

EXECUTIVE SUMMARY

UNDERSTANDING THE NEW NIGERIAN TAX LAW

Being Paper Presented to:

**EKO BOYS HIGH SCHOOL OLD
STUDENTS ASSOCIATION**

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- **Definition of Tax and Purpose of Tax:**

- *Tax is a compulsory financial charge or levy imposed on a taxpayer (individual or legal entity) by the government to fund public spending*
- *Tax is a natural attribute of sovereignty and an essential means of funding governments at all levels.*
- *The main purposes of Tax are to:*
 - **Provide revenue for government**
 - **Re-distribute wealth**
 - **Protection of local industries**
 - **Manage inflation**
 - **Discourage consumption of certain goods.**

- **Tax Types:**

- **Value Added Tax (VAT)**
- **Withholding Tax (WHT)**
- **Stamp Duty (SD)**
- **Company Income Tax (CIT)**
- **Personal Income Tax (PIT)**
- **Pay As You Earn (PAYE)**
- **Capital Gains Tax (CGT)**
- **Consumption Tax etc.**

(Please refer to the main lecture for further details)

- **Why the Need for the Tax Reforms – Key Questions to Ask:**

- *Why is our Tax Revenue Collection so low?*
- *Why is the Tax-to-GDP ratio at 13.5%?
(the lowest in the African Continent)*
- *Does the present situation lead to the ongoing fiscal policy and tax reforms in Nigeria?*

- **The 2025 Tax Reform Acts:**

On 26th June, 2025, the President of the Federal Republic of Nigeria, His Excellency Bola Ahmed Tinubu, GCFR, signed into law four (4) landmark tax reform bills, collectively referred to as “the Acts” as follows:

- ***The Nigeria Tax Act (NTA):***

The NTA is the new principal tax code of Nigeria. It consolidated major taxes such as corporate income tax, personal income tax, capital gains tax, petroleum profits tax, value added tax and others under one framework. Its aim is to modernize and unify Nigeria's tax laws for clarity, predictability and investor confidence.

- ***The Nigeria Tax Administration Act (NTAA):***

The NTAA provides the framework for how taxes are administered, collected and enforced. It introduces a central taxpayer identification system, mandates e-filing and digital reporting and standardizes dispute resolution procedures. Its goal is to improve efficiency, reduce leakages and lower compliance costs.

- ***The Nigeria Revenue Service Act (NRSA):***

The NRSA transforms the Federal Inland Revenue Service into the Nigeria Revenue Service (NRS), giving it broader powers and greater operational autonomy. It establishes a data intelligence unit for real-time tax monitoring. The focus is on building a professional, technology-driven revenue authority with stronger accountability.

- ***The Joint Revenue Service Act (JRSA):***

The JRSA replaces the Joint Tax Board with the Joint Revenue Board, expanding its role to harmonize tax policies across all government levels. It also standardizes tax practices and enables joint audits. Its purpose is to reduce multiple taxation and create a more coordinated tax environment.

Note:

It is important to note that, it is not as if the old Nigerian tax laws were totally jettisoned but rather, the entire old tax laws which were in splinters were now harmonized and consolidated for the purpose of ease of administration, transparency and a seamless compliance process by the taxpayers.

The tax laws were also targeted at reducing the burden of taxation on the poor and the middle class in Nigeria. With the new tax laws, more potential taxpayers are expected to be brought into the tax net.

- **Key Highlights of the New Tax Legislations:**

- *Increased exemption threshold for small companies*

	<u>Old Threshold</u>	<u>New Threshold</u>
Gross Turnover	₦25,000,000	₦50,000,000 / ₦100,000,000  (Still being considered)

- *Introduction of the Tax Ombuds Office*
- *VAT at Zero rate for essential goods and services*
- *Input VAT Recovery @ 7.5%*
- *VAT Fiscalisation: e-Invoicing*
- *Increased Capital Gains Tax (CGT) rate: from 10% to 30%*
- *Returns for Deduction of tax at source: Monthly basis – VAT, WHT, PAYE, Stamp Duty etc.*
- *Information Disclosure by banks on:*
 - *New Customers*
 - *Existing Customers*
 - *An Individual (transactions over ₦25 million)*
 - *Body Corporates for transaction of ₦100 million and above*
- *Offences & Penalties:*
 - *Failure to file Returns – ₦100,000 (initial) and ₦50,000 (subsequent months)*

- *Failure to keep records*
- *Failure to grant access for technology deployment*
- *Failure to deduct tax*
- *Failure to remit tax deducted at source.*

- **Taxable Income of an Individual:**
 - *Profit from trade, business, profession or vocation*
 - *Employment Income*
 - *Income from investing activities*
 - *Income from other sources*
 - *Chargeable gains from disposal of chargeable assets*
- **Exempted Income:**
 - *Salaries and wages of Military Officers*
 - *Pension, gratuities and retirement benefits*
 - *Income below minimum wage threshold*
 - *Interest income from FGN and State Govt. Bonds*
- **Individual's Income Tax Rates:**

(Please, see slide 44)
- **Exemptions from VAT:**

(Please, refer to slides 50 - 51)
- **Zero Rated VAT Items:**

(Please, refer to slides 52 - 54)
- **Tax Types and Filing Due Dates:**

(Please, see slides 57 & 58)

- **Summary of Takeaways from this Lecture:**

- **Actionable Insights to Taxpayers:**

Taxpayers should consider the following line of action going forward:

- *Immediate registration and compliance e.g. Taxpayer Identification Number (TIN)*
- *Timely and accurate filing of Returns*
- *Maintenance of proper records*
- *Enable tax technology and fiscalization*
- *Compliance with tax deductions and remittances*
- *Monitor and respond to information requests*
- *Avoid interest and penalties as a result of defaults*
- *Comprehensive Tax Risk Management for the purpose of full compliance*

- **Conclusion:**

It is important to note that, an individual and corporate bodies would require the services of tax practitioners in the current dispensation to assist them in attending to the new tax requirements.

Thank You.

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