

Simplified Overview & Key Takeaways from the Nigeria Tax Act, 2025 and other three (3) related Tax Acts

On October 3, 2024, the President of the Federal Republic of Nigeria, Bola Ahmed Tinubu, transmitted the Tax Reform Bills to the National Assembly for their consideration. The Tax Bill was aimed to streamline all existing tax laws with a new revenue sharing formula among all the three (3) tiers of government.

After several months of stakeholder engagements and legislative processes on the Nigeria Tax Reform 2025 (Nigeria tax bill), The Nigeria Tax Reform Bills was signed into law on June 26, 2025 as the Nigeria Tax Act 2025,

AP Professional Services (Chartered Accountants) hereby present the Summary of Nigeria Tax Act 2025.

Effective Date

Effective from 1 January 2026.

Overview

The emergence of the Nigeria Tax Act, 2025 marks a landmark reform that consolidates, simplifies, and modernizes Nigeria's tax framework. It replaces several outdated laws, bringing clarity and efficiency to income, transaction, and instrument taxation.

Aside from the Nigeria Tax Act, 2025, the other Tax Reform Bills signed into law on same date are:

(1) The Nigeria Tax Administration Act, 2025 ("NTAA")
(2) The Nigeria Revenue Service (Establishment) Act, 2025 ("NRSEA")
(3) Joint Revenue Board of Nigeria (Establishment) Act, 2025 ("JRBEA"):

The Nigeria Tax Administration Act, 2025 ("NTAA") was intended to consolidate all the administrative provisions of the various existing tax legislation in one document

The Nigeria Revenue Service (Establishment) Act, 2025 ("NRSEA") replaces the FIRS with the Nigeria Revenue Service (NRS) with the objective to be the sole revenue collection agency of the Federation and positioning it as an agency that acts in the interest of the Federal, State and Local Governments

The **Joint Revenue Board of Nigeria (Establishment) Act, 2025 ("JRBEA")** was designed for the harmonization, coordination and settlement of disputes arising from revenue administration in Nigeria. The JRB will focus on resolving disputes between the Nigeria Revenue Service (NRS) and different tax authorities of the federating states, while the Tax Ombud will serve as an independent and impartial arbiter to review and resolve complaints relating to tax, levy, regulatory fee and charges, customs duty or excise matters.

Taxpayer are to be informed that "Tax Ombuds Office" is a new tax resolution mechanism and was established to resolve taxpayer complaints. It is a neutral and independent corporate third party empowered to investigate tax-related complaints, particularly those involving unfair treatment, administrative delays, or abuse by tax officials

Whether you're a business owner, investor, tax professional, or an individual taxpayer, take note that majority of the provisions of the existing tax laws are retained in the consolidated Act, this Newsletter will focus on simplified breakdown of key changes.



Consolidation of All Previous Tax Laws

Section 1 of Nigeria Tax Act, 2025 Repeals major existing six (6) tax acts and merges them into the unified Nigeria Tax Act, 2025 aiming to help eliminate conflicting, ambiguous and overlapping provisions that cause complexity and uncertainty

The existing six (6) tax laws consolidated as single unified law includes the following:

(a) Capital Gains Tax Act,

(b) Companies Income Tax Act,

(c) Industrial Development (Income Tax Relief) Act,

(d) Personal Income Tax Act,

(e) Stamp Duties Act,

(f) Value Added Tax Act.

Apart from the tax laws consolidation of the six major tax laws, It also amends certain provisions in the Petroleum Industry Act, 2021, the Nigeria Export Processing Zones Act, the Tertiary Education Trust Fund (Establishment, Etc.) Act, 2011, the Customs, Excise Tariffs, Etc. (Consolidation) Act in order to eliminate conflicting overlapping provisions.

Development Levy

Similar and in addition to the above consolidation of previous tax laws, Section 59 of Nigeria Tax Act, 2025 introduced a new single levy of 4% on company profits aim at consolidating the following profit dependent levies Acts:

(a) The Tertiary Education Trust Fund (Establishment, Etc.) Act, 2011,
(b) The National Information Technology Development Agency Act, No. 28, 2007,
(c) The National Agency for Science and Engineering Infrastructure (Establishment) Act,
(d) The Student Loans (Access to Higher Education) Act, 2024, and
(e) The Cybercrime (Prohibition, Prevention, Etc.) Act
(f) The Nigeria Police Trust Fund

* Small companies and non-resident companies are exempted.

