



Navigating the New Tax Terrain:

Summary of Key Changes in the Nigeria Tax Act, 2025

August 2025

Table of Contents

04	Taxation of Resident Persons
09	Taxation of Non-Resident Persons
14	Taxation of Individuals & Employment Income
17	Determination of Chargeable Gains
21	Specialised Businesses
24	Taxation of Petroleum Operations
28	Indirect Taxes

Repeals, Amendments & Revocations



Repealed Enactments

- Capital Gains Tax Act
- Casino Act
- Companies Income Tax Act
- Deep Offshore and Inland Basin Production Sharing Contracts Act
- Industrial Development (Income Tax Relief) Act
- Income Tax (Authorised Communications) Act
- Personal Income Tax Act
- Petroleum Profits Tax Act
- Stamp Duties Act
- Taxes and Levies (Approved List for Collection) Act
- Value Added Tax Act
- Venture Capital (Incentives) Act

Revoked Enactments

- Value Added Tax (Modification) Order 2021

Amended Enactments

- Petroleum Industry Act
- Companies Income Tax (Significant Economic Presence) Order, 2020
- Petroleum (Drilling and Production) Regulations 1969
- Nigeria Export Processing Zones Act
- Oil and Gas Export Free Trade Zone Act
- National Information Technology Development Agency Act
- Tertiary Education Trust Fund (Establishment, Etc.) Act
- National Agency for Science and Engineering Infrastructure Act
- Customs, Excise & Tariffs Act
- National Lottery Act
- Nigerian Minerals and Mining Act
- Nigeria Start-up Act
- Export (Incentives and Miscellaneous Provisions) Act
- Federal Roads Maintenance Agency Act
- Student Loans (Access to Higher Education) Act, 2024
- Cybercrime (Prohibition, Prevention Etc.) Act

Taxation of Resident Persons



Summary of Key Changes



A “resident company” has now been defined as one that is either incorporated in Nigeria or has its central or effective management and control in Nigeria

Income Tax for Companies and Small Companies Threshold

- Income tax rate for companies remains 30% except for small companies (with 0% tax rate)
- Small companies are those that earn annual gross turnover of ₦50 million or less with total fixed assets not exceeding ₦250 million
- Professional services providers are excluded from the small company category
- *Medium-sized companies classification has been removed*

Chargeable Capital Gains Now Taxable Under Income Tax

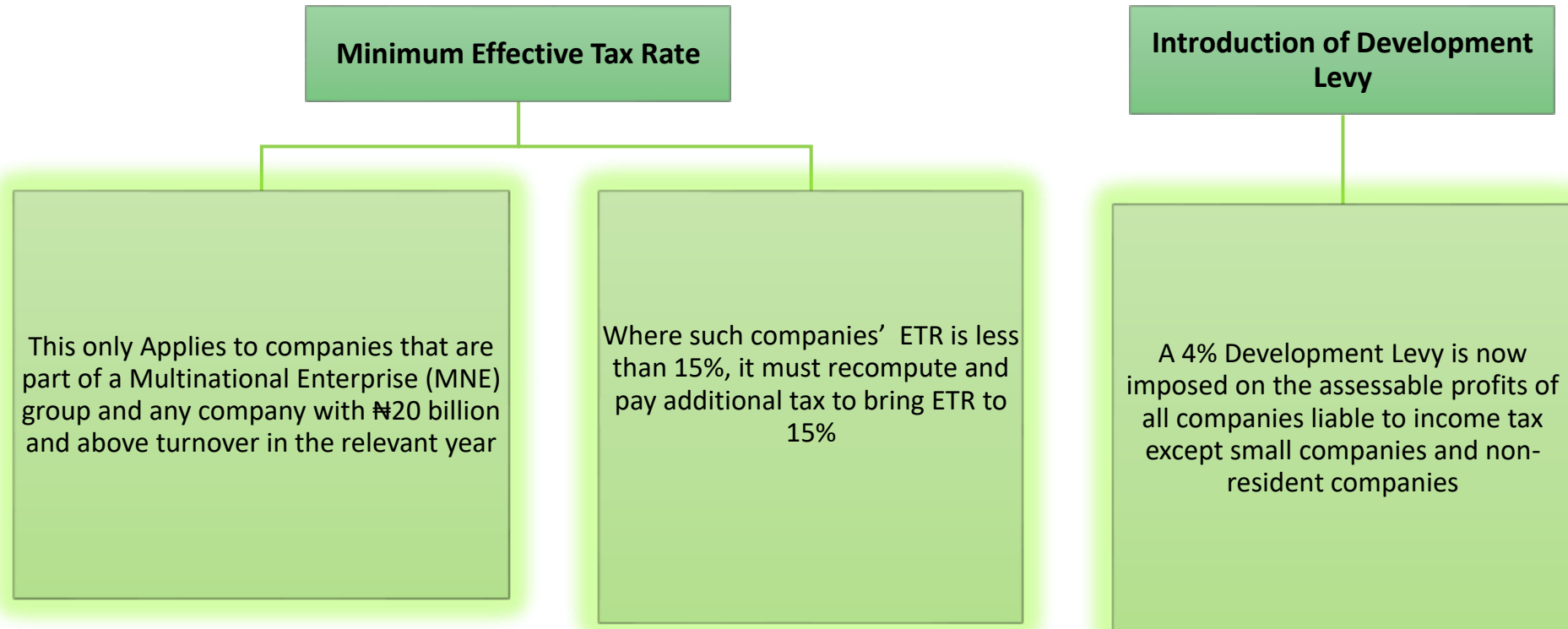
- Chargeable gains are now included in assessable profits of companies for income tax purposes.
- The current 10% rate for Capital Gains no longer applies
- Chargeable gains will now be taxed at 30% income tax rate for companies

Disallowable Expenses Now Expressly Include:

