

# **Overview: 2025 Harmonized Tax Bills: Key Provisions and Impacts on CIT, PIT, VAT and Withholding Tax Administration**



# Outline

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Harmonized Nigeria Tax Reform Bills - Key Provisions (2025)

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Implementation Timeline for 2025 Tax Reforms

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Transition Plan Highlights.eg Transition from FIRS to NRS - What to Expect

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Summary of 2025 Tax Reforms Stakeholder Impact

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Penalties and Enforcement Under New Regime

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Overview of Withholding Tax Changes in Nigeria effective Jan 1, 2025

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How NIRSAL Can Prepare for Compliance with 2025 Tax Reforms

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Case studies



## Harmonized Nigeria Tax Reform Bills – Key Provisions (2025)

### 1. Nigeria Revenue Service (Establishment) Bill 2025

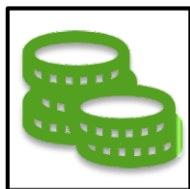
- Replaces the Federal Inland Revenue Service (FIRS) with a new, autonomous Nigeria Revenue Service (NRS).
- ❑ **NRS will:**
  - Collect federal taxes (CIT, VAT, etc.).
  - Share technology and data with states.
  - Have more robust enforcement powers and accountability structures.

### 2. Nigeria Tax Administration Bill 2025

- Establishes a unified legal framework for all tax administration in Nigeria.
- ❑ **Key features:**
  - Standardized taxpayer identification and filing systems.
  - Mandates electronic filing and payments.
  - Introduces taxpayer rights and dispute resolution processes.
  - Facilitate tax compliance by taxpayers and
  - optimize tax revenue.



## Harmonized Nigeria Tax Reform Bills – Key Provisions (2025). **cont.**



### 3. Nigeria Tax Bill 2025



#### Introduces new graduated Personal Income Tax(PIT) rates:

₦0 – ₦800,000	→ 0%
Next ₦2.2m	→ 15%
Next ₦9m	→ 18%
Next ₦13m	→ 21%
Next ₦25m	→ 23%
Above ₦50m	→ 25%



#### Other changes to personal income taxes:

- ☐ Individuals earning less than the minimum wage are expected to be exempt from tax.
- ☐ Consolidated Relief Allowance (CRA) has been repealed.
- ☐ CRA is replaced with Rent Relief Allowance(RRA). RRA is lower of ₦200,000 or 20% of the annual rent paid
- This means only individuals who pay rent are eligible, excluding homeowners, those living with family, or individuals in employer-provided housing



# Harmonized Nigeria Tax Reform Bills – Key Provisions (2025)

## Cont.

### 3. Nigeria Tax Bill ..Cont..

#### Corporate Income Tax (CIT) Overview - Under the New Tax Bill

##### Standard Rate

- **30%** Corporate Income Tax applies to most companies.

##### Reduced Rate for Priority Sectors

- **25% CIT** for companies operating in **priority sectors** such as:
  - **Agriculture**
  - **Technology/ICT**
  - **Renewable Energy** (*if specified in final legislation*)
- **Duration:** Tax relief valid for **5 years** from commencement of business or qualification.

##### Objective

- Encourage investment and growth in **strategic sectors** of the economy.
- Provide **temporary relief** to support innovation and productivity.



# Harmonized Nigeria Tax Reform Bills – Key Provisions (2025). cont.

## 3. Nigeria Tax Bill ..Cont..

### Inheritance Tax: New Proposal

.Proposed: A **25% tax** on **high-value** estates passed on through inheritance.

#### Purpose:

- To **curb wealth inequality** by ensuring large estates contribute to public revenue.
- Promote a **more equitable redistribution of wealth** across society.

#### What Qualifies as “High-Value”?

- The exact threshold (e.g., ₦100 million, ₦500 million) is expected to be defined in the **implementing regulations**.
- Only estates **above the threshold** will be taxed; smaller estates will remain **exempt**.

