

Overview of the Notable Changes Introduced by the New Nigeria Tax Acts, 2025



Overview of the Notable Changes Introduced by the New Nigeria Tax Acts, 2025

The Nigeria Tax Act, 2025 ("NTA"), the Nigeria Tax Administration Act, 2025 ("NTAA"), the Nigeria Revenue Service (Establishment) Act, 2025 ("NRSA") and the Joint Revenue Board (Establishment) Act, 2025 ("JRBA") (collectively referred to herein as the "New Tax Acts") which were recently signed into law by the President of Nigeria have established a new tax regime for Nigeria and are set to become effective in 2026.

The New Tax Acts repeal all principal tax statutes, amend the fiscal provisions of other enactments, and provide for the taxation of income, profits, and gains of companies, partnerships, trusts, families and individuals, as well as the taxation of instruments, and transactions in Nigeria. The New Tax Acts introduce major changes to the Nigerian tax system and have significant potential implications for individuals and businesses, and all aspects of the Nigerian economy. This newsletter provides a highlight of the most significant changes introduced by the new tax regime.

Taxation of undistributed profits of non-resident companies controlled by Nigerian companies – the Nigeria Revenue Service ("NRS") may deem as distributed, the undistributed profits of a non-resident company controlled by a Nigerian company and tax the proportion of the deemed distribution attributable to the Nigerian company, provided that the non-resident company could have distributed the profits without detriment to its business.

Exemption of dividends of a capital nature – dividends received by a Nigerian company by way of shares in the paying company shall be excluded from profits chargeable to tax.

Taxation of undistributed profits of Nigerian companies controlled by individuals – under the current regime (Section 21 of the Companies Income Tax), the undistributed profits of a Nigerian company with five or less shareholders (otherwise called a closed company) may, in certain circumstances, be deemed distributed and taxed accordingly. The reenactment of Section 21 of the Companies Income Tax Act in the NTA now makes it clear that the five or less shareholders must all be individuals for the provision to apply. The restriction of the application of the deemed distribution basis of taxation of Nigerian companies to companies controlled by individuals introduces an important change to the current system which applies to companies controlled by individuals or companies.

Taxation of Nigerians working in international organisations – the employment income of Nigerians working abroad for international organisations who enjoy immunity from taxation in their host countries pursuant to an international agreement to which Nigeria is a party will be taxable in Nigeria. The implication is that Nigerians who work in international organisations such as the World Bank will now be subject to tax in Nigeria irrespective of their country of residence.

Minimum tax on profits of non-residents attributable to a permanent establishment – the NTA introduces a minimum tax on the profits of a non-resident from a trade, business, vocation or profession carried on in Nigeria to the extent that such profits are attributable to a permanent establishment of the non-resident in Nigeria. The minimum tax shall not be less than the amount to be withheld under Section 51 of the NTAA. Where such profits are not liable to deduction under Section 51 of the NTAA, the minimum tax shall be 4% of the profits.

Simplification of the test for deductibility of expenses – unlike the current rules for deduction of expenses which require expenses to be wholly, exclusively, necessarily and reasonably incurred for the purpose of generating taxable income to be deductible, under the new regime, expenses would only need to be wholly and exclusively incurred in the production of income to qualify for deduction. Taxpayers would therefore no

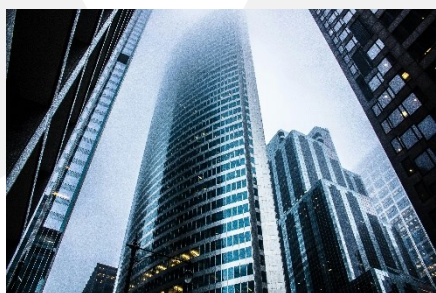
longer need to prove, for deductibility purposes, that business expenses were necessarily and reasonably incurred.

Disallowance of expenses on which VAT or import duty is outstanding – expenses on which VAT or import duty is outstanding would no longer be deductible in computing taxable profits of a trade, business, profession or vocation.

Increase of capital gains tax rate – the NTA aligns capital gains tax rate with companies and personal income tax rates. This means that in the case of companies, capital gains would be chargeable at 30%, while in the case of individuals, the personal income tax rates will apply, depending on the income band of the individual who has earned the gain.

Rent relief allowance for individuals – the NTA provides for a 20% rent relief for annual rent paid by an individual, subject to a maximum of ₦500,000 in computing the chargeable profits of the individual. This relief replaces the consolidated relief allowance under the PITA.

Increase in the tax-exempt threshold of share transfers – the NTA increases the exempt threshold for disposal of shares from ₦100,000,000 to ₦150,000,000 and limits the exemption to transactions where the chargeable gain does not exceed ₦10,000,000. Where the proceeds of the disposal are reinvested in a Nigerian company, the threshold does not apply, and the entire reinvested amount shall be exempt while the sum not reinvested shall be subject to CGT.



Taxation of gains arising from indirect transfers of ownership of companies and assets by a non-resident – gains accruing from the disposal of shares by a non-resident shall be chargeable in Nigeria where the disposal results in a change: (i) in the ownership structure or group membership of any Nigerian company; or (ii) of ownership of, title to, or interest in any asset located in Nigeria.