- Impairment of fixed assets, investments, or unrealised foreign exchange losses.
- Expenses already deductible in computing chargeable gains
- Expenses with uncharged VAT or unpaid import duties/levies on imported items. **This also applies to capital expenses as it disqualifies the related asset from being eligible for capital allowance claims**

Summary of Key Changes

Clarity on Taxable Transactions	New Basis for Expense Deductibility	Expanded Deductible Expenses	Certain Undistributed Dividend may be treated as distributed	Taxation of Profits from Controlled Foreign Companies (CFCs)
<ul style="list-style-type: none">• Prizes, winnings, honoraria, grants, awards, and gains from digital/virtual assets now explicitly taxable.• Losses from digital assets deductible only against digital asset profits.• <i>Broader definitions of interest and dividend; royalty introduced.</i>	<ul style="list-style-type: none">• The "reasonability and necessity" test has been removed. Expenses are now deductible if they are wholly and exclusively incurred for business, expanding the scope of allowable deductions.	<ul style="list-style-type: none">• Loss of stock and bad or doubtful debts are now expressly stated as deductible, with the condition that it is proven to the satisfaction of the tax authority and excludes related-party bad debts.	<ul style="list-style-type: none">• Where a Nigerian company controlled by not more than 5 individuals has not distributed profits reported in the accounts of a prior period as dividend to its shareholders, the Service may direct that a proportion of those profits (which would not affect the company's business), be construed as distributed.	<ul style="list-style-type: none">• If a foreign company controlled by a Nigerian company does not distribute profits, the portion attributable to the Nigerian company will be treated as distributed and taxed. Also, if the foreign subsidiary's tax falls below the minimum effective rate, the Nigerian parent must top it up.



Effective Tax Rate = Aggregate covered tax paid / Company's profits for the year of assessment.
Profits = Net profit before tax (per audited financial statements) minus 5% of depreciation and personnel cost for the year.

Capital Allowances and New Rates

Capital allowance is now applied on a straight-line basis, no longer split into initial and annual allowances. Intangible and software expenditures are now eligible for capital allowance. Balancing adjustments are no longer required; instead, they are computed under chargeable gains.



Class	Rate	Qualifying Capital Expenditure
1	10%	Building Expenditure; Agricultural Expenditure; Mast Expenditure; Intangible assets Expenditure; Heavy Transportation Expenditure
2	20%	Plant Expenditure; Agricultural Equipment Expenditure; Furniture and Fittings Expenditure; Mining Expenditure; Other Equipment Expenditure
3	25%	Motor Vehicle Expenditure; Software Expenditure; Other Capital Expenditure

Taxation of Resident Persons

Summary of Key Changes

Income tax exemption

There is a revised list of incomes/profits that are exempt for companies' income tax purposes in Nigeria.

Deductible donations

Donations, irrespective of nature, and not exceeding 10% of the profit before tax of a company shall be deductible for tax purposes in Nigeria.

