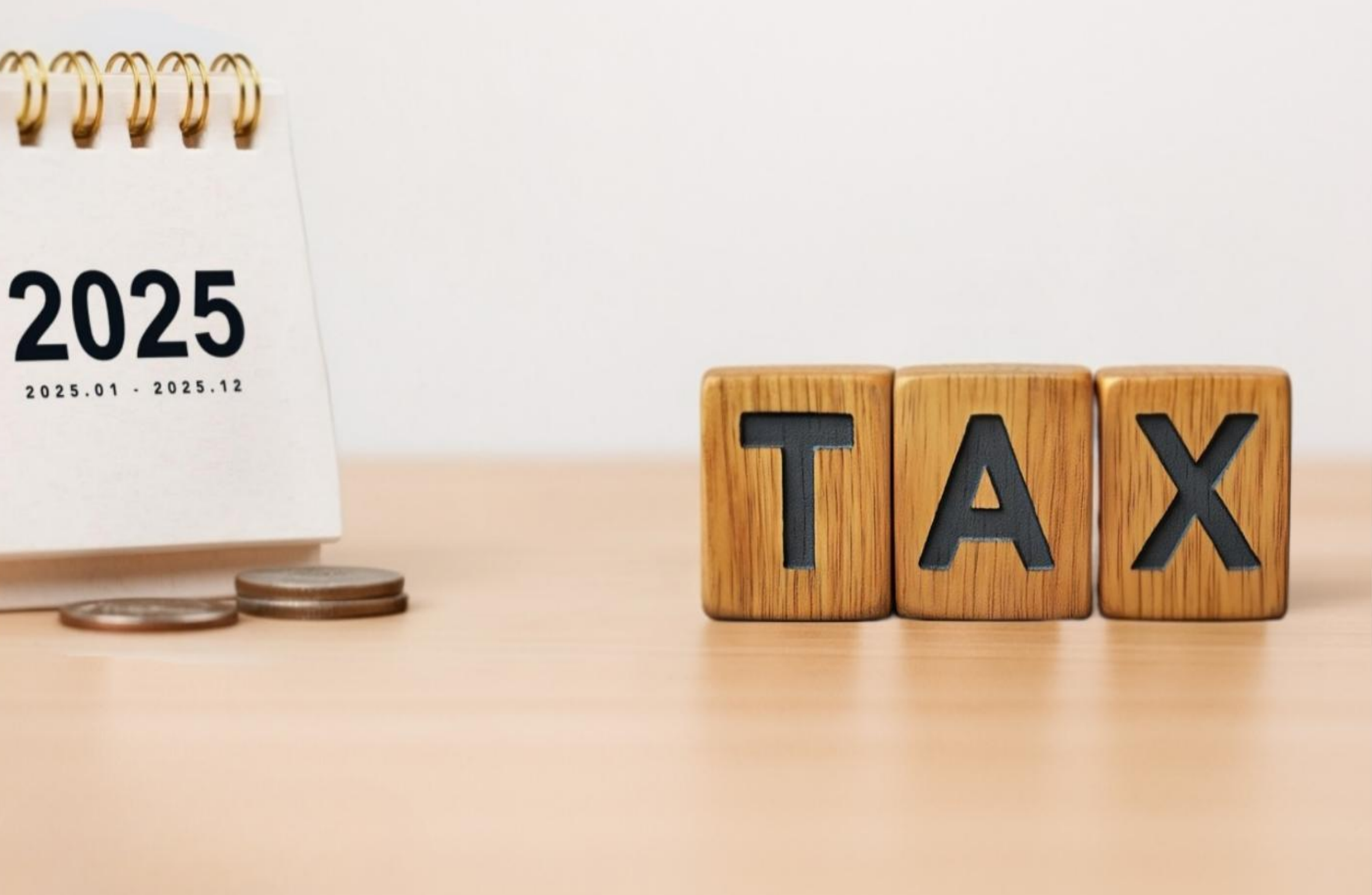
Legalify Attorneys

Nigeria Tax Act 2025: Sector-by-Sector Insight

Expert Insights for Businesses, Content Creators, Start-ups, Crypto Professionals, Employees, Family Offices, Investors, High-Net-Worth Individuals, HR Professionals, Organizations, and Partnerships



Introduction

Four Tax related bills was recently signed into Law by the President of Nigeria on 26th June 2025, to take effect from January 2026. These Tax Laws are: The Nigeria Tax Act, The Nigeria Tax Administration Act, The Nigeria Revenue Service Act and the Joint Revenue Service Act. Together, they represent the boldest attempt in recent years to modernize Nigeria's tax system, modernise outdated provisions, expanding the scope of taxation, and introducing a more unified compliance structure. In these client update, Legalify Attorneys has clearly analysed the Nigeria Tax Act 2025 and how it applies to high networth Individuals (HNWIs) and Family Offices, individual tax payers, small businesses, lawfirms, partnerships, business leaders, HR, Auditors and investors, International Companies, tech companies which have users in Nigeria and generate profit from Nigeria but has no office in Nigeria and the ones that have in Nigeria, Fintechs, tech companies, crypto companies, content creators, real estate companies, particularly individuals earning online or through the internet.

Comprehensive Analysis: The Nigeria Tax Act's[1] Unified Fiscal Regime

The Nigeria Tax Act, 2025 (NTA), marks a pivotal reform, consolidating Nigeria's tax system by repealing and amending numerous Laws, including the Capital Gains Tax Act, Companies Tax Act, Personal Income Tax Act etc. This unified framework governs all entities, individuals, companies, trustees, and estates, requiring compliance personally or on behalf of others[2]. The NTA's scope is expansive, taxing income from trade, royalties, dividends, salaries, pensions, and digital assets, ensuring comprehensive coverage[3]. Resident companies are taxed on worldwide profits[4], while non-residents face taxation on Nigerian-sourced income through significant economic presence (SEP) or permanent establishments[5]. Corporate tax rates are 0% for small[6] companies and 30% for others[7], with a 15% minimum effective tax rate for multinationals and firms with turnover exceeding ₦20 billion[8].

[1] NTA
[2] Section 2
[3] Section 4(1)(a)–(j)
[4] Section 6
[5] Section 17
[6] Section 202: Small company" means a company that earns gross turnover of N50,000,000 or less per annum with total fixed assets not exceedingN250,000,000, provided that any business providing professional services shall not be classified as a small company
[7] Section 56
[8] Section 57

A 4% development levy funds national priorities like tertiary education and cybersecurity, exempting small companies and non-residents[9].

The NTA balances rigorous taxation with strategic exemptions to incentivize investment and compliance. Share-based dividends in Nigerian companies are exempt from profit and withholding tax[10], as are real estate investment distributions from rental or dividend income[11]. Non-profit trusts avoid tax on gains from asset disposals if used for charitable purposes[12], but face capital gains tax upon cessation of exempt status[13]. Closely held companies risk deemed distribution taxes on undistributed profits[14], while partnerships allocate profits per agreements, taxed at individual or corporate rates[15]. Upstream petroleum operations are subject to hydrocarbon tax, with tailored deductions[16]. Allowable deductions, such as pension contributions and housing loan interest, reduce taxable income but require written claims and evidence[17]. Specialized sectors like insurance, mining, and gaming have bespoke rules[18], and export processing zones offer incentives[19] Compliance is enforced through appeal rights for disputes[20] and mandatory filings, particularly for shipping and air transport[21] .

Stakeholder Impact Analysis

The NTA's implications are multifaceted, requiring tailored strategies for each stakeholder group. Below, each is analysed with depth, practical examples, and strategic recommendations, ensuring nuanced insights.

High-Net-Worth Individuals (HNWIs) and Family Offices

HNWIs and Family Offices managing complex portfolios, face heightened compliance under the NTA[22]. Share-based dividend exemptions[23] are a significant advantage, dividends received as equity in Nigerian companies, such as a ₦1 billion stake in a telecom firm, escape taxation, preserving wealth. Real estate investment distributions from rental or dividend income are similarly exempt[24], reducing tax on property trusts. Controlled foreign company (CFC) rules[25] introduce complexity, taxing undistributed offshore profits attributable to Nigerian entities unless distribution would detrimentally impact the foreign business.

[9] Section 59
[10] Section 8(2)
[11] Section 9(2)(d)
[12] Section 1(a)–(d)
[13] Section 2
[14] Section 10
[15] Section 15
[16] Sections 65–79
[17] Sections 30–32
[18] Sections 61–64
[19] Section 60
[20] Sections 10(7), 24(3)
[21] Section 18(7)
[22] Section 2
[23] Section 8(2)
[24] Section 9(2)(d)
[25] Section 6(2)

For example, a High Net Worth Individuals or Family Offices with a ₦2 billion stake in a Dubai subsidiary must document real business harm to avoid Nigerian tax. Trust income benefits from exemptions for inherited assets pre-distribution [26], but a charitable trust repurposed for commercial use, like leasing land for a mall, triggers a deemed disposal at market value, incurring capital gains tax [27]. Share disposals with proceeds below ₦150,000,000 and gains under ₦10,000,000 annually, or reinvested proceeds, are exempt, as are gifts and principal residence sales[28]. Deductions for housing loan interest or annuities[29] are valuable, but expenses tied to exempt income are non-deductible[30]. Strategic actions include segregating trust assets by purpose, maintaining robust documentation, and leveraging appeal rights for deemed distributions within three years[31].

Individual Taxpayers

Individual taxpayers, from salaried professionals to freelancers, face progressive personal income tax on salaries and digital earnings, with rates ranging from 0%, 15%,18%, 21%, 23%, 25% [32]. Non-residents employed by startups or in tech/creative arts avoid Nigerian tax if their income is taxed abroad[33], benefiting remote workers for global firms. Benefits-in-kind, such as employer-provided housing valued at ₦15 million annually, are taxable[34], but canteen meals, uniforms, or relocation costs are exempt[35]. Disposals of personal assets offer relief: chattel sales (e.g., a ₦4.5 million drone) and up to two vehicle sales annually are tax-free[36]. Eligible deductions are the individual's contributions under the National Housing Fund, contributions under Health Insurance Scheme, pension contributions, interest on loans for developing an owner-occupied residential house, annual amount of any annuity or premium paid by the individual during the year preceding the year of assessment in respect of insurance on his life or the life of his spouse, or contract for a deferred annuity on his own life or the life of his spouse, and rent relief of 20% of annual rent paid, subject to a maximum of ₦500,000, but must provide written claims with evidence[37]. Inadequate records expose taxpayers to presumptive taxation, where authorities estimate income, inflating liabilities[38].

Personal Income Tax Calculations and How it works

Under the Nigeria Tax Act, 2025, individuals resident in Nigeria are required to pay personal income tax on their chargeable income, which refers to the amount left after allowable

[26] Section 4(3)
[27] Section 2).
[28] Sections 51, 54
[29] Section 30
[30] Section 21(j)
[31] Section 10(7)
[32] Section 58 and Fourth Schedule
[33] Section 13(2)
[34] Section 14(6)
[35] Section 14(3)
[36] Sections 52–53
[37] Sections 31–32
[38] Section 29

deductions, reliefs, and exemptions have been applied to their total annual earnings. Section 58 of the Act is the cornerstone of this obligation. It sets out, in broad terms, the principle that individuals, apart from those earning the national minimum wage, must pay income tax each year in line with the tax rates prescribed in the Fourth Schedule to the Act.

Now, before delving into how those rates work, it is crucial to understand the significant exclusion built into the law. If an individual earns only the minimum wage, currently pegged at ₦70,000 per month or ₦840,000 annually, that individual is not liable to pay personal income tax when other exemption are factored in like rent relief. This exemption reflects a deliberate policy choice by the government to protect the most vulnerable members of society from tax burdens that could otherwise worsen their financial hardship.

For everyone else who earns above this threshold, the law prescribes a progressive tax structure. In a progressive system, the more you earn, the higher the rate at which your income is taxed, but importantly, only the portion of income within each bracket is taxed at the corresponding rate, not your entire earnings. This ensures that individuals are taxed fairly and proportionately according to their capacity to pay. The structure itself begins quite generously. The first ₦800,000 of chargeable income is taxed at zero percent. That is, even after crossing the minimum wage threshold, an individual enjoys a tax-free allowance on the first ₦800,000 of taxable income. This layer provides immediate relief to lower-income earners and ensures that taxation doesn’t begin too steeply. Once this tax-free layer is exhausted, the next ₦2.2 million is taxed at 15 percent. This covers income between ₦800,001 and ₦3,000,000. It represents an entry into the tax net and primarily affects middle-income earners. From there, the rates increase in steady, sensible steps. The portion of income falling between ₦3 million and ₦12 million is taxed at 18 percent, and then from ₦12 million to ₦25 million, the tax rate rises to 21 percent. These brackets target upper-middle-income individuals and professionals whose earnings put them in a more comfortable financial position.

