



TaxC

WHO PAYS TAX IN NIGERIA?

FREE BOOK

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Disclaimer

Before we dive in: This isn't to be taken as financial advice. This ebook is for educational purposes only. Always confirm your personal tax obligations with a professional or the relevant tax authority. Or, you can connect with a tax agent at taxc.com.ng

Introduction

Hi there! I'm excited you're taking this step to understand taxes in Nigeria. Honestly, a lot of people shy away from taxes because it seems complicated, but it doesn't have to be. In this ebook, I'll walk you through who really pays tax in Nigeria and the types of taxes they might encounter. Everything here is based on the latest 2025 Nigeria Tax Act (NTA) reforms, so you know it's up-to-date.

By the end, you'll know exactly where you fit in, and if you want to dig even deeper, I'll point you to our next guide, "What is Personal Income Tax?".

Let's demystify this together!

Who is liable to pay tax?

When we talk about paying tax in Nigeria, it's not just about salary earners. Anyone who earns income or benefits financially from certain activities may have a tax responsibility. Here's a breakdown:

Salary earners

If you have a regular job, your employer deducts tax from your salary under PAYE (Pay As You Earn). This is a form of Personal Income Tax (P.I.T.). PAYE makes it easy for employees because the tax is automatically calculated and remitted to the government.

Traders and business owners

Whether you run a small shop, an online store, or a trading business, your profits may be subject to P.I.T. if you're a sole proprietor, or Corporate Income Tax (C.I.T.) if your business is registered as a company.

Freelancers and gig workers

Working as a freelancer, delivering services online, or doing side gigs still counts as earning income. That means you may be liable to pay P.I.T. just like regular employees.

Landlords and property owners

Income from renting property is taxable. Usually, a 10% Withholding Tax (WHT) applies, which may be deducted by your tenants or collected directly from you when filing.

Investors

Any gains from selling assets, like stocks or property, can be subject to Capital Gains Tax (CGT). Even if it's not something you deal with every day, it's good to know it exists.

Other income streams

Bonuses, commissions, or even some forms of compensation can also attract tax, depending on the source and amount.

Different types of tax you might pay

Personal Income Tax (P.I.T.)

The tax most individuals pay. Thanks to the 2025 NTA reform, P.I.T. is now progressive, which means higher income = higher tax rate.

Annual Income (₦)	Tax Rate
0 – 800,000	0%
800,001 – 3,000,000	15%
3,000,001 – 12,000,000	18%
12,000,001 – 25,000,000	21%
25,000,001 – 50,000,000	23%
Above 50,000,000	25%

Withholding Tax (WHT)

Think of WHT as a prepaid tax. For example, if you earn rental income or receive payments for services, a percentage (often 5% or 10%) may be withheld and remitted directly to the government. You can sometimes claim it back when filing your tax return.

Capital Gains Tax (CGT)

When you sell assets like property or stocks and make a profit, you may owe CGT. This is usually 10% of the gain. It ensures that profit from investments doesn't go untaxed.

Other special taxes

Certain professions or transactions may attract other taxes, like stamp duties, excise taxes, or specific levies. These are less common for individuals but can appear if you're running a business or investing.

Common misconceptions

- “Only rich people pay tax” – Wrong. Even small traders, freelancers, and landlords can be taxed.
- “If I don’t have a salary, I don’t pay tax” – Nope. Any income from business, investments, or property can count.

- “Paying tax is optional” – Definitely not. Not paying tax when required can lead to fines, penalties, or even legal trouble.

Next steps

Now that you know who pays tax, you might be wondering “What tax am I even meant to pay?” That’s exactly what our next ebook, “What is Personal Income tax?”, will help you figure out. It’s a quick guide that asks a few simple questions and tells you instantly if you fall under Nigeria’s tax rules.

You can also explore our other TaxC ebooks to learn how much to pay, how to file, and how to legally minimize your tax.

Conclusion

Taxes in Nigeria might seem tricky at first, but understanding who pays is the first step to taking control of your finances. Whether you’re a salary earner, freelancer, trader, or landlord, knowing your obligations keeps you compliant and saves unnecessary stress.

I hope this guide has made things clearer. Next, check out “What is Personal Income Tax?” and continue your journey to smarter, stress-free tax management.