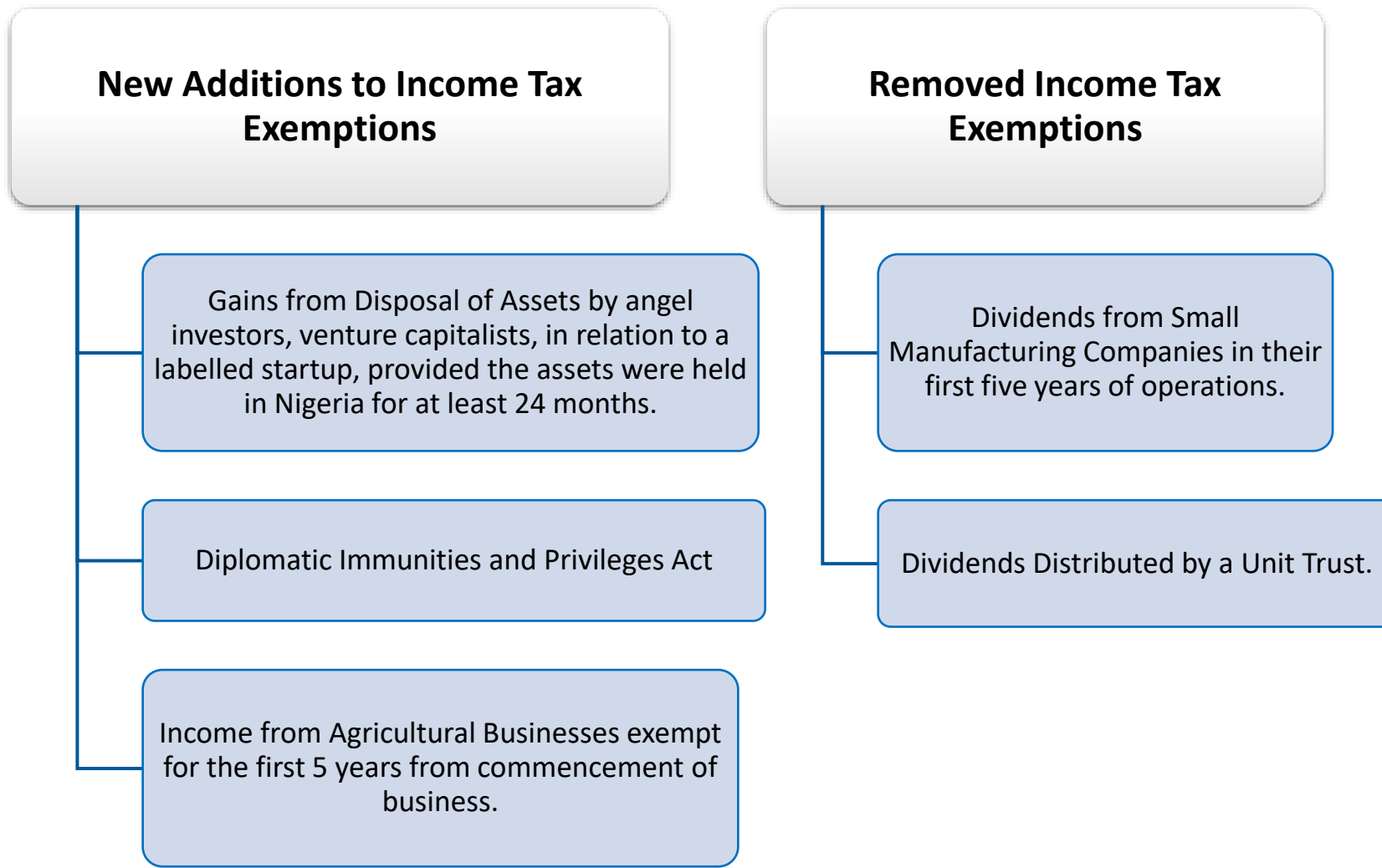
Deduction for research and development

Any amount incurred for research and development amounting to not more than 5% of turnover will be deductible for tax purposes in Nigeria. Previously, research and development allowable was limited to 10% of total profit.

Deductible interest: Thin Capitalisation Rule

Interest on debt from connected persons (**both foreign**) exceeding 30% of EBITDA is non-deductible. The unused interest deduction can be carried forward for up to 5 assessment years.

Taxation of Resident Persons



Taxation of Non-Resident Persons



Income from Trade

Non-residents earning income from trade activities connected to Nigeria are subject to taxation, i.e. all income, profits, and gains accruing in or derived from Nigeria are taxable.



Disposal of Chargeable Assets

Income from assets located in Nigeria by non-residents is taxable under the NTA. Assets are taxable when linked to trade or business in Nigeria or when they are located or deemed located in Nigeria



Profits from Trade or Business

Tax applies where there is a **Permanent Establishment (PE)** or **Significant Economic Presence (SEP)**.

Taxation of Non-Resident Persons

FORCE OF ATTRACTION

The income, profits, or gains of a non-resident attributable to its PE in Nigeria to be computed subject to the following conditions:

PE is deemed to have same credit rating as parent.

The PE shall be deemed to have reasonable equity and debt capital

Taxable profits of a permanent establishment shall include income from:

- Sales in Nigeria of goods or merchandise similar to those sold through the permanent establishment, by the non-resident or its connected persons; and
- Services or other business activities in Nigeria similar to those conducted through the permanent establishment, by the non-resident or its connected persons.

Only costs directly related to the permanent establishment's operations shall be deductible

No deduction is allowed for royalties, fees, or similar payments from a Nigerian permanent establishment (PE) to its non-resident head office or connected persons, except reimbursements of actual expenses.

If PE or Significant Economic Presence (SEP) profits cannot be determined, apply the non-resident's profit margin to total Nigerian income.

If calculated profits are lower than this margin-based amount, use the margin-based amount instead.

Tax payable shall not be less than:

- Tax withheld at source under the Nigeria Tax Administration Act, 2025, or
- 4% of total Nigerian income if no withholding applies.

Permanent Establishment & Significant Economic Presence

01

Permanent Establishment: Non-residents will be liable to tax on profits if they have a Permanent Establishment in Nigeria, with profits attributed directly to the establishment.

