



President Tinubu signs Four tax reforms into Law

President Bola Ahmed Tinubu has signed four Tax Reform Bills into law as part of efforts to restructure Nigeria's tax system. This development follows extensive consultations and deliberations by the Presidential Committee on Fiscal Policy and Tax Reforms, chaired by Mr. Taiwo Oyedele, former Fiscal Policy Partner and Africa Tax Leader at PwC. The Committee, inaugurated in August 2023, was mandated to review key areas including tax reform, fiscal policy design and coordination, as well as the harmonization of taxes and revenue administration.

Following almost two years of engagement, the following tax bills were signed into law by the President:

- **The Nigeria Tax Act (NTA):** This Act repeals specific tax laws and introduces the Nigeria Tax Act, 2025, to govern the taxation of income, transactions, and financial instruments.
- **The Nigeria Tax Administration Act (NTAA):** This Act establishes a standardized procedure to ensure consistent and efficient administration of tax laws, with the aim of promoting taxpayer compliance and maximizing tax revenue.
- **The Nigeria Revenue Service Act (NRSA):** This Act repeals the Federal Inland Revenue Service (Establishment) Act No. 13 of 2007 and enacts the Nigeria Revenue Service (Establishment) Act, 2025, to establish the Nigeria Revenue Service, which is empowered to assess, collect, and account for revenue due to the Government of the Federation.
- **The Joint Revenue Board Act (JRBA):** This Act establishes the Joint Revenue Board, the Tax Appeal Tribunal, and the Office of the Tax Ombud to facilitate the harmonisation, coordination, and resolution of disputes related to revenue administration in Nigeria.

The Acts include notable changes to the previous tax laws, which is expected to be implemented from January 2026. We have attempted to highlight some of the major changes below.

Value Added Tax (VAT)

The VAT rate at 7.5% was maintained by the new law. However, under the new tax reforms, Nigeria has aligned with global best practices by allowing businesses to recover input VAT on all purchases including goods, services, and capital assets, provided these inputs are used to produce goods or services that are also taxed. This adjustment helps reduce the overall tax burden on businesses and improves cash flow by ensuring that VAT is only effectively paid by the final consumer.

In a significant move toward modernization, the Act has also introduced mandatory electronic invoicing (e-invoicing) and a fiscalisation system approved by the tax authorities. This makes Nigeria one of the early adopters of e-invoicing in Africa. Businesses are now required to use this system to issue VAT-compliant invoices and report VAT transactions in real time, improving transparency, reducing tax evasion, and enhancing revenue collection.

Additionally, the scope of zero-rated items under VAT has been expanded to include a broader range of essential goods and services. These now cover basic food items, pharmaceutical and medical products, educational books and materials, fertilisers, electricity transmission services, medical equipment and care, tuition fees, and non-oil exports. With this change, businesses that supply these items can now reclaim the VAT they paid on related purchases, something that was not previously permitted under the law. This is expected to lower costs for businesses and promote the availability of essential goods and services to consumers.

Another key reform is the redistribution of VAT revenue among the three tiers of government. The Federal Government's share has been reduced from 15% to 10%, while the allocations to states and local governments have increased to 55% and 35%, respectively. Furthermore, the portion allocated to states and local governments will be distributed based on a formula: 50% shared equally, 20% according to population size, and 30% based on where the goods and services were consumed. This aims to ensure a fairer and more performance-based revenue sharing model that incentivizes economic activity at the subnational level.



Under the new tax laws, small and large companies will be subjected to tax at 0% and 30% respectively. This means that small companies, that is those with an annual gross turnover of N50 million or less and total fixed assets not exceeding N250 million are no longer required to pay Companies Income Tax (CIT), Capital Gains Tax (CGT), and the newly introduced Development Levy.

Additionally, the tax on profits made from asset sale, called Capital Gains Tax, has been increased from 10% to 30%. This brings it in line with the regular company tax rate and closes loopholes that allowed companies to pay lower taxes by classifying profits as capital gains instead of business income. For individuals, capital gains will now be taxed based on their income level using Nigeria's regular income tax brackets.

The new tax law also introduced Capital Gains Tax (CGT) on indirect share sales in Nigerian companies. This means if someone sells shares in a foreign (offshore) company that owns a Nigerian company, and that sale results in a profit, Nigeria will now charge tax on that gain, irrespective of the country where the sale took place. However, this may not apply if there's a tax treaty between Nigeria and the other country that provides an exemption.

Meanwhile, the law also increases the tax-free limit for selling shares in Nigerian companies. Previously, if you sold shares worth up to ₦100 million in 12 months, you could be exempt from Capital Gains Tax. Now, that threshold has been raised to ₦150 million. However, this exemption only applies if the actual gain (profit) made on the sale is not more than ₦10 million.

The new law introduces a minimum tax rate of 15% on profits for large companies, which applies to:

- Nigerian companies that earn N50 billion or more annually, and
- Nigerian members of multinational groups whose total global income is EUR750 million or more.

