



# **Nigeria's Tax Reforms and the Building and Construction Industry**

## **Implications and opportunities**

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# Nigeria's economic context

## Work-in-progress:

- Exchange rates convergence and stability
- Sticky inflation and high cost of doing business
- Rising poverty and declining decent job opportunities
- High interest rate environment
- Insecurity challenges and social discontent
- Efficient public financial management
- Policy coordination and public communication

## Positive indicators:

- Trade surplus and positive balance of payment
- Slowing global inflation and interest rate cuts
- Declining budget deficit & more infrastructural spending
- Improved tax to GDP & debt service to revenue ratios
- Moderation / pay-down of Ways & Means financing
- Rising crude oil and gas production
- Local crude oil refining
- Positive economic outlooks by rating agencies
- Capital market performance
- Improvement in forex inflows (FPI & remittances)





# Why we are reforming



Nigeria's fiscal space is constrained, and the tax system is unconducive for meaningful growth



## **Fiscal environment:**

- Low tax to GDP ratio (less than 10% pre-2024) and unsustainable debt service to revenue ratio (97% in 2022)
- Growing budget deficits and deficit monetisation
- Over-reliance on oil revenue
- More efficient public financial management

## **Tax policy:**

- Inequity and unfair tax burden on taxpayers
- Distortionary tax expenditure system
- Uncompetitive tax regime

## **Tax laws:**

- Harmonisation of multiple taxes and levies
- Simplify complex and ambiguous tax rules
- Remove archaic and obsolete laws

## **Tax administration:**

- Integration and better collaboration
- Reduce cost of compliance and administration
- Modernisation and improved technology adoption

# How we are reforming

*People Centred, Growth Focussed, Efficiency Driven*

Fiscal framework	Tax changes	Growth enablers	Deliverables	KPIs
<ul style="list-style-type: none"><li>• Fiscal governance – revenue, debt, and spending</li><li>• Revenue transformation – tax, assets, GOEs, natural resources</li><li>• Economic growth facilitation and competitiveness</li><li>• Enhanced policy coordination</li></ul>	<ul style="list-style-type: none"><li>• Tax &amp; tariffs redesign</li><li>• 15% top up tax</li><li>• Progressive tax regime</li><li>• Eliminate tax on investment and capital</li><li>• Incentives rationalisation</li><li>• Fiscalisation and e-invoicing</li></ul>	<ul style="list-style-type: none"><li>• Remove fiscal constraints</li><li>• Address structural issues</li><li>• Exports incentives</li><li>• Reduced WHT rates</li><li>• Higher exemption threshold for small businesses</li><li>• Promote business formalisation</li></ul>	<ul style="list-style-type: none"><li>• National Fiscal Policy</li><li>• Tax reform bills</li><li>• Budgetary reforms</li><li>• Orders and regulations</li><li>• Constitutional amendments</li><li>• National Single Window</li><li>• Fiscalisation etc</li></ul>	<div>Enabling Environment</div> <div>Policy Coordination</div> <div>Fair Taxation</div> <div>Responsible Borrowing</div> <div>Sustainable Spending</div>