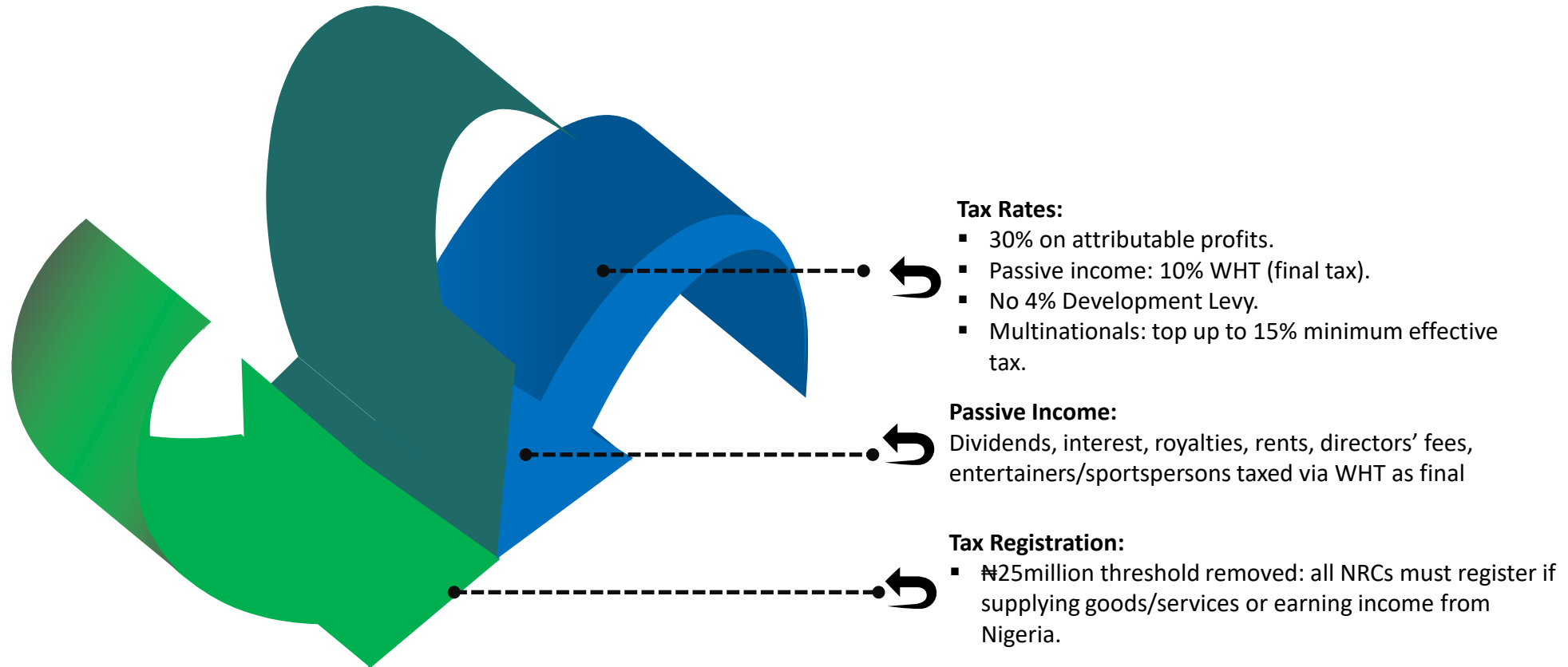
02

Significant Economic Presence: Non-residents will be charged to taxes when they transmit, emit, or send signals, sounds, messages, images, or data of any kind by cable, radio, electromagnetic systems, or any other electronic or wireless apparatus to Nigeria in respect of any activity.

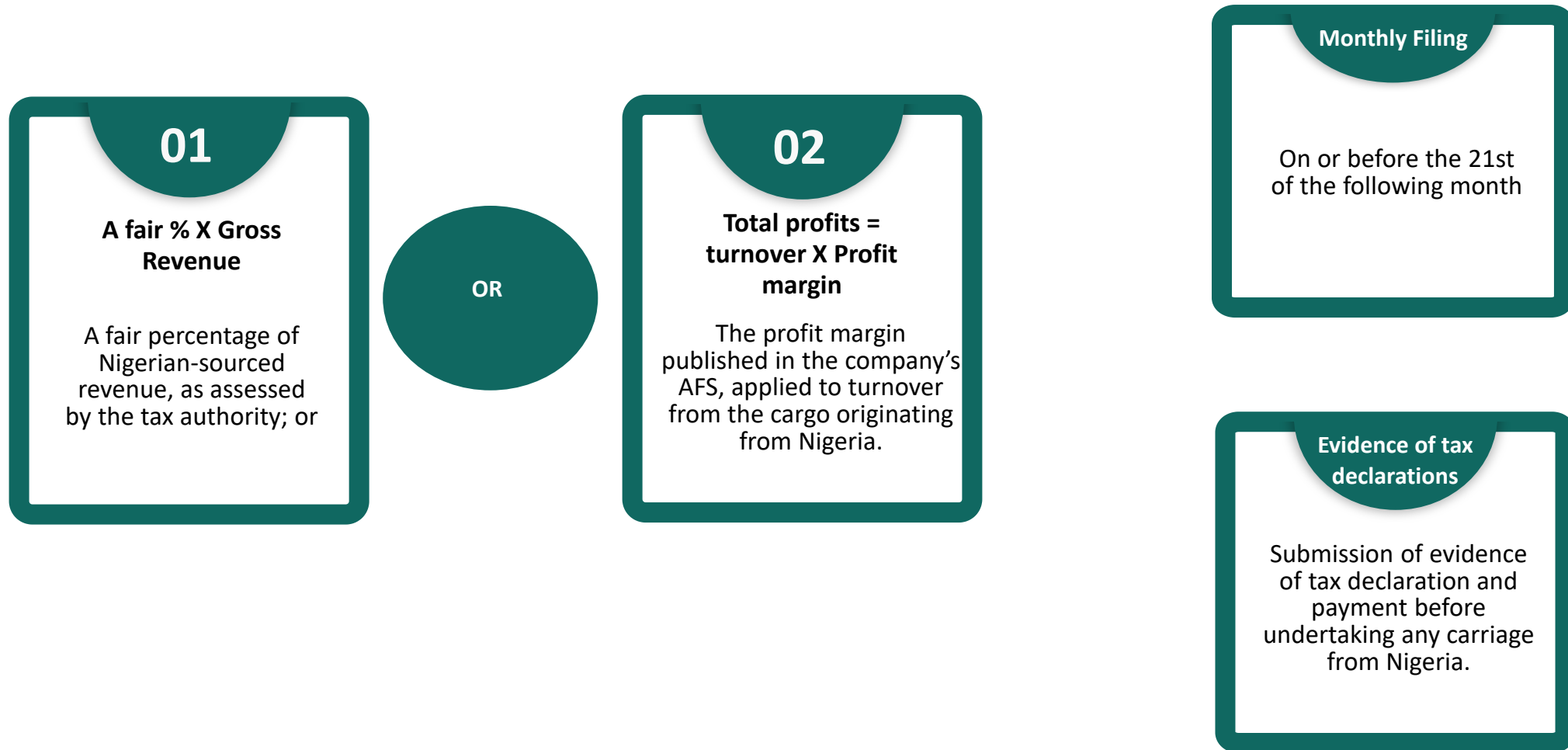
Payments to Non-Residents

- ❖ All services (not just technical, management, consultancy and professional) are taxable.
- ❖ Insurance premiums for Nigerian risks are taxable.
- ❖ WHT serves as final tax unless PE or SEP exists.

Permanent Establishment & Significant Economic Presence



Taxation of Non-Residents Shipping and Air Transport Companies



Summary of Key Changes

Basis for the derivation of employment income

- The employee is resident in Nigeria, or
- Duties are performed in Nigeria and payment is made by a Nigerian employer or a Nigerian PE of a foreign employer.



The Act requires that a written request alongside documentary evidence be submitted to the relevant state tax authority before deductions can be claimed

Profits from digital assets, prizes, grants, and similar items are now taxable, and gains from disposing of chargeable assets are subject to personal income tax.