Consolidation of FIRS, Nigeria Customs and others government agencies with tax revenue collecting function

Section 203 of the Tax Admin Act (The Nigeria Revenue Service (Establishment) Act, 2025 ("NRSEA") introduced a single structure for federal tax collection in order to improves coordination. The previous individual revenue collecting functions of the Federal Inland Revenue Service (FIRS), the Nigeria Custom Service (NCS) and other government revenue collecting agents are now consolidated as a single function to be handled by the newly established Nigeria Revenue Service (NRS).

New Company Income Tax Rates

(Ref: Section 56–57 of Nigeria Tax Act, 2025)

Small (Exempt)
Medium (20%)
Large (30%)

Exemption for Small Companies

Companies with ≤ ₦100M turnover are tax-exempt. (Ref: Section 56(a))

SMALL COMPANY: Section 56 of Nigeria Tax Act, 2025 defined small companies as companies that earn gross turnover of ₦100m or less per annum and with total fixed assets not exceeding ₦250m.

New Personal Tax Rates and Rent Relief

The Fourth Schedule to the Nigeria Tax Act, 2025 stipulates a new tax bands and slice rates for personal income tax calculation.

INCOME BAND	TAX RATE
First N800,000	0%
Next N2,200,000	15%
Next N9,000,000	18%
Next N13,000,000	21%
Next N25,000,000	23%
Above N50,000,000	25%

The Consolidated Tax Relief has been eliminated and in returns, Section 58 of the Act introduces a tax-exempt threshold of N800,000 and increases tax rates for high income earners (a more progressive tax system). **Rent incentive of 20% subject to maximum of ₦500,000 was equally introduced as statutory tax relief. (Ref: Section 30(2), 58).**

Benefit-in-Kind on accommodation:
In situations where an employer provides premises or accommodation to an employee, the rental value that will be taxable in the hands of the employee has now been restricted to a maximum of 20% of the employee's annual gross income from employment, excluding the rental value itself.

Exchange Losses Non-Deductible Expenses

Forex losses are no longer tax-deductible. Section 20(4) states that expense incurred in foreign currency may only be deducted to the extent of its naira equivalent at the official exchange rate published by the Central Bank of Nigeria (CBN). This implies that where a business buys forex at a rate that is higher than the official rate, such company cannot claim tax deduction for the difference in value between the official and the other rates

Economic Development Incentive (EDI) Replaces Pioneer Status

Section 166–183 of the Nigeria Tax Act, 2025 contains various provision regarding the newly introduced Economic Development Incentive (EDI). The New Tax Act replaces the Pioneer Status Incentive (PSI) with the EDI under Part II of Chapter 8 of the Nigeria Tax Act, 2025.

Unlike Pioneer status that have its incentives in the form of tax holiday for the first 5 years and subsequent 5 years with a full income tax exemption during the pioneer period, EDI incentives in in the form of TAX CREDIT to be referred to as the Economic Development Tax Credit (EDTC),

calculated on Qualifying Capital Expenditure (QCE) incurred on or before the date commercial production commences. Section 172 of the Nigeria Tax Act defines production day and QCE. The Section also prescribes clear timelines for submitting applications. Notably, Industrial Inspectorate Department (IID) under the Ministry of Trade and Investment is mandated to issue a certificate within 14 days of inspecting the relevant assets, certifying QCE incurred prior to the production day and during the priority period.

The EDTC can be used to offset the tax payable for any year of assessment during the priority period, excluding ETR adjustments. Unused EDTC can be carried forward for a maximum of an additional 5 years, after which it will lapse.

The Nigeria Tax Act 2025 presently fixed the basis for calculating the EDTC at 5% per annum on each QCE acquired during the 5-year priority period.

