

DOUSING THE STORMS OVER THE NEW TAX AGENDA IN NIGERIA*

Abstract

The entry captures Nigeria's 2025 tax reforms which have largely taken off on January 1, 2026. The new tax regime represents a comprehensive overhaul of the nation's tax system, aiming to simplify compliance, widen the tax base, and perhaps boosts government revenue. That much, the lingering query on the lips of many stakeholders has been – what else does the nation's leadership still demand from perhaps the already down – trodden taxing populace? Thus, the taxable populace is still skeptical at the real intentions of government in the current tax agenda. Perhaps the presumption is that Nigeria could witness a fresh wave of public protests as the real impact of newly enacted tax laws begins to unfold. More so, coupled with the alleged tampering of the tax bills, and the non-disclosure of the contents of the nation's proposed tax memorandum of the understanding (MOU) with France. Again, the impact of the wide-spread rumour that the incumbent administration has been running governance by ambush has remained unabated. To investigate the foregoing, the study adopted a doctrinal method using texts, journals, research projects, and publicly available data obtained from the internet. It was the finding, of the study, among others, that the new tax agenda is clouded with suspicion, anxiety and mistrust by stakeholders. Consequent upon that, the study advocated, inter alia, that the nation's leadership should strive for circumspection in the formulation of laws, rules and policies regulating the implementation of the new tax agenda, going forward.

Keywords: Tax Reforms, Storms, Circumspect, Suspicion, Anxiety

1. Introduction

The 2025 tax laws in Nigeria were enacted primarily to address chronic fiscal challenges, including a historically low tax-to – GDP (gross domestic product) ratio, a fragmented tax system, and an over-reliance on volatile oil revenue¹. The reforms signed into law on June 26, 2025 aim to broaden the tax base, simplify compliance, and create a more transparent and modern fiscal framework². For decades, Nigeria struggled with weak revenue mobilization, with a tax-to-GDP ratio hovering around 10%, significantly below the African average³. The underperformance⁴ stemmed from a maze of overlapping taxes, poor enforcement, and an economy heavily dependent on oil, thus a mono-economy which could power nor instigate envisioned overall infrastructural growth and development. This complexity led to compliance burdens and jurisdictional disputes between federal and state authorities, thus discouraging investments.

Hitherto, the previous tax landscape⁵ was complex, governed by over a dozen different statutes (including the Companies Income Tax Act, Personal Income Tax Act, Value Added Tax Act, etc) with conflicting or ambiguous provisions that made compliance difficult which led to jurisdictional disputes and multiple taxation issues. The new tax reform was ignited towards consolidating law and streamlining administration environment to attract local and foreign investment and encourage the formalization of small and medium enterprises (MSMEs).⁶

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¹Nnamdi Oragwu *et al*, *The Nigerian Tax Reform Act 2025: An In –Depth Guide for Business, Investors and Taxpayers* (Lagos: Multinational publishers, 2025) 19-21.

²*ibid* 34-36.

³ *ibid* 25.

⁴National Bureau of Statistics, Tax – GDP ratio revised computation on Nigeria via <https://www.nigerian.statistics>. Accessed 24 January 2026 at 1.07am.

⁵ *ibid*.

⁶ A Sanni, 'An Appraisal of the Legal Framework for Taxation in Nigeria (2019) *JLPG* 82.

To consummate above views and thoughts, a Presidential Committee on Fiscal Policy and Tax Reforms was inaugurated in 2023⁷ to propose a wholesale redesign of the system, which culminated in four landmark bills⁸ transmitted to the National Assembly in late 2024⁹ and signed into law in June 2025¹⁰.

2. Contemplations of the New Tax Agenda

The new tax agenda has nursed the following contemplations into the nation's fiscal space.

*Increased Exemption Threshold for Small Companies*¹¹: Small companies¹² are now exempt from Companies Income Tax (CIT), Capital Gains Tax (CGT) and the newly introduced Development Levy. Small Companies are defined as companies with annual gross turnover of N100 million (previously N25 million) below and total fixed assets not exceeding N250 million.

Increased Capital Gains Tax (CGT) Rate: The Nigeria Tax Act¹³ (NTA) increases the Capital Gains Tax rate from 10% to 30% for companies. This effectively aligns the CGT and companies income tax rate and reduces¹⁴ any tax arbitrage that could have been unduly enjoyed in the classification between chargeable gains¹⁵ and trading income¹⁶. For individuals,¹⁷ capital gains will be taxed at the applicable income tax rate based on the progressive tax band of the individuals.