The next band, income between ₦25 million and ₦50 million, is taxed at 23 percent. This applies to high net-worth individuals, including business executives, investors, and other persons earning in the upper echelons of the income spectrum. Finally, for those who earn more than ₦50 million in taxable income per annum, the excess above that threshold is taxed at the highest rate under this structure, 25 percent. It is important to stress again that each of these rates applies only to the portion of income that falls within its band, not to the whole income. For instance, if a person earns ₦55 million in taxable income, they do not pay 25 percent on the entire ₦55 million. Rather, they pay nothing on the first ₦800,000, 15 percent on the next ₦2.2 million, 18 percent on the next ₦9 million, 21 percent on the next ₦13 million, 23 percent on the next ₦25 million, and only 25 percent on the ₦5 million that exceeds ₦50 million.

This system ensures that the tax burden grows with income, but in a structured and equitable manner. Lower-income earners benefit from substantial tax-free portions and lower rates, while higher earners contribute more, in proportion to their financial capacity. The approach is aimed at balancing fiscal responsibility with fairness, and at using the tax system not only to raise revenue but also to promote social equity. Thus, Section 58 and the Fourth Schedule together form the heart of Nigeria's personal income tax regime in 2025. They establish a clear, structured pathway for taxing individual incomes, ensure relief for the poor, and progressively assign greater tax responsibility to those who can afford it.

How to Calculate Your Personal Income Tax

Let's say you earn a salary or make income from business, freelancing, or professional work. At the end of the year, you want to know how much personal income tax you're supposed to pay. Here's exactly how to figure it out, step by step:

Step 1: Add Up All Your Income
First, calculate your total annual income. This includes everything you earn in a year—your salary, bonuses, business profits, professional fees, rent (if you're a landlord), and any other income. Let's assume your total annual income is ₦15,000,000.

Step 2: Subtract Allowable Deductions and Reliefs
Next, take out certain expenses and allowances that the law says you don't have to pay tax on. These include things like: Rent relief, Pension contributions, Life insurance, and other specific deductions allowed by law. Assuming that after subtracting all these deductions, the amount you're left with is ₦12,000,000. That's your taxable income, the portion of your income the tax authorities will assess.

Step 3: Apply the Tax Brackets (One Layer at a Time)
Now, the law uses a system where your income is taxed in layers, like a staircase. Each layer (or bracket) is taxed at a different rate. Here's how it works:
The first ₦800,000 of your taxable income is not taxed at all. It's tax-free.
The next ₦2,200,000 (i.e., from ₦800,001 to ₦3,000,000) is taxed at 15%.
The next ₦9,000,000 (from ₦3,000,001 to ₦12,000,000) is taxed at 18%.
If your income were higher, the next ₦13 million would be taxed at 21%, and so on.

But in our example, your taxable income is exactly ₦12 million, so your income falls within the first three brackets only.

First ₦800,000 → taxed at 0% = ₦0
Next ₦2,200,000 → taxed at 15% = ₦330,000
Next ₦9,000,000 → taxed at 18% = ₦1,620,000

Now, add them up: ₦0 + ₦330,000 + ₦1,620,000 = ₦1,950,000. That means your total income tax payable for the year is ₦1,950,000. If you earned ₦15 million in total, and after deductions your taxable income was ₦12 million, you would pay about ₦1.95 million in tax.

HOW TO CALCULATE YOUR PERSONAL INCOME TAX

(Nigeria Tax Act, 2025)

A simple 3-step guide to help you calculate how much tax you'll pay

STEP 1: ADD UP ALL YOUR INCOME

Add together your salary, business income, freelance pay, rental income, and any bonuses.

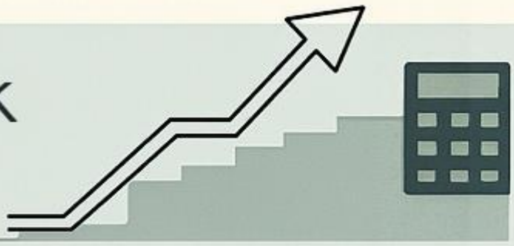
Example: You earn ₦15.000.000 in total for the year.

STEP 2: SUBTRACT ALLOWABLE DEDUCTIONS & RELIEFS

Now subtract items you legally don't have to pay tax on— pension contributions, rent reliet, life insurance, etc.

After deductions, your taxable income is ₦12.000.000.

STEP 3: APPLY TAX BRACK



Apply progressively

First #800.000 → 0% tax → 0

Next #2.200.000 → 15% tax #330.000

Next ₦9.000.000 → 18% tax ₦1.620.000

#0 + #330,000 + #1,620,000

= ₦1.950.000 total tax

HOW MUCH WILL YOU PAY?

If you earned #15,000,000, and your taxable income is #12,000,000
You will pay about #1,950.000 in personal income tax.

Small Businesses and Startups

Small businesses[39] and startups, implicitly defined by revenue or profit thresholds[40], benefit from a 0% corporate tax rate, enabling full reinvestment of profits. A Fintech startup generating ₦20 million annually retains all earnings, fueling innovation. The 4% development levy is waived[41], enhancing liquidity. Partnerships must register profit-sharing agreements to avoid deemed allocations, which could disrupt financial planning. Petroleum partnerships follow Chapter Three of the Tax Act[42], easing compliance for energy ventures. Pre-commencement expenses, such as ₦25 million in software licenses purchased within six years, are deductible as if incurred on day one[43], and research costs are deductible[44], but capital expenditures like office renovations are not[45], infact When calculating profits or income from a trade, business, profession, or vocation, certain expenses are not allowed as deductions. These include capital withdrawn from the business, personal or domestic expenses, capital expenditures, or any cost related to assets not used for business purposes. Also disallowed are sums recoverable from insurance, taxes on income or profits, unapproved pension or retirement contributions, depreciation or unrealised foreign exchange losses, reserves set aside from profits, and payments made to related parties that don't align with transfer pricing rules. Expenses tied to tax-exempt income, those already deductible for capital gains, penalties or fines, taxes paid on behalf of others, and compensating payments in securities lending transactions are also excluded. Additionally, if VAT or import duties were due on an expense but were not charged or paid, those expenses cannot be deducted either. Business asset disposals, such as selling delivery vans, are taxed in the disposal year[46], and allowances are simplified if non-taxable income is below 10%[47]. Presumptive taxation risks arise without detailed records[48].

Law Firms

Law firms advising clients on the NTA must deliver strategic expertise across exemptions and compliance. Guide HNWIs and Family Offices on leveraging lawful dividend exemptions[49] and non-profit trust gains, drafting trust agreements to prohibit commercial asset use. Advise on CFC[50] compliance[51], protecting offshore profits, and file appeals for deemed distributions[52] where legally necessary or post-cessation assessments[53]. For tech

[39] Section 202: Small company" means a company that earns gross turnover of N50,000,000 or less per annum with total fixed assets not exceedingN250,000,000, provided that any business providing professional services shall not be classified as a small company
[40] Section 56
[41] Section 59
[42] Section 11(4)
[43] Section 20(1)(j)
[44] Section 20(1)(i)
[45] Section 21(b)
[46] Section 26(3)
[47] Fifth Schedule
[48] Section 29
[49] Section 8(2)
[50] Controlled foreign company
[51] Section 6(2)
[52] Section 10(7)

clients, counsel on SEP[54] taxation[55] and insurance clients, ensure separation of life and non-life income for deductions[56]. Verify evidence for deductions like ₦50 million in research costs[57] and hydrocarbon revenue allocations[58].

Partnerships

Partnerships, such as real estate or consulting ventures, allocate profits per registered agreements, taxed at individually[59]. Unregistered agreements trigger deemed allocations, increasing tax exposure[60]. Petroleum partnerships benefit from Chapter Three exemptions[61], reducing compliance for oil ventures. Deductible expenses include rent or research[62], but require written claims[63].

Business Leaders

Business leaders, including CEOs and CFOs, must integrate tax strategy into corporate governance. Leverage CFC exemptions by proving lawful business detriment for non-distributed offshore profits[64], preserving liquidity. Lawful share-based dividends[65] and real estate distributions[66], reduce tax liabilities, enhancing shareholder value. Time irregular payments like ₦50 million in bonuses to optimize tax timing[67] and appeal unfair deemed distributions within time[68]. Large firms face a 30% corporate tax[69] and a 15% minimum effective tax rate[70], requiring robust budgeting. In tech or fintech, ensure SEP compliance for Nigerian-sourced revenue[71].

HR Professionals

HR professionals streamline payroll compliance under the NTA. Exempt benefits like canteen meals, uniforms, or relocation costs[72] simplify administration, but taxable benefits like housing valued at ₦20 million require state precise value[73]. Deduct pension contribution[74]. In large firms, accurate personnel cost documentation is critical for the 15%

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53 Section 24(3)
54 significant economic presence
55 Section 17
56 Section 61(8)
57 Section 20(1)(i)
58 Section 65
59 Section 15
60 Section 15(9)
61 (Section 11(4)
62 (Section 20(1)(b, i)
63 Section 31
64 (Section 6(2)
65 (Section 8(2)
66 (Section 9(2)(d)
67 Section 26(2)
68 (Section 10(7)
69 Section 56
70 Section 57
71 Section 17
72 (Section 14(3)
73 (Section 14(6)
74 Section 20(1)(f)

minimum tax rate calculation[75]. Train staff to document non-profit trust activities to maintain exemptions.

Auditors

Auditors ensure NTA compliance through rigorous verification. Confirm exemptions like share disposals under ₦150,000,000[76] and non-profit trust gains. Verify VAT/import duty compliance for capital allowances[77] and segregate digital asset losses, deductible only against digital profits[78]. Validate small company status for 0% tax[79] and non-resident exemptions from the 4% levy[80]. For insurance, scrutinize reserve calculations[81]; for mining, ensure environmental fund deductions are cash-backed with independent trustees[82].

Investors

Investors benefit from tax-efficient opportunities. Share-based dividends[83] and reinvested share proceeds[84] defer or eliminate tax, enhancing returns. CFC rules[85]require legally proving business detriment to avoid tax on offshore profits, impacting portfolio strategy. Large companies face a 30% corporate tax[86] and any company that is either part of a multinational group or has an annual turnover of ₦20 billion or more must pay a minimum effective tax rate of 15%. If the company's actual tax falls below this threshold, it is required to recompute and pay the difference to meet the minimum rate[87], while the 4% levy applies[88]. Compulsory land acquisition gains in real estate are exempt[89] but the proviso must be noted.

International Companies (No Nigerian Office)

A non-resident company with no PE or SEP in Nigeria that earns income from Nigerian sources and is not subject to withholding tax under the Tax Administration Act must pay a minimum tax of 4% of its total Nigerian-sourced income. If the income is subject to withholding tax (WHT) under Section 51 of the Nigeria Tax Administration Act, 2025, then that WHT is treated as final tax, unless the company has a permanent establishment or significant economic presence to which the payment is attributable. Exemptions apply if Nigerian staff primarily serve non-Nigerian customers[90] and the 4% development levy is

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75 Section 57
76 Section 33, 34
77 Fifth Schedule
78 Section 26, 27
79 Section 56
80 Section 59
81 Section 61
82 Section 64
83 Section 8(2)
84 Section 34
85 Section 6(2)
86 Section 56
87 Section 57
88 Section 59
89 Section 37
90 Section 17(9)(c)

waived[91] . Presumptive taxation risks arise without detailed records[92]. **Example**: A US-based tech company hires remote developers living in Lagos to work on its global app used by users in the U.S., Europe, and Asia, not in Nigeria. Such company will not will not be treated as having a PE or SEP in Nigeria as long as the Nigerian employees are not serving Nigerian customers and so will not be taxed.

International Companies (With Nigerian Office)

Where an international company is formed, registered, or incorporated under Nigerian law, or where its central or effective place of management or control is Nigeria, it is classified as a Nigerian company under Section 105. Once so classified, Sections 6 and 56 make it subject to tax on worldwide profits, regardless of whether such profits were earned or received in Nigeria. In addition to the 30% corporate income tax, these companies are also liable to pay the 4% development levy under Section 59, further raising their effective tax exposure. International groups operating Nigerian subsidiaries or management hubs should carefully assess whether they meet these thresholds, as failure to comply can result in steep tax liabilities and penalties. **Example**: A tech firm with ₦6 billion in taxable profits will pay corporate income tax at the rate prescribed by the Revenue Service[93]. In addition, it will pay a development levy of up to 4% of the tax payable[94]. Foreign currency expenses are deductible at CBN rates[95], and research and development costs qualify as deductible expenses[96] .