Increase of tax-exempt threshold of compensation for personal injury, including loss of office or employment – the NTA increases the tax-exempt amount of compensation for loss of office or employment from ₦10,000,000 to ₦50,000,000. It also imposes a ₦50,000,000 limit on the amount of compensation for injury or wrong suffered by an individual to his person, office or vocation that would be exempt.

Exemption of small companies from income tax and development levy – small companies, defined as companies that earn annual turnover of not more than ₦50,000,000 with total fixed assets of less than ₦250,000,000 would be exempt from income tax, capital gains tax and the newly introduced development levy. This change increases the revenue threshold of small companies from ₦25,000,000 to ₦50,000,000 and therefore brings more companies within the exemption.

15% minimum effective tax rate – the NTA introduces a 15% minimum tax rate for members of MNE groups, and Nigerian companies with annual revenue of ₦20,000,000,000. This provision seeks to implement Pillar Two of the OECD-Inclusive Framework's Two-Pillar Solution which proposes a 15% global minimum tax rate for MNEs.

More progressive personal income tax rates – under the NTA, the following tax rates would apply to the income of individuals, families, and trusts:

- First ₦800,000 at 0%;
- Next ₦2,200,000 at 15%;
- Next ₦9,000,000 at 18%;

- Next ₦13,000,000 at 21%;
- Next ₦25,000,000 at 23%; and
- Above ₦50,000,000 at 25%.

This provides a more favourable personal income tax regime than the current system under the PITA which prescribes a minimum rate of 7% on the first chargeable ₦300,000 and a maximum rate of 24% on any amount above ₦3,200,000.

4% development levy – companies (other than small companies) shall be subject to a 4% development levy on their profits. This levy consolidates and replaces various taxes/levies such as Tertiary Education Tax, National Information Technology Development levy, cybersecurity levy etc.

Mandatory deposit of decommissioning or abandonment fund with a Nigerian bank – the NTA requires at least 30% of the sum contributed to a fund for the purpose of decommissioning and abandonment of oil wells, pipelines, installations and facilities by holders of petroleum exploration licences and mining leases to be deposited with an eligible Nigerian bank for such sum to be deductible.

Mandatory disclosure of tax planning arrangements – parties to any arrangement, agreement or transaction whose principal purpose is to enable a party to obtain a tax advantage would be required to disclose such arrangement, agreement or transaction to the relevant tax authority in a manner to be prescribed by regulations issued by the relevant tax authority.

Compound interest on tax debts – the NTA prescribes compound interest for any tax not paid within the prescribed period and the interest shall apply retrospectively to any tax that remains unpaid at the commencement date of the NTA.

Clarification of the meaning of conveyance on sale – the NTA provides that transfers of rights or interest in real property are to be chargeable as a conveyance on sale. The express reference to transfers of rights or interest in real property clearly implies the exclusion of transfers of rights or interest in moveable property.

Economic development tax incentive – companies investing in priority areas of the economy may be granted, subject to the fulfilment of certain conditions, an economic development tax credit that can be utilised to offset the tax liability for any year of assessment within the priority period. Unutilised credit can be carried forward to not more than five years after the end of the priority period. This incentive replaces pioneer status incentives under the Industrial Development (Income Tax Relief) Act.

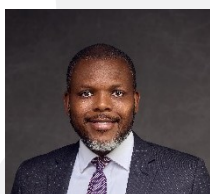
Zero percent VAT on essential goods and services – certain essential goods and services, including (i) basic food items; (ii) all medical and pharmaceutical products excluding cosmetology, fitness devices and other similar devices; (iii) medical services excluding cosmetology, spa, gymnasium or similar services; (iv) tuition relating to nursery, primary, secondary or tertiary education; (v) educational books and materials; and (vi) medical equipment will enjoy 0% VAT. This will allow businesses supplying these essential goods and services to recover input VAT on raw materials and other supplies used in the production or provision of these goods and services.

Recoverability of input VAT for services and fixed assets – the scope of input VAT that can be recovered by a business has been widened by the NTA to include VAT incurred on services and fixed assets, provided that the input VAT was incurred for the purpose of consumption, use or supply in the course of making taxable supplies.

Conclusion

These changes will have significant impact on all taxable persons, including residents and non-residents. It is therefore critical for individuals and businesses to familiarise themselves with the New Tax Acts and seek professional advice and guidance to better understand the implications of the changes.