Capital Gains Tax on Indirect transfer of shares: The NTA introduces CGT on indirect transfer of shares¹⁸ in Nigerian Companies so that where shares are disposed of in intermediary holding companies offshore, a Nigeria CGT is triggered (subject to treaty exemptions). Also, the tax exemption threshold for the sale of shares¹⁹ in Nigerian companies has been increased to ₦150 million (from ₦100 million) in any 12 consecutive months, provided that the gains do not exceed 10 million.

*Introduction of Development Levy*²⁰: Nigerian companies except small companies will pay a Development Levy at 4% of their assessable profits (i.e tax profit before deducting tax depreciation and losses). The development levy consolidates the Tertiary Education Tax (TET), Information Technology Levy (IT) and Police Trust Fund Levy.

Minimum Effective Tax Rate (ETR): Nigerian companies who are members of a multinational group with aggregate group²¹ turnover of Eur750 million and above or have an annual turnover of N50 billion and above, will now be subject to a minimum effective tax rate (ETR) of 15% of their 'net

⁷Isiaka Adebisi & Ors, *Role of Multinational Enterprises in Corporate Social Responsibility in Nigeria* (Lagos: Interscience Enterprises Ltd, 2019) 39 – 43.

⁸ President Tinubu Sets up Committee on Tax Reforms via <https://www.statehouse.gov.ng>. Accessed 25 January 2026 at 3.45am.

⁹ Ibid.

¹⁰ Khadijat Akewushola, 'key Provisions of Nigeria's 2025 Tax Reform Laws' via <https://www.nesgroup.org>. Accessed 10 December 2025 at 5.38pm.

¹¹ Nigeria Tax Act (NTA) 2025 s202 defines a 'small company' for income purposes and also, Nigeria Tax Administration Act 2025 (NTAA), s147 defines a 'a small business for VAT and administration purposes'.

¹² NTA s58 and NTAA s34.

¹³ Corporate Tax and Capital Gains Tax (CGT) Exemptions (NTA) s56

¹⁴ *ibid.*

¹⁵ *ibid.*

¹⁶ Olaniwun Agayi, comments on trading gains envisioned in NTA <<https://www.olaniwunajayi.net>> accessed 26 January 2026 at 12.19 pm.

¹⁷ *ibid.*

¹⁸ NTA 2025, sections 46 and 47.

¹⁹ *ibid.*

²⁰ *ibid* section 59 (1).

²¹ *ibid* sections 6(3) and 57

income'. The Minimum effective tax rule does not apply to Free Zone companies²² on their exports out of Nigeria, provided that such companies are not part of multinational groups.

Resident and Non- Resident Individuals defined: Personal Income Tax (PIT) will apply to the worldwide income²³ of a resident individual which is now clearly defined²⁴ in the new Act. Prior to now, there had been varied interpretations due to a lack of proper definition of residence. With the definition extending to individuals with substantial economic and immediate family ties in a year of assessment, the law has now widened the tax net of personal income tax.

A more progressive Personal Income Tax (PIT) regime: The NTA changes the income brackets and applicable tax rates for each bracket. Individuals²⁵ earning N800,00 or less per annum will now be exempt from tax on their income and gains.²⁶ The Act also increases the tax exemption threshold for compensation for loss of employment or injury from N10 million to N50 million.²⁷

Introduction of Economic Development Incentive: The Acts replace²⁸ the 'pioneer' tax holiday incentive with an 'Economic Development Incentive' (or EDI). This incentive introduces a tax credit of 5% per annum for 5 years on qualifying capital expenditure purchased by eligible companies within 5 years effective from the production date²⁹.

Introduction of the Tax Ombuds³⁰ office: The Acts introduce the Tax Ombuds office to liaise with the tax authorities on behalf of taxpayers, and serve as an independent arbiter to review and resolve complaints

Vat at Zero Rate on Essential Goods and Services: The NTA expands the list of zero related items to include medical equipment and services, tuition fees, exports (excluding oil and gas exports) etc. The impact of this is that those doing businesses by selling these goods and services can recover³¹ their VAT costs, despite the zero rate which was previously not possible by law.

Input VAT Recovery: The VAT rate of 7.5% has been retained³². Nigeria now adopts globally recognized VAT principles³³ that allow for the claim of input VAT on all purchases including services and fixed assets. Business providers, unable to claim input VAT under the old law, can now do so.

