



NEW TAX REFORM 2025

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INTRODUCTION

The Nigerian tax system is undergoing significant reforms aimed at improving compliance, transparency, and ease of doing business.

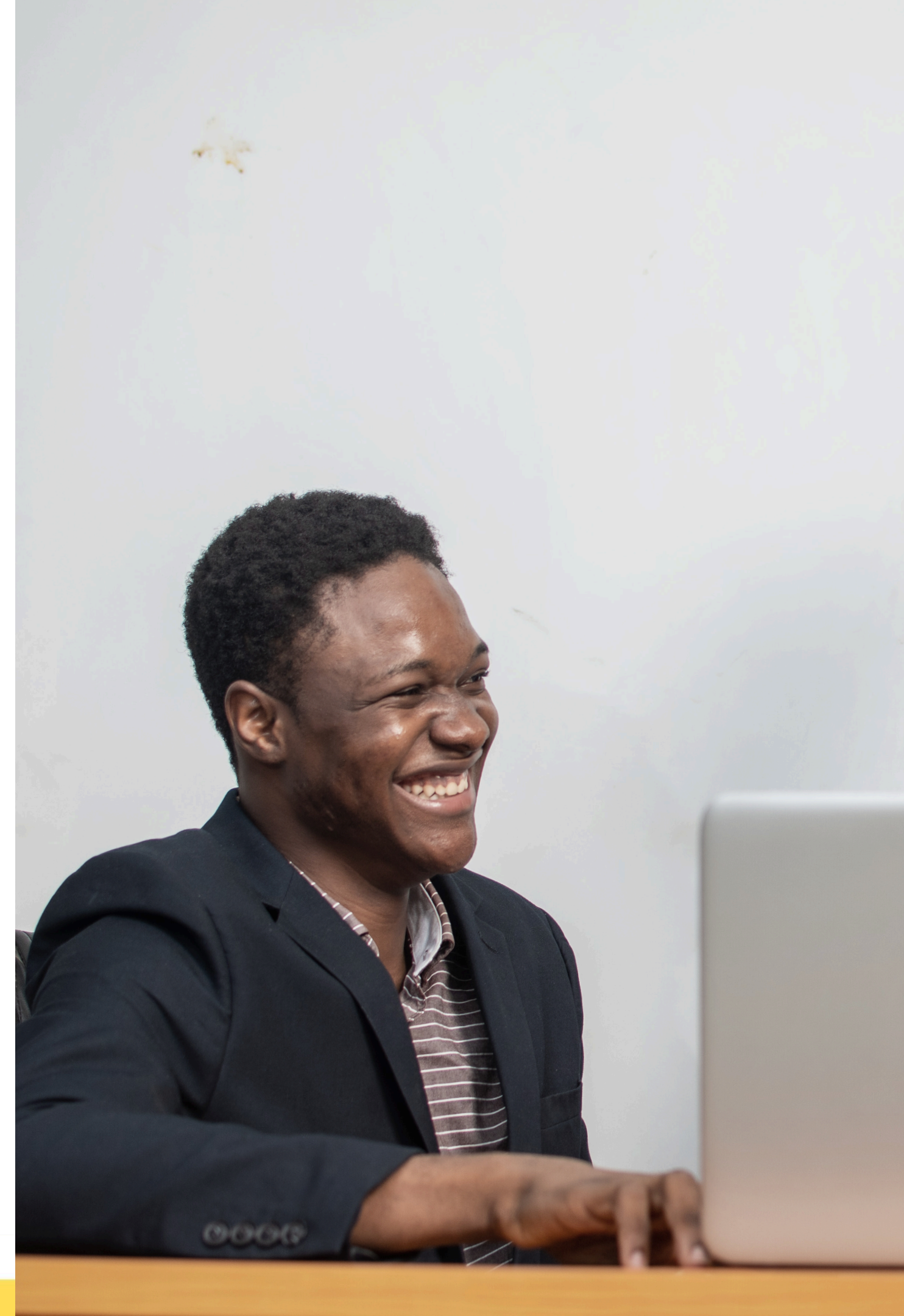
The New Tax Reform 2025 introduces changes that will directly affect small businesses, large companies, and individual taxpayers, beginning from 2026.

This training is designed to help participants understand these changes in simple terms, identify how they affect their businesses, and learn practical steps to prepare, comply, and avoid penalties.

