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Nigeria's New Tax Reform: Implications for Businesses & Investors

Navigating Nigeria's Evolving Tax Landscape

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Executive Summary

On 26th June 2025, President Bola Ahmed Tinubu signed four landmark tax reform bills into law; the Nigeria Tax Act (NTA), the Nigeria Tax Administration Act (NTAA), the Nigeria Revenue Service (Establishment) Act, and the Joint Revenue Board Act. Effective 1st January 2026, these Acts consolidate over 60 disparate tax statutes into fewer than 10 clearly defined instruments, marking Nigeria's most ambitious fiscal overhaul in history. The reforms aim to broaden the tax base, simplify compliance, attract investment, and shift the burden away from low-income earners and MSMEs.

7.5% **VAT** rate unchanged; input recovery	**₦800K** Annual PIT exemption threshold	**₦100M** Raised CIT exemption for small companies	**4%** New unified Development on profits

Old vs. New: Key Changes at a Glance

Corporate & Business Tax

₦25M→₦100M	Small company CIT exemption threshold raised
Multiple levies→ 4% levy	TET, IT levy, NASENI & PTF consolidated into Development Levy
Limited input VAT → Full recovery	TET, IT levy, NASENI & PTF consolidated into Development Levy
Pioneer Status → EDTI credits	Credit-based incentive tied to investment size and sector priority

Personal Income Tax

Narrow exemption→ ₦800K free	Individuals earning ≤₦800,000/yr pay zero income tax
₦10M cap→ ₦50M cap	Tax-free severance/loss-of-job payment threshold raised
Domestic income → Global income	TET, IT levy, NASENI & PTF consolidated into Development Levy
Variable CGT→ ₦150M threshold	Credit-based incentive tied to investment size and sector priority

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Impact on Businesses

SMEs vs. Large Corporations: Small businesses benefit significantly from the reforms. Companies classified as “small” (turnover ≤₦50 million; assets ≤₦250 million) are exempt from Companies Income Tax (CIT), Capital Gains Tax (CGT), and the Development Levy, reducing both their tax burden and compliance costs. In contrast, larger firms face an increased effective tax rate, with CIT remaining at 30% alongside a new 4% levy, and CGT rising to 30%. Additionally, employers must expand payroll reporting to include all forms of remuneration, supported by mandatory monthly e-filing, increasing administrative complexity.

Compliance & Reporting: The reforms mark a shift toward a digital-first tax system. Mandatory e-invoicing, fiscal devices, and integrated Tax Identification systems will enable authorities to cross-check VAT filings against financial and trade data. This data-driven approach introduces risk-based audits, heightening enforcement efficiency. As a result, firms must invest in robust accounting systems, digital recordkeeping, and tax technology to ensure compliance and avoid penalties.

Tax Planning and Optimization: Despite stricter enforcement, the reforms create targeted optimization opportunities. Expanded input VAT eligibility enhances cost recovery on capital expenditure, while incentives such as the EDTI provide tax credits for investments in priority sectors. Provisions for loss carryforward and merger reliefs further support corporate restructuring. However, entities operating in free zones or relying on legacy tax exemptions will need to reassess their strategies as blanket incentives are phased out.

Sector-Specific Implications

Technology & Digital
Mandatory e-invoicing and fiscalisation create compliance infrastructure; digital services VAT obligations tighened for non-residents.
•Mixed

Agriculture & Food
Basic food items, medical products, and educational materials are zero-rated under VAT: a direct boost for agrifood value chains.
•Positive

Manufacturing
Expanded input VAT recovery on capital assets reduces effective tax cost. However, non-VAT-compliant procurement now disqualifies deductions.
•Positive

Oil & Gas
New rules on royalty payments, decommissioning fund deductibility, and a 5% fossil fuel surcharge create significant compliance complexity.
•Cautious

Export Processing Zones
Exemptions retained but tightened; 25% sales-to-customs-territory threshold expires 2028. Proof of export proceeds now mandatory.
•Mixed

Financial Services
Banking sector faces a proposed 70% windfall tax on FX gains (2023–2025). Lottery and gaming now taxed under standard corporate regime.
•Cautious