However, capital expenditures are not deductible[97]. Non-resident digital service providers are subject to tax where they have Significant Economic Presence (SEP) in Nigeria[98]. For logistics companies engaged in trans-shipment only, specific exemptions apply under Section 18(2)(b), provided certified evidence is submitted[99] . International companies must ensure correct allocation of deductions and full compliance with documentation rules[100]. Transfer pricing compliance is critical, especially where foreign affiliate relationships exist[101].

Crypto Companies

Crypto exchanges tax trading fees at 30% if Nigerian-based[102] or via SEP if non-resident[103]. Collective Investment Schemes and pooled returns are taxable dividends[104]. Digital losses

[91] Section 59
[92] Section 29
[93] Section 6(4)
[94] Section 59(1)
[95] Section 20(4)
[96] Section 20(1)(i)
[97] Section 21(b)
[98] Section 17
[99] Section 18(7)
[100] Sections 20–21, 32
[101] Section 21(i)
[102] Section 56
[103] Section 17
[104] Section 63

offset only digital profits[105]. Non-residents serving non-Nigerians avoid SEP tax[106] . Large platforms hit a 15% tax rate[107]. Maintaining transaction logs and segregate digital assets.

Content Creators and Online Earners

Content creators in Nigeria are subject to taxation either as individuals or through companies, depending on how they choose to structure their business. If they operate as individuals, their income is taxed under the personal income tax regime established by Section 30(2) of the Nigeria Tax Act 2025 and fourth Schedule . This section provides for a progressive tax rate that begins at 0% for the first ₦800,000 of taxable income, then increases to 15%, 18%, 21%, 23%, and finally 25% for income above ₦50 million, after allowable deductions and reliefs have been applied.

On the other hand, content creators may decide to incorporate a company and earn their income through that entity. If the company qualifies as a small company, defined in Section 59 of the Act as one with a gross turnover of ₦50 million or less and fixed assets not exceeding ₦250 million, it is entitled to a 0% corporate income tax rate. However, this exemption does not apply where the business is considered to be providing professional services. For content creators, the decision to operate as an individual or through a company should therefore be based on the nature of their services, their income level, and whether they are likely to be classified under professional services..

Real Estate Companies

Real estate firms benefit from exempt investment dividends [108] and compulsory land acquisition gains[109]. Large firms pay 30% tax[110] and 4% levy[111]; small firms pay 0%[112]. Deduct other lawful and applicable deductions such as rental expenses[113] and others.

Shipping and Air Transport

Shipping and Air Transport firms pay a 2% gross revenue tax monthly[114] with trans-shipment exemptions[115]. Non-freight income, such as vessel leasing or incidental services, is excluded from this regime and taxed under other provisions[116]. Certified gross revenue filings for Nigerian operations are mandatory where standalone accounts are not submitted[117]

[105] Fifth Schedule
[106] (Section 17(9)(c)
[107] Section 57
[108] Section 9(2)(d)
[109] Section 37
[110] Section 56
[111] Section 59
[112] Section 56
[113] Section 20(1)(b)
[114] Section 18(6)
[115] Section 18(2)
[116] Section 18(8)
[117] Section 18(7)

Healthcare Providers and Educational Institutions

Some healthcare centres and Educational Institutions operate under trust in Nigeria. Healthcare and educational institutions as companies pay 30% tax[118] and 4% levy[119] unless small. Non-commercial trust asset sales are tax-exempt[120], but commercial use triggers tax[121]. Deduct operational costs[122] . For example, a hospital trust selling ₦500 million in land for expansion avoids tax. Consider aligning trust deeds with charitable purposes.

Important Exceptions to Note

Section 8(2): Share-Based Dividends in Nigerian Companies

Assuming you're an investor holding shares in a Nigerian tech company, and instead of cash, you receive additional shares as dividends. Under Section 8(2), these share-based dividends are exempt from both profit tax and withholding tax. This means if your ₦500 million investment in a Lagos-based fintech yields ₦50 million in share dividends, you owe no tax on that income. This exemption encourages reinvestment in Nigerian companies, boosting equity markets. However, you must ensure the dividends are genuinely share-based and not cash disguised as shares, as the tax authority will scrutinize this. Cross-reference with Section 19, which governs withholding tax on dividends, to confirm compliance. For investors, this is a powerful tool to grow wealth tax-free, but accurate documentation is key to avoid audits.

Section 9(2): Dividends from Specific Sources

Section 9(2) offers a broader exemption for dividends, covering those paid from previously taxed retained earnings, exempt profits, franked investment income, or distributions from real estate investment companies (derived from rental or dividend income). For example, if you're a shareholder in a real estate investment trust earning ₦200 million in rental income, the dividends you receive are tax-free, preserving your returns. Similarly, a company distributing profits already taxed under the NTA, like a manufacturing firm with ₦1 billion in taxed earnings, can pay tax-free dividends. This exemption, linked to Sections 8 and 19, prevents double taxation and incentivizes investment in property and corporate sectors. Strategic tip: Ensure your company's financials clearly segregate taxed and exempt profits to maximize this benefit.

Section 11(4): Petroleum Partnerships

If you're part of a partnership in Nigeria's petroleum sector, Section 11(4) exempts you from standard partnership taxation rules under Section 15. Instead, your partnership follows the

[118] Section 56
[119] Section 59
[120] Section 55
[121] Section 2
[122] Section 20(1)(c)

specialized hydrocarbon tax rules in Chapter Three[123]. For instance, a joint venture extracting oil in the Niger Delta allocates profits per agreement, but taxation follows hydrocarbon rules, not individual or corporate rates. This exemption simplifies compliance for oil partnerships, avoiding the complexities of standard profit allocation. Cross-reference with Section 15(9) to ensure your agreement is registered, as unregistered partnerships face deemed allocations, increasing tax risk.

Section 40: Deductible Incidental Costs

Under section 40, incidental costs (e.g., legal fees, agent commissions, valuation fees) incurred wholly and exclusively for disposing of a chargeable asset (like equipment, shares, or crypto) can be deducted from the disposal proceeds to calculate the chargeable gain, reducing the tax liability. Note that Costs must be directly tied to disposal, documented, and sector-specific (e.g., crypto fees for crypto professionals).

Section 13(2): Non-Resident Start-ups and Creative Income

Non-residents earning income from start-ups or technology-driven services, like software development or creative arts (e.g., music or film production), catch a break under Section 13(2). If your income is taxed abroad, you're exempt from Nigerian tax. Picture a U.S.-based graphic designer earning ₦10 million from a Nigerian start-up; if they pay tax in the U.S., Nigeria won't tax that income. This exemption, tied to Section 4(1)(j) on digital income, encourages global talent to work with Nigerian start-ups. However, you'll need to provide proof of foreign taxation, so keep detailed records and tax certificates to claim this relief.

Section 14(3): Non-Taxable Employee Benefits

Employers providing benefits like canteen meals, meal vouchers, uniforms, protective clothing, work tools, or relocation costs don't have to worry about these being taxed as benefits-in-kind under Section 14(3). For example, if a tech company in Lagos spends ₦20 million on staff meals and uniforms, these costs are exempt, reducing payroll tax complexity. This contrasts with Section 14(6), where housing or car benefits are taxable. HR teams should document these exempt benefits separately to avoid errors during audits, ensuring compliance while maximizing employee satisfaction.

Section 17(3)(b): Exempt Payments for Services from Abroad

Section 17(3)(b) exempts payments made from outside Nigeria to Nigerian residents for services, if those payments are to an employee under a contract, for teaching, or by a Nigerian company's foreign permanent establishment. For instance, if a Nigerian lecturer is paid ₦5 million by a UK university for guest lectures, that income is tax-free in Nigeria. Similarly, a Nigerian firm's Dubai branch paying a local employee avoids Nigerian tax on that salary. This exemption, linked to Section 17's significant economic presence (SEP) rules, supports cross-border service arrangements. Maintain contracts and payment records to substantiate claims.

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[123] Sections 65–79

Section 17(9)(c): Non-Resident Employers and SEP

Non-residents employing Nigerians can avoid SEP taxation under Section 17(9)(c) if the employees' duties are not primarily for Nigerian customers. For example, a U.S. streaming platform employing Nigerian developers to serve global users escapes Nigerian tax on those salaries, unlike if they served Nigerian subscribers. This exemption, part of Section 17's SEP framework, reduces tax exposure for foreign companies. Strategic tip: Document employee roles and customer bases to prove eligibility, as tax authorities will closely examine SEP compliance.

Section 6(2): Controlled Foreign Company (CFC) Profits

If you're a high-net-worth individual (HNWI) with stakes in foreign companies, Section 6(2) taxes undistributed profits attributable to Nigerian entities, but only if distribution wouldn't harm the foreign business. For instance, if your ₦3 billion stake in a Singapore subsidiary generates ₦500 million in profits, you can avoid Nigerian tax by proving distribution would disrupt operations (e.g., liquidity issues). This exemption, linked to Section 10's deemed distributions, requires detailed financial evidence. HNWIs should work with tax advisors to build a robust case for business detriment, preserving offshore wealth

Section 26(2): Timing of Irregular Payments

Bonuses, commissions, or other irregular payments are taxed when paid, not daily, under Section 26(2). For example, a sales manager receiving a ₦10 million year-end bonus is taxed only when the payment is made, not spread across the year. This simplifies tax calculations for employees and HR teams, aligning with Section 26's progressive tax framework. Ensure payroll systems reflect this timing to avoid overtaxation.

Section 26(3): Business Asset Disposals

When a business sells assets like machinery or vehicles, Section 26(3) taxes the gains in the year of sale, unlike non-business assets, which may follow different timing. For instance, a logistics firm selling ₦50 million in trucks pays tax on the gain in that year, streamlining accounting. This rule, tied to Section 26's income timing provisions, requires businesses to track disposal dates accurately to align with tax filings.

Fifth Schedule: Capital Allowances and Loss Restrictions

The Fifth Schedule outlines several exemptions and restrictions for capital allowances and losses. Capital expenditures without VAT or import duty documentation, like a ₦100 million machine purchased informally, don't qualify for allowances. Mixed-use assets (e.g., a building used 60% for taxable business and 40% for exempt activities) prorate allowances, unless non-taxable income is below 10%, simplifying claims. Allowances for priority activities, like renewable energy investments, only offset profits from those activities. Digital asset losses, such as ₦20 million from crypto trading, can only offset digital profits, not other income. These rules, linked to Sections 20 and 21, require meticulous asset and income segregation to maximize deductions.

First Schedule: Exempt Income and Digital Losses

The First Schedule exempts income explicitly listed in the NTA or subject to final tax[124], such as share-based dividends[125]. Digital asset losses, like a ₦15 million crypto trading loss, can only offset digital profits[126], not salaries or dividends. This restriction, mirrored in the Fifth Schedule, ensures tax fairness for digital economies. Businesses and investors must maintain separate digital asset portfolios to leverage this rule effectively.

Section 33: Share Disposal Exemptions

Section 33 offers tax relief for share disposals under specific conditions: proceeds below ₦150,000,000 with gains under ₦10,000,000 annually, shares in regulated securities lending, or proceeds reinvested in Nigerian companies are exempt. For example, selling ₦100 million in shares with a ₦5 million gain avoids tax if within limits or reinvested. This exemption, linked to Sections 8 and 9, encourages equity investment. Investors should track sale proceeds and reinvestment records to claim relief.

Section 37: Compulsory Land Acquisition

Gains from compulsory land acquisitions are exempt under Section 37, provided the land wasn't purchased expecting acquisition or advertised for sale. For instance, if the government acquires your ₦500 million plot for a public project, the gain is tax-free, but not if you bought it anticipating the acquisition. This exemption, tied to Sections 48–55, supports landowners facing forced sales. Maintain purchase and intent records to substantiate claims.

Sections 48–55: Personal and Trust Asset Exemptions

Sections 48–55 provide a range of exemptions for personal and trust assets. Life insurance policies (unless purchased for consideration), non-capital redemption policies, and personal injury compensation up to ₦50,000,000 are tax-free. Selling your principal private residence is exempt once per lifetime, as are chattel disposals (e.g., art or electronics) up to ₦5,000,000 or three times the minimum wage, up to two vehicles annually, and gifts (unless acquired for consideration). Charitable trust assets not used commercially, like land for a non-profit school, are also exempt. For example, selling a ₦4 million painting or a ₦3 million car avoids tax, but commercial trust assets trigger liability[127]. These exemptions encourage personal financial planning and charitable activities but require clear documentation.

Section 31: Deduction Claims

Deductions, like pension contributions or rent, require written claims under Section 31, except for verbal claims in rare cases. For instance, claiming ₦10 million in business expenses needs written evidence, such as receipts, but a verbal claim may suffice if documentation is unavailable. This rule, linked to Section 32, ensures transparency. Businesses and individuals should maintain organized records to secure deductions.