Key Contacts



Chukwuka Ikwuazom, SAN
Partner



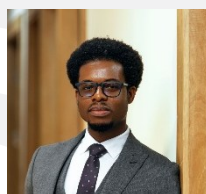
Lagos, Nigeria



Chukwuka.Ikwuazom@aluko-oyebode.com



+234 803 402 3037



Agbada S. Agbada
Senior Associate



Lagos, Nigeria



Agbada.Agbada@aluko-oyebode.com



+234 916 997 8208



Michael Nwanneka
Senior Associate



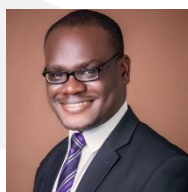
Lagos, Nigeria



Michael.Nwanneka@aluko-oyebode.com



+234 906 298 1751



Godstime Ejide
Senior Associate



Lagos, Nigeria



Godstime.Ejide@aluko-oyebode.com



+234 703 591 3362



Emmanuel Agidi
Senior Associate



Lagos, Nigeria



Emmanuel.Agidi@aluko-oyebode.com



+234 906 281 8462



Chidi Opara
Senior Associate



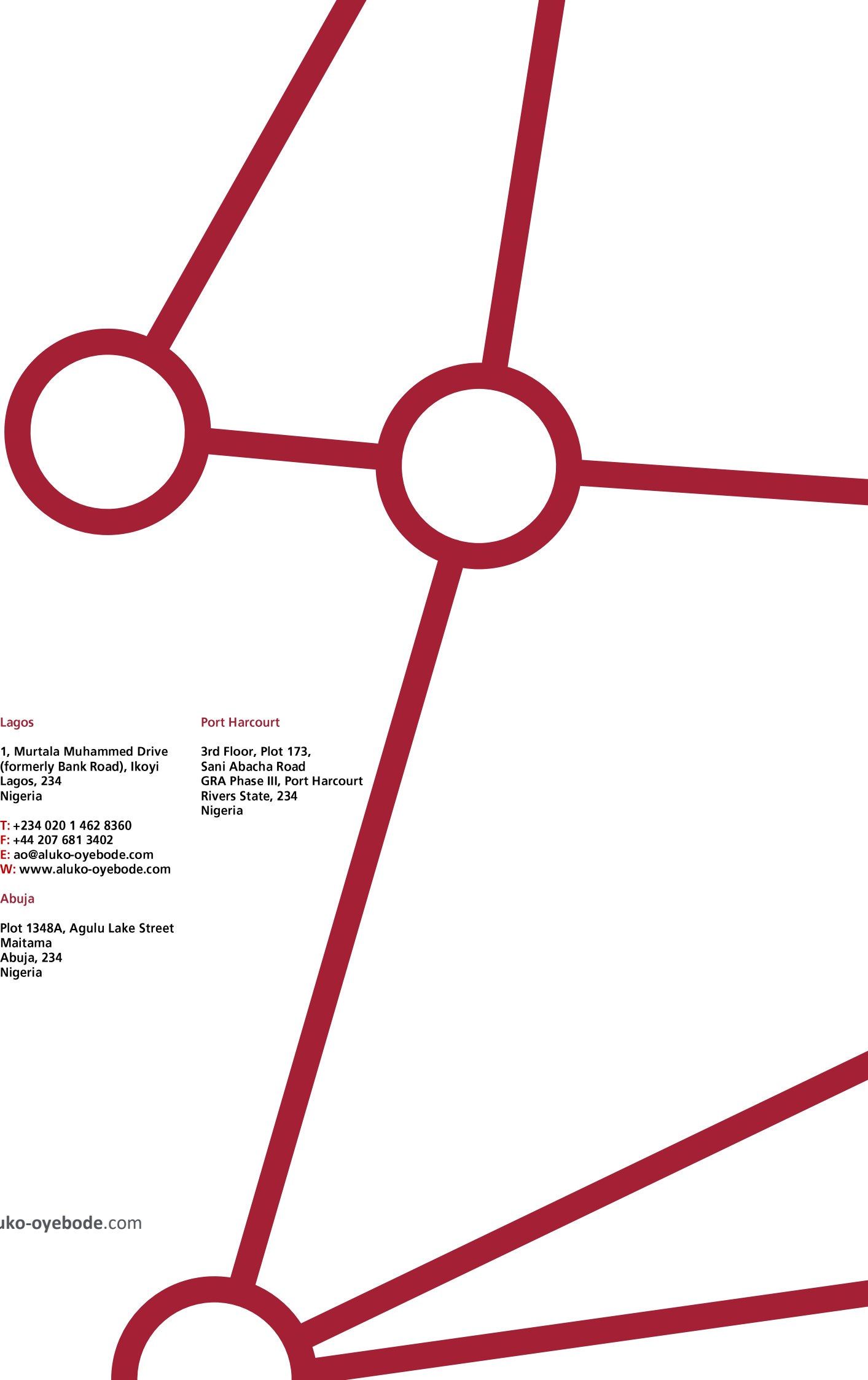
Lagos, Nigeria



Chidi.Opara@aluko-oyebode.com



+234 906 281 8464



Lagos

1, Murtala Muhammed Drive
(formerly Bank Road), Ikoyi
Lagos, 234
Nigeria

T: +234 020 1 462 8360
F: +44 207 681 3402
E: ao@aluko-oyebode.com
W: www.aluko-oyebode.com

Abuja

Plot 1348A, Agulu Lake Street
Maitama
Abuja, 234
Nigeria

Port Harcourt

3rd Floor, Plot 173,
Sani Abacha Road
GRA Phase III, Port Harcourt
Rivers State, 234
Nigeria