The current Consolidated Relief Allowance (CRA) has been expunged

Redefined Eligible Deductions

- Pension Contributions – Only the employee's portion is deductible.
- National Housing Fund (NHF) Contributions – Statutory contributions made by the employee to the NHF scheme.
- National Health Insurance Scheme (NHIS) Contributions – Only employee contributions are deductible.
- Interest on loans used to acquire a residential property, subject to guidelines by the tax authority.
- Life Insurance Premium / Annuity
- A new rent relief is introduced and is computed as the lower of 20% of the actual rent paid, or ₦500,000.

Taxation of Individuals & Employment Income

New Personal Income Tax Band

Current Tax Table	Tax Rate (%)	New Tax Table	Tax Rate (%)
First ₦300,000	7	First ₦800,000	0
Next ₦300,000	11	Next ₦2,200,000	15
Next ₦500,000	15	Next ₦9,000,000	18
Next ₦500,000	19	Next ₦13,000,000	21
Next ₦1,600,000	21	Next ₦25,000,000	23
Above ₦3,200,000	24	Above ₦50,000,000	25



Taxation of Individuals & Employment Income

PAYE Simulation

Current Tax Regime

Annual Earnings (a) N	Consolidated Reliefs Allowance {CRA} (b) N	Other Statutory Contributions (c) N	Tax Free Pay (d) = (b+c)	Total Taxable Income d= (a-d) N	PAYE Tax Payable (e) N	Net Pay f = (a-e) N	Effective Tax Rate
840,000.00	354,560.00	67,200.00	421,760.00	418,240.00	-	772,800.00	0.00%
1,250,000.00	430,000.00	100,000.00	530,000.00	720,000.00	72,000.00	1,078,000.00	5.76%
2,500,000.00	660,000.00	200,000.00	860,000.00	1,640,000.00	232,400.00	2,067,600.00	9.30%
5,000,000.00	1,120,000.00	400,000.00	1,520,000.00	3,480,000.00	627,200.00	3,972,800.00	12.54%
60,000,000.00	11,592,000.00	4,800,000.00	16,392,000.00	43,608,000.00	10,257,920.00	44,942,080.00	17.10%



New Tax Regime

Annual Earnings (a) N	Eligible Deductions				Total Taxable Income (d= a - h) N	PAYE Tax Payable (e) N	Net Pay (a-b-c-e) N	Effective Tax Rate
	Rent Relief (b) N	Employee's Pension(c)	Other Eligible Deductions* (d)	Total Eligible Deductions (e)=(b+c+d) N				
840,000.00	20,000.00	67,200.00	-	87,200.00	752,800.00	-	772,800.00	0.00%
1,250,000.00	30,000.00	100,000.00	-	130,000.00	1,120,000.00	48,000.00	1,102,000.00	3.84%
2,500,000.00	100,000.00	200,000.00	-	300,000.00	2,200,000.00	210,000.00	2,090,000.00	8.40%
5,000,000.00	200,000.00	400,000.00	-	600,000.00	4,400,000.00	582,000.00	4,018,000.00	11.64%
60,000,000.00	500,000.00	4,800,000.00	-	5,300,000.00	54,700,000.00	11,605,000.00	43,595,000.00	19.34%

***Other Eligible Deductions comprise:** National Housing Fund (NHF) Contributions;
National Health Insurance Scheme (NHIS) Contributions;
Interest on loan for owner-occupied residential house; &
Life Assurance Premium or Annuity for the individual or Spouse (for the Preceding Year)

Determination of Chargeable Gains

- ❑ The flat 10% rate on Capital Gains is no longer applicable.
- ❑ Chargeable gains now taxed based on taxpayer type (individual or company)
 - 30% for companies
 - Applicable tax band for individuals
 - No separate returns required for capital gains

Updated Exemptions and Thresholds

Threshold for share disposal by companies increased to ₦150 million (from ₦100 million); other existing conditions remain.

Compensation for loss of employment or injury now exempt up to ₦50 million; only the excess is taxable.

Exemption on gains from disposal of a private residence is now limited to once in a lifetime.

Disposal of vehicles owned privately by individuals shall not constitute chargeable gains and shall be limited to two vehicles within a year

Exemption threshold for personal chattels increased from ₦1,000 to ₦5 million or 3× annual minimum wage, whichever is higher.





Indirect transfer of ownership

Gains by non-residents are taxable in Nigeria if share disposal results in change in ownership or group structure of a Nigerian company



Computation of Chargeable Gains

- For assets enjoying capital allowances, the chargeable gain is the difference between the sales proceeds and the tax written down value (TWDV), less incidental selling expenses.
- For assets that have not claimed capital allowances, the chargeable gain is the difference between the disposal proceeds and the acquisition cost, less incidental expenses.

VAT no longer applies to any restructuring done in line with the Act (previously limited to related-party transactions).

Mergers (continuation of a new business)

- Commencement and cessation rules do **not** apply.
- Unutilised capital allowances (CA) and unabsorbed losses are available to the new business.
- Taxes deducted at source available to the merged entity.
- Transfer of assets does **not** trigger chargeable gains.

Acquisition (cessation of one entity)

- Cessation rules apply.
- Sale/transfer of assets constitutes chargeable gains.
- Unutilised CA and unabsorbed losses **not** available to the new business.
- Taxes deducted at source not available to the merged entity.

Asset Transfers only

- Transfer does not trigger chargeable gains.
- Unutilised CA available to the acquiring business.

Note: Tax authority must be notified before any restructuring.



