

Series on the Tax Reform Acts 2025:

Key tax incentives under the Nigeria Tax Act 2025

Part
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Introduction

On 9th September 2025, the Federal Government of Nigeria published the official gazetted versions of the Nigeria Tax Act, 2025 (the "NTA"), the Nigeria Tax Administration Act, 2025 (the "NTAA"), the Nigeria Revenue Service (Establishment) Act, 2025 (the "NRSA") and the Joint Revenue Service (Establishment) Act, 2025 (the "JRSA") (together, the "Tax Reform Acts"). The NRSA and the JRSA came into effect on 26th June, 2025, to enable the bodies created by the statutes to start putting structures in place for implementation, while the NTA and NTAA will come into effect on 1st January, 2026, to give taxpayers sufficient time to adjust their processes for compliance with the laws. Our series one on our highlights of provisions of the Tax Reform Acts can be accessed [here](#).

While some of the previous incentives and benefits have been removed, the NTA introduce general and sector-specific incentives. Tax incentives remain an integral component of the Federal Government's fiscal strategy aimed at catalysing specific economic activities or sectors by leveraging on a reduced tax obligation for a period of time in qualified instances. We have discussed some of the incentives provided in the NTA below.

1. General Incentives - Income Tax Exemptions

The NTA retains and incorporates (as applicable) some of the income tax exemptions under the repealed Companies Income Tax Act 2004 (as amended), the Personal Income Tax Act 2004 (as amended), the Diplomatic Immunities Act, 2004, the Pension Reform Act, 2014 (as amended), and the Startup Act, 2022. Some exemptions introduced or retained under the NTA include:

- a. Reintroduction of the tax exemption for educational institutions, which was deleted by the Finance Act, 2021. The NTA exempts from tax profits accruing to or gains from the disposal of assets of any person engaged in educational activities of a public character, where the profits or gains are not derived from a trade or business carried on by such person. The definition of "public character" is retained (in respect of an organisation or institution) as one (a) that is registered in accordance with relevant law in Nigeria; and (b) does not distribute or share its profit in any manner to members or promoters.
- b. the NTA, small companies remain exempt from income tax, but the annual turnover threshold for a small company has been increased from ₦25 million to ₦50 million or less with fixed assets not exceeding ₦250 million. Any business providing professional services shall, however, not be classified as a small company. It appears the intention of the Federal Government of Nigeria was to increase the threshold to ₦100 million, given the news reports from the Presidential



Committee on Fiscal Policy and Tax Reforms, but this has not been reflected in the gazetted NTA released by the government. The ₦100 million threshold is, however, reflected in the definition of a small company in the NTAA. This discrepancy, therefore, needs to be resolved by the Federal Government of Nigeria.

- c. Redundancy lump sum payment and other compensation of a capital nature for loss of employment, where such payment does not exceed ₦50 million. The excess amount above ₦50 million will be taxed. The threshold under the repealed Capital Gains Tax Act 2004 (as amended) was ₦10 million.
- d. Gains from the disposal of land immediately adjoining an individual's dwelling house up to a maximum of one acre. Gain from the disposal of land used for commercial purposes is, however, not exempted.
- e. Dividend, interest, rent or royalty derived from outside Nigeria and brought into Nigeria through approved channels. Fees and commission earned abroad will now be taxed, which was not the case under the repealed Companies Income Tax Act 2004 (as amended), and the Personal Income Tax Act, 2004.
- f. The profits of any Nigerian company (other than companies engaged in the upstream, midstream or downstream petroleum operations) in respect of goods or services exported from Nigeria, if the proceeds of such exports are repatriated through official channels.
- g. Proceeds from the disposal of shares in an aggregate amount less than NGN150 million and the chargeable gain not exceeding NGN10 million in any 12 consecutive months will be exempt from tax. Notwithstanding the threshold, no tax will apply if the proceeds are reinvested within the same year of assessment in the acquisition of shares in the same or other Nigerian companies, provided that tax shall accrue proportionately on the portion of the proceeds which are not reinvested. Shares transferred between an approved borrower and a lender in a regulated securities lending transaction are not a disposal for tax purposes, so no taxes will apply.
- h. Disposal of an individual's personal chattels where the total amount or value of the consideration does not exceed ₦5 million or 3 times the annual minimum wage, whichever is higher.



