The Nigerian Tax Reform Acts: Top 20 changes to know and top 6 things to do

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Overview

On 26 June 2025, President Bola Ahmed Tinubu signed the four (4) Tax Reform Bills into law. These laws include the Nigeria Tax Act (NTA), The Nigeria Tax Administration Act (NTAA), The Nigeria Revenue Service Act (NRSA) and the Joint Revenue Board Act (JRBA), collectively referred to as “the Acts”. As of the time of this publication, the effective date of the Acts has not yet been publicised. However, there are indications that this date will not be earlier than 1 January 2026.

The Acts comprehensively overhaul the Nigerian tax system to drive economic growth, increase revenue generation, improve the business environment and enhance effective tax administration across the different levels of government.

Here are the top 20 changes to know about the Acts.

Top 20 changes to know

01

Increased exemption threshold for small companies - Small companies are now exempt from Companies Income Tax (CIT), Capital Gains Tax (CGT) and the newly introduced Development levy (see below). Small companies are defined as companies with annual gross turnovers of NGN100million (previously NGN25million) and below and total fixed assets not exceeding NGN250million.

02

Increased Capital Gains Tax (CGT) rate – The NTA increases the Capital Gains Tax rate from 10% to 30% for companies. This effectively aligns the CGT and Companies Income Tax rate and reduces any tax arbitrage that could have been unduly enjoyed in the classification between chargeable gains and trading income. For individuals, capital gains will be taxed at the applicable income tax rate based on the progressive tax band of the individual.

03

CGT on Indirect transfer of shares - The NTA introduces CGT on indirect transfers of shares in Nigerian companies so that where shares are disposed of in intermediary holding companies offshore, a Nigeria CGT is triggered (subject to treaty exemptions). Also, the tax exemption threshold for the sale of shares in Nigerian companies has been increased to NGN150million (from NGN 100 million) in any 12 consecutive months, provided that the gains do not exceed NGN10million.

04

Introduction of Development Levy - Nigerian companies except small companies will pay a “Development Levy” at 4% of their assessable profits (i,e. tax profits before deducting tax depreciation and losses). The Development Levy consolidates the Tertiary Education Tax (TET), Information Technology Levy (IT), the National Agency for Science and Engineering Infrastructure (NASENI) levy and the Police Trust Fund (PTF) levy.

05

Minimum Effective Tax Rate (ETR) - Nigerian companies who are members of a multinational group with aggregate group turnover of EUR750million and above or have an annual turnover of NGN50billion and above, will now be subject to a minimum effective tax rate (ETR) of 15% of their “Net Income”. Net Income is defined as profits before tax excluding franked investment income and unrealised gains or losses, except for life insurance companies where the definition of Net Income also excludes gross and investment income for policyholders. The minimum effective tax rule does not apply to Free Zone companies on their exports out of Nigeria, provided that such companies are not part of multinational groups.

The Nigerian parent company of a multinational group will have to pay a top up tax where its subsidiaries have paid taxes below the minimum 15% ETR.

06

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.

07

Taxable profits of non-residents – The NTA expands the scope of the activities of non-resident companies that are subject to tax in Nigeria. Notably, the NTA introduces "force of attraction" rules. Under these rules, 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.

08

Minimum Tax for Non-resident companies - Non-resident companies who have a taxable presence in Nigeria will now be subject to minimum tax based on the percentage of their earnings before interest and tax (EBIT) to the total income generated from Nigeria. In any case, tax payable by such companies cannot be less than the withholding tax (WHT) rate applicable to the income, or 4% of the income.

09

Restriction on the tax exemption status of free zone entities – Based on the publicly available version of the bills submitted for presidential assent, Free Zone companies will continue to enjoy full tax exemption on their exports, or output that go into goods or services eventually exported, or supplied to oil and gas companies. Proportionate taxes apply where more than 25% of the Free Zone company's sales are made to the customs territory. From 1 January 2028, the full profits of Free Zone entities will be subject to tax if they make any sales to the customs territory.

10

Introduction of Economic Development Incentive - The Acts replace the "pioneer" tax holiday incentive, with an "Economic Development Incentive" (or EDI). This incentive 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.

11

A more progressive Personal Income Tax (PIT) regime - The NTA changes the income brackets and applicable tax rates for each bracket. Individuals earning NGN800,000 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 Act also increases the tax exemption threshold for compensation for loss of employment or injury from NGN10million to NGN50million

12

Resident and Non-Resident Individuals defined - PIT will apply to the worldwide income of a resident individual which is now clearly defined in the new Act. 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, 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.

