

BRIEF INSIGHT INTO TAX REFORM ACT 2025 (NIGERIA).



**COMPUTATION OF
PAY-AS-YOU-EARN (PAYE)
FOR
TAXABLE INDIVIDUAL
AND THOSE OPERATING WITH
BUSINESS NAME.**

1.0 PERSONAL INCOME TAX (PIT)-PAYE

A. PERSONAL INCOME (NTA S.1-3).	ILLUSTRATION-WAZOBIA	REMARKS
1. Earned Income E.I (Active Income)		
2 Unearned Income (Passive Income)	NTA S. 31. Deduction shall not be allowed under this Part to any person for a year of assessment, unless claimed in writing in such form as the relevant tax authority may prescribe.	
Section (S). 12-19 S.28 of NTA S.14: Benefit-in-kind (5% of cost of asset; except living accommodation).	As at 31 Dec 2025 ₦ Earned Income (p.a) 8,000,000 Unearned Income <u>2,000,000</u> Gross Income (G.I) (A) 10,000,000	As at 31 Jan 2026 ₦ Earned Income (p.a) 8,000,000 Unearned Income <u>2,000,000</u> Gross Income (G.I) 10,000,000
B. Deduction/Relief. (NTA S.30 (2a i-vi) "eligible deductions) NTA S.31-32 – Approved Supporting Documents.		
1. Pension Contribution. 8% * (B+H+T)	P Contribution (480,000)	P Contr. (480,000)
2. National Housing Fund. 2% of Basic	N.H fund Contribution (120,000)	N.H.F (120,000)
3. Interest on mortgage loans.	Mortgage loan Interest (450,000)	Mort Loan Int. (450,000)
4. National Health Ins, Scheme.	N.H Insurance Premium (250,000)	N.H. I Premium (250,000)
5. Life insurance/annuity premiums.	Life Insurance (600,000)	Life Insur. (600,000)
6. 20% of rent paid p.a or maximum of N500,000 per annum.	Relief (1,620,000+200,000) <u>(1,820,000)</u> Total Deduction/Relief (B) <u>3,720,000</u>	Rent <u>(500,000)</u> Total Deduction/Relief <u>2,400,000</u>
C. Taxable Income (T.I) = A – B	Taxable Income (A-B) <u>6,280,000</u>	Taxable Income <u>8,000,000</u>
D. PAYE = T.I x (Tax Rate).	PAYE 31/12/2025 1,299,200	PAYE 31/01/2026 <u>₦1,230,000</u> PAYE (item 1-6: No relief) <u>₦1,590,000</u>

1.2. INDIVIDUAL INCOME TAX RATE



INDIVIDUAL INCOME TAX RATE (PAYE) NTA: Fourth Schedule	PAYEE COMPUTATION																
<p>After the relief allowance and exemptions had been granted in accordance with section 30 (1) of this Act (NTA), the taxable income ascertained shall be taxed at the following rates –</p> <table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td>Existing rate (2025)</td> <td></td> </tr> <tr> <td><=300,000</td> <td>7%</td> </tr> <tr> <td><=600,000</td> <td>11%</td> </tr> <tr> <td><=1,100,000</td> <td>15%</td> </tr> <tr> <td><=1,600,000</td> <td>19%</td> </tr> <tr> <td><=3,200,000</td> <td>21%</td> </tr> <tr> <td>>3,200,000</td> <td>24%</td> </tr> </table>	Existing rate (2025)		<=300,000	7%	<=600,000	11%	<=1,100,000	15%	<=1,600,000	19%	<=3,200,000	21%	>3,200,000	24%	<p>WEF 1ST JANUARY 2026</p> <p>NEW PERSONAL INCOME TAX RATE –WEF 01/01/26</p> <p>(a) First N800,000 at 0%; (b) Next N2,200,000 at 15%; (c) Next N9,000,000 at 18%; (d) Next N13,000,000 at 21%; (e) Next N25,000,000 at 23%; (f) Above N50,000,000 at 25%</p>	<p>TAXABLE INCOME</p> <p>₦</p> <p>800,000 X 0% = 0</p> <p>2,200,000 X 15% = 330.000</p> <p>5,000,000 X 18% = <u>900.000</u></p> <p>PAYEE</p> <p>₦</p> <p>0</p> <p>330,000</p> <p>7m X 18% = 1,260,000</p>	<p>PAYEE</p> <p>₦</p> <p>0</p> <p>330,000</p> <p><u>1,260,000</u></p> <p>1,590,000</p>
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<=300,000	7%																
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<=3,200,000	21%																
>3,200,000	24%																
		<p>Effective tax rate</p> <p>15.4%</p>	<p>15.9%</p>														

