

Nigeria's 2026 Tax Reform: What It Means For Your Money And Business

Nigeria's new tax laws take effect in January 2026. Get the complete guide on who pays what, business changes, and how to prepare.

Introduction

The Federal Government of Nigeria has introduced a new set of tax laws that will take effect on January 1, 2026. This is the biggest change to the country's tax system in many years, introducing new rules for individuals and businesses.

By the time you're done reading this article, you'll know what's changing. We'll walk you through what's new in a way that actually makes sense - what it means for your personal and/or business finances, and the simple steps you can take to stay compliant.

What's the 2026 Nigeria Tax Reform about?

In simple terms, the government is doing a massive cleaning of the tax system.

For too long, the tax system has been messy, with duplicated taxes and confusing regulations, making it hard for tax payers to understand what they need to do. This reform reorganises the entire tax system to make life easier for everyone.

The reform has clear goals:

Make taxation simpler. You won't need expert knowledge of tax law to understand your taxes.

Make taxation fairer so that the right people pay the right amount.

Widen the tax base so that more people pay taxes, reducing the burden on individuals.

Go fully digital to make tax compliance less about paper and queues, and more about structure and convenience.

There are four new tax laws

The tax reform isn't a single law. It's a group of four new acts, each with a specific goal but working together:

The Nigeria Tax Act (NTA): This explains what is taxed, who should pay, and how much they must pay.

The Nigeria Tax Administration Act (NTAA): This focuses on the tax process - filing, paying, and managing your taxes online.

The Nigeria Revenue Service Act (NRSA): This empowers the tax office (currently known as the FIRS) to do its job better and more fairly.

The Joint Revenue Board Act (JRBA): This helps federal and state tax bodies work together, so you're less likely to be taxed twice for the same thing.

What does the reform mean for you?

The changes to the tax system have different impacts on salary earners and businesses.

If you're a salary earner

The most significant changes here are to the Personal Income Tax (PIT) system.

Clear exemption limit: If you earn ₦800,000 or less per year, you won't pay income tax.

That's instant breathing room for low-income earners.

Consolidated Relief Allowance (CRA): Targeted reliefs now replace CRA. Instead of a blanket allowance, you now get focused reliefs. For example, you can claim 20% relief on your rent (capped at ₦500,000).

Exemptions and deductions: Pension, housing, and health insurance contributions are fully deductible. The more you secure your future, the less you pay now.

Electronic Money Transfer Levy (EMTL): This levy is now transferred exclusively to states as part of stamp duties. Small transfers are exempted but large transfers may attract a small levy.

If you're a business owner or a freelancer

If you run an SME, freelance, or manage a side hustle, the tax system now encourages you to grow without squeezing you dry.

Corporate Income Tax (CIT): businesses with turnover below ₦50 million annually now pay zero corporate tax. That's a big win for SMEs. You are taxed on the income you earn, not on the assets you own. For instance, if you have one million naira in your current account, there is no taxable income. But if that N1m is moved to a savings account and earns 10% interest, you'll pay tax on the 10% interest earned, not the initial N1m.

Value Added Tax (VAT): still at 7.5%, but invoicing goes digital, making calculations automatic. Essentials like food, education, and healthcare remain VAT-free.

Tax incentives: sectors like tech, agriculture, and renewable energy get special breaks to encourage growth.

Other good things you should know about:

FGN bonds & insurance: interest and payments remain tax-free.

Retirement savings: contributions, growth, and withdrawals - still tax-free.

Stocks: owning them isn't taxed, though selling for profit attracts tax on gains.

Rent relief: 20% off rent tax (up to ₦500,000).

Gifts & inheritance: still untaxed.

The message is clear: invest, grow, and formalise your hustle without fear.

How to get ready for the new tax reform law

The time to prepare is now. Don't wait for the new year to scramble for compliance. Here's a simple checklist to get you ready.

Personal Checklist

- ✓ Get or update your Tax Identification Number (TIN).
- ✓ Organise payslips, invoices, and bank statements.
- ✓ Update bank details and contact info with your employer.
- ✓ Track income and expenses digitally.
- ✓ Use reliefs: pension, housing, health insurance.

Business Checklist

- ✓ Keep CAC registration up to date.
- ✓ Set up digital invoicing for VAT compliance.
- ✓ Review your structure for tax efficiency (sole prop vs limited).
- ✓ Use compliant accounting software.
- ✓ Claim exemptions and allowances to reduce costs.

How Kuda makes this transition easy

Taxes can be overwhelming, but the right tools can make it seamless. The Kuda app is designed to help you manage your finances smarter and prepare for these changes with ease.

Smart spending & categories: automatically sort your transactions so you can clearly see deductible business expenses versus personal spending. It's like having a personal accountant in your pocket.

Separate business accounts: keep your hustle money separate from your personal funds, making tax filing far simpler.

Scheduled payments: never miss a VAT or PAYE deadline - set reminders and automate payments to avoid penalties.

Instant access to records: download account statements instantly for tax filing and audits.

Conclusion

Taxes are changing, but that doesn't have to mean confusion or panic. For you, the impact is clear: if you're an employee, your income tax brackets are easier to understand, with new reliefs and exemptions.

If you're a business owner or freelancer, you'll finally benefit from a fairer system that taxes you only on what you truly earn - not what sits in your account.

By staying informed and preparing early, you'll avoid surprises and even save money. With tools from the Kuda business app, compliance becomes less of a burden and more of a lifestyle upgrade.