Positive – reform delivers a net benefit to this sector
Mixed – both opportunities and new compliance burdens
Cautious – sector faces elevated risk or cost under the reform

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Investor Perspective

The reform introduces a 15% minimum Effective Tax Rate (ETR) for constituent entities of Multinational Enterprise (MNE) groups — aligning Nigeria with OECD Pillar Two principles. The new Economic Development Tax Incentive (EDTI) replaces Pioneer Status with credit-based incentives, making Nigeria more competitive for targeted FDI in priority sectors. However, the CGT extension to indirect offshore share transfers signals heightened scrutiny of holding structures.

Compliance cost impact by company size (estimated)

Micro (≤₦25M)
Low
Small (₦25M–₦100M)
Moderate relief
Mid-size (₦100M–₦1B)
Medium-High
Large / MNE
High – ETR & transfer pricing

Digital Taxation & Compliance

E-invoicing & Fiscalisation
Mandatory NRS fiscalisation system for all VAT-registered entities. Nigeria becomes one of Africa's first countries to mandate real-time e-invoicing at scale.

Nigeria Revenue Service (NRS)
Replaces FIRS. Operates a "single window" for all federal tax and non-tax revenues with a digital-first mandate and automated audit capabilities.

TIN as Universal ID
NIN now serves as Tax ID. Mandatory TIN for all financial transactions widens the tax net and supports the transition to a fully documented economy.

Nigeria is shifting to a digital-first tax system to boost revenue and tighten compliance. The tax authority will use data analytics, e-invoicing, and integrated tax IDs linked to bank and trade data to track businesses more closely. With automated reporting, real-time documentation, and risk-based audits replacing random checks, opportunities for underreporting will shrink. As a result, businesses need to adopt compliant digital systems or risk exposure under the new regime.

Broader Economic Impact

- **Financial Inclusion & Equity:** By exempting low earners (PIT-free up to ₦800k) and zero-rating essentials for VAT, the reforms ease the burden on poorer Nigerians. Simplifying tax returns for micro-entrepreneurs and raising the small business threshold encourage informal operators to formalize, broadening the tax base without penalizing subsistence businesses. The focus on fairness is explicit: measures like progressive PIT rates and small-business exemptions reflect a commitment to protect vulnerable groups.

- **Sustainable Growth & Development:** The new tax structure aims to fund diversification away from oil. For example, some 70% of government revenue still comes from oil, so expanding taxes beyond hydrocarbons is critical. The reforms earmark portions of the Development Levy for education, technology and infrastructure, potentially financing human capital. The formalization drive (e.g. tracking digital transactions) may increase entrepreneurship as previously unregistered enterprises enter the system. By aligning incentives with national priorities (e.g. incentivizing coal mining, renewable energy projects and high-tech manufacturing), the tax code seeks to spur investments that generate jobs and innovation. If effectively administered, these changes could make the economy more inclusive and productive – though this hinges on building trust with taxpayers and avoiding measures that stifle growth

Recommendations To Business Leaders

What business leaders should do next:

- Conduct a holistic tax impact analysis covering structure, operations, and compliance gaps immediately.
- Upgrade ERP and accounting systems for mandatory e-invoicing and real-time VAT reporting.
- Build a Tax Risk Register covering transfer pricing, CGT, VAT, and PAYE exposures.
- Retrain finance, HR, and procurement teams on new input VAT rules and payroll changes.
- Review supplier base – non-VAT-compliant purchases now disqualify deductions entirely.

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On Your Radar

Time-sensitive updates and new developments

PIT · Deadline NEW

March 2026 · Ref: LIRS/010/03/2026

LIRS extends individual annual income tax return deadline to 14 April 2026

Issued by Dr. Ayodele Subair, Executive Chairman – Lagos State Internal Revenue Service

PREVIOUS DEADLINE
31 March 2026

NEW DEADLINE
14 April 2026

EXTENSION PERIOD
2 weeks

FILING METHOD
E filing only

The LIRS has granted a two-week extension to allow individuals additional time to complete and submit tax returns. Dr. Subair emphasised that compliance should be treated as a routine personal practice. The extension applies to individual annual income tax returns only.

