

Summary of 2025 Nigerian Tax Bill Reforms

Overview - What Changed?

No.	Provision	Previous Law	New Reform	Implication
1	Exemption Threshold for Small Companies	Exemption for companies with turnover ≤ ₦25m	Exemption for companies with turnover ≤ ₦100m and fixed assets ≤ ₦250m	More companies benefit from tax exemption; promotes SME growth
2	Capital Gains Tax (CGT) Rate	10% CGT for companies	30% CGT for companies; individuals taxed progressively	Aligns CGT with CIT to prevent arbitrage
3	CGT on Indirect Share Transfers	No CGT on indirect offshore share disposals	CGT applies to offshore indirect transfers of Nigerian shares; exemption threshold raised to ₦150m	Prevents tax avoidance via offshore structures
4	Development Levy	Multiple sectoral levies: TET, IT Levy, NASENI, PTF	Unified 4% Development Levy on assessable profits (excluding small companies)	Simplifies tax structure; increases tax burden for medium/large firms
5	Minimum Effective Tax Rate (ETR)	No minimum ETR rule	15% ETR for multinationals with turnover ≥ ₦50b or €750m	Addresses global tax base erosion concerns (aligned with OECD)
6	Controlled Foreign Company (CFC) Rules	No comprehensive CFC rules	Undistributed foreign profits of Nigerian-controlled foreign entities taxable	Prevents profit shifting and tax deferral
7	Taxable Profits of Non-Residents	Taxable only if activity conducted in Nigeria	"Force of attraction" rule: related activities taxed under PE even if outside Nigeria	Broadens tax base; increases compliance risk for foreign companies

No.	Provision	Previous Law	New Reform	Implication
8	Minimum Tax for Non-Residents	No specific minimum tax rule	Tax = max(WHT rate or 4% of income) if EBIT-based tax is lower	Ensures non-residents pay a fair minimum tax
9	Free Zone Entities – Tax Status	Exemption regardless of output destination	Full exemption for exports & oil/gas supplies; proportionate tax if >25% sold locally; full tax from 2028 if sold to customs territory	Reduces misuse of Free Zones for local sales tax avoidance
10	Economic Development Incentive (EDI)	Pioneer status tax holiday	5% tax credit annually for 5 years on qualifying capital expenditure	Focuses incentive on actual investment rather than profit-based holidays
11	Progressive PIT Regime	PIT on all incomes above ₦300,000; flat brackets	PIT exemption for taxable income ≤ ₦800,000; higher rates up to 25%	Protects low-income earners; increases burden on high earners
12	Residence Definition (PIT)	Ambiguous definition of residency	Clear definition including economic and family ties	Expands PIT scope; clarifies compliance requirements
13	Tax Ombuds Office	No such independent body	Introduced to resolve tax-related complaints	Improves taxpayer protection and dispute resolution
14	Input VAT Recovery	Input VAT on fixed assets and some services not recoverable	Full input VAT recovery allowed if related to taxable supplies	Reduces VAT cost for businesses; enhances neutrality
15	Zero-Rated Goods & Services	Few items zero-rated (e.g., exports)	Expanded to include food, medical, education, electricity, exports (non-oil)	Reduces cost of essential services; VAT refunds possible
16	VAT Fiscalisation and E-Invoicing	No mandatory e-invoicing rules	Mandatory adoption of fiscalised invoicing systems	Promotes digital compliance; reduces VAT evasion

No.	Provision	Previous Law	New Reform	Implication
17	VAT Sharing Formula	FG: 15%, States: 50%, LGs: 35%	FG: 10%, States: 55%, LGs: 35%; States/LGs sharing revised	More revenue allocated to subnational governments
18	Non-Compliance Penalties	₦ 50k for first default month; ₦ 25k/month ongoing)	₦ 100k for first default month; ₦ 50k/month ongoing; up to ₦ 5m for unregistered contractors	Stronger deterrents for tax evasion and regulatory breach
19	Tax Planning Disclosure	No mandatory disclosure rules	Taxpayers must disclose tax planning schemes giving tax advantages	Enhances transparency and combats aggressive tax planning
20	FIRS Rebranded to NRS	FIRS and SIRS without full autonomy	FIRS becomes Nigeria Revenue Service (NRS); SIRS gain autonomy	More coordinated tax administration and better governance

Highlights and Impacts

- Small business threshold increased to 100M, reducing their tax burden.
- Multiple levies merged into a unified Development Levy.
- VAT now favors states with higher consumption (e.g., Lagos).
- Centralized and digitized tax administration under NRS.
- Oil and gas sector incentives linked to performance and cost savings.

Summary Snapshot

- Corporate Tax: 30% (reductions planned); small firms exempt.
- Development Levy: Consolidated to 4% of assessable profit.
- Personal Income Tax: Raised threshold to 800K taxable income, top band 25%.
- VAT: Rate at 7.5%, essential items to be zero-rated.
- CGT: Company CGT at 30%; better exemptions for individuals.
- Oil & Admin: Centralized under NRS, new governance bodies.

Economic Development Incentive

Under the new 2025 Nigerian Tax Reform Acts, a **five-year Economic Development Incentive (EDI)** replaces the older Pioneer Status Incentive. Here's how it works:

🕒 5-Year Economic Development Incentive (EDI)

- **What it offers:** A 5% tax credit per year, for **five consecutive years**, on qualifying capital expenditures
- **Which industries/companies are eligible:**
 - Businesses that make **eligible capital investments** within **five years** from the start of production
 - Particularly those engaging in **priority economic sectors**, as defined by the new Acts .
 - Unlike the former Pioneer Status, which granted **income tax holidays** for up to three plus possible extensions (totaling up to five years), the EDI is a **tax credit** mechanism aimed at stimulating specific ongoing capital investments in a broader set of priority sectors—such as manufacturing, infrastructure, agriculture, and ICT projects.

Incentive Type	Duration	Benefit	Eligible Entities
Pioneer Status Incentive	3–5 years	Full income tax holiday	Industries assessed as "pioneer"
Economic Development Incentive (EDI)	5 years	5% annual tax credit on qualifying capex	Companies in priority sectors investing within 5 years of production start