3. Examining Clouds of Anxiety, Mistrust Over the New Tax Agenda

Nigeria's new tax agenda faces public mistrust and anxiety due to fears of increased financial burdens, especially on the poor and middle class, linked to a history³⁴ of poor fiscal exchange, elite tax evasion, and a significant trust deficit in government, despite the government framing it as a necessary overhaul to streamline compliance, modernize the system, and ensure fairness³⁵. More so, Nigerians seem to worry³⁶ about corruption, extortion, and lack of visible return (roads, hospitals. etc) while the reforms

²² *ibid* s60.

²³ NTAA 2025 s6

²⁴ BO Aluko and Gbenga Oyebo, '25' key Points from the Webinar on the Taxation of Residents / non-Resident individuals' <<https://www.aluko-oyebode.com>> accessed 30 January 2026 at 5.39am.

²⁵ NTA 2025 s56.

²⁶ *ibid*.

²⁷ *ibid* s50 (1).

²⁸ *ibid* sections 166-183.

²⁹ *ibid*.

³⁰ Joint Revenue Board (Establishment) Act 2025 s35 establishes the office of tax ombudsman.

³¹ NTAA s156 (5) prescribes recovery of VAT input.

³² NTA 2025 s148.

³³ *ibid* 187.

³⁴ The Guardian Nigeria News, 'Anxiety, mistrust cloud Nigeria's ax reforms' <<https://guardian.ng>> accessed 29 January 2025 at 10:38 am.

³⁵ *ibid*.

³⁶ *ibid*.

aim to simplify things with a unified code, digital invoicing and exemptions for small businesses, creating a struggle between necessary reforms arm to simplify things with a unified code digital invoicing, and exemptions for smalls businesses, creating a struggle between necessary reform and public skepticism.

For many Nigerians, the question is not whether taxes should be paid, but whether the state has earned the moral authority³⁷ to demand them, judging by the lack of accountability over the years. On paper, these reforms acknowledge Nigeria's economic distress and signal a genuine attempt to lighten the burden on the majority of citizens. Thus, Nigerians have lived through decades of taxation that did not translate into visible development, social welfare or improved quality of life, as this has succinctly shown that it is fundamentally about trust. No matter how progressive the current tax reform might appear, for the above singular reason, Nigerians still see the commencement³⁸ of the reforms via a long memory of disappointments and failure by the leadership. Also, the public mistrust was heightened when a member of the House of Representative, Abdulsamad Dasuki³⁹, had during a plenary session allegation alleged that there was a discrepancy between tax laws passed by the National Assembly and the versions subsequently gazetted and made available to the public. Abdulsamad Dasuki, to that extent, claimed that his legislative rights had been breached⁴⁰ because the content of the gazetted tax laws seem not to reflect what the lawmakers debated and approved on the floor of the House.

In another fora, the author shall now examine critically⁴¹ the assertion that views the current tax reform as sovereignty for sale. What is undeniably true is that Nigeria, like many developing countries, seems to be operating under intense fiscal pressure being shaped by some external actors. The International Monetary Fund (IMF) has for some years known emphasized 'domestic resource mobilization' as a central plank of economic reform. The author views above declaration by the (IMF) as just another fancy term for raising more taxes. Nigeria's chronically low tax – to –GDP ratio⁴² us routinely cited as a pathology that must be cured. Debt sustainability analyses, credit ratings, access to concessional financing and investor confidence seem to all hinge on this logic. In that sense, no one needs to issue direct orders. The structure does the coercion. If this sounds abstract, Kenya⁴³ seems to offer a concrete, sobering example. Thus in 2024, the Keyan government had introduced a sweeping Fiancé Bill that raised taxes across multiple sectors. The Bill was explicitly linked to Kenya's IMF programme and need to so-called plug fiscal gaps. When the heat of the new tax law became unbearable on Kenyans, the citizens took the streets to bring to an end what they described as 'a monster in a sheep's clothing'⁴⁴. Perhaps Nigerians are presently apprehensive, perhaps awaiting such a day.

4. Weathering the Storms over the New Tax Agenda

The rising anxiety⁴⁵ over Nigeria's ongoing tax reform betrays a deeper crisis-failing revenue, a system that creates loopholes for the wealthy to evade taxes, a long history of investment taxation and a structure that increases poverty as well as widens inequality, rather than a fair reading of the recalibration fact sheets. Sad enough, the reforms have taken off when public discourse is masked by

³⁷ Sesan Okunade, 'Many Nigerian's question moral authority of government to make demands for taxes <<https://www.facebook.com>> accessed 31 January 2026 at 1.07am.