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Manual filing has been completely phased out. All returns must be submitted exclusively through the LIRS eTax portal. Ensure your TaxID (TIN) is correctly captured before submission. Penalties remain in force after 14 April 2026.

Source: LIRS Press Release · Corporate Communications

https://etax.lirs.net/ ↗

Appendix. Reference

Definition of Terms

NTA — ***Nigeria Tax Act***
The primary legislation enacted in June 2025 that consolidates Nigeria's tax laws into a single unified framework, replacing over 60 fragmented statutes. It governs how individuals, businesses, and entities are taxed across the country.

NTAA — ***Nigeria Tax Administration Act***
Governs the procedures for assessing, collecting, and enforcing taxes under the NTA. It standardises how taxpayers interact with the NRS covering filing obligations, objections, appeals, and penalties for non-compliance.

NRS — ***Nigeria Revenue Service***
The federal body that replaced the Federal Inland Revenue Service (FIRS) effective 1 January 2026. Operates as a "single window" for all federal tax and non-tax revenues with a digital-first mandate and automated audit capabilities.

LIRS — ***Lagos State Internal Revenue Service***
The state-level authority responsible for collecting taxes within Lagos State. It operates independently of the NRS and administers personal income tax for residents and employees based in Lagos, including the annual income tax return filing process.

PIT — ***Personal Income Tax***
Tax levied on the income of individuals including salaries, wages, freelance earnings, and investment returns. Individuals earning ₦800,000 or less annually are fully exempt. Resident individuals are now taxed on their worldwide income, not just income earned within Nigeria.

CIT — ***Companies Income Tax***
Tax paid by incorporated companies on their taxable profits. The reform raises the exemption threshold for small companies from ₦25 million to ₦100 million in annual turnover, providing significant relief for growing businesses.

VAT — ***Value Added Tax***
A consumption tax charged at each stage of the supply chain on the value added to goods and services. The rate remains at 7.5%. Businesses can now fully recover VAT paid on services and capital assets, reducing the overall cost of doing business.

CGT — ***Capital Gains Tax***
A tax on the profit made from the sale or disposal of an asset. The reform raises the CGT exemption on share disposals to ₦150 million and extends scope to indirect offshore share transfers meaning foreign-held companies deriving significant value from Nigerian assets are now within scope.

ETR — ***Effective Tax Rate***
The actual percentage of income or profit paid as tax after all deductions, exemptions, and credits as opposed to the headline statutory rate. The reform introduces a minimum 15% ETR for multinational enterprises, in line with the OECD's global minimum tax framework (Pillar Two).

EDTI — ***Economic Development Tax Incentive***
Replaces the old Pioneer Status scheme. Rather than granting full tax holidays, the EDTI offers tax credits proportional to the size and strategic value of an investment, targeting priority sectors such as manufacturing, agriculture, and infrastructure.

TIN — ***Tax Identification Number***
A unique number assigned to every taxpayer (individual or business) for identification in all tax-related transactions. Under the reform, the National Identification Number (NIN) now serves as the TIN for individuals, making it mandatory for all financial and business transactions.

MNE — ***Multinational Enterprise***
A company that operates in two or more countries. MNE groups with Nigerian constituent entities are subject to the 15% minimum ETR requirement and enhanced transfer pricing rules, increasing the compliance burden for global corporations with Nigerian operations.

PAYE — ***Pay As You Earn***
The system through which employers deduct Personal Income Tax directly from employees' salaries each month and remit it to the relevant state revenue authority. Non-compliance attracts penalties under the NTAA.

FIRS — ***Federal Inland Revenue Service***
The former federal tax authority, now replaced by the Nigeria Revenue Service (NRS) as of 1 January 2026. Existing TINs issued under FIRS remain valid with no re-registration required for businesses or individuals.

Intelligence Series

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Sage Grey Finance Intelligence Report is a periodic publication exploring key developments, emerging risks, and strategic opportunities within Nigeria's financial, economic, and business landscape.