[124] Section 51
[125] Section 8(2)
[126] Section 27(6)
[127] Section 2

Section 20(1)(j): Pre-Commencement Expenses

Expenses incurred before starting a business, like ₦30 million in setup costs within six years, are deductible as if spent on the first business day under Section 20(1)(j). For example, a startup spending ₦20 million on software licenses before launching can deduct these costs, boosting early cash flow. This exemption, part of Section 20's deduction framework, requires detailed expense logs to avoid disputes.

Section 20(2): Bad and Doubtful Debts

Bad or doubtful debts are deductible if incurred or estimated per accounting principles under Section 20(2). If a retailer writes off ₦15 million in uncollectible debts, it's deductible, but recovered debts must be added to profits. This rule, linked to Section 20's deductions, supports businesses managing credit risks. Maintain clear debt records to justify claims.

Section 21(j): Expenses Tied to Exempt Income

Expenses related to exempt income, like costs for managing tax-free share dividends, are non-deductible under Section 21(j). For example, if you spend ₦5 million managing a tax-exempt real estate trust, you can't deduct it. This restriction, tied to Sections 8 and 9, ensures tax fairness. Segregate expense accounts to comply.

Section 25: Residency and Partnership Changes

Changes in residency or partnership structure don't trigger tax commencement or cessation under Section 25. For instance, a partner leaving a consulting firm doesn't face immediate tax on the change, simplifying transitions. This exemption, linked to Section 15, supports business flexibility. Document partnership agreements to avoid complications.

Section 32: Evidence for Deduction Claims

Deduction claims require documentary evidence under Section 32, but a declaration of unavailability prevents automatic rejection. For example, claiming ₦10 million in research costs without receipts risks denial, but a formal declaration of lost records can save the claim. This rule, tied to Section 31, emphasizes record-keeping. Implement digital backups to secure evidence.

Section 10(2): Deemed Distributions

Deemed distributions in closely held companies are limited to profits shareable without business detriment under Section 10(2). For instance, a family business with ₦200 million in profits avoids tax on undistributed amounts if sharing them would harm operations. This exemption, linked to Section 6(2), requires financial evidence to substantiate claims, protecting business liquidity.

Section 10(7): Appeals for Deemed Distributions

Companies can appeal deemed distribution orders within three years under Section 10(7). If a tax authority imposes a ₦100 million deemed distribution tax, you can challenge it with evidence of business detriment, potentially saving millions. This right, tied to Section 10(2), ensures fairness. Engage legal counsel to file timely appeals.

Section 24(3): Post-Cessation Assessments

Post-cessation tax assessments can be appealed or adjusted under Section 24(3). For example, if a closed business receives a ₦50 million tax bill for past profits, you can appeal within the stipulated period, ensuring accurate taxation. This rule supports fair dispute resolution. Maintain closure records to strengthen appeals.

Section 15(9): Unregistered Partnerships

Unregistered partnership agreements face deemed profit allocations under Section 15(9), increasing tax risk. For instance, a real estate partnership earning ₦150 million without a registered agreement may have profits split arbitrarily, inflating taxes. This rule, linked to Section 15, emphasizes formal agreements. Register partnerships to control profit allocation.

Section 18(8): Non-Freight Ship Leasing

Non-freight income from leasing vessels is exempt from shipping-specific tax rules under Section 18(8), following other NTA provisions. For example, a shipping firm earning ₦200 million from leasing vessels pays standard corporate tax, not the 2% gross revenue tax[128]. This exemption requires clear income segregation to avoid misclassification.

Section 56: Small Company Tax Exemption

Small companies, defined by revenue or profit thresholds, pay a 0% corporate tax rate under Section 56. A startup earning ₦30 million annually keeps all profits, boosting growth. This exemption, tied to Section 59, supports small businesses. Maintain financials to prove eligibility during audits.

Section 59: Development Levy Exemptions

Small companies, non-residents, and hydrocarbon tax profits are exempt from the 4% development levy under Section 59. For example, a foreign tech firm or a small retailer earning ₦50 million avoids the levy, saving ₦2 million. This rule, linked to Sections 56 and 65, reduces costs. Document status to claim relief.

Section 60: Export Processing Zones

Entities in export processing zones follow Second Schedule incentives under Section 60, including tax breaks. For instance, a manufacturer in a Lagos export zone may enjoy reduced rates, enhancing competitiveness. This exemption encourages export-driven growth. Consult zone authorities to maximize benefits.

Section 61(8): Insurance Loss Restrictions

Losses from one insurance class (e.g., life) can't offset profits from another (e.g., non-life)

[128] Section 18(6)

under Section 61(8). A fintech with ₦100 million in life insurance losses can't use it against non-life profits, ensuring accurate taxation. This rule, tied to Section 61, requires separate accounting for insurance classes.

Section 64: Mining Deductions

Mining companies can deduct environmental fund contributions if cash-backed and managed by independent trustees, and royalties are deductible under Section 64. For example, a ₦50 million environmental fund payment reduces taxable income, but only with proper documentation. This exemption supports sustainable mining practices. Maintain trustee records to comply.

Section 65: Hydrocarbon Tax Exemptions

Gas income and frontier acreage profits are exempt from hydrocarbon tax under Section 65. An oil company earning ₦1 billion from gas avoids this tax, unlike crude profits taxed at 15% or 30% [129]. This exemption, linked to Sections 65–79, encourages gas exploration. Segregate income streams for compliance.

Section 62: Lottery and Gaming Deductions

Lottery and gaming businesses can deduct winnings, commissions, and levies under Section 62. A betting company paying ₦100 million in winnings can deduct this, reducing taxable income. This exemption, linked to Section 20, supports gaming profitability. Maintain payout records to claim deductions.

Section 63: Collective Investment Tax Offset

Tax deducted from collective investment scheme payments can offset income tax under Section 63. For example, if a ₦10 million investment fund payment incurs ₦1 million in tax, you can offset it against your income tax liability. This rule prevents double taxation. Track investment tax deductions to optimize returns.

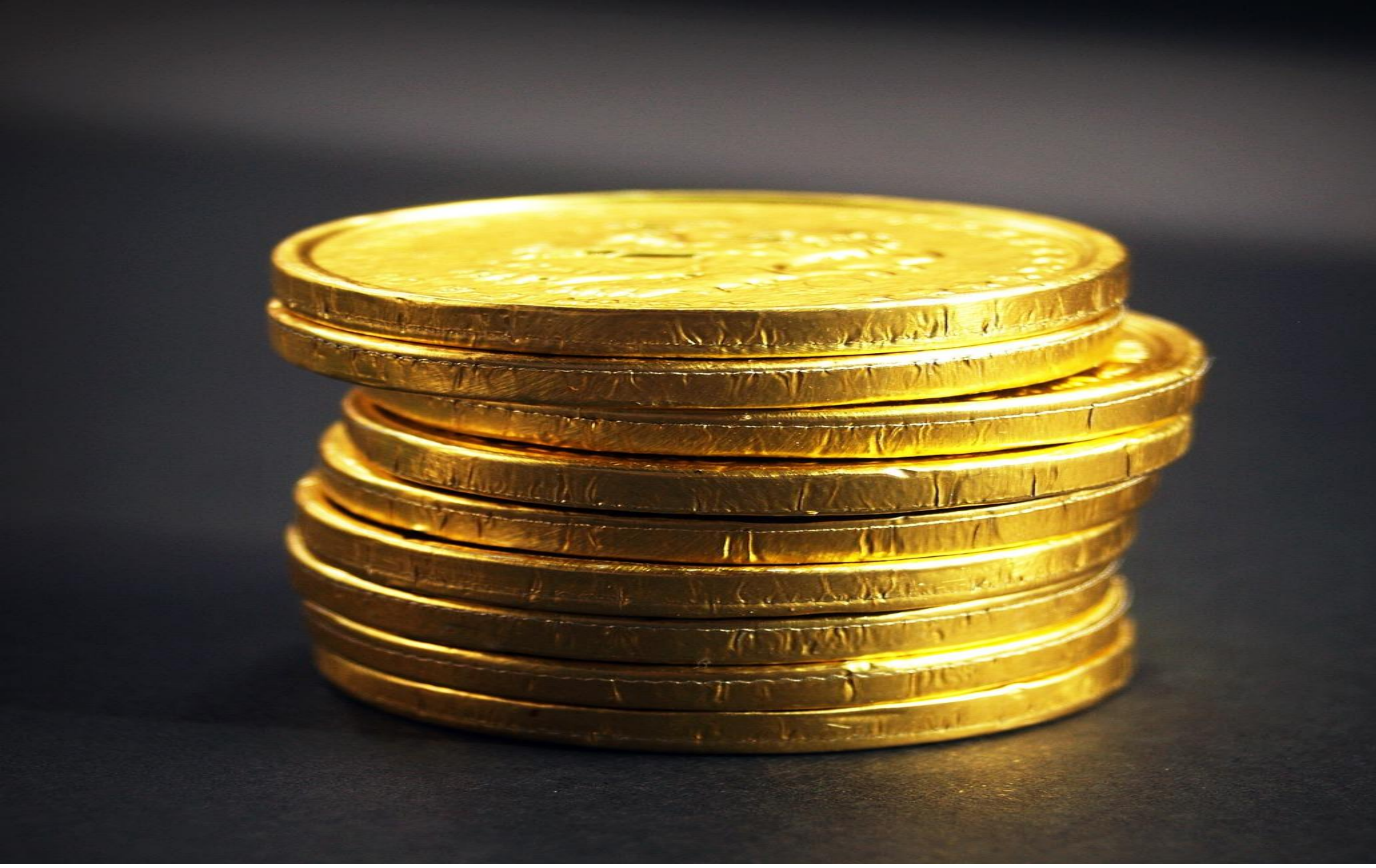
Section 68: Hydrocarbon Tax Deduction Limits

Penalties and financial charges are non-deductible for hydrocarbon tax under Section 68, and exploration deductions are limited to specific wells. For instance, a ₦20 million fine can't reduce taxable income, but well-specific exploration costs can. This rule ensures targeted deductions. Maintain detailed exploration records.

Section 72: Hydrocarbon Tax Rates

Hydrocarbon tax is 15% for prospecting licenses and 30% for petroleum mining leases under Section 72. An oil firm with a prospecting license pays half the rate of a mining lease, saving millions on ₦500 million in profits. This exemption, tied to Section 65, supports early-stage exploration. Track license status for accurate taxation.

[129] Section 72



Capital Allowances and Deductions: What You Can Claim

This part lays out what petroleum companies can deduct from their taxes, impacting related industries too. Section 82 allows a 20% annual write-off for costs of buying petroleum rights (like licenses) until fully recovered. Upstream assets (drilling rigs) follow Part II of the First Schedule, while midstream/downstream assets (pipelines, refineries) follow Part I[130]. You can deduct expenses like rents, royalties, and contributions to approved funds for decommissioning oil fields, supporting local communities, or cleaning up environmental damage[131]. But penalties (like gas flaring fees), signature bonuses, and taxes paid for vendors are non-deductible[132]. Decommissioning funds need 30% in a Nigerian bank escrow account to be deductible[133] Under Section 92 of the Nigeria Tax Act 2025, petroleum companies can deduct specific expenses when computing adjusted profits, including royalties on crude oil and gas, repairs of operational assets, approved pension contributions, and bad or doubtful debts. However, deductions—especially for bad debts—require strict proof, such as evidence

[130] Section 82(2)
[131] Section 82(1)(a)–(c)
[132] Section 82(2)(a)–(d)
[133] Section 86

the debts arose from petroleum operations and were previously included in income.[134] Capital withdrawals and depreciation are not tax-deductible for petroleum companies under the Nigeria Tax Act 2025. Section 95 expressly disallows deductions for funds withdrawn as capital and for depreciation of assets. Instead, capital recovery must follow the capital allowance rules set out in the First Schedule of the Act[135] and Capital allowances for petroleum companies are capped at 85% of assessable profits, reduced further by 170% of any petroleum investment allowance claimed in the same period. Any unutilized allowances may be carried forward and claimed in subsequent years.[136]

Exceptions:

- **Approved Funds**[137]: Deduct contributions to decommissioning, community, or environmental funds only with Commission or Authority approval, ensuring oversight but requiring paperwork.
- **Ministerial Deductions**[138]: The Minister can add new deductible expenses via Official Gazette, offering future savings.
- **Escrow Deposits**[139]: Decommissioning funds are deductible only if 30% is in a Central Bank-accredited escrow account, tying up cash but enabling relief.
- **Pension Contributions**[140]: Deductible only under the Pensions Reform Act, with benefits taxed, impacting employee pay.
- **Decommissioning Surpluses**[141]: Leftover funds after closing a field are taxed, preventing tax-free windfalls.
- **Bad Debts**[142]: Deductible if proven uncollectible, not previously claimed, and tied to petroleum operations.
- **Carry-Forward Allowances**[143]: Unused allowances can be saved for future years, easing cash flow.