#### Implications:

- May **encourage estate planning** and the use of trusts.
- Could affect **succession planning** for wealthy families and high-net-worth individuals.





## Harmonized Nigeria Tax Reform Bills – Key Provisions (2025). cont.

### 3. Nigeria Tax Bill 2025. **cont.**

#### Other key changes

- **VAT:** Retained at 7.5%, with clearer exemptions for food, health, and education.
- **WHT Reform:** Standardized at 10%, with concessions for SMEs and key sectors.
- **Digital Tax:** New rules to tax foreign digital companies with a significant economic presence in Nigeria.
- **Fast-Track Tax Tribunals:** Disputes resolved within 90 days to boost investor confidence.



## Harmonized Nigeria Tax Bill ..Cont..

### Impact of the New Tax Bill on VAT administration

Component	Old Formula (%)	New Formula (2025) (%)	Key Change / Notes
<b>Among Tiers</b>			
► Federal Government	15%	10%	▼ Reduced to give more control to States and LGs
► States (Total)	50%	55%	▲ Increased share
► Local Governments (Total)	35%	35%	— No change
<b>States' Share – Distribution</b>	(% of 50%)	(% of 55%)	
► Equal Sharing	25% (i.e. <b>50%</b> of 50%)	<b>27.5%</b> (i.e. <b>50%</b> of 55%)	— Proportional share maintained
► Population-Based	15% (i.e. <b>30%</b> of 50%)	<b>11%</b> (i.e. <b>20%</b> of 55%)	▼ Weight reduced – less emphasis on population
► Derivation / Consumption	10% (i.e. <b>20%</b> of 50%)	<b>16.5%</b> (i.e. <b>30%</b> of 55%)	▲ Weight increased – more reward for VAT-generating states
<b>LGAs' Share – Distribution</b>	(% of 35%)	(% of 35%)	
► Equal Sharing	17.5% (i.e. <b>50%</b> of 35%)	17.5% (i.e. 50% of 35%)	— Unchanged
► Population-Based	10.5% (i.e. <b>30%</b> of 35%)	<b>7%</b> (i.e. <b>20%</b> of 35%)	▼ Reduced – smaller share based on population
► Derivation / Consumption	7% (i.e. <b>20%</b> of 35%)	<b>10.5%</b> (i.e. <b>30%</b> of 35%)	▲ Increased – more reward for LGs that consume or generate VAT
<b>Legal Framework</b>	VAT Act (FIRS-administered)	Sec. 77, Nigeria Tax Administration Bill, 2025	<b>NEW</b> Introduces <b>National Revenue Service (NRS) &amp; Joint Revenue Board</b>



# Harmonized Nigeria Tax Reform Bills: Key Provisions (2025) ..cont.

## 4. Joint Revenue Board (Establishment) Bill 2025

- Sets up a new **Joint Revenue Board (JRB)** to coordinate tax matters between federal, state, and local governments.
- **Responsibilities:**
  - **Data Sharing:**  
Facilitate seamless exchange of taxpayer information between the Federal Inland Revenue Service (FIRS), State Internal Revenue Services (SIRS), and Local Government Revenue Committees.
  - **Policy Harmonization:**  
Align tax policies and regulations across different levels of government to reduce duplication, ensure consistency, and minimize taxpayer confusion.
  - **Joint Audits and Enforcement:**  
Coordinate joint tax audits and enforcement activities in partnership with the proposed Nigeria Revenue Service (NRS) for improved efficiency and reduced tax evasion.
- **Expected Impact:**
  - Improved revenue generation through synergy.
  - Enhanced taxpayer compliance due to clarity and consistency.
  - Strengthened fiscal federalism through shared responsibilities.

