ECONOMIC SUMMIT RECAP

Impact of the New Tax Laws on Individuals and SMEs

ARE YOU A RESPONSIBLE TAXPAYER?

- Typically, salaried employees of established organizations are most likely to pay tax.
- Tax Avoidance versus Tax Evasion
- *'Being a responsible taxpayer is one of the most powerful ways to serve your country and build a brighter future for yourself and everyone else'.*

QUALITIES OF A RESPONSIBLE TAXPAYER

- File Your Tax Returns on Time
- Be Honest in Declarations
- Pay Your Taxes Promptly
- Stay Informed About Changes in the Tax Laws, including your Tax Rights and Obligations

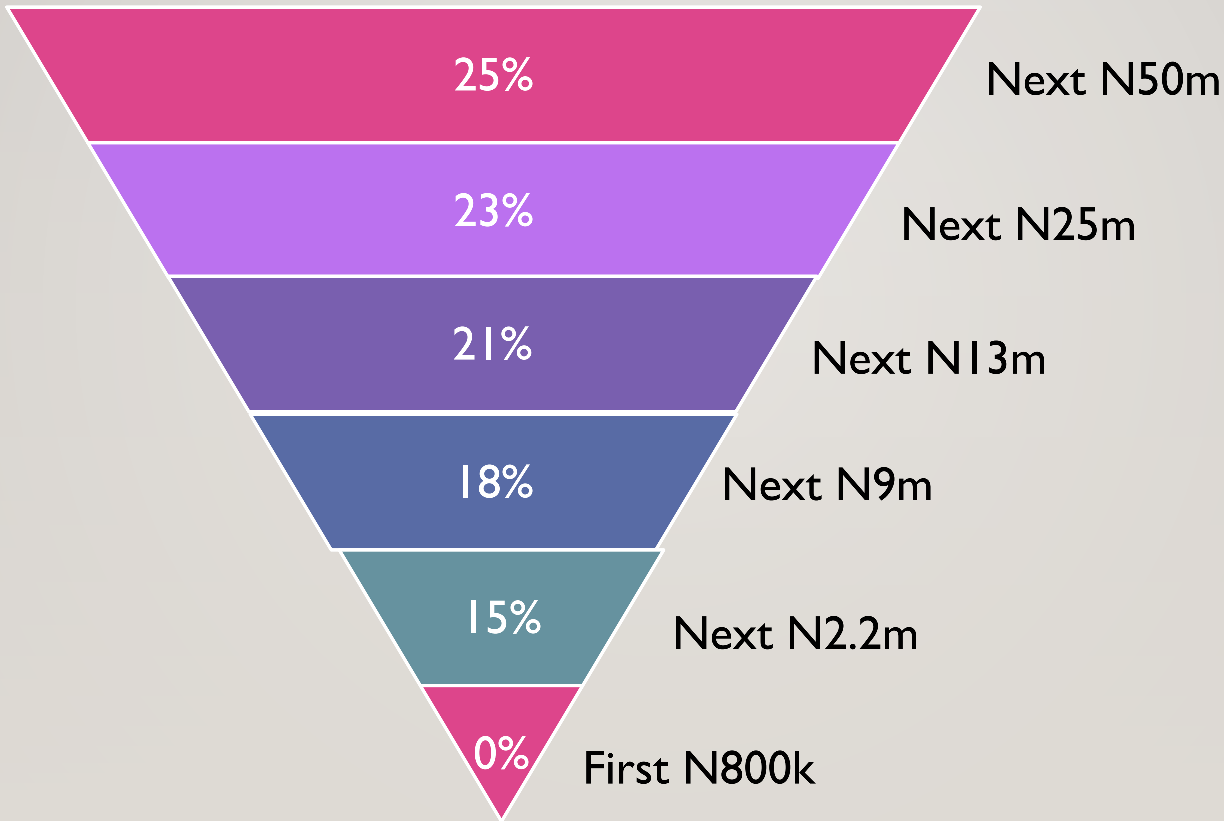
OVERVIEW OF TAX REFORMS

- Consolidates multiple tax laws into 4 Acts
- Repeals ~11 laws, amends ~13
- Effective from Jan 1, 2026
- Focus: simplification + stronger enforcement
- Overall Implications
  - Increased visibility and tracking
  - Stronger enforcement system
  - Increased compliance burden
  - Push toward formalization of economy
  - Increased government revenues