13

Introduction of the Tax Ombuds office - The Acts introduce the Tax Ombuds office 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.

14

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

15

VAT at zero rate on essential goods and services - The NTA expands the list of zero-rated items to include essential goods and services such as basic food items, medical and pharmaceutical products, educational books and materials, electricity generation and transmission services, medical equipment and services, tuition fees, exports (excluding oil and gas exports) etc. 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.

16

VAT fiscalisation rules - Nigeria has now codified VAT fiscalisation rules and mandatory e-invoicing for businesses operating in the country. 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.

17

Update to the VAT sharing formula The Acts reduce the Federal Government'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.

18

Increased penalties for non-compliance - There has been a significant increase in non-compliance penalties and the introduction of new penalties. Some of the updates include increase in the penalty for failure to file returns to NGN100,000 in the first month, and NGN50,000 for every month the failure continues, introduction of new penalties such as penalty of NGN5million for awarding contracts to individuals or entities that are not registered for tax, penalties for failure to grant access for deployment of technology, inducing a tax officer etc.

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.

20

FIRS renamed the Nigeria Revenue Service and SIRS become autonomous - The Federal Inland Revenue Service (FIRS) has now been renamed the Nigeria Revenue Service (NRS) to reflect its responsibilities as the body to assess, collect and account for revenue due to federation. The Acts also provide that State Internal Revenue Services will be autonomous in the running of their affairs. The Law also provides the framework for joint audits and for NRS to, upon request, support State and Local governments to collect and administer taxes.

Top 6 things to do

In view of the changes introduced by the Acts, companies and businesses need to:

01 Become aware

- **Sensitise management –** Organise sensitisation workshops for relevant board committees and executive management on the impact of the reforms on your business
- **Empower your people-** Train and upskill staff to ensure seamless adoption of new tax laws in specific roles and processes that are impacted.

02 Assess

- **Carry out a holistic impact analysis -** Proactively assess the corporate structure, operational, financial and compliance implications arising from the tax laws.

  This can also include considering the impact on supply chains, commercial arrangements such as acquisitions and divestments, incentive regimes and so on.

03 Articulate

- **Reframe tax strategy-** Reframe your tax strategy to align with the commercial goals of the business. More will be expected from the tax function to protect business value amidst the various changes arising from the new laws or technology changes such as the VAT fiscalisation.
- **Set up a Tax Risk Register-** Implement a living risk register to continuously identify, monitor, and control tax risks and opportunities that have been triggered by the reforms in real time.

04 Operationalise and implement

- **Update compliance processes-** Taxpayers will need to update their compliance processes in line with the tax laws. For example, taxpayers will need to update their systems to cater for new rates, revised compliance obligations and filing requirements, information sharing, claim of input VAT etc.
- **Execute your implementation plan-** Achieve tasks in your implementation plan effectively and efficiently in line with your strategic objectives.
- **Leverage technology-** Update the logic in accounting software and ERP to align with the new rules. Ensure processes and technology align to ensure end-to-end compliance and prepare for changes such as e-invoicing.
- **Optimise tax governance & management frameworks-** Evaluate, expand, or eliminate tax functions and processes for effectiveness and efficiency, closing compliance gaps and embedding robust internal controls.

05 Engage

- **Engage stakeholders** - Determine a communication strategy and protocol for key internal and external stakeholders. Some examples include: Shareholders – ROI impact, Employees – PAYE impact, Customers – e-invoicing processes, Vendors – KYC and validation, Tax authorities – rulings on new risks, host communities etc to ensure a smooth transition and adoption process.

06 Monitor

- **Stay updated-** Regularly monitor official communications, information circulars or regulations from the government authorities issued pursuant to the Tax laws.

- **Manage change -** Apart from training and upskilling, there should be a deliberate change management plan to drive behaviour, review and monitor the transition and adoption of the new rules.

Conclusion

The recent enactment of the Acts marks a significant transformation in Nigeria's tax landscape. It is crucial for businesses to carry out a comprehensive review of their tax strategies, processes, and compliance frameworks to ensure readiness and resilience.

PwC has developed a robust sector-by-sector analysis of these changes, which will provide more insights and guidance to help businesses understand and respond to the evolving tax environment.

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