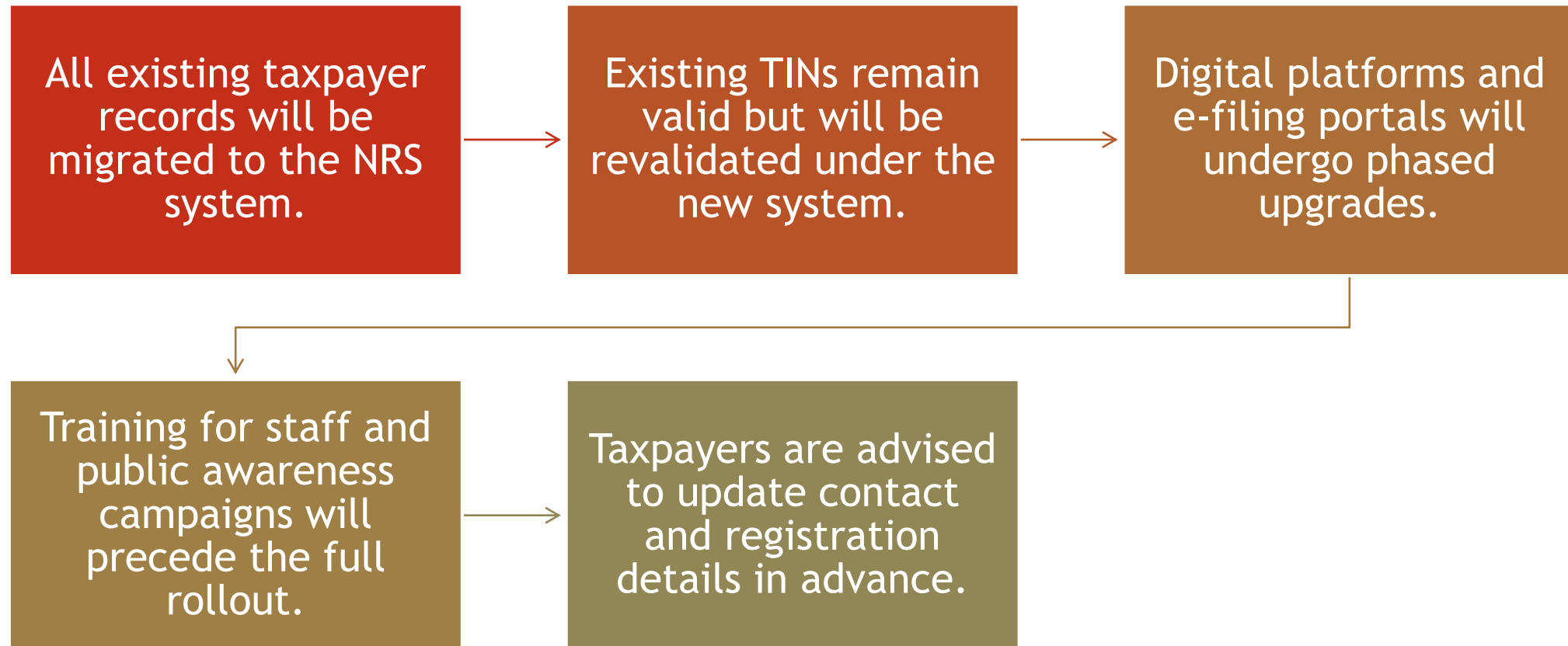


# Implementation Timeline for 2025 Tax Reforms

REFORM AREA	EFFECTIVE DATE	NOTES
New PIT Rates	January 1, 2025	Applies to income earned from 2025
Repeal of Consolidated Relief Allowance (CRA)	January 1, 2025	Only rent-based relief now available
New WHT Rates and Exemptions	January 1, 2025	SMEs and producers impacted
Establishment of Nigeria Revenue Service (NRS)	Q1-Q2 2025	Dependent on legislative finalization
Digital Filing Mandates	Mid-2025	Gradual rollout with training support
Joint Revenue Board Setup	By end of 2025	Expected to start pilot operations



## Transition Plan Highlights.eg Transition from FIRS to NRS – What to Expect



# Summary of 2025 Tax Reforms Stakeholder Impact

Stakeholder Group	Key Impact Areas
Individuals	New PIT brackets; CRA removed; relief limited to rent.
Low-Income Earners	No PIT if income is below national minimum wage.
SMEs (< ₱25m turnover)	Exempt from WHT on sales < ₱200,000. Simplified compliance.
Corporate Entities	30% CIT or 25% for priority sectors; VAT exemptions clarified.
Digital Platforms	Subject to digital service tax based on economic presence.
State Revenue Agencies	Will collaborate with NRS under the Joint Revenue Board.