KEY CHANGES FOR EMPLOYEES

CHANGES	OLD	NEW
Revision of Graduated Tax Rates for PIT	7% to 24%	0% – 25%
Replacement Of Consolidated Relief Allowance to Rent Relief	Consolidated Relief Allowance (CRA) - A standard, formula-based deduction combining a fixed minimum and a percentage of income, used to reduce taxable income	A rent relief allowance of ₦500,000 or 20% of annual rent paid, whichever is lower.
Exemption of Income from compensation of loss of employment	Threshold of N10m	Threshold of N50m
Capital Gains Tax on Assets Disposal	• A fixed rate of 10% • Shares were largely outside the tax net	Chargeable assets include shares and properties liable to tax at 0% or 25%.

NEW PERSONAL INCOME TAX (PIT) TABLE



IMPACT ON EMPLOYEES

- Lower burden for low-income earners
- Slight relief for middle-income
- Higher exposure for top earners

IMPACT ON SELF EMPLOYED INDIVIDUALS & SMES

- Taxed on profits, investments, and capital gains including
  - Income from business activities
  - Income from investing activities
  - Profits or income from any other source.
  - Chargeable gains from disposal of chargeable assets
- Same tax table as individuals
- Increased monitoring and reporting

COMPLIANCE REQUIREMENTS

Requirements	Comments
Mandatory TIN/Tax ID	• TIN applies to individuals and businesses • TIN is a mandatory requirement for opening or operating individual or business accounts with banks, insurance companies, stock-broking firms, and other financial service providers.
PAYE Deduction by Employers	Employers are required to deduct PAYE from employees' emoluments and remit the tax to the relevant tax authority on or before the 10th day of the following month, while individuals must file their annual personal income tax returns in the prescribed form on or before 31 March each year.
Proper Record Keeping	As a taxable individual, you are expected to keep proper books of accounts to enable them track income and expenses accurately. Also, evidence of individual and business deductions such as invoices for allowable expenses such as contributions to a pension scheme, the National Housing Fund, rent receipts, etc., must be properly kept as proof that the expenses were incurred. **Failure to do so may result in additional tax liabilities and penalties being imposed**

COMPLIANCE REQUIREMENTS

Requirements	Comments
Annual tax filing	Every individual is required to file their annual personal income tax returns with the relevant tax authority in the prescribed form on or before 31 March of each year.
Respond to tax queries within 30 days	Individuals/Self-Employed Individuals/SMEs have the responsibility to respond to any tax query from the tax authority within 30 days upon receipt of the query. **Failure to do so may result in penalties being imposed on the individual.**
Filing CGT Returns	Individuals/Self-Employed Individuals/SMEs are expected to file CGT returns even where they are exempt. Where applicable they are also required to pay CGT, which ranges from 0% to 25%.
WHT and VAT Obligations for Entreprises	SMEs are required to withhold tax on payments to vendors that are not small companies. They are also required to charge, collect and remit VAT on taxable supplies to customers.

IMPACT ON SMALL COMPANIES

- Increase in threshold for Small Companies
  - Defined as ≤ ₦100m turnover with total fixed assets not exceeding ₦250 million.
  - Exempt from Company Income Tax
  - Exempt from Withholding Tax
- Exempted from New Development Levy of 4% on assessable profits of companies
- Threshold for CGT on disposal of shares
  - ≥ ₦150 million disposal proceeds and ≥ ₦10 million chargeable gains, within any 12 consecutive months, is exempt from CGT
  - Losses remain available to be offset against any capital gains for tax purposes.

OTHER KEY POINTS TO NOTE

Presumptive Taxation of the Informal sector

Where a taxpayer's income cannot be reasonably ascertained or proper records are not maintained; the presumptive tax regime applies. The Implementation Committee recently released a statement that exempts nano and small business groups with annual turnover of ₦12 million or less, while other informal businesses are subject to a 1% turnover bases tax

Eligible Deductions

- Life Insurance Premium
- National Housing Fund
- National Health Insurance Scheme
- Interest On Mortgage
- Pension Contribution

FINAL TAKEAWAY

- The reform shifts Nigeria toward a more structured, enforceable tax system.
- *As citizens, we all have a role to play in shaping the future of our country [in this Changing Times]. One of the most important ways we can contribute to national development is by fulfilling our tax obligations*
- "*Render therefore unto Caesar the things which are Caesar's; and unto God the things that are God's." Matt 22:21*
- Be a responsible Taxpayer