Petroleum Profits Tax:

The Petroleum Profits Tax (PPT) hits oil and gas companies. Section 90 applies PPT to unconverted licenses, while Section 91 adds up revenue from oil/gas sales, asset disposals, incidental income, and gains from selling assets. You can deduct or defer losses from past years or restructuring with tax authority approval[144]. Petroleum profits tax (PPT) is charged at 85% of chargeable profits for upstream oil and gas companies. However, companies that

[134] Section 92(1)(m)
[135] Section 95
[136] Section 98(5) & First Schedule Part III
[137] **Section 83(1)(b)**
[138] **Section 83(1)(c)**
[139] **Section 87**
[140] **Section 92(1)(j)**
[141] **Section 92(1)(l)**
[142] **Section 92(1)(m)**
[143] **Section 98(5)**
[144] Section 97(3)

have not yet begun continuous production or bulk sale of oil benefit from a reduced rate of 65.75% for a maximum of five years, starting from their first accounting period, provided

they are still amortizing pre-production capitalized expenditure. This transitional rate does not transfer to new acquirers of such assets, who must pay the full 85% rate from inception.[145] . Selling below the "fiscal price" triggers extra tax, unless the Commission sets a fair price based on similar oil/gas streams[146]

Gas Incentives: Boosting Non-Associated Gas

The Nigeria Tax Act 2025 strongly promotes Non-Associated Gas (NAG) development through targeted tax reliefs. Section 86 grants gas production tax credits of US$1.00 or US$0.50 per thousand cubic feet, depending on hydrocarbon liquid ratios, for greenfield onshore and shallow water projects commencing production on or before January 1, 2029. These credits apply for 10 years from first gas. After 2029, only a reduced credit of US$0.50 per thousand cubic feet is available. Additionally, Section 93 classifies capital spent on separating associated gas from oil as part of oil field development, making those costs deductible. Section 94 ensures these associated gas incentives also apply to non-associated gas, expanding the benefit scope.

Note

- **Hydrocarbon Threshold**[147]: Credits stop if hydrocarbon liquids exceed 100 barrels per million cubic feet, certified by the Commission.
- **Credit Carry-Forward**[148]: Unused credits carry forward for three years, capped at the year's tax.
- **Force Majeure**[149]: Disasters or terrorism pause credit timelines, with Commission approval.
- **Prior Incentives**[150] : No NAG credits if you're claiming other gas incentives.
- **Non-Reinjected Condensates**[151] : Condensates not mixed back into oil follow standard tax rules.
- **Non-Separable Expenses**[152] : Mixed oil/gas costs can be deducted against oil income.
- **Gas-to-Liquids Transfers**[153] : Gas moved to gas-to-liquids facilities is tax and royalty-free.

[145] Section 99(2)
[146] Note the difference in Section 100 and section 84
[147] **Section 85(1)(c)**
[148] **Section 85(4)**
[149] **Section 85(7)**
[150] **Section 85(9)**
[151] **Section 93(2)(a)**
[152] **Section 93(2)(c)**
[153] **Section 93(2)(g)**

Deep Offshore and Inland Basin Contracts: Special Rules

Sections 102–116 govern production sharing contracts (PSCs) in deep offshore and inland basins, with a 50% PPT rate[154] and 50% investment tax allowance[155]. Royalties, cost oil, tax oil, and profit oil are split per the Seventh Schedule, in US dollars[156] . Contracts are reviewed every eight years[157], with a ten-year royalty look-back[158].

Exceptions:

- **Non-PPT Taxes[159]**: PSCs face VAT and other taxes, increasing costs.
- **Cost Oil[160]**: Operating costs are recovered in US dollars, protecting against naira fluctuations.
- **Indigenous Companies[161]**: Those with government back-in rights follow Chapter Two rules.

Double Taxation Relief: Avoiding Double Hits

Chapter Four, Sections 120–125, helps avoid paying taxes twice on global income. You can claim credits for foreign taxes, but only if you're a Nigerian resident[162]. Data sharing with treaty partners is allowed despite secrecy laws[163] . No relief applies for global minimum taxes on foreign branches[164] , and time limits for claims are waived if foreign tax adjustments occur[165]. Exempt income affects your tax rate[166]

Exceptions:

- **Secrecy Disclosures[167]** : Tax secrecy doesn't block sharing with treaty partners.
- **Global Minimum Tax[168]** : No relief for extra taxes on foreign branches.

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[154] Section 104
[155] Section 105
[156] Section 107
[157] Section 117
[158] Section 118
[159] **Section 104(2)**
[160] **Section 109(2)**
[161] **Section 88(2)**
[162] Section 123(2)
[163] Section 121(3)
[164] Section 121(8)
[165] Section 123(8)
[166] Section 123(10)
[167] **Section 121(3)**
[168] **Section 121(8)**

Stamp Duties: Taxes on Documents

Under the Nigeria Tax Act 2025[169] stamp duties are imposed on instruments at the rates specified in the Eighth Schedule, unless exempted under Part III, Chapter Eight. These duties apply to documents first executed in Nigeria or those executed abroad but relating to property or matters in Nigeria. The duty can be paid and officially denoted through various means, including tax stamps, dies, digital tags, electronic receipts, or certificates. The relevant tax authority may approve other methods as necessary. Additionally, the Joint Revenue Board, advised by NIPOST, may introduce more duty-payment methods through official regulations. Leases under ₦10,000,000 or ten times the minimum wage are exempt[170]. Short-term loans (up to 12 months) avoid duties[171] . Unstamped documents are inadmissible in evidence in any court, judicial or arbitration proceedings, except in criminal proceedings[172], unless duties are paid. Counterpart documents get flat-rate duties[173]

Sector Impacts: Who is Affected and How

High-Net-Worth Individuals (HNWIs)

If you're wealthy, PIT applies to your global income as a resident. You can't claim double taxation relief if you're non-resident[174] , so living in Nigeria is key for foreign investments. Short-term loans (up to 12 months) skip stamp duties[175], so a 10-month loan to a trust saves money. In oil investments, non-deductible signature bonuses[176] raise costs, and taxable decommissioning surpluses[177] hit profits when selling assets, but the 65.75% pre-production rate[178]

Individual Taxpayers

Regular folks pay PIT on worldwide income if resident, with exemptions for low earners. Digital contracts (e.g., freelance agreements) may need stamp duties as bills of exchange[179] , but they're valid in criminal cases if unstamped[180] . In civil cases, you must pay duties first[181]. Renting a small apartment under ₦10,000,000 avoids duties[182] . Oil company employees face taxable pension benefits[183]

[169] Sections 124–146
[170] Section 135
[171] Section 137(2)
[172] Section 127
[173] Section 142(2)
[174] Section 122(3)
[175] Section 137(2)
[176] Section 83(2)(c)
[177] Section 92(1)(l)
[178] Section 99(2)
[179] Section 129
[180] Section 128(2)
[181] Section 128(1)
[182] Section 135
[183] Section 92(1)(j)

Small Businesses

With turnover below ₦50 million and assets under ₦250 million, you're exempt from CIT, CGT, and Development Levy. Short-term loans skip duties[184], so a 6-month loan for supplies saves cash. Avoid paying taxes for oil company clients[185]. Leases under ₦10,000,000 are duty-free[186].

Law Firms

You're advising on getting Commission approval for fund contributions[187] and setting up escrow accounts[188]. Guide clients on double taxation relief residency[189] and secure data sharing[190] . Help use lease exemptions[191] and short-term loan exemptions[192]. Monitor Gazette for new deductions[193] . For example, ensure a client's property sale is valued correctly to avoid overpaying duties[194].

Partnerships

Oil venture partnerships are allowed under tax authority rules[195], but non-corporate operations are banned[196]. Short-term loans avoid duties[197], and avoid tax pass-through deals[198]. For example, a drilling partnership must prove bad debts for deductions[199].

Business Leaders

Align accounting periods with tax rules to claim deductions like intangible drilling costs (excluding well cement)[200]. Ensure office leases qualify for exemptions[201]. For oil firms, comply with fiscal pricing[202] and escrow rules[203]. Navigate global minimum tax rules[204] for foreign staff.

HR Professionals

Ensure pensions comply with the Pensions Reform Act for deductions[205], but employees pay

184 Section 137(2)
185 Section 83(2)(d)
186 Section 135
187 Section 83(1)(b)
188 Section 86
189 Section 123(2)
190 Section 121(3)
191 Section 135
192 Section 137(2)
193 Section 83(1)(c)
194 Section 134
195 Section 101(4)
196 Section 101(1)
197 Section 137(2)
198 Section 83(2)(d)
199 Section 92(1)(m)
200 Section 119
201 Section 135
202 Section 100(5)
203 Section 87
204 Section 121(8)
205 Section 92(1)(j)

tax on benefits. Check office leases for exemptions[206]. Confirm international staff residency for double taxation relief[207] . For example, leasing an office for ₦8,000,000 saves duties.

Auditors

Verify non-deductible costs (e.g., well cement,) and escrow compliance [208] . Confirm residency for double taxation relief[209] and stamping within 30 days[210]. Track losses[211] and keep records for ten years[212]. For example, check bad debt proof[213] to avoid penalties.

Investors

Non-petroleum assets (coal, bitumen) skip petroleum taxes [214] . Short-term loans avoid duties[215]. Plan for 85% PPT on oil asset gains[216], but use the 65.75% pre-production rate[217]. Segregate double taxation-exempt income [218] . For example, a coal investment avoids petroleum taxes.

Telecommunications

Align contracts with fiscal pricing and avoid non-deductible penalties[219]. Short-term loans skip duties.

Strategic Tips

- **Use Exclusions**: Investment in coal or bitumen are not subject to petroleum taxes[220].
- **Leverage Loans**: Use short-term loans to skip duties[221].
- **Establish Residency**: Stay in Nigeria for double taxation relief[222].
- **Monitor Changes**: Watch minimum wage for lease exemptions[223] and Gazette for deductions[224].
- **Go Digital**: Use electronic stamping[225] and e-filing.
- **Keep Records**: Store records for ten years[226].

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206 Section 135
207 Section 123(2)
208 Section 87
209 Section 123(2)
210 Section 128(1)
211 Section 97(3)
212 Section 118
213 Section 92(1)(m)
214 Section 119
215 Section 137(2)
216 Section 91(1)(d)
217 Section 99(2)
218 Section 123(10)
219 Section 83(2)(d)
220 Section 119
221 (Section 137(2)
222 Section 123(2)
223 Section 135
224 Section 83(1)(c)
225 Section 127
226 Section 118

Value Added Tax (VAT): A 7.5% Framework with Exemptions

Sections 146 imposes a 7.5% VAT on taxable supplies, goods, services, and incorporeals unless exempted under Part IV of Chapter Eight[227]. Goods are taxable if present, imported, or owned by a taxable person in Nigeria[228]. Services consumed in Nigeria, like digital subscriptions or real estate services, incur VAT[229]. Incorporeals, such as patents or crypto tokens, are taxable if exploited locally[230]. **Exception**: Part IV exemptions, though unspecified, likely cover essentials like food, medical supplies, or educational services[231]. Section 147 sets the timing for VAT liability, upon invoice issuance, delivery, or payment, whichever comes first[232]. For periodic supplies like rentals, VAT applies when payment is due[233]. **Exception**: Exempt supplies under Part IV bypass these rules[234]. Valuation under Section 149 includes VAT for monetary transactions or market value for non-monetary ones[235]. **Exception**: Exempt supplies aren't valued for VAT[236]. Non-residents must register for VAT or face withholding by Nigerian recipients[237]. **Exception**: exempt supplies don't require VAT collection[238]. Sections 153 - 156 mandate invoicing, 7.5% collection, and monthly remittance by the 14th day of the month[239]. Input VAT is deductible within five years[240], and zero-rated supplies (e.g., exports) allow refunds[241]. **Exception**: Zero-rated supplies don't incur output VAT[242]

Fossil Fuel Surcharge: Incentivizing Green Choices

Sections 159–162 levies a 5% surcharge on fossil fuel products at supply or payment. **Exceptions**[243]: Renewable energy (solar, wind, hydropower), household kerosene, cooking gas, and compressed natural gas (CNG) are exempt, promoting sustainability. The Nigeria Revenue Service (NRS) administers collection[244].