# What we expect from the reforms

*Facilitate economic growth, revenue mobilisation and shared prosperity!*

Businesses	Households	Government
<b>1. Reduced business risks</b> <ul style="list-style-type: none"> <li>• Elimination of min tax on capital</li> <li>• Allow interest deduction</li> <li>• Tax ruling, statute of limitation</li> </ul> <b>2. Lower tax burden</b> <ul style="list-style-type: none"> <li>• Reduced tax rates</li> <li>• Tax payments in naira</li> <li>• Faster tax refunds</li> </ul> <b>3. Competitive tax regime</b> <ul style="list-style-type: none"> <li>• Input VAT credits &amp; tax relief</li> <li>• Economic devpt incentive</li> <li>• Reorganisation regime, R&amp;D</li> </ul>	<b>1. Economic reliefs</b> <ul style="list-style-type: none"> <li>• Wage awards, transport subsidy</li> <li>• Tax waivers on food import, etc</li> <li>• Tax suspension on fuel products</li> </ul> <b>2. Lower tax burden</b> <ul style="list-style-type: none"> <li>• Low-income earners exemption</li> <li>• Reduced rate for middle class</li> <li>• VAT zero rate &amp; exemptions</li> </ul> <b>3. Opportunities</b> <ul style="list-style-type: none"> <li>• Small biz regime &amp; start-ups</li> <li>• Remote jobs facilitation</li> <li>• Tax breaks for investment income</li> </ul>	<b>1. Economic growth</b> <ul style="list-style-type: none"> <li>• Economic stability and growth</li> <li>• Improved credit rating</li> <li>• Lower deficit &amp; cost of debt</li> </ul> <b>2. Revenue mobilisation</b> <ul style="list-style-type: none"> <li>• Improved Tax to GDP ratio</li> <li>• Non-oil revenue performance</li> <li>• Efficiency and optimisation</li> </ul> <b>3. Fiscal sustainability</b> <ul style="list-style-type: none"> <li>• Healthy fiscal balance</li> <li>• Addressing distortions</li> <li>• Revenue harmonisation</li> </ul>





# Building and construction

## *Implications and opportunities*

### Tax Reform Bills

#### 01 VAT exemption

Land, property, sale of real estate and rent are exempted from VAT



#### 02 Stamp duties

Exemption of stamp duties on rent below N10m per annum



#### 03 Capital gains

Exemption of capital gains tax on sale of dwelling house



#### WHT at 2% 04

Sustained low WHT rate not exceeding 2% on construction activities



#### Priority sector incentive 05

Building materials production including non-metallic products are eligible for priority sector incentives



#### Land reform 06

Reform of land transactions including titling and harmonisation of property taxes



**"The best way to predict  
the future is to create it"**  
(Abraham Lincoln)



# Thank you!



**Presidential Fiscal Policy and Tax  
Reforms Committee**



# Economic Development Incentive Scheme

*List of priority sectors, minimum investments and sunset provisions*

S/N	SECTORS	MIN INVESTMENTS	SUNSET
1	<b>AGRICULTURE AND FOOD:</b> Aquaculture, crop production, livestock, Aquaculture, Forestry, Dairy products	N30m – N500m	15 – 20 years
2	<b>ENERGY:</b> Refining, manufacture of electrical equipment, electricity and gas supply, renewable energy equipment	N5B – N100B	12 – 20 years
3	<b>MINING AND QUARRYING:</b> Mining of Coal, metal Ores, lithium, rare earth, Quarrying and Mining of other Minerals	N5B – N10B	20 years
4	<b>HEALTH:</b> Manufacture of medical and dental equipment and supplies	N5B	20 years
5	<b>CREATIVE SECTOR AND COMMUNICATIONS TECHNOLOGY:</b> Motion picture, video and television programme production, distribution and exhibition, music production.	N250m	20 years
6	<b>UTILITY PROJECTS:</b> Building and operation of utility projects (power lines, waterways, ports etc)	N200B	20 years
7	<b>CHEMICAL AND BUILDING MATERIALS:</b> Manufacture of chemical and pharmaceutical products, non-metallic products	N2B – N20B	15 years
8	<b>STEEL AND METAL:</b> Manufacture of basic Metals, Iron and Steel.	N5B	12 – 15 years
9	<b>TRANSPORTATION:</b> Manufacture of motor vehicles and components and other transport equipment, Maintenance, repair and overhaul, Transportation.	N5B – N50B	12 – 20 years
10	<b>INDUSTRIAL MACHINERY:</b> Manufacture of power-driven hand tools, general-purpose machinery, agricultural and forestry machinery, metal- forming machinery and machine tools.	N5B – 10B	10 – 15 years
11	<b>ENVIRONMENT:</b> Waste treatment, disposal and material recovery	N2B	12 years
12	<b>TEXTILE PRODUCTION:</b> Manufacture of textiles and Leather, Manufacture of sportswear	N500M – N2B	12 - 20 years
13	<b>OTHER MANUFACTURING:</b> Manufacture of pulp, paper and paper products	N1B	10 years
14	<b>SERVICES:</b> Business process outsourcing, shared services centre etc	N2B	10 years