2. Sector-specific Incentives

2.1 The Capital Markets

- a. Income earned from bonds issued by the Federal Government or State Government in Nigeria is exempt for both individuals and corporations. After the expiration of the Companies Income Tax (Exemption of Bonds and Short-Term Government Securities) Order, 2011, in January 2022, income on state government and corporate bonds became subject to income tax for corporate entities. The NTA now provides that both corporates and individuals can enjoy income tax exemption on state government bonds.
- b. Dividends distributed by collective investment schemes ("CIS") authorised by the Securities and Exchange Commission ("SEC") are now clearly exempted from tax. This is a significant development for the capital markets to encourage investments in CIS generally, not just through unit trusts.
- c. Dividend or rental income received by a real estate investment company on behalf of its shareholders, where not less than 75% of the dividend or rental income is distributed within 12 months after the end of the financial year in which the dividend or rental income was earned. This does not exempt a (i) shareholder from tax on the dividend or rental income received from a real estate investment company; (ii) real estate investment company from tax on management fee, profits or any other income earned for and on its own account; and (iii) real estate investment company from tax on dividend or rental income if it does not meet the conditions stipulated in the above provision.
- d. Compensating payments, which qualify as dividends, received by a lender from its approved agent or a borrower in a regulated securities lending transaction and compensating payments, which qualify as dividends or interest, received by an approved agent from a borrower or lender on behalf of a lender or borrower in a regulated securities lending transaction.
- e. Instruments in relation to the following are exempted from stamp duties: (a) shares, stocks or securities transferred by a lender to its approved agent or a borrower in furtherance of a regulated securities lending transaction; (b) shares, stocks or securities returned to a lender or its approved agent by a borrower in pursuant of a regulated securities lending transaction; and (c) all documents relating to the transfer of stocks and shares.



2.2 The Agricultural Sector

Income generated by companies engaged in agricultural businesses, including crop production, livestock, aquaculture, forestry, dairy and such other businesses as described in the Thirteenth Schedule, is exempted from tax for the first 5 years upon commencement of business. A company is deemed to commence business at the earlier of when it begins to market or first advertises its products or services for sale, executes its first trading contract after complying with incorporation or regulatory processes, issues or receives its first invoice, etc.

2.3 The Mining Sector

The NTA deletes sections 28 and 33 of the Nigeria Minerals and Mining Act, 2007, which provide for tax relief periods and royalty payments respectively for companies engaged in mining operations. Under the NTA, a company engaged in mining operations (i.e., any trade or business, other than petroleum operations, involving the exploitation or extraction of mineral resources situated in the territory of the Federal Republic of Nigeria) retains the same incentives. The tax relief period is, however, no longer automatic. A company engaged in mining operations will be subject to income tax unless it applies for (and obtains) the Economic Development Incentive ("EDI") under the new EDI regime. The EDI replaces the Pioneer Status Incentives ("PSI") regime, which used to grant tax holidays to qualifying companies, tax-free dividends to shareholders of pioneer companies and deferred claim of capital allowances and tax losses.

Under the EDI regime, a company in the priority sector which applies for and is granted the EDI only enjoys an annual 5% Economic Development Tax Credit ("EDTC") against tax payable on its income for the duration of the incentive. Specifically, section 177 of the NTA provides that an EDTC of 5% of each priority company's eligible Qualifying Capital Expenditure ("QCE") shall apply per annum within 5 years from the production date.

The EDI is granted for an initial period of 5 years and may be extended for another 5 years and no more if the priority company reinvests 100% of its profits during the incentive period for expansion of the same product or products.

To qualify, a company must meet the minimum QCE threshold set out in the Ninth Schedule of the NTA. For the mining sector, the applicable thresholds depend on the specific activity as follows:

- Mining and processing of coal → Minimum QCE of ₦10 billion.
- Quarrying and mining of limestone, barite, bitumen, and bentonite → Minimum QCE of ₦5 billion.
- Mining of lead, zinc, iron ore, gold, lithium, and rare earth minerals → Minimum QCE of ₦10 billion.



The NTA provides for a sunset period. The *sunset* is defined as the period counting from the date of enactment of the NTA to the relevant period, after which a sector, industry, or activity shall cease to be eligible for the economic development incentive. The sunset durations vary depending on the specific sector or product line, typically ranging from 10 to 20 years. For the mining sector, the sunset duration is for a period of 20 years. This means that companies that operate within the mining industry can apply for EDI within the sunset period.

a. The Manufacturing Sector

The NTA provides a framework where capital allowances are claimed at fixed annual rates, based on the original cost of the QCE. These fixed rates apply consistently each year until the full value is recovered. The rates are applied across three defined categories of rates:

- **Class 1 (10%):** Building Expenditure, Agricultural Expenditure, Mast Expenditure, Intangible Asset Expenditure, Heavy Transportation Expenditure.
- **Class 2 (20%):** Plant Expenditure, Furniture & Fittings Expenditure, Agricultural Equipment Expenditure, Mining Expenditure, Other Equipment Expenditure.
- **Class 3 (25%):** Motor Vehicle Expenditure, Software Expenditure, Other Capital Expenditure.