Income Tax Exemptions: Broad Relief

Sections 163–165 offers income tax exemptions. **Exceptions**[245]: Non-commercial entities

[227] Section 146
[228] Section 146(a)
[229] Section 146(b)
[230] Section 146(c)
[231] Section 146
[232] Section 147(1)
[233] Section 147(3)
[234] Section 147
[235] Section 149(1), (3)
[236] Section 149
[237] Section 150
[238] Section 150
[239] Sections 153(1), 155(4)
[240] Section 156(5)
[241] Section 156(4)
[242] Section 156(4)
[243] Section 162
[244] Section 161(2)
[245] Section 163(1)

(charities, cooperatives) are exempt unless trading[246]. Government agencies avoid tax unless engaged in trade[247]. Investment income, like dividends from real estate firms distributing 75% within 12 months or bond gains, is exempt[248]. Pensions, military benefits, and minimum wage earners are exempt[249]. Agricultural businesses enjoy a five-year tax holiday[250], and export profits, if repatriated, are exempt[251]. **Exception**: Non-exported profits remain taxable[252]. Donations (up to 10% of profit) and R&D (up to 5% of turnover) are deductible[253]. **Exception**: Non-cash donations use lower of market value or cost[254]; R&D proceeds are taxable[255].

Economic Development Incentives: Priority Sector Benefits

Sections 177–184 provides tax credits for priority sectors[256]. **Exceptions**: Credits can't offset Section 57 penalties[257], and unutilized credits lapse after five years[258]. The priority period lasts five years, subject to[259] Sections 170, 171, and 174. **Exception**: These sections may shorten or revoke the period[260]. Companies must maintain separate, auditor-certified records[261]. **Exception**: Non-compliance deems all income non-priority, losing credits[262]. Returns require evidence of priority status[263]. **Exception**: Failure to provide evidence disqualifies credits[264]. Credits can be withdrawn within six years, or indefinitely for fraud[265]. **Exception**: Fraud has no time limit[266]. Plantation costs qualify pre-production[267]. **Exception**: Post-production costs are excluded[268] Companies can't claim multiple incentives[269]. **Exception**: Legacy reliefs continue[270]. Sunset clauses limit eligibility[271]. **Exception**: Pre-sunset grants are protected[272].

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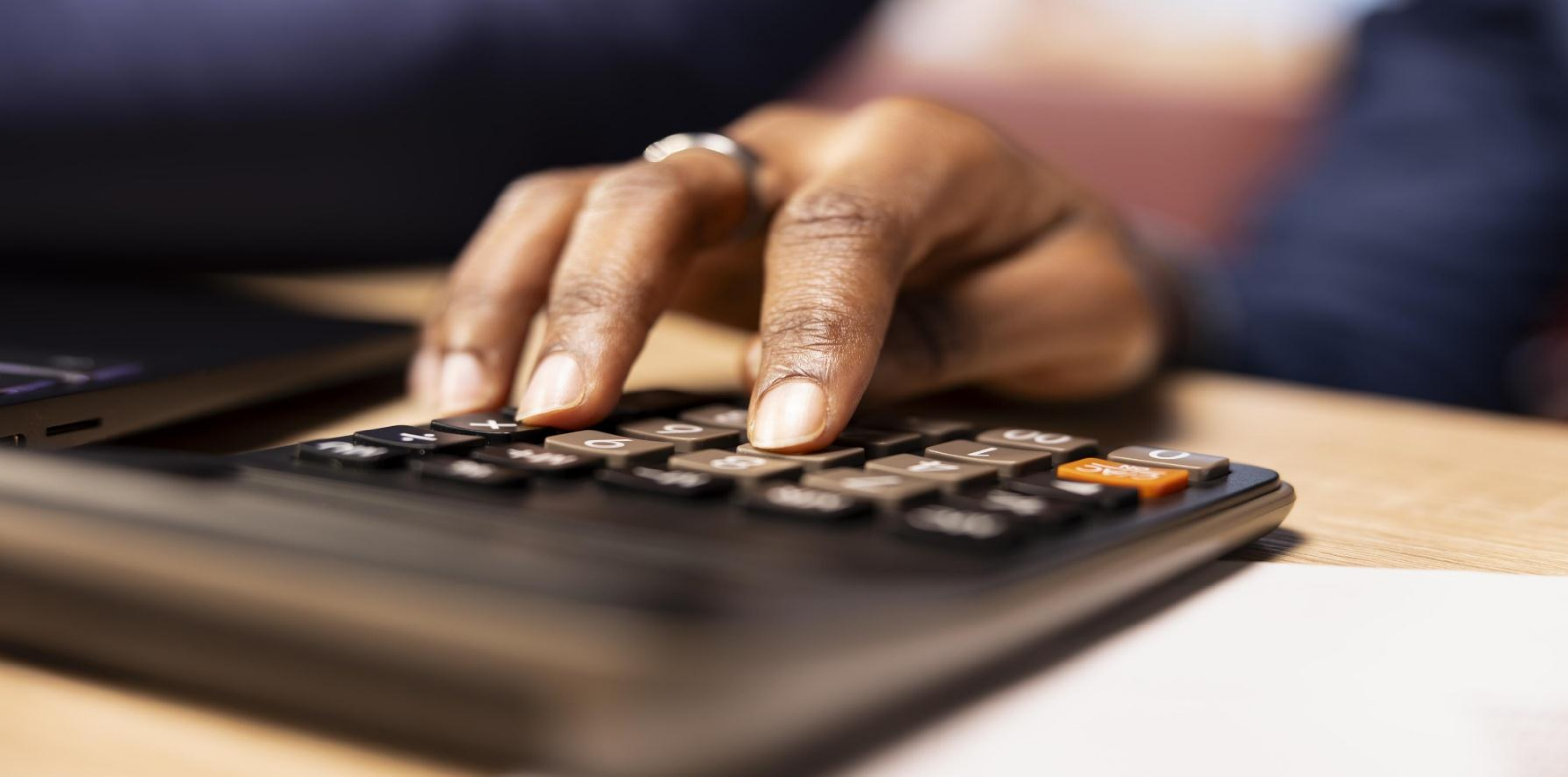
246 (Section 163(1)(a)
247 Section 163(1)(a)(v)
248 Section 163(1)(c), (m)
249 Section 163(1)(h)–(s)
250 Section 163(1)(o)
251 Section 163(1)(u)
252 Section 163(1)(u)
253 Sections 164(5), 165(2)
254 Section 164(6)
255 Section 165(3)
256 Section 177(1)
257 Section 177(2)
258 Section 177(3)
259 Section 178
260 Section 178
261 Section 179
262 Section 179(3)
263 Section 180(2)
264 Section 180(2)
265 Section 181(1)
266 Section 181(1)
267 Section 182(2)
268 Section 182(2)
269 Section 183(1)
270 Section 183(2)
271 Section 184
272 Section 183(3)



Stamp Duties and VAT Exemptions: Transactional Ease

Section 185 exempts stamp duties on low-value transfers (below ₦10,000), government stock, and consular instruments with reciprocity[273]. **Exceptions**: Larger transactions and non-reciprocal consular instruments are taxable[274]. Section 186 exempts VAT on land, buildings, baby products, and diplomatic supplies[275]. **Exceptions**: Export zone supplies require approved activities; diplomatic exemptions need public interest[276]. Zero-rated supplies include food, medical products, and exported services[277]. **Exceptions**: Schedules and Ministerial orders may impose conditions[278]. Presidential exemptions require publication[279]. **Exception**: Unpublished exemptions are invalid[280].

Definitions and Capital Allowances: Clarity and Relief

Section 202 defines terms like “digital assets” (no exemptions, fully taxable) and “exported services” (exempt unless to a Nigerian permanent establishment[281]). **Exception**: Services to local establishments are taxable[282]. **Entertainment** exemptions apply to non-profit or educational events[283]. **Exceptions**: Paid admission events are taxable unless by approved

[273] Section 185(i), (a), (d)
[274] Section 185(d), (i)
[275] Section 186(l), (d), (j)
[276] Section 186(i), (j)
[277] Section 187(a), (b), (o)
[278] Section 187(2)
[279] Section 188
[280] Section 188
[281] Section 17
[282] Section 202
[283] Section 202

institutions[284]. Itinerant workers are taxable unless government security officers[285]. The First Schedule allows capital allowances (e.g., 25% for software, 10% for buildings [286]). **Exceptions**: Non-business use excludes allowances; finance lease lessors are ineligible; unofficial exchange rate transactions are excluded.

Stakeholder-Specific Analysis

High-Net-Worth Individuals (HNWIs)

HNWIs face VAT on luxury imports like yachts or art unless exempts them[287] **Exceptions:** Non-Agricultural assets and non-monetary asset swaps use market value for VAT[288]. Income from bonds and startup investments (held over 24 months) is tax-free[289], and charitable donations reduce taxable income by up to 10%[290] Companies in Nigeria can deduct donations made to approved bodies from their taxable income, including public funds, charities, and emergency relief efforts, whether in cash or non-cash form.

However, the total deduction must not exceed 10% of the company's profit before tax in that year. For non-cash donations, the deductible value is the lower of the market price or original purchase cost. Documentation is required to validate such deductions. Understand economic development tax credit and its limitations. Companies engaged in priority products or services are eligible for a special Economic Development Tax Credit, equal to the taxes paid on their priority business profits during a five-year priority period. This credit may be used to offset taxes, except additional levies under Section 57, and can be carried forward for another five years if unused. Companies must maintain separate audited records for mixed businesses, file annual returns proving eligibility, and avoid double-dipping into other incentives. The tax authority may revoke the credit within six years, or indefinitely in cases of fraud. For plantations, production is deemed to start when commercial output begins, and earlier maintenance costs are treated as qualifying capital expenditure.[291] Income from digital asset disposals (e.g., crypto) are fully taxable[292].

Individual Taxpayers (Including Online Earners)

Online earners (e.g., freelancers, influencers) face VAT on digital services consumed in Nigeria[293] unless Part IV exempts educational content. **Exception**: Part IV exemptions apply. Export earnings are tax-free if repatriated[294]. **Exception**: Domestic earnings are taxable

[284] Section 202
[285] Section 202
[286] Paragraph 6
[287] Section 146(a)
[288] Section 149(3)
[289] Section 163(1)(m)
[290] Section 164(5)
[291] Section 177 to 183
[292] Section 4
[293] Section 146(b)(i)
[294] Section 163(1)(u)

unless below minimum wage[295]. Stamp duties exempt transfers below ₦10,000[296], but larger payments are taxable. **Exception**: Only low-value transfers qualify. Zero-rated exported services reduce VAT[297], but Schedule conditions apply[298]. All employment income, including freelance work, incurs PAYE[299]. **Exception**: Govermment Security officers are exempt as itinerant workers[300]. **Strategy**: Track transaction sizes, export earnings, and ensure PAYE compliance.

Small Businesses

Small businesses must charge VAT on supplies like equipment imports unless exemptions.[301] Invoicing and remittance are mandatory[302], but zero-rated exports allow refunds[303].VAT-registered persons must remit excess VAT monthly if their output VAT exceeds input VAT, and may carry forward input VAT as credit if it's higher. Unused credits may be refunded on request, with supporting documentation. Importers must pay VAT before clearing goods. Suppliers of zero-rated items still pay VAT on their inputs and can request refunds. Only input VAT used for taxable supplies can be deducted, and such deductions must be claimed within five years. Importantly, VAT deductions only apply to supplies made after this Act commenced. Agricultural startups get five-year tax holidays[304], and CNG exemptions lower transport costs[305]. **Exceptions**: Renewable energy and household fuels are exempt. Capital allowances (e.g., 25% for software, Paragraph 6) apply, but non-business use excludes them[306]. **Exception**: Temporary disuse qualifies[307]. Consider erage tax holidays, maintain compliant records, and claim allowances.

Special Analysis on Income Exemptions and Deductions

Under the Nigeria Tax Act, 2025, a comprehensive set of exemptions and incentives has been established to promote national economic growth, employment, and investment while safeguarding critical social and public sectors. To begin with, profits and capital gains are exempt from tax under Chapter Two when earned by certain classes of entities, provided those profits or gains are not derived from a trade or business. These exempt entities include: statutory or registered friendly societies; co-operative societies; religious, charitable, educational or scientific institutions of a public character; registered trade unions; Federal,

[295] Section 163(1)(s)
[296] Section 185(i)
[297] Section 187(o)
[298] Section 187(2)
[299] Section 202
[300] Section 202
[301] Section 146(a)
[302] Sections 153, 155(4)
[303] Section 156(4)
[304] Section 163(1)(o)
[305] Section 162
[306] Paragraph 7
[307] Paragraph 13

State, or Local Governments and their agencies (excluding their commercial arms); and government purchasing authorities.

