

UNDERSTANDING NIGERIA'S NEW TAX LAW: WHAT EVERY INDIVIDUAL AND BUSINESS SHOULD KNOW



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The Federal Government of Nigeria has introduced a new tax reform aimed at making the country's tax system simpler, fairer, and more efficient. While many Nigerians have heard about the new law, there is still uncertainty about what it actually means for individuals, workers, entrepreneurs, and businesses.

This guide explains the key changes in simple language and answers some of the most common questions.

WHAT IS THE NEW TAX LAW?

The New Tax Law is a comprehensive reform designed to modernize Nigeria's tax system. Its objectives include:

- Simplifying tax administration
- Reducing the burden on low-income earners
- Supporting small businesses
- Improving tax compliance
- Increasing government revenue for national development
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Rather than operating under several separate tax laws, the reforms consolidate and streamline tax administration across the country.



THE FOUR MAJOR TAX ACTS

The reform consists of four key pieces of legislation:

1. Nigeria Tax Act, 2025 (NTA)

This Act consolidates multiple tax laws into a single legal framework. It clearly defines what types of income and profits are taxable and which are exempt.

2. Nigeria Tax Administration Act, 2025 (NTAA)

This law provides the procedures for tax administration, including tax filing, enforcement, compliance requirements, and applicable penalties.

3. Nigeria Revenue Service Establishment Act, 2025 (NRS)

The Act replaces the former Federal Inland Revenue Service (FIRS) law and establishes the Nigeria Revenue Service (NRS), giving it authority to assess, collect, investigate, and enforce tax obligations.

4. Joint Revenue Board of Nigeria Establishment Act, 2025 (JRB)

This legislation strengthens cooperation among tax authorities through institutions such as the Joint Revenue Board, the Tax Appeal Tribunal, and the Tax Ombud.



WHAT DOES THE NEW TAX LAW MEAN FOR INDIVIDUALS?

Low-Income Earners Receive Tax Relief

One of the most significant changes is that individuals earning ₦800,000 or less annually are now exempt from paying personal income tax.

This measure is intended to reduce the financial burden on lower-income Nigerians and improve disposable income.

New Rent Relief Allowance

The law introduces a Rent Relief Allowance that allows eligible taxpayers to deduct up to 20% of their annual rent, subject to a maximum deduction of ₦500,000.

In addition, pension contributions and certain statutory deductions remain tax deductible.

Are Bank Transfers or Savings Taxed? No.

One of the biggest misconceptions surrounding the reform is that bank transfers or money kept in bank accounts will be taxed.

The law does not tax:

- Bank transfers
- Cash deposits
- Cash withdrawals
- Account balances

Instead, taxes apply to income earned, including:

- Salaries
- Business profits
- Rental income
- Dividends
- Interest income

Simply moving money between accounts does not create a tax liability



WHAT BUSINESSES NEED TO KNOW

Who Qualifies as a Small Company?

The new law significantly expands the definition of a small company. A business now qualifies if it has:

- Annual gross turnover of ₦100 million or less, and
- Total fixed assets not exceeding ₦250 million.

This is a substantial increase from the previous turnover threshold of ₦25 million, allowing more businesses to benefit from provisions designed for small companies.

Tax Identification Is Now Essential

Businesses are required to obtain and use a Tax Identification Number (Tax ID).

The Tax ID will be necessary for:

- Filing tax returns
- Conducting business operations
- Interacting with financial institutions
- Accessing government services

Business owners who have not yet registered should begin the process promptly to avoid compliance issues.

What Happens If a Business Fails to Comply?

The new law introduces stricter enforcement measures.

Businesses that fail to comply may face:

- Financial penalties
- Fines
- Interest on unpaid taxes
- Imprisonment in applicable cases

Proper record keeping, timely filing of tax returns, and compliance with tax obligations are now more important than ever.



WHY THESE REFORMS MATTER

Nigeria's tax reforms are intended to create a more transparent, equitable, and efficient tax system.

For individuals, the reforms provide relief to lower-income earners and introduce deductions that can reduce taxable income.

For businesses, the reforms offer clearer rules while also strengthening compliance requirements.

Understanding these changes helps taxpayers make informed decisions, avoid penalties, and benefit from available reliefs.

CONCLUSION

The New Tax Law represents one of the most significant changes to Nigeria's tax system in recent years. While many aspects of taxation remain the same, the reforms introduce important updates that affect individuals, employees, entrepreneurs, and companies alike.

Whether you are a salaried worker, a small business owner, or the manager of a larger enterprise, staying informed is the first step toward compliance and financial planning.

As implementation continues, taxpayers should seek accurate information and professional advice where necessary to ensure they understand their obligations and take advantage of available tax reliefs.

About SSDO

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