



TaxC

# HOW MUCH TAX SHOULD I PAY?

FREE BOOK

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# How Much Tax Should I pay? (Mini Guide)

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## Disclaimer

Before we start: This isn't financial advice. This mini guide is for educational purposes only. Always confirm your specific tax obligations with a professional, your State IRS, or FIRS. Or, you can connect with a tax agent through TaxC.

## Introduction

If you've ever wondered, "How much tax should I even be paying?", you're not alone. Most Nigerians don't know the exact amount they owe, and that's okay. In this short guide, I'll walk you through a simple manual method you can use to estimate your tax in under 5 minutes.

Everything here is based on the 2025 Nigeria Tax Act (NTA) reform, so you're getting the most accurate and updated steps.

Let's get into it.

## Step 1: Know Your Total Annual Income

Your annual income is the total money you earned in one year. This includes:

- salary
- business profit
- freelance jobs

- commissions
- bonuses
- rental income
- content creation income
- gig work
- ANY other income

Just add everything you earned together.

## **Step 2: Apply the ₦800,000 Tax-Free Rule**

Under the 2025 NTA reform, the first ₦800,000 of your annual income is completely tax-free.

So:

Total income - ₦800,000 = your taxable income.

Examples:

- If you earn ₦600,000 → your tax is **₦0**
- If you earn ₦2,000,000 → taxable income is **₦1,200,000**

If your entire income is below ₦800,000, you owe no Personal Income Tax (P.I.T.) at all.

## **Step 3: Use the Progressive Tax Bands**

Once you remove the ₦800k exemption, the remaining income is taxed using these official 2025 NTA bands:

Taxable 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%

You only apply the tax rate to the amount *within* each band.

## Step 4: Quick Example

Let's say you earn ₦3,500,000 in a year.

1. Subtract ₦800,000 → ₦2,700,000 taxable
2. ₦2.7m falls in the ₦800,001 – ₦3,000,000 band
3. That band is taxed at 15%
4. So: 15% of ₦2,700,000 = ₦405,000

Your estimated annual tax is ₦405,000.

## Step 5: Reduce Your Tax with WHT Credits

If someone has already deducted **WHT (Withholding Tax)** from your payments, usually **5% or 10%**, you can subtract those amounts from your final tax bill.

Example:

- Your estimated tax = ₦405,000
- You already have ₦70,000 WHT credit

Then you only pay: **₦335,000**

WHT reduces your burden.

### **Bonus Myth: “Tax is too complicated. I can’t do it.”**

Reality:

With the new tax calculator and simplified rules, it's becoming easier than ever to understand what you owe. You don't need to know everything, just the basics. And TaxC is here to guide you step by step.

### **Conclusion**

Calculating your tax manually doesn't have to be confusing. With:

- your total yearly income
- the ₦800k tax-free rule
- and the new 2025 NTA progressive bands

...you can estimate your tax in just a few minutes.

But if you want **instant and precise** numbers, use the TaxC calculator, it does all the maths for you automatically.

### **Next Steps**

Now that you know how to estimate your tax manually, the next guide you should read is:

“How to Legally Minimize Your Tax”

Let's keep going.