Also exempt are dividends distributed by authorised collective investment schemes, and rental or dividend income earned by real estate investment companies on behalf of shareholders, where such companies distribute at least 75% of that income within 12 months of the end of the financial year. However, this exemption does not extend to **(i)** the shareholders receiving the dividends or rent**, (ii)** the real estate investment company's own management or investment income, or **(iii)** any real estate company that fails to meet the distribution requirement. The law also exempts compensating payments made in regulated securities lending transactions where such payments qualify as dividends or interest, consular fees received by foreign states or their officers (with exclusions for private businesses or domestic staff), and foreign income from bonds issued by the Nigerian federal or state governments. In addition, pension funds and assets under the Pension Reform Act are exempt from income tax, along with pensions, gratuities, or retirement benefits granted under that Act. Similar exemptions apply to disability or war pensions, death gratuities, and redundancy or capital compensation for job loss, subject to applicable parts of Chapter Two.

Tax exemption is also granted for capital gains on disposal of assets by investors such as angel investors, venture capitalists, or private equity funds in a labelled startup, but only where the assets have been held in Nigeria for at least 24 months. Similarly, profits of companies engaged in sporting activities and income earned abroad from dividends, interest, rent or royalties and repatriated through approved channels are exempt.

In respect of labour, the Act exempts income earned by individuals whose gross employment income does not exceed the national minimum wage, as well as salaries of military officers and other personnel deployed in combat zones or hazardous assignments, provided the income is not from a secondary business or employment. Additionally, agriculture-based companies enjoy a five-year tax exemption from the commencement of their business. This covers ventures in crop production, livestock, aquaculture, dairy, and forestry, as defined in the Thirteenth Schedule.

The Act further introduces employment-related tax incentives. Between 2023 and 2025, companies that incur certain types of employee-related costs are entitled to an additional 50% deduction from their profits, provided specific criteria are met. Eligible costs include:

I. Wage awards, salary increases, transport allowances, or subsidies paid to low-income workers whose gross monthly salary is brought up to but does not exceed ₦100,000. However, any similar benefits extended to employees earning above ₦100,000 do not qualify.

II. Salaries paid to new employees, to the extent that these new hires represent a net increase in employment over the average number of staff employed in the three years prior to 2023. Importantly, this additional deduction is forfeited if such newly employed persons are involuntarily disengaged within three years of their employment.

"Net employment" in this context is defined as the number of new hires minus the number of employees disengaged (whether voluntarily or involuntarily) during the year.

Furthermore, a wide range of donations made by companies are deductible for tax purposes, regardless of whether they are capital or revenue in nature. Such donations must be made to entities recognised under the Act, including public funds, statutory bodies, religious or charitable institutions, and pandemic or disaster relief efforts. However, this deduction is capped at 10% of the company's profit before tax for the relevant assessment year. Where donations are made in kind, the deductible value is the lower of the market value at the time of donation or the original purchase price.

Lastly, companies are also allowed to deduct expenditures on research and development for any period during which the expense is incurred. However, this deduction is capped at 5% of the company's turnover in that year. If the outcome of such research is subsequently commercialised or transferred to another party, the resulting proceeds become taxable under the law.

HR Professionals

HR manages PAYE for all employees, including itinerant workers except government security officer [308] Tack low-income worker subsidies for deductions [309] **Exception**: Deductions cap at ₦100,000 monthly. **Hr should note entire section 163.**

Auditors

Auditors verify VAT valuations[310], priority sector records[311], and exemption eligibility[312]. Non-compliance loses credits[313]; fraud allows indefinite withdrawal[314]. Confirm capital allowance claims and note that non-business use excludes allowances.

Investors

Investors target bond and startup exemptions[315] and renewable energy projects[316]. **Note that** Renewable fuels are exempt. Priority sector credits are limited by Section 57 and five-year carry-forwards[317]. **Note that**: Fraud risks indefinite liability[318]

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[308] Section 202
[309] Section 163(3)(a)
[310] Section 149
[311] Section 179
[312] Sections 163, 185–187
[313] Section 179(3)
[314] Section 181(1)
[315] Section 163(1)(m)
[316] Section 162
[317] Section 177(2), (3)

International Companies (No Nigerian Office)

Non-resident firms face VAT on services consumed in Nigeria[319] unless exempted. **Note** all the exemptions. Exported services are zero-rated[320] but services to a Nigerian permanent establishment are taxable[321].

Tech and Fintech Companies (Resident and Non-Resident)

Resident tech firms comply with VAT invoicing and claim R&D deductions[322]. **Note**: R&D proceeds are taxable[323]. Non-residents register for VAT[324] or face withholding. **Note:** exemptions apply. Export exemptions benefit both[325]. **Note:** Non-exported profits are taxable. Software allowances (25%, Paragraph 6) apply. **Note**: Non-business use excludes allowances[326].

Crypto Companies

Crypto firms face full taxability on digital assets[327] . **Note**: No exemptions apply. They must register for VAT if serving Nigerian users[328] and avoid fraud penalties[329]. **Note**: Be careful with the section on fraud. has no time limit.

Content Creators

Creators (including YouTubers, social media influencers, and foreign platforms like Meta or Google) who earn income from ads shown to Nigerian users will face **VAT exposure** under this rule, **even if they are not resident in Nigeria**. **Exceptions can be educational services.** Entertainment exemptions apply to non-profit events[330]. **Exceptions**: Paid events are taxable unless educational.

Real Estate Companies

VAT applies to property services[331] unless exemption for affordable housing. Dividend exemptions require 75% distribution[332] **Note**: Non-compliance loses exemptions. Building

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[318] Section 181(1)
[319] Section 146(b)(i)
[320] Section 187(o)
[321] Section 202
[322] Section 165
[323] Section 165(3)
[324] Section 150
[325] Section 163(1)(u)
[326] Paragraph 7
[327] Section 202, Section 4
[328] Section 150
[329] Section 181(1)
[330] Section 202
[331] Section 146(b)(ii)
[332] Section 163(1)(c)

allowances (10%, Paragraph 6) apply, but mixed-use requires apportionment[333] **Note**: Non-business use excludes allowances[334]

Agriculture

Agricultural firms enjoy five-year tax holidays[335] and plantation allowances[336] . **Note:** Post-production costs are excluded[337] . VAT exemptions may apply to inputs[338]. **Note:** Approved activities only.

Energy

Renewable energy firms avoid the surcharge[339]. **Note**: Renewable fuels, kerosene, CNG are exempt. Fossil fuel firms face higher costs.

General Analysis

Capital Allowances for Companies (First Schedule, Section 23)

Section 23 governs transitional capital allowances for assets under Chapter Two. If allowances were claimed pre-NTA, the remaining basis periods are the total allowable years minus prior claims[340]. If allowances meet or exceed this period, a single residual allowance is granted, with a notional 1% recorded until disposal[341]. **Exception**: Expenditures fully claimed under repealed laws cannot receive further allowances[342]. This prevents double benefits and requires careful asset tracking.

Capital Allowances for Petroleum Operations

Parts II and III[343] cover upstream petroleum operations under the Petroleum Industry Act and Petroleum Profits Tax Act, respectively. Qualifying expenditures (e.g., plant, pipelines, buildings, drilling) are defined[344] and amortized at 20% over five years[345] . Exploration and appraisal wells are deductible at 100% in the year incurred[346]. **Exceptions**: Expenditures deductible under other NTA provisions or claimed by another entity are excluded[347] ; allowances are clawed back if assets aren't used within five years or are diverted[348];

[333] Paragraph 16
[334] Paragraph 7
[335] Section 163(1)(o)
[336] Paragraph 1
[337] Section 182(2)
[338] Section 186(h)
[339] Section 162
[340] Section 23(1)
[341] Section 23(2)
[342] Section 23(3)
[343] Sections 99 - 117
[344] Interpretation Section 1(1)
[345] Section 14(1) and 4(1)
[346] Section 14
[347] Section 1(1)
[348] Section 15(2)

compensation used for replacement assets limits allowances[349]; apportionment doesn't apply to concessions or partial interest sales[350]; reversion to a reversionary interest holder isn't a disposal[351]. Part III adds a Petroleum Investment Allowance (PIA) of 5–15% based on water depth[352], with similar exceptions. These rules incentivize petroleum investments but demand rigorous compliance.

Export Processing and Free Trade Zones

The Second Schedule grants tax exemptions for export zone entities if customs territory sales are below 25%[353]. **Exceptions**: Exemptions are lost if sales exceed 25% [354] or post-January 1, 2028, unless extended[355]; related-party manufacturing income is taxed unless at arm's length[356]; services in the customs territory are taxable[357]. Registration, filing, and export evidence are mandatory[358], ensuring compliance with export-driven benefits.

Deductible Interest (Third Schedule, Sections 1–5)

The Third Schedule limits interest deductions to 30% of EBITDA for connected-party debts, with excess carried forward for five years[359] . **Exception**: Banking and insurance subsidiaries are exempt from this cap[360]. This affects loan structuring for related-party financing.

Individual Income Tax Rates Fourth Schedule, Section 58.

The Fourth Schedule sets progressive tax rates: 0% (first ₦800,000), 15% (next ₦2,200,000), 18% (next ₦9,000,000), 21% (next ₦13,000,000), 23% (next ₦25,000,000), 25% (above ₦50,000,000). **No explicit exceptions**, but reliefs under Section 30 apply, reducing taxable income.

Settlements, Trusts, and Estates (Fifth Schedule; Part II, Sections 5–9)

Part II, Section 5(1), deems income paid to a settlor's unmarried, infant child as the settlor's income, taxable. **Exceptions**: This doesn't apply if the income is below the National Minimum Wage[361] or if the settlor is non-resident with non-Nigerian-sourced income[362]. The Fifth Schedule, Section 1, deems trust income as the settlor's if they retain control, borrow, or can revoke, **exception**: non-revocable trusts due to beneficiary predecease or uncertain events are exempt. Unallocated income is split equally among children[363] and settlors can recover

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349 Section 8(3)
350 Section 10(4)
351 Section 7(a)(iii)
352 Section 4(1)
353 Section 3
354 Section 4
355 Section 5
356 Section 7
357 Section 9
358 Sections 6, 10
359 Section 4
360 Section 3
361 Section 5(2)
362 Section 5(3)
363 Part II Section 6(b)

tax paid via certificates[364]. The Ninth Schedule imposes duties on settlements[365] (1.5%, Section 15), mortgages[366] (0.375%, Section 25), and electronic transfers[367]. **Exceptions**: Properties below ₦10,000,000 and intra-account transfers are exempt[368].

VAT Suspensions and Agricultural Exemptions (Eleventh and Thirteenth Schedules)

The Eleventh Schedule allows the Minister of Finance to suspend VAT on petroleum products (e.g., kerosene, LPG), renewable energy equipment, and CNG/LPG, and classify conversion services as exempt or zero-rated[369]. **No explicit exceptions**, but Ministerial discretion requires Gazette monitoring. The Thirteenth Schedule exempts crops, livestock, dairy, cocoa products, and animal feeds. **No explicit exceptions**, but precise classification is critical.

Residency Determination (Twelfth Schedule, Paragraphs 1–7)

The Twelfth Schedule defines residency: foreign employees are resident where duties are performed or based on usual residence[370]; Nigerian employees at their principal place of residence[371]. **Exception**: Employees in Nigeria's Exclusive Economic Zone (EEZ) or territorial waters are deemed to hold foreign employment, avoiding state-level taxes[372]. Partnerships, pensions, and other income follow similar rules[373], with no further exceptions.

Defence and Security Infrastructure Fund

The Fourteenth Schedule allocates 10% of the development levy to a Fund managed by agencies like the Nigerian Army (20%) and Navy (12.5%)[374]. **No explicit exceptions**, but allocations may be modified by the National Assembly[375], introducing flexibility.

Stakeholder-Specific Analysis

High-Net-Worth Individuals (HNWIs)

HNWIs must navigate asset and trust taxation carefully. For capital allowances[376], review legacy investments (e.g., real estate, equipment) to confirm remaining allowances, as fully

364 Section 7(1)
365 Section 15
366 Section 25
367 Section 48
368 Sections 15, 48
369 Paragraphs 1–2
370 Paragraph 1
371 Paragraph 2
372 Paragraph 3(2)
373 Paragraphs 4–7
374 Fourteenth Schedule, Paragraphs 1–3
375 Paragraph 4
376 (First Schedule, Section 23

claimed expenditures are ineligible[377]. In petroleum investments, claim 100% deductions for exploration[378], but track assets to avoid clawbacks if unused within five years[379]. Structure trusts to keep distributions below the National Minimum Wage[380] or use non-resident status with offshore income[381] to avoid taxation. **Exception**: Non-revocable trusts due to predecease or uncertain events are exempt[382]. Account for 1.5% duties on settlements unless properties are below ₦10,000,000[383]. Leverage EEZ residency exemptions for offshore work[384] and VAT suspensions for renewable energy investments[385]. Keep detailed records to pass audits.