Key Features of the Economic Development Incentive (EDI)

- Pioneer Status Incentive (PSI) repealed and replaced with Economic Development Tax Credit (EDTC):
 - **Incentive period:** 5 years, extendable once for an additional 5 years on the condition that 100% of profits are reinvested during the incentive period into expansion of the same product(s).
 - EDI is granted as a tax credit to offset income tax payable during any year within the priority period.
 - It is subject to the **minimum ETR** rule; any shortfall triggers additional tax payment.
 - Unutilised EDTC can be carried forward for only up to 5 assessment years after the priority period.
- **Eligible Sectors**
 - Now referred to as priority sectors, with clearer definitions and thresholds compared to PSI
- **Application Fee**
 - Simplified to 0.1% of QCE, capped at ~~R~~5 million, payable to NIPC
- Companies granted EDTC cannot enjoy any other similar tax incentive under this or any other law



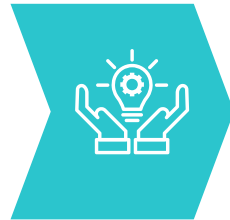


01

Conditional Tax Exemption for FTZ Entities

FTZ entities will enjoy full tax exemption only if:

- 100% of sales are either exports or inputs used exclusively for exports
- $\leq 25\%$ of total sales are made to Nigeria's customs territory
- Introduces strict conditionality for access to tax reliefs



02

Taxation on Domestic Sales

If more than 25% of total sales are to the customs territory:

- FTZ entities become liable to tax on profits from those sales
- Introduces partial taxation based on volume of domestic activity



03

Sunset Clause: Full Taxation from 2028

Effective 1 January 2028:

- All sales to the customs territory are fully taxable, even if $<25\%$,
- The President may extend the exemption period by Executive Order, but not beyond 10 years from enactment



04

Mandatory Proof of Export

FTZ entities must now provide documentary evidence of exports, such as:

- Cash inflows from foreign sales
- Imports of raw materials or capital equipment

No exemption will be granted without proof of exports

Statutory Compliance Obligations

05

Despite tax exemptions, FTZ entities are still required to:

- Register with the Nigeria Revenue Service (NRS)
- File tax returns
- Withhold and remit taxes where applicable (e.g., WHT)

Attribution of Income to Related Parties

06

If a zone entity contracts manufacturing to a related Nigerian company:

- Income from resulting sales is attributed to the connected person outside the zone, unless transaction is at arm's length

Application of Transfer Pricing Rules

07

All services rendered between FTZ entities and connected resident companies are subject to Transfer Pricing Regulations

Taxation of Services Consumed in Customs Territory

08

Services provided to FTZ entities in the customs territory are subject to applicable taxes, such as VAT or WHT

Summary of Key Changes

Lottery and gaming income now liable to income tax, overriding other laws.

In addition to allowable deductions under income tax, the following expenses are allowable for lottery businesses:

- Winnings and prizes paid from the Prize Fund
- Agency commission expenses
- Regulatory levies under federal/state laws



Taxation of Petroleum Operations



Summary of Key Changes



Disallowance of Certain Non-Taxed Expenses

Any expense on which no VAT is charged, and for imported items where no import duty is charged, will now be disallowed. **This also limits capital claims where the expense qualifies as capital expenditure**



Changes to Allowances

A 20% annual allowance is now permitted in the 5th year, eliminating the 1% residue rule.



Income Tax on Chargeable Gains

Chargeable Gains from asset disposal are now subject to income tax



Royalties Allowable

Royalties are now allowable based on amounts incurred by the company. The previous provision required them to be incurred and paid

Summary of Key Changes



Non-Associated Gas Greenfields

New provisions for Non-Associated Gas greenfield developments in onshore and shallow water terrains reaching first commercial gas production from the commencement of this Act to 1 January, 2029.



Gas Production Tax Credit (GPTC)

Hydcarbon Liquids Level	Incentive	Eligible Period
<= 30MMscf	GPTC - lower of of 'US\$1.00 per Mcf' & '30% of the fiscal gas price'	10 years from attaining first gas production (prior to 1 Jan 2029)
>30 MMscf <= 100MMscf	GPTC - lower of of 'US\$0.50 per Mcf' & '30% of the fiscal gas price'	10 years from attaining first gas production (prior to 1 Jan 2029)
>100MMscf	Zero GPTC (i.e. no incentive)	



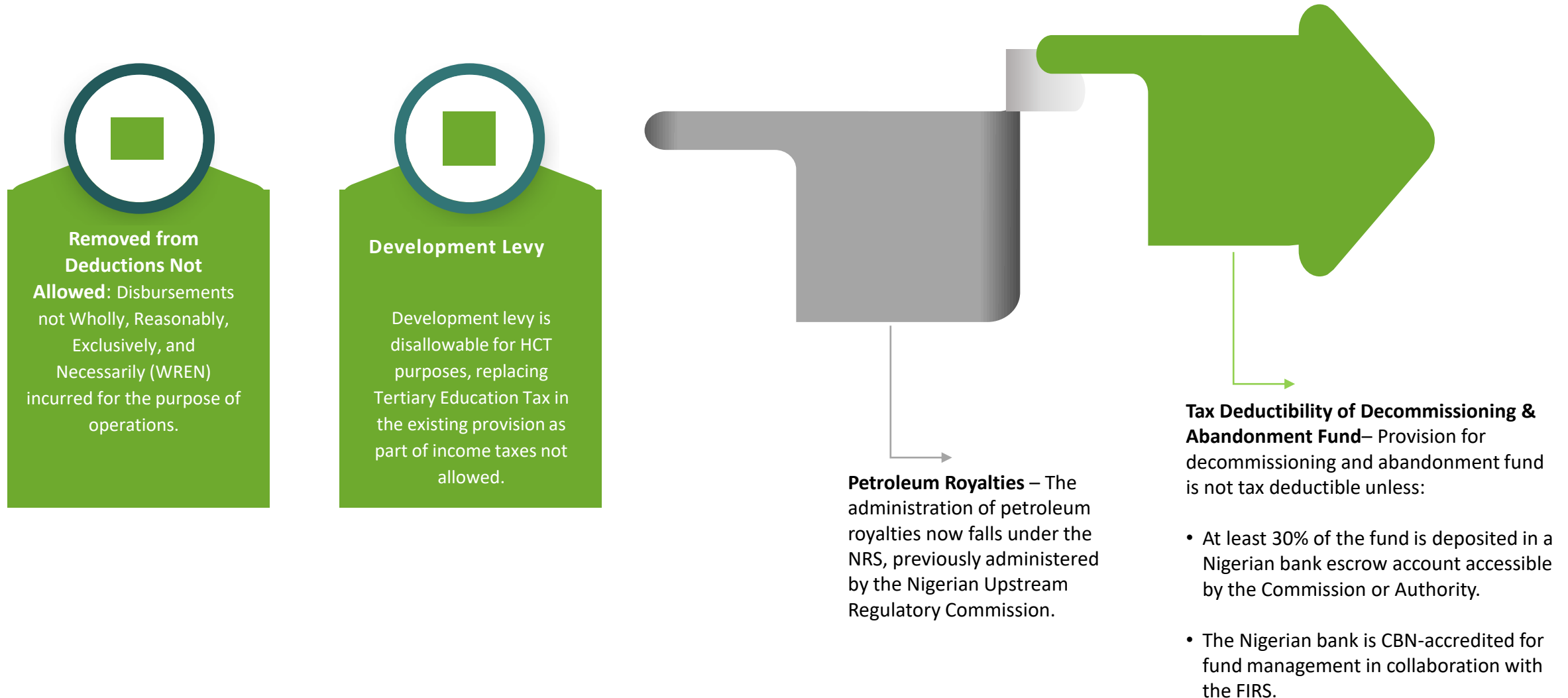
Gas Production Allowance (GPA)