This 15% is calculated on "net income," which means profit before tax, excluding certain types of income like dividends or unrealised gains. For life insurance companies, income from policyholders is also excluded. This rule does not apply to Free Trade Zone companies on exports, as long as they are not part of a multinational group.

If a Nigerian company is the parent of a multinational group, and any of its subsidiaries abroad pay less than the 15% minimum tax, the Nigerian parent must pay the difference in Nigeria. This ensures that multinational companies pay a fair level of tax overall, even if some of their operations are in low-tax countries.

Corporations other than small and non-resident companies have also been subjected to a development levy of 4%, charged on the assessable profit. The levy is meant to replace the various other developmental levies imposed on companies. Although, the revenue accruing from the levy shall be distributed by the Nigeria Revenue service to: Tertiary Education Trust Fund (50%), Nigerian Education Loan (15%), Defence and Security Infrastructure Fund (10%), National Information technology Development Fund (8%), National Agency for Science and Engineering Infrastructure (8%), National Cybersecurity Fund (5%), and the National Board for Technological Incubation (4%).

Individual Taxes

The Act introduces tax-exempt threshold of N800,000 and increases tax rates for high income earners, ranging from 0% to 25%. Notably, after certain deductions and tax reliefs are applied (like tax-free allowance), the remaining part of an individual's income, called taxable income, will be taxed based on how much is earned. This means that the more you earn, the higher the percentage you'll pay on each portion.

- You don't pay any tax on the first ₦800,000 of your taxable income – it's tax-free
- The next ₦2.2 million is taxed at 15%
- The next ₦9 million is taxed at 18%
- The next ₦13 million is taxed at 21%
- The next ₦25 million is taxed at 23%
- Anything above ₦50 million is taxed at 25%



This is known as a progressive tax system, where people who earn more pay a higher percentage of tax. It applies to your total taxable income for the year, after certain tax reliefs and deductions have been removed. For context, your chargeable income is what is left after subtracting approved deductions from your total yearly income.

These deductions may include contributions to pension, housing (NHF), health insurance (NHIS), interest on home loans, life insurance premiums, and 20% rent relief (up to ₦500,000), as long as you provide correct details and proof to the tax authority, which means that individuals that live in their own houses are not entitled to the rent relief. The new 20% rent relief, replaces the initial Consolidated relief Allowance (CRA), which is a standard deduction granted to individuals to reduce the amount of their income that is subject to personal income tax.

Incentives and other Provisions

When calculating how much profit a company made (or lost) for tax purposes, it can now subtract any amount it donated to approved organisations or causes in Nigeria, whether the donation is cash, equipment, or other assets. Also, companies can deduct money spent on research and development (R&D) during the year. However, this deduction is now limited to 5% of the company's total revenue (turnover), instead of 10% of profits as allowed in the old tax law. If the result of the research is later sold or transferred to another business for commercial use, the income from that sale will be taxed.

The old Pioneer Status Incentive (PSI) tax break has been replaced by a new Economic Development Incentive (EDI). Under this, eligible companies in priority sectors will get a 5% tax credit every year for 5 years on qualifying capital expenses made within 5 years from the start of production. If the company doesn't use all the tax credit or still has unused expenses, they can be carried forward for another 5 years. After that, any leftover credit will expire.

The priority sectors covered under the EDI are largely similar to those under the former Pioneer Status Incentive (PSI), but with some key additions—such as the inclusion of renewable energy equipment manufacturing. However, sectors like telecommunications and e-commerce have been excluded, suggesting that the government considers them to be more developed. The new framework also introduces sector-specific minimum investment requirements and time limits, making the incentive more focused on measurable performance.

Bottom Line

The recently enacted tax reforms represent a positive step toward streamlining Nigeria's tax system and improving overall tax collection. By consolidating multiple tax provisions into a single legislative framework, the reform introduces greater clarity, consistency, and alignment across different tax laws—helping to reduce confusion, eliminate overlaps, and support better administration.

Tax reforms are vital for several reasons: they enhance revenue generation, promote fairness and equity, simplify compliance, improve efficiency, support economic growth, and strengthen the government's ability to combat tax evasion and avoidance. In this context, the Nigeria Tax Act (NTA) reflects a deliberate attempt to expand the tax base, bringing more businesses and transactions into the formal tax net.

Notably, the Act appears to widen the scope of taxable economic activities, which could contribute to increased government revenue over time. However, some of the incentives and exemptions included in the new framework may limit how much additional revenue the government can actually realise in the short term.

Ultimately, the success of this reform will depend heavily on its implementation. While the legislative intent is commendable, Nigeria has historically faced challenges with policy enforcement due to systemic and institutional issues. Without effective execution, even the best-designed reforms may fall short of their potential. As such, the coming months and years will be critical in determining whether the NTA can truly deliver on its promise of a fairer, more efficient, and more productive tax system.



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