The aim of replacing Pioneer Status with EDI was to move asway from blanket tax incentive to a performance-based incentive model linked to actual capital investment and economic activity

The initial priority period Is five (5) years. Section 170(3) of the Nigeria Tax Act provides for a one-time five (5) year extension of the EDI certificate, bringing the total incentive period to a maximum of 10 years, on the condition that the company reinvests 100 percent of the profits earned during the initial incentive period into the expansion of the same product(s)

The list of priority sectors is like the PSI list with some notable inclusions such as the manufacture of renewable energy equipment, while telecommunications and e-commerce have been excluded.

The Nigerian Investment Promotion Commission (NIPC) is specifically designated to receive applications and submit recommendations to the Minister of Industry, Trade and Investment who then the Minister is to seek Presidential approval.

VAT

VAT rate of 7.5% was retained.

VAT Input on Services: (Ref: Section 156)
Before the Nigeria Tax Act, 2025, businesses providing services are unable to claim input VAT, With Section 156, business rendering Services are now qualified for input VAT deductions on vatable supplies. Also, VAT input is now claimable on Fixed Asset Expenses provided that the input VAT is directly related to their supplies that are also subject to VAT.

VAT Refund Process: Clear process for refunds of overpaid VAT. (Ref: Section 152–156). Taxpayers will be eligible to receive VAT refund within 30 days of receipt of application, provided the request is made within 12 months of the transaction that gave rise to the refund. The tax refund process will be automated, subject to guidelines to be issued by the Service.

Disallowance of Expenses Without VAT: Expenses without VAT charged are disallowed. (Ref: Section 21(p))

Zero-Rated VAT on Essential Items and services

The Nigeria Tax Act, 2025 expanded the list of Zero Rated with the inclusion of provider of Essential goods and services. The impact of this is that businesses selling these goods and services can recover their VAT costs, despite the zero rate which was previously not possible by law. (Ref: Section 187)

Some of the Essential items included are: basic food items, medicine, pharmaceutical products, educational books electricity generation and transmission services, medical equipment and services, tuition fees, exports (excluding oil and gas exports).

Fiscalization of VAT

Mandatory electronic invoicing and reporting tools designed. Taxpayer in the retail businesses are now mandated to use the electronic fiscal device deployed by the tax authority, to record the transactions for Value Added Tax (VAT). As the fiscal module is encrypted into the electronic fiscal device, thus tax information once recorded cannot be altered. (Ref: Section 158 of Nigeria Tax Act, 2025).

Section 23 of the Nigeria Tax Administration Act further mandates any person making taxable supplies to adopt any Electronic Fiscal System (EFS) for recording and reporting transactions when the NRS implements such a system.

The Nigeria Tax Administration Act (NTAA) empowers the Service to deploy an Electronic Fiscal System (EFS) for real-time recording and reporting of all supplies. The Service recently introduced the Merchant Buyer E-invoicing solution which is currently at the pilot phase and the implementation on all taxpayers will commence in January 2026.

General principles for tax deductibility:

Section 20 of the Nigeria Tax Act, 2025 states that expenses that may be deducted when determining taxable profit must be **"wholly and exclusively**. The erstwhile additional principles of **'reasonably' and 'necessarily'** are no longer applicable.

Minimum Effective Tax for MNEs

Nigeria Subsidiaries of a foreign group with aggregate group turnover of EUR750million and above or have an annual turnover of NGN50billion and above, must pay minimum effective tax rate. (Ref: Section 6(3)). Section 57 of the Nigeria Tax Act, 2025 introduces an Effective Tax Rate (ETR) of 15% of net income of companies that are part of a multinational enterprise (MNE) group.

Capital Gain Tax (CGT)

The Nigeria Tax Act, 2025 align Capital Gain tax rate for both company and individual with the Company Tax Rates and personal income slice rate respectively. By implication Capital Gains Tax rate is increase from 10% to 30% for companies. For individuals, capital gains will be taxed at the applicable income slice rate based on the tax band.

The Nigeria Tax Act, 2025 introduces CGT on indirect transfers of shares in Nigerian companies. That is Capital Gain is trigger where foreign owned shares in Nigeria company are sold outside Nigeria. Provided the value of those shares held in the Nigerian company constitute over 50%. Such sales outside Nigeria is term "Indirect Transfer".