³⁸ *ibid.*

³⁹ Sharon Eboesomi, 'Mp Abdulsama Dasuki alleges discrepancies between tax laws passed and version gazetted <[Premium Times: Abuja](https://www.premiumtimes.com) December 17, 2025> 11-15.

⁴⁰ *ibid.*

⁴¹ Aroog Kperogi, 'Tinibu's new tax regime as sovereignty for sale <<https://tribuneonline.ng>> accessed 31 January 2026 at 9.15am.

⁴² National Bureau of Statistics, 'Nigeria's tax to GDP ratio lower than Africa's average, says NEITI <<https://www.facebook.com>> accessed 1st February 2026 at 11.08am.

⁴³ Wikipedia, Kenya Finance Bill 2024 <<https://en.wikipedia.org>> accessed 27 January 2026 at 6.45pm (The Bill was thrown out when public outage was much against its passage).

⁴⁴ *ibid.*

⁴⁵ The Guardian Nigeria, 'The rising anxiety over Nigeria's ongoing tax reform <<http://www.guardian.ng>> accessed 6 February 2026 at 5:07 am.

emotion, saturated with public mistrust. With the new tax agenda just taken off, many ordinary Nigerians feared the new era would increase tax rates, worsen headline inflation and of course, fuel economic strong.

However, based on available data, and considered credible by the author⁴⁶, the ongoing reform is less about a fiscal ambush than an overdue attempt to correct one of the country's most damaging structural weaknesses. The nation's leadership has described the present step as the most audacious move to strength economic growth, increase revenue generation in the long run and modernise the system. Whereas the reform may not automatically bring the problems to an end as it seeks to reset⁴⁷ the system, it has an internet capacity provide a legal framework that has equipped the authorities, including civil society and the media, with tools to demand a gradual shift. For the first time,⁴⁸ the tax authorities are deliberate in evolving a progressive personal income tax (PIT) that has exempts individuals with ₦800,000 and below from paying. At less than the current national minimum wage, the cut-off point appears extremely low. But the decision, some experts⁴⁹ have noted, is a clear signal that the country's tax system is heated on the path of equity.

Besides, Nigeria is in dire need of a new legal framework to unlock its revenue potentials in the long run. According to the tax reform policy roadmap⁵⁰, Nigeria's tax revenue to output level was 10% as at 2023. The figure is miserably lower than Africa's average⁵¹, which sets at 17% and miles behind the Organization of Economic Cooperation and Development (OECD), estimated at 30%. If the government is serious about improving voluntary compliance aimed at dousing the storms over the new tax reform, she must go beyond policy announcements. Hence, she must demonstrate transparent use of tax revenues, limit monopolistic control over revenue collection, and communicate clearly and consistently with citizens. Thus, where citizens see roads fixed, hospitals working, schools improving, and security strengthened, voluntary compliance would follow seamlessly. Voluntary tax compliance is not an act of generosity⁵², it is a rational response to trust, fix the system, restore confidence, and Nigerians will pay, not because they are forced, but because the contract finally makes sense.

5. Conclusion and Recommendations

The study has been able to unfold that Nigeria's current tax reform has ignited intense public debate, perhaps fueled less by the actual provisions of the law but more by speculation, anxiety, half-truths and social media buzz. In a country where trust in public institutions is fragile and economic pressures are acute, such reactions are perhaps understandable. Nigerians have therefore continued to query the intentions of the leadership in the present tax agenda, contending that, if previously earned revenue from oil has been stolen, how would the fate of this new tax agenda be difference?

Be that as it may, the study advocates bridging trust gaps in the present tax agenda would require transparency, demonstrated accountability, reboost public engagement, resolving legal consistency (like value added tax dispute), and using public relations tools for clear communication by ensuring citizens appreciate fairness, understand, benefits, and feel government uses taxes responsibly by addressing underlying issues like corruption and public impunity.

⁴⁶ Arise News, 'Based on available, credible data regarding the 2024 – 2025 reforms (signed into law in June 2025 and taking effect in January 2026), the ongoing tax reform is a significant attempt at correcting critical structural weaknesses in the nation's economy <<https://journals.ain.edu.ng>> accessed 29 January 2026 at 2.45am.

⁴⁷ *ibid.*

⁴⁸ *ibid.*

⁴⁹ *ibid.*

⁵⁰ The Nigerian Economic Summit Group, Key Provisions of Nigeria's 2025 Tax Reform Laws (<http://www.nes-group-ng>) accessed 2 February 2026 at 8.34pm.

⁵¹ *ibid.*

⁵² *ibid.*