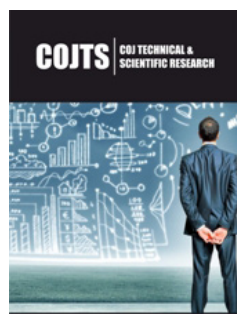


A Synopsis of the 2025 Tax Reforms in Nigeria

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Abstract

Nigeria's fiscal situation went through a dramatic change on June 26, 2025, when President Bola Ahmed Tinubu signed four historic Tax Reform Bills into law. The goals of this all-encompassing reform are to increase the tax base, simplify tax administration, and conform to international best practices. The creation of a new administrative body, the Nigeria Revenue Service (NRS), and the unification of more than a dozen federal tax laws into a single statute, the Nigeria Tax Act (NTA), are two significant changes. With higher rates for high earners and a higher exemption threshold for low earners, the reform establishes a progressive personal income tax system. A new 4% Development Levy is implemented, and the Capital Gains Tax (CGT) for businesses is increased from 10% to 30%. A step towards a more efficient and equitable tax system is also indicated by the reform, which raises the exemption threshold for small businesses and brings multinational corporations into line with global minimum tax principles.

Keywords: Tax; Reform; Personal income tax; Corporate tax; Nigeria

Opinion

The Nigerian federal government's 2025 tax policy, which was implemented through a number of landmark legislative amendments, represents a significant step in modernizing the nation's fiscal architecture. Consolidation, simplification, and a progressive approach to revenue generation are the main reforms. These policies, while generally praised for their strategic intent, also raise concerns regarding their potential impact on various economic sectors and the broader populace. The Nigeria Tax Act (NTA), Nigeria Tax Administration Act (NTAA), Nigeria Revenue Service Act (NRSA), and Joint Revenue Board Act (JRBA) are among the tax reform bills that President Bola Ahmed Tinubu signed into law in June 2025 [1]. The Nigeria Tax Act (NTA), 2025, is the most important of these; it repeals several previous tax laws and unifies them into a single, cohesive statute. The objectives of this consolidation are to improve transparency, cut down on administrative burdens, and remove superfluous clauses [2].

Key policy changes and their implications

Tax consolidation and simplification: The goal of the NTA is to lessen the number of "nuisance taxes," which are expensive to administer but generate little income. It is anticipated that this will simplify compliance for both individuals and companies. Many people believe that simplifying the tax code will help Nigeria rank higher for ease of doing business and draw in foreign investment [3].

Personal Income Tax (PIT) reforms: The PIT regime is made more progressive by the new policy. One important aspect is that people who make ₦800,000 or less a year are exempt from paying taxes [4]. This is meant to give low and middle-income earners a great deal of

relief, and it represents a significant increase over the previous tax-exempt threshold of ₦300,000. In line with international demands for fair burden-sharing, the new tax rates range from 0% to 25%, with higher rates for top earners.

Corporate taxation

Companies Income Tax (CIT): A two-tier structure has taken the place of the previous three-tier system. CIT does not apply to small businesses, which are now defined as those with an annual turnover of ₦50 million or less (up from ₦25 million) [1]. Small and medium-sized businesses (SMEs), the foundation of the Nigerian economy, are anticipated to benefit from this action.

Development levy: The previous three-tier system has been replaced with a two-tier structure. Small businesses, which are now defined as those with an annual turnover of ₦50 million or less (up from ₦25 million), are exempt from CIT [5]. It is expected that this action will benefit small and medium-sized businesses (SMEs), which are the backbone of the Nigerian economy.

Capital Gains Tax (CGT): In order to bring the CGT rate for large businesses closer to the Companies Income Tax rate, it was raised from 10% to 30%. This is intended to prevent potential tax evasion resulting from the reclassification of gains [1].

Conclusion

The 2025 tax policy is a necessary and bold reform and a drive towards creating an improved and equitable tax system its most admirable feature. In accordance with contemporary ideas of progressive taxation, the government has clearly shifted the tax burden towards those who can afford it by increasing the tax-exempt threshold for individuals and small businesses. This is essential for promoting consumption and strengthening the economic activities of the most vulnerable population. Nonetheless, the policy has come under criticism for certain aspects. Although

the 4% Development Levy was implemented with the intention of raising money, medium-sized and large enterprises that are already struggling with high operating costs and a difficult economic climate may view it as an additional burden. Critics contend that this might deter investment and company growth. The rise in the capital gains tax to 30% for big businesses is another source of contention. Although this lowers tax arbitrage and is in line with CIT rates, it may also stifle foreign direct investment and capital market activity. In addition, the new Nigeria Revenue Service (NRS), which takes the place of the Federal Inland Revenue Service (FIRS) and is entrusted with a more streamlined and efficient administration, will be crucial to the success of these reforms [5]. The NRS's capacity to apply the new legislation equitably, openly, and without the bureaucratic hurdles that plagued the old system is critical to the reforms' success. To sum up, the 2025 tax policy is a thorough and well-considered attempt to reconstruct Nigeria's fiscal structure. Fairness and simplicity are given top priority, as these are necessary for sustained economic growth and stability. Although there may be opposition to some of the new taxes and levies, the overall plan is a positive move. Effective implementation, strong institutional support, and ongoing political will to guarantee compliance and stop abuse will all be necessary for its eventual success.

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