

# Updates to the Nigeria Tax Act (NTA), 2025



Following our [initial newsletter on the Nigeria Tax Act](#), we note that some provisions in the harmonised version used to prepare the newsletter are different from the gazette which has now become publicly available. While the structure and intent of the Act remain largely unchanged, a few notable refinements have been introduced in the signed version.

## We have highlighted the key changes below:

1. **Definition of Small Company:** The NTA defines a small company as a company that earns gross turnover of N50m or less per annum and with total fixed assets not exceeding N250m. In the initial version, small company was defined as a company with gross turnover of N100m or below and with the total fixed assets of not more than N250m. Business providing professional services will not fall under the category of small businesses.
2. **Tax Rate for Companies:** The Act deletes the provision that the 30% rate for large companies can be reduced to 25% effective from a date as may be determined in an Order issued by the President on the advice of the National Economic Council.
3. **Effective Tax Rate (ETR):** In determining ETR, the Act defines profits as the net profits before tax as reported in the Audited Financial Statements (AFS) less 5% of depreciation and personnel cost for the year. This provision applies to companies with turnover of at least N20billion, and companies that are part of a multinational enterprise (MNE) group. The Act deletes the €750million threshold for companies that are members of an MNE.
4. **Taxation of Approved Entities in the Free Trade Zone:** The Act removes, from the list of exempt companies, any entity whose sales to the customs territory are made to persons involved in upstream, midstream, or downstream petroleum or gas operations.
5. **Deductible Interest:** The scope of the interest expense limitation rule has been expanded to include loans obtained from Nigerian related parties based on the provisions of the Third Schedule of the Act. Under the Companies Income Tax Act regime, the restriction, capping interest deductibility at 30% of a company's Earnings Before Interest, Depreciation, Amortization, and Taxes (EBIDTA), applied solely to interest on loans from foreign related parties.
6. **Effective Date of Commencement:** The Act defines the commencement date as **1 January, 2026**, which aligns with our recommendation in the initial newsletter.
7. **Change in Numbering of Sections:** Please note that the numbering of certain sections has changed in the final version of the Act. Readers are therefore advised to refer directly to the Act for accurate references.



While the revisions in the signed Act are not extensive, they carry important implications for eligibility, compliance, and incentive application, particularly for large companies, MNEs, and businesses operating within Free Trade Zones.

One key area of concern is the application of the effective tax rate to MNEs and Export Free zone companies. In the gazette, any Nigerian company that has a turnover of at least N20billion in any year of assessment will be liable to the minimum ETR of 15%. This will include export processing zone entities that export more than 25% of their sales into the customs territory. Interestingly, any company that is a member of an MNE will be liable to the minimum ETR, irrespective of the consolidated financial statements revenue threshold of €750million or more defined by the OECD. With this, the Act effectively avoids the allegation by the US Government that the global minimum tax rate is discriminatory against US technology companies based on the specified revenue threshold. It should be noted that the revenue threshold of N20billion does not apply to an MNE. Once a company is an MNE, it will be subject to the Minimum ETR.

The Act also recognises substance-based income exclusion principle enunciated by the OECD to prevent entities with real economic substance from being excessively taxed. The carve outs are limited to 5% of depreciation (In the OECD model, the carve out for tangible assets is limited to a percentage of the carrying value of tangible assets) and personnel cost. The top-up domestic tax will be determined by applying the top-up tax percentage (difference between the minimum ETR and the actual ETR) to the excess profits (net profits before tax less 5% of depreciation and personnel cost).

We recommend that Government revise the revenue threshold upwards as the specified revenue threshold of N20billion (about USD\$13m) appears too small and will bring many companies to scope. A turnover of at least N50billion should be considered. We also propose that revenue threshold be the only criterion to be applied for the purposes of the minimum ETR to promote equity and fairness. Thus, the issue of being a member of an MNE should not be a consideration. Once a company meets the revenue threshold, it will be subject to the minimum ETR.

With the definition of a small company as any company with annual gross turnover of N50m, the expected tax yield will improve compared to when the threshold is set at N100m. Notwithstanding, the issue for tax authorities still hinges on their ability to broaden the tax net and reduce the tax gap. Hopefully, the introduction of technology and the other initiatives, such as e-invoicing, will help to make this possible and make tax happen as it should be.



For further enquiries, please contact:

**Adewale Ajayi**

[ng-fmtaxenquiries@ng.kpmg.com](mailto:ng-fmtaxenquiries@ng.kpmg.com)



[home.kpmg/ng](https://home.kpmg/ng)  
[home.kpmg/socialmedia](https://home.kpmg/socialmedia)

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