Individual Taxpayers

If you earn income online or through traditional means, align with progressive tax rates[386] and maximize reliefs[387]. Online earners (e.g., freelancers) must document income sources for residency[388]. Working in the EEZ or territorial waters can exempt you from state taxes[389]. Trust income may be taxed as the settlor's[390], unless below the minimum wage[391]. Pay ₦50 duties on electronic transfers of ₦10,000 or more, but intra-account transfers are exempt[392]. Use VAT suspensions on kerosene or CNG[393] to save on household costs.

Small Businesses

Small businesses, like farmers or exporters, benefit from exemptions but face compliance burdens. Agricultural exemptions cover crops, livestock, and dairy[394], requiring clear product records to avoid audit disputes. Export zone exemptions[395] demand sales below 25% in customs territory[396] and lapse post-2028 unless extended[397]. Track leased equipment for capital allowances[398], noting exclusions for fully claimed assets[399]. CNG/LPG conversion

[377] Section 23(3)
[378] Section 14
[379] Section 15(2)
[380] Section 5(2)
[381] Section 5(3)
[382] Fifth Schedule, Section 1
[383] Ninth Schedule, Section 15
[384] Twelfth Schedule, Paragraph 3(2)
[385] Eleventh Schedule, Paragraph 1
[386] Fourth Schedule, Section 58(1)
[387] Section 30
[388] Twelfth Schedule, Paragraph 6
[389] Paragraph 3(2)
[390] Section 5(1)
[391] Section 5(2)
[392] Ninth Schedule, Section 48
[393] Eleventh Schedule, Paragraph 1
[394] Thirteenth Schedule
[395] Second Schedule, Section 3
[396] Section 4
[397] Section 5
[398] First Schedule, Section 23),
[399] Section 23(3)

services is zero-rated[400], lowering costs. Partnerships must clarify residency[401] to avoid tax issues.

Law Firms

If you're advising clients, ensure trust deeds avoid settlor taxation[402] by using exemptions for low distributions[403] or non-residents[404]. Verify capital allowance eligibility[405] and export compliance[406]. Guide clients on EEZ residency exemptions[407] and monitor Gazette orders for VAT suspensions[408]. Advise on 1.5% duties for settlements, exempt for low-value properties[409]. Draft agreements to meet arm's-length standards[410].

Partnerships

Partnerships in trusts or petroleum ventures must track active vs. dormant partner residency[411]. Ensure petroleum expenditures qualify for allowances[412] and avoid clawbacks[413]. Export exemptions[414] require sales monitoring[415] and arm's-length transactions[416] Trust income allocation must be explicit to avoid equal splits[417], and tax recovery records are key[418]. **Exceptions**: Note all listed in Second, Fifth, and Ninth Schedules, and Part 10.

Business Leaders

As a business leader, align strategies with tax incentives. Petroleum investments offer PIA benefits[419], but require disposal certifications[420]. Export zones[421] and VAT suspensions[422] boost competitiveness, but compliance is critical. EEZ residency rules[423] affect workforce taxation. Monitor National Assembly reviews for Defence Fund shifts[424] to seize contract opportunities.

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[400] Eleventh Schedule, Paragraph 2
[401] Twelfth Schedule, Paragraph 4
[402] Section 5
[403] Section 5(2)) or non-residents (Section 5(3)
[404] Section 5(3)
[405] First Schedule, Section 23; Parts II–III, Sections 1(1), 15(2)
[406] Second Schedule, Sections 3–5, 7, 9
[407] Twelfth Schedule, Paragraph 3(2)
[408] Eleventh Schedule
[409] Ninth Schedule, Section 15
[410] Second Schedule, Section 7
[411] Twelfth Schedule, Paragraph 4
[412] Parts II–III, Section 1(1)
[413] Section 15(2)
[414] Second Schedule, Section 3, also note Section 7
[415] Section 4, Second schedule
[416] Section 7, Second schedule
[417] Part 10, Section 6(b)
[418] Section 7(1)
[419] Part III, Section 4
[420] Section 4(3)
[421] Second Schedule
[422] Eleventh Schedule
[423] Twelfth Schedule, Paragraph 3(2)
[424] Fourteenth Schedule, Paragraph 4

HR Professionals

HR teams must ensure PAYE aligns with tax rates[425] and verify employee residency[426], especially for EEZ workers[427]. Coordinate with auditors to confirm leased asset usage[428]. Train staff on agricultural exemptions[429] and CNG/LPG tax benefits[430] to prevent errors.

Auditors

Auditors must verify historical allowance claims[431] and petroleum expenditure eligibility[432]. Ensure export sales comply[433] and trust income meets exemptions[434]. Validate EBITDA for interest deductions[435] and Defence Fund contributions[436]. Confirm EEZ residency claims[437] with work logs.

Investors

Investors can leverage petroleum deductions[438] and PIA[439] , but must track assets[440]. Export exemptions[441] and VAT suspensions[442] enhance ROI. EEZ exemptions[443] reduce tax nexus. Monitor Defence Fund allocations[444] for opportunities, noting all exceptions.

International Companies (With Nigerian Offices)

Companies with offices must avoid double-counted petroleum expenditures and ensure export compliance[445]. VAT suspensions[446] lower CNG/LPG costs, and EEZ exemptions[447] reduce employee tax burdens. Align defense bids with Fund priorities[448]

International Companies (No Nigerian Offices)

Firms earning from Nigerian users face tax nexus risks[449]. Export exemptions[450] require

425 Fourth Schedule, Section 58(1)
426 Twelfth Schedule, Paragraphs 1–2
427 Paragraph 3(2)
428 Section 5
429 Thirteenth Schedule
430 Eleventh Schedule, Paragraph 2
431 First Schedule, Section 23(3)
432 Parts II–III, Section 1(1)
433 Second Schedule, Section 4
434 Sections 5(2–3)
435 Third Schedule, Section 3
436 Fourteenth Schedule
437 Twelfth Schedule, Paragraph 3(2)
438 Section 14
439 Section 4
440 Section 15(2)
441 Second Schedule
442 Eleventh Schedule
443 Twelfth Schedule, Paragraph 3(2)
444 Fourteenth Schedule
445 Second Schedule, Sections 3–5, 7
446 Eleventh Schedule
447 Twelfth Schedule, Paragraph 3(2)
448 Fourteenth Schedule
449 Twelfth Schedule, Paragraph 1

revenue tracking, and electronic transfer duties apply unless intra-account[451]. Use EEZ exemptions[452] and VAT suspensions[453] for energy exports, monitoring Gazette orders.

Tech Companies and Fintechs

Integrate VAT suspensions[454] into CNG/LPG payment platforms. Ensure petroleum asset certifications [455] and comply with export rules[456]. EEZ exemptions[457] benefit remote workers. Agricultural exemptions[458] support tech-driven farming solutions.

Crypto Companies

Crypto firms financing petroleum ventures must avoid double-counted expenditures[459]. Electronic transfer duties apply[460], unless intra-account. Use EEZ exemptions[461] for offshore operations and ensure export compliance[462].

Content Creators

Document online income for residency[463], leveraging EEZ exemptions[464]. Electronic transfer duties apply unless exempt[465]. Promote agricultural products[466] or CNG services[467]with tax benefits in mind.

Real Estate Companies

Use VAT suspensions for renewable energy systems[468] and account for 1.5% settlement duties, exempt for properties below ₦10,000,000[469]. Track capital allowances[470] and residency for rental income [471].

Agricultural Firms

Exemptions for crops, livestock, and dairy[472] reduce costs, requiring precise records. VAT

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450 Second Schedule
451 Ninth Schedule, Section 48
452 Paragraph 3(2)
453 Eleventh Schedule
454 Eleventh Schedule, Paragraph 2
455 Parts II–III, Section 4(3)
456 Second Schedule
457 Twelfth Schedule, Paragraph 3(2)
458 Thirteenth Schedule
459 Parts II–III, Section 1(1)
460 Ninth Schedule, Section 48
461 Twelfth Schedule, Paragraph 3(2)
462 Second Schedule
463 Twelfth Schedule, Paragraph 6
464 Paragraph 3(2)
465 Ninth Schedule, Section 48
466 Thirteenth Schedule
467 Eleventh Schedule
468 Eleventh Schedule, Paragraph 1
469 (Ninth Schedule, Section 15
470 First Schedule, Section 23(3)
471 Twelfth Schedule
472 Thirteenth Schedule)

suspensions for renewable energy[473] support processing. Secure zones[474] enhance operations. No explicit exceptions, but classification is key.

Defense Contractors

Target Defence Fund allocations[475], aligning with agency priorities. Monitor allocation reviews[476] and use VAT suspensions[477] for equipment, ensuring compliance.

Conclusion

The Tax Act 2025, as examined, forms a comprehensive framework for revenue generation, economic stimulus, and equitable taxation. It establish clear rules for taxable entities and progressive rates, while introducing targeted incentives, robust compliance protocols, and stringent enforcement measures. The Act's alignment with global tax standards and its adaptability to diverse economic contexts underscore its ambition.

For businesses and individuals, the Act presents both opportunities and obligations, necessitating expert navigation. Policymakers should focus on streamlining processes and enhancing clarity to bolster its effectiveness. As we prepare to analyse the Tax Administration Act, Joint Revenue Board Act and Joint Revenue Board Act, this review underscores cohesive tax ecosystem that supports sustainable fiscal policy. Further insights will follow as we explore these complementary frameworks.

Disclaimer

Legalify Attorneys is available to provide tailored legal assistance, should you or your organisation require guidance on Tax related matters or other legal matters. All enquiries may be directed to your usual contact at the firm, or to: **info@legalifyattorneys.com**

[473] Eleventh Schedule
[474] Fourteenth Schedule
[475] Fourteenth Schedule, Paragraph 3
[476] Paragraph 4
[477] Eleventh Schedule

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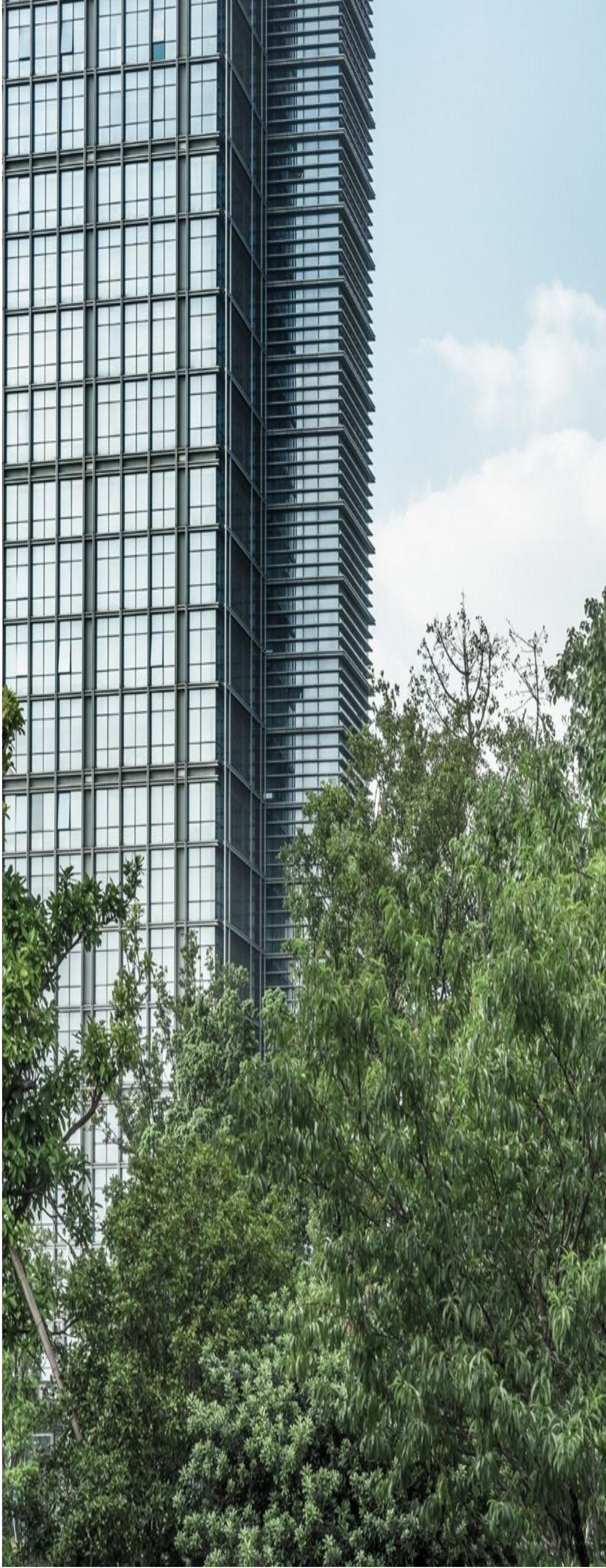

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