- ✓ GPA to be granted at same rates in the above table after expiration of the 10 years GPTC (for fields attaining first production before 1 Jan 2029).
- ✓ For fields attaining first production after 1 Jan 2029, GPA rate shall be the lower of lower of 'US\$0.50 per Mcf' & '30% of the fiscal gas price'

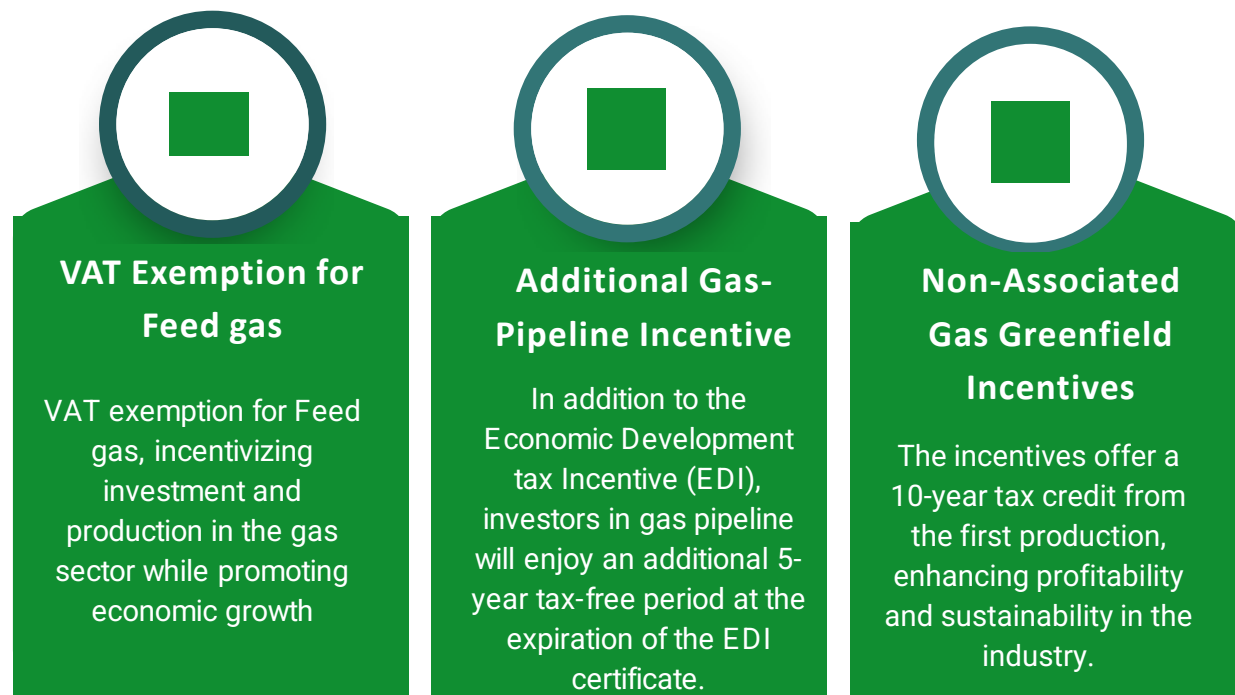


More on GPTC & GPA

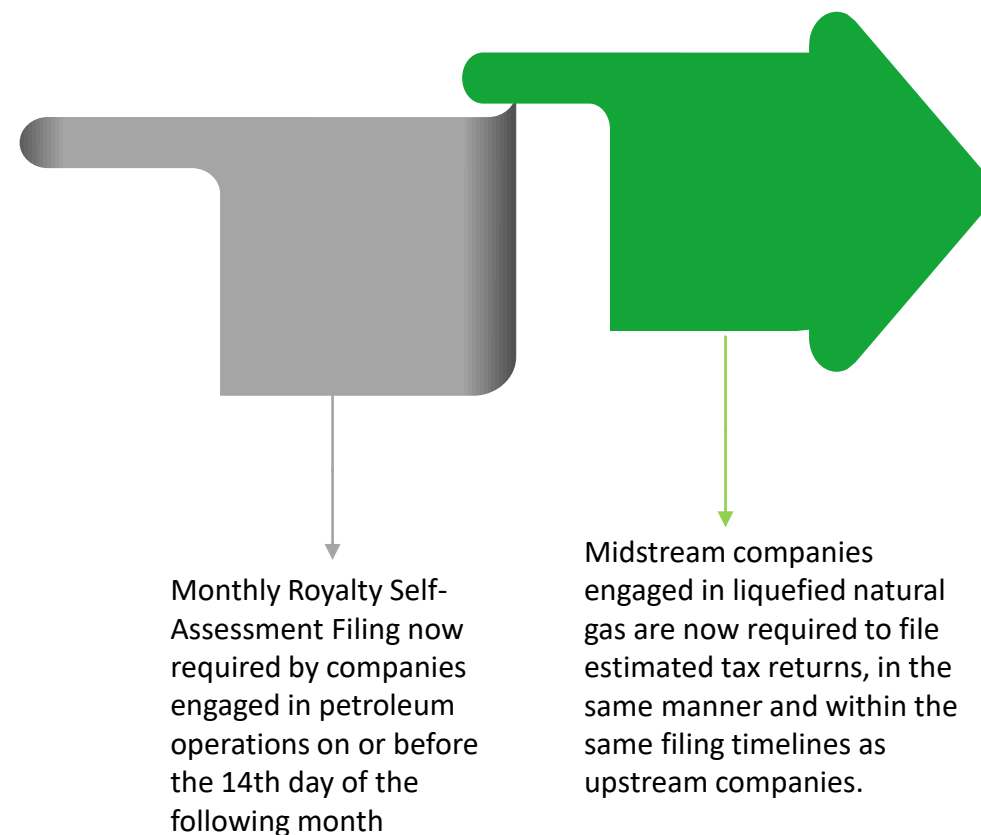
- ✓ Unrecouped tax credit (GPTC) in one year may be carried forward for a maximum of three years.
- ✓ The fiscal gas price for calculating GPTC and GPA shall be the same price used for determining royalties.
- ✓ Shall not be granted to any company that has claimed Associated Gas Framework Agreement incentives for the same Non-Associated Gas Greenfield project.



More Incentives



New Compliance Requirements



Indirect Taxes



Summary of Key Changes

VAT Rate still remain at 7.5%

Input Tax Recoverability on Services and Fixed Asset

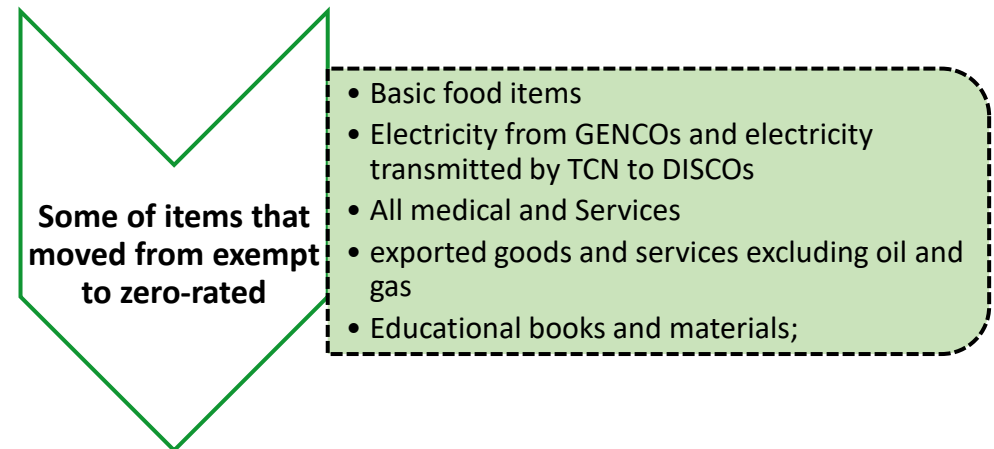
- Registered persons can deduct input tax on services and fixed assets if used for making taxable supplies.
- If input tax relates to both taxable and non-taxable supplies, only the taxable portion is deductible.
- Deduction is allowed within 5 years after the end of the tax period in which it was incurred and applies only to taxable supplies made after the commencement of this Act.

Mandatory Use of Electronic Fiscal System (EFS)

VAT self-charged alongside VAT withheld must now be remitted by the 14th of the following month.

Changes to Exempt and Zero-Rated VAT Lists.

- Nigerian airline tickets removed from both lists
- New exemptions include: assistive devices for disabilities