# Penalties and Enforcement Under New Regime



**Failure to file electronically:**  
₦100,000 per month for individuals, ₦500,000 for companies.



**Non-payment or underpayment of tax:**  
10% penalty plus interest at the prevailing CBN MPR + 5%.



**Failure to deduct WHT:**  
Treated as tax evasion—penalty equals full amount plus interest and fines.

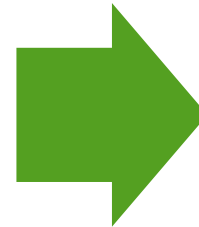


**Dispute resolution timelines:** Must be concluded within 90 days through new Tax Tribunals.



# Overview of Withholding Tax Changes in Nigeria

“Withholding Tax (WHT) is not a separate tax or additional tax. It is an advance payment of income tax, or the final tax liability, depending on the recipient of the income and nature of transaction. The WHT is available to the beneficiary as a credit to offset income tax liability where the tax so deducted is not the final tax on the income as in the case of non- passive income”.



The Federal Inland Revenue Service and the State Boards of Internal Revenue Service administer WHT in Nigeria





# Overview of Withholding Tax Changes in Nigeria..Cont...

## Withholding Tax Changes New rates effective January 1, 2025

Transactions	Corporate Recipient (CR)				Non-Corporate Recipient (NCR)			
	Resident (R)		Non-Resident (NR)		Resident (R)		Non-Resident (NR)	
	Old	New	Old	New	Old	New	Old	New
Commission, consultancy, technical management and professional (CTMP) fees	10%	5% ↓	10%	10%	5%	5%	5%	10% ↑
Supply of goods or materials, except those supplied by the manufacturer	5%	2% ↓	5%	N/A	5%	2%	5%	N/A
Co-location and telecommunication tower services	5%	2% ↓	5%	5%	5%	2% ↓	5%	5%
Supply or rendering of services other than those specifically listed in this Schedule	5%	2% ↓	5%	5%	5%	2% ↓	5%	5%
Construction of road, bridges, building and power plants	2.5%	2% ↓	2.5%	5% ↑	5%	2% ↓	5%	5%
Any other form of construction and related activities	5%	5%	5%	10% ↑	5%	5%	5%	10% ↑
Brokerage fee	10%	5%	10%	10% ↑	5%	5%	5%	10% ↑
Directors' fees	N/A	N/A	N/A	N/A	10%	15% ↑	10%	20% ↑
Compensation for loss of employment	N/A	N/A	N/A	N/A	10%	10%	10%	10%
Entertainers and Sportspersons	5%	N/A	5%	15%	5%*	N/A	5%*	15%
Winnings from lottery, gaming, reality shows, etc. (individuals only)	NCD	N/A	NCD	N/A	NCD	5%	NCD	15%

- \*Income earned from abroad by entertainers and sportsperson and brought into Nigeria in foreign currency and paid into a domiciliary account is exempt from income tax
- NCD: Not Clearly Defined



## Overview of Withholding Tax Changes in Nigeria. **Cont..**

### Impact of the New Tax Bill on WHT Regulations 2024: Redefinition of Small Company

#### Current Definition (CITA/WHT Regulations)

Small company = Gross turnover of **₦25 million or less**



#### Proposed Definition (New Tax Bill)

Small company = Gross turnover of **₦50 million or less**

##### **Fixed Assets Cap:**

- Not exceeding **₦100 million** for *general classification*
- Not exceeding **₦250 million** for *manufacturing or agric-based companies* (as proposed in some drafts)

**Excludes:** Companies providing **professional services**



#### Implication

Broader eligibility for **WHT exemption**

Likely **increase in exempt companies** once the harmonized Tax Bill is enacted

# How NIRSAL Can Prepare for Compliance with 2025 Tax Reforms



## System Upgrades

Update ERP to reflect new PIT, WHT, and exemptions.  
Integrate with NRS/JRB e-filing and payment platforms.