However, per Section 34 of the Nigeria Tax Act, 2025, gains from selling shares in Nigerian companies are not taxable if:

- the sale proceeds are less than ₦150 million, and the chargeable gain does not exceed ₦10 million within 12 consecutive months
- the shares are transferred between approved parties in a regulated Securities Lending Transaction.
- the proceeds from disposal are reinvested within the same assessment year in shares of Nigerian companies. However, the portion not reinvested will be taxed.

Digital Assets Now Chargeable: Gains from crypto/NFTs now to be subjected to capital gains tax. (Ref: Section 33–34)

Resident and Non-Resident Individuals

New rules on taxation of global income and digital economy. (Ref: Section 12–17). Employment income of Expatriate 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.

Section 120 of the Nigeria Tax Act, 2025 grants unilateral relief to Nigerian residents who have paid tax in another country on income earned abroad that is also taxable in Nigeria. The tax paid outside Nigeria may be allowed as a credit against the tax payable in Nigeria.



5% Surcharge on locally Produced Fuel

A surcharge of 5% on Fossil Fuel Products provided or produced in Nigeria, to be collected at the time a chargeable transaction occurs. The following fossil fuel products are exempted from the Surcharge: household kerosene, cooking gas, compressed natural gas and clean or renewable

energy products. The surcharge shall be remitted to the Nigeria Revenue Service on a monthly basis. The Service will issue regulations to give more information on the administration of the tax

Surcharge on fossil fuel products will not commence until the Minister, by an Order issued in the Official Gazette, indicate the effective date of commencement of the administration of the surcharge on fossil fuel products.

Capital Allowance

Capital allowances will be prorated where the non-taxable income constitutes 10% or more of the total income of a company.

IMPORTANT NOTE: Only straight-line allowances are now applicable. Initial allowances have been eliminated.

Stamp Duty

All dutiable instruments must be stamped. (Ref: Section 126)

Section 136 provides that corporate loan shall be liable to ad valorem tax. The Act defined loan capital to include debenture stock, other stock or funded debt whatever name known, or any debt raised by any corporation, company or body of persons formed or established in Nigeria but excluding an overdraft, loan obtained for a period not exceeding 12 months.

New Revenue Sharing Formula among the three tiers of Government

Introduction of consumption-based allocation. Revenue allocation is now restructured:

30 per cent of VAT proceeds are distributed based on consumption (rather than contribution),
50 per cent equally among states, and
20 per cent to population-based allocation.

Advance Ruling Mechanism

The Nigeria Tax Administration Act, 2025 establishes an advance ruling system that allows taxpayers to request written clarification from the tax authority on the tax implications of proposed transactions or arrangements. This provision promotes certainty, transparency, and compliance by enabling taxpayers to make informed decisions and plan their affairs with confidence, based on legally binding guidance issued prior to undertaking the transaction.

Accreditation of Tax Agents

The Nigeria Tax Administration Act, 2025 introduces a formal accreditation framework for tax agents or consultants, requiring all individuals or entities representing taxpayers before the tax authority to be registered and certified. The relevant tax authority will publish a guideline to set out the requirements for accreditation.

Quick Summary Table

Area	Key Change	Section Ref.
Tax Law Consolidation	Unified tax legislation	Sec. 1
VAT Fiscalization	Mandatory e-reporting tools	Sec. 158
New CIT Rates	SME incentives + progressive rates	Sec. 56
Personal Tax Incentives	Rent relief + enhanced deductions	Sec. 30(2)
Digital Asset Taxation	Crypto & virtual asset gains taxable	Sec. 33–34
EDI in Place of Pioneer	Tax credits for priority sectors	Sec. 166–183
Stamp Duty on Loans	All loan instruments now subject to duty	Sec. 137
Development Levy	New levy on companies	Sec. 59
Minimum Effective Tax Rate	For multinational groups	Sec. 6(3)

Call to Action

Need help understanding how the Nigeria Tax Act, 2025 affects your business?

👉 Contact our Lead Partner (Hakeem Adesanya, FCA) today for personalized tax advisory services, compliance support, or a workshop for your team via taxmatters@ap-proservices.com

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