- Land/buildings (incl. interests) now expressly included in exempt list.



Summary of Key Changes



- renewable energy equipment
- compressed natural gas (CNG)
- Liquefied Petroleum Gas (LPG)
- other gaseous hydrocarbons.



- Equipment related to installation and conversion of CNG and LPG
- Services related to installation and conversion of CNG and LPG



The NTA now imposes a 5% surcharge on chargeable fossil fuel products supplied or produced in Nigeria with exemptions to :

- Clean/renewable energy (e.g., solar, wind, hydropower, geothermal, biomass).
- Household kerosene.
- Cooking gas (LPG).
- Compressed Natural Gas (CNG).

Effective date to be set by the Minister of Finance and to be administered and collected by NRS



Summary of Key Changes

Expanded modes of denoting duty

- Stamping of registrable instruments can be done via electronic receipts, electronic certificates, or any other method approved by the relevant tax authority.

Clearer obligation to stamp

- All chargeable instruments executed in Nigeria must be stamped within 30 days of execution, with specific provisions on which party bears the duty payment responsibility.

Clearer Stamp Duty Exemptions

- The new NTA provides an explicit list of exempt items, replacing the previously ambiguous provisions. Key exemptions include:
 - Documents relating to the transfer of stocks and shares.
 - Instruments executed by registered co-operative societies.
 - Electronic transfers or receipts below **₦10,000** (or foreign currency equivalent).
 - Transfers for salary payments.
 - Intra-bank self-transfers.
 - Lease agreements with an annual value below **₦10 million** are now exempt.