Manufacturing companies engaged in the manufacture of dairy products, cocoa processing, and the manufacture of animal feeds will enjoy tax exemptions for the first 5 years of business commencement. Income from manufacturing companies involved in export-related activities will qualify for income tax exemption on profits derived from goods exported from Nigeria if the proceeds of such exports are repatriated through government-approved channels.

b. The Oil and Gas Sector

The NTA provides several incentives specifically tailored for the oil and gas industry to stimulate investment and development across its various segments. These include:

(a) Utilisation of Associated and Non-Associated Gas: The 5-year tax holiday for gas utilisation projects has been replaced with the following incentives:

- (i) the investment required to separate crude oil and gas from the reservoir into usable products shall be considered as part of the oil field development; and



(ii) the capital investment in facilities or equipment to deliver associated gas in usable form at utilisation or designated custody transfer points shall be treated for tax purposes, as part of the capital investment for oil development.

(b) Retained Incentives Under the Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.) Order 2024 (the “Order”): The NTA retains the incentives provided in the Order, which include a 35% Investment Allowance, 0% tax and 0% royalty for gas transferred from the natural gas liquid facility to the gas-to-liquid facilities, gas tax credit (GTC) at the rate of US\$1.00 or US\$0.50 per thousand or million standard cubic feet depending on the hydrocarbon liquids content. You can read our publication on the Order [here](#).

(c) Accelerated Capital Allowances, Other Allowances and Tax Credits: Companies benefit from accelerated capital allowances with a 100% deduction for initial exploration wells and a 20% annual allowance over 5 years for other assets, detailed in First Schedule of Part II of the NTA. An investment tax credit ranging from 5% to 20% on qualifying expenditures based on location is available under the First Schedule, Part III, while a 50% investment tax allowance applies to deep offshore and inland basin production sharing contracts under Sections 102–117.

(d) Fiscal Stabilisation: Section 88 of the NTA recognises the fiscal stabilisation clauses in production sharing contracts and other arrangements.

(e) The Economic Development Incentive (“EDI”): Lastly, the production of gas (including gas utilisation (downstream operations)) is also a priority sector for the EDI, which makes eligible companies who apply for and obtain the incentive to enjoy a 5-year (and potentially up to 10 years) incentive in the form of the EDTC. The QCE for this sector is N100 billion with a 20-year sunset period.

3. Economic Development Incentives

The EDI targets priority sectors and broad economic areas like manufacturing, agriculture, petroleum refining, electric motors, batteries, mining (various minerals), hospitals, digital content, utilities, chemicals, pharmaceuticals, vehicles, agriculture machinery, waste treatment, textiles, and shared services. Entities that meet investment thresholds, i.e., QCE (ranging between ₦500 million to ₦100 billion), qualify for the EDI. Conditions for qualification vary by sector and threshold.

Eligibility Criteria:

- Under section 167 of the NTA, the company must (1) be incorporated in Nigeria, granted exemption from incorporation, or a company which is yet to be incorporated and application made by the promoters; and (2) operate in a priority sector.



- It must meet the minimum QCE threshold for the sector, incurred prior to the production day (for example, QCE on plants, machinery, or infrastructure).
- The investment must be for producing priority products or services on a commercial scale.
- Existing companies can qualify if expanding into priority activities, but section 179 of the NTA requires that non-priority businesses must be segregated.
- **Exclusions:** Companies already benefiting from similar incentives under other laws (such as the Industrial Development (Income Tax Relief) Act 2004) are ineligible pursuant to Section 183(1).

Approval:

- Section 169 of the NTA requires Presidential approval for an EDI, and no EDI Certificate is issued without it.
- Upon approval, the Nigeria Investment Promotion Commission ("NIPC") will issue the EDI Certificate.
- If a sector is removed from the eligibility list post-application, pending applications will be denied. Existing EDI Certificates issued to companies in respect of the removed sector will remain valid for the unexpired period.
- **Annual reporting:** The NIPC will submit beneficiary lists to the Minister of Industry, Trade and Investment, who will report to the President and National Economic Council as required under Section 168(8).

4. Double Taxation Relief

Section 120 of the NTA provides relief to a Nigerian-resident person who suffers tax in Nigeria on income earned outside Nigeria, which was also subject to tax in the source country. The relief is in the form of a credit against the tax payable in Nigeria and is computed as the lower of (a) the Nigerian tax attributable to the foreign income or profit; or (b) the amount of tax paid in the foreign source country.



5. Allowable Deductions for Lottery and Gaming Businesses

Deductible items include winnings paid, prizes, agency commissions, and levies to regulatory authorities. This recognises the high payout nature of gaming. Businesses in the lottery/gaming trades are entitled to this deduction.

6. Conclusion

Tax incentives provide a measurable advantage accorded to a specific enterprise or category of business by the federal government to encourage a certain type of behaviour (such as actively engaging in productive economic activities) and to support taxpayers in their operations. They are, together with reliefs, tools utilised to foster investment, production, exports, job creation, and reduce unemployment. The NTA contains various incentives, allowable deductions, reliefs, etc, that taxpayers in Nigeria are entitled to or can take advantage of. Taxpayers are entitled to structure their activities and operations to take advantage (and have the benefits) of the above incentives and the various other incentives under the Tax Reform Acts.

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