Withholding Tax Regulations 2024

The key provisions of the WHT regulations 2024 are:

- Exemption of small companies: Small companies are exempted from deducting WHT exempt where the supplier has no TIN and the value of transaction is above N2m.
- Deduction not to be treated as a separate tax
- Timing of WHT deductions at source: The obligation to deduct at source arises when
  - Payment is made; or
  - The amount due is otherwise settled; whichever is earlier.

  For transactions between related party, deductions shall be made at the time of payment or when liability is recognized, whichever is earlier.

Withholding Tax Regulations 2024

- Remittance of amount deducted at source:
  - For NRS - within 21 days
  - For SIRS – within 10 days for CGT and PAYE and 30 days for any other deductions
- Filing of returns to the appropriate tax authority: The return must contain the supplier's name and address, TIN/NIM/RC, nature of transactions, gross amount paid/payable, tax deducted and transaction month.
- Introduction of tax deductions receipts and claim of WHT credit: The receipt may be tendered to the relevant tax authority as evidence of the amount so deducted for purposes of claiming WHT credit.
- Penalties
- Double WHT rates: Double rate should be deducted where an individual as no TIN.

Withholding Tax Regulations 2024

- Exemptions:
  - Compensating payments under a Registered Securities Lending Transaction in line with section 81(8) of the CITA
  - Any distribution or dividend payment to a Real Estate Investment Trust or Real Estate Investment Company
  - Across-the-counter transactions: This means any transaction carried out between parties without an established contractual relationship or prior contract and in which payment is made instantly.
  - Interest and fees paid to a Nigerian bank by way of direct debit of the funds
  - Goods manufactured or materials produced by the person making the supply
  - Imported goods where the transaction does not create a taxable presence in Nigeria for the foreign supplier



Withholding Tax Regulations 2024

- Any payment in respect of income or profit which is exempt from tax
- Out of pocket expenses that is normally expected to be incurred directly by the supplier and is distinguished from the contract fees
- Insurance premium
- Supplier of LPG, CNG, PMS, AGO, LPFO, DPK and JET-A1
- Commission retained by a broker from monies collected on behalf of the principal in line with the industry norm for such transactions
- Winnings from a game of chance or a reality show with content designed exclusively to promote entrepreneurship, academics and technological or scientific innovation.


THANK YOU