## Staff Training

Train finance, HR, and procurement teams on new tax laws.  
Develop quick-reference tax compliance guides.



## Policy & Process Updates

Revise SOPs to reflect WHT exemptions, CRA repeal, and new PIT structure.  
Strengthen vendor onboarding checks for exemption eligibility.



## Compliance Monitoring

Appoint a tax compliance lead.  
Conduct monthly checks and mock audits to ensure accuracy.



## External Engagement

Collaborate with tax consultants and NRS for guidance and updates.



# Relevant Case Studies

## Case Study 1: Small Company Reclassification under WHT

**Company:** Ejiofor Ventures Ltd  
**Sector:** Agri-processing  
**Turnover (2024):** ₦42 million  
**Fixed Assets:** ₦95 million  
**Service Type:** Non-professional

**Scenario:**  
Previously ineligible for WHT exemption due to turnover above ₦25m. Now qualifies under the new threshold (₦50m turnover, ₦100m fixed asset cap).

**Impact:** Exempt from withholding tax.  
**Insight:** More genuine small businesses benefit from cash flow relief.



## Relevant Case Studies.. Cont..

### Case Study 2: Personal Income Tax Impact



**Individual:** Obinna Oladosu

Occupation: Senior Analyst

Annual Income: ₦8.5 million

Annual Rent Paid: ₦1.5 million

**Scenario:**

**Under new PIT rules:**

- CRA is removed
- Rent relief capped at ₦200,000
- Obinna now in a higher tax bracket compared to the old rules

**Impact:** Net tax liability increases.

**Insight:** High earners bear greater PIT burden; low earners benefit from new rate bands.



## Relevant Case Studies.. **Cont..**

### Case Study 3: Estate Planning to Minimize Inheritance Tax



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**Family:** The Okeke's Family  
**Net Worth:** ₦1.2 billion

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**Scenario:**  
Uses inter vivos gifts, trusts, and asset transfers to reduce taxable estate value before death.

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**Impact:** Lowers Inheritance Tax liability.

**Insight:** Promotes early wealth distribution and formal estate planning.





## Relevant Case Studies.. **Cont..**

### ► Case Study 4: Inheritance Tax on High-Value Estate

**Estate:** Late Chief Akpan's Estate

**Total Value:** ₦850 million

#### **Scenario:**

If the exemption threshold is ₦500 million, the taxable portion is ₦350 million. At 25%, heirs pay ₦87.5 million.

**Impact:** Promotes equitable wealth redistribution.

**Insight:** Drives demand for trusts and estate planning.





## Relevant Case Studies.. **Cont..**

### Case Study 5: Professional Services and WHT

► **Firm:** Kima Consult Ltd

**Sector:** Legal Services

**Turnover:** ₦18 million

**Fixed Assets:** ₦45 million

► **Scenario:**

Meets the small company criteria, but is a professional service firm, thus excluded from WHT exemption.

► **Impact:** WHT still applies despite size.

**Insight:** Policy targets non-professional small firms only.

## Relevant Case Studies.. **Cont..**

### Case Study 6: Priority Sector CIT Relief

► **Company:** EmmaPanel Technologies Ltd

**Sector:** Renewable Energy

**Annual Turnover:** ₦120 million

**Commenced Operations:**  
January 2025

► **Scenario:**

Qualifies for 25% CIT for 5 years as a priority sector startup.

► **Impact:** More capital retained for reinvestment.

**Insight:** Strategic incentive to grow innovation-led sectors.



*THANK YOU*



# Q & A