Rather than focusing on theory, this session will emphasize real-life business impact, filing responsibilities, and the importance of proper bookkeeping in the new tax environment.

Contents

- Four major tax reform laws introduced to improve compliance and ease of doing business
- Major Highlights of the New Tax Law
- Importance of Bookkeeping



4 Major Tax Reforms In Nigeria

The Nigerian tax system underwent a major transformation with the signing of the 2025 Tax Reform Laws by the Federal Government. These reforms were designed to simplify tax compliance, improve revenue generation, reduce duplication of taxes, and strengthen coordination across all levels of government.

The 2025 tax reforms are made up of four major Acts:

- Nigeria Tax Act (NTA)
- Nigeria Tax Administration Act (NTAA)
- Nigeria Revenue Service Act (NRSA)
- Joint Revenue Board Act (JRBA)

Major Highlights of the New Tax Law (2026 Reform)

The 2026 Tax Reform introduces several important changes that directly affect companies, individuals, and tax administration in Nigeria. These highlights are designed to promote fairness, support economic growth, and improve compliance.

1. Increased Exemption Threshold for Small Companies

The reform raises the exemption threshold for small companies, allowing more small businesses to operate without immediate income tax obligations. This change supports entrepreneurship, reduces the compliance burden on micro and small enterprises, and encourages business formalization.

2. Increased Capital Gains Tax (CGT) Rate

The Capital Gains Tax rate has been increased from 10% to 30%. This change reflects the government's intention to increase revenue from asset disposals and align CGT with prevailing economic realities.

3. CGT on Indirect Transfer of Shares

Under the new law, Capital Gains Tax now applies to indirect transfers of shares. This ensures that gains realized from offshore or indirect transactions involving Nigerian assets are properly taxed, closing loopholes previously used to avoid CGT.



4. Introduction of Development Levy

A Development Levy of 4% of assessable profits has been introduced. This levy replaces several smaller levies and is intended to fund national development initiatives while simplifying the overall levy structure.

5. Minimum Effective Tax Rate for Large Companies

Large companies are now subject to a 15% Minimum Effective Tax Rate. This ensures that large and profitable entities contribute a fair minimum amount of tax, even when incentives or deductions significantly reduce their taxable profits.

6. More Progressive Personal Income Tax (PIT) Regime

The Personal Income Tax system has been restructured to be more progressive. Higher-income earners now bear a greater tax burden, while lower-income individuals benefit from reduced rates and higher reliefs, promoting equity and social fairness.

7. Introduction of Economic Development Incentive (EDI)

The reform introduces an Economic Development Incentive, providing a 5% tax credit to qualifying companies. This incentive is designed to encourage investment in priority sectors, job creation, and economic expansion.



8. Establishment of a Tax Ombuds Office

A Tax Ombuds Office has been established to protect taxpayer rights. The office serves as an independent channel for handling complaints, resolving disputes, and ensuring fair treatment of taxpayers by revenue authorities.

9. VAT Zero-Rating for Essential Goods and Services

Essential goods and services have been zero-rated for Value Added Tax purposes. This measure reduces the cost of living, protects vulnerable groups, and ensures that VAT does not unduly burden basic necessities.

10. Mandatory VAT Fiscalisation and E-Invoicing

Businesses must now use VAT fiscalisation and e-invoicing systems. This improves transparency, strengthens VAT collection, and reduces tax evasion through real-time reporting.

11. Expanded Input VAT Recovery Rules

Businesses can now recover input VAT on more expenses. This improves cash flow and lowers the tax burden for compliant companies.

12. Clarification on Tertiary Education Tax and Minimum Tax

The law now clearly explains how tertiary education tax and minimum tax apply. This reduces disputes and improves compliance.



Importance of Bookkeeping

Proper documentation is essential for:

1. Accurate tax filing
2. Avoiding penalties
3. Assessing financial capacity
4. Improving business decision-making

Starting January 2026:

1. CIT is filed annually at the beginning of the year
2. VAT is filed monthly
3. PIT is filed annually



CONCLUSION

The Nigerian 2025 Tax Reforms mark a significant step toward building a modern, efficient, and transparent tax system.

Understanding these reforms is critical for businesses, professionals, and public institutions to ensure compliance and maximize the benefits of the new framework.

This should serve as a foundational guide and should be used alongside official regulations and professional tax advice.