1.2.1 NTA. S.14 - BENEFIT-IN-KIND

(1) Where an employer incurs an expense in the provision of any benefit or perquisite, other than the provision of living accommodation to which this section relates, the following provisions shall apply –

- (a) where any asset belonging to the employer is used wholly or partly in the making of such provisions, the employee is deemed to have earned annual benefit of an amount equal to 5% of the amount expended by the employer in acquiring the asset, but if that amount cannot be so ascertained, 5% of the market value of the asset at the time of the acquisition, as may be determined by the relevant tax authority;
- (b) where any sum by way of rent or hire is payable by the employer in respect of any such asset, the employee is deemed to have earned annual benefit of an amount equal to the annual amount of the rent or hire payable by the employer on the asset; and
- (c) in any other case, the employee is deemed to have earned annual benefits equal to the annual amount expended by the employer in connection with the benefit thereon.

1.3 BUSINESS NAME OPERATION. (Individual)



GROSS INCOME -NTA S.28(2a-b)	FOR INDIVIDUAL OPERATING WITH BUSINESS NAME.	REMARKS
(A) TAXABLE INCOME IS THE AGGREGATE AMOUNT OF: (S.28-2a-b)	(B2) NTA 30 (2a) "eligible deductions" include payments made by the individual in a year of assessment in respect of	NTA S.29. Notwithstanding any provisions of Chapter Two of this Act, where for all practical purposes, the income of a person chargeable to tax under this Act cannot be ascertained or records are not kept in such a manner as to enable proper assessment of income, then such person shall be assessed on such terms and conditions as may be prescribed by the Minister on the advice of the Joint Revenue Board in a regulation under a presumptive tax regime.
(i) assessable profits from trade	1. Pension Contribution.	
(ii) employment income,	2. National Housing Fund Contrib.	
(iii) income from investing activities,	3. Interest on mortgage loans (FMBN).	
(iv) profits or income from any other source.	4. National Health Ins, Scheme.	
(v) chargeable gains from the disposal of chargeable assets.	5. Life insurance/annuity premiums.	
(B1) TOTAL DEDUCTION IS THE SUM OF:	6. 20% of rent paid p.a or maximum of N500,000 p.a	
(i) any loss ascertained	NTA S. 31. Deduction shall not be allowed under this Part to any person for a year of assessment, unless claimed in writing in such form as the relevant tax authority may prescribe.	
(ii) capital allowance		
(iii) income of the individual that is exempt		
iv) income of the individual on which the tax deducted is the final tax.	(C) TAXABLE INCOME = T.I – B2 S.30(1)	
TOTAL INCOME (T.I) = A – B1;	(D) PAYE = Chargeable Income \times Tax rate (Forth Schedule)	



1.3. INCOME TAX EXEMPT.

Income exempt from Tax (NTA S.163 a-v)	ACT INTERPRETATION	REMARKS
(a) the profits accruing to, or gains from disposal of assets of any person being: (ai) statutory or registered friendly society .	where the profits or gains are not derived from a trade or business carried on by such society	
(aii) a co-operative society registered under any enactment or law.	where the profits or gains are not derived from a trade or business carried on by the co-operative	
(aiii) engaged in educational, religious or charitable activities of a public character.	where the profits or gains are not derived from a trade or business carried on by such person.	
b) dividend distributed by authorized collective investment scheme .		
ci) 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	
(cii) income earned from bonds issued by a State or the Federal Government of Nigeria.		
h,i) pension, gratuity or any retirement benefits granted in accordance with the Pension Reform Act (NTA S.163i). Act No. 4, 2014.	a sum received by way of death gratuities or as consolidated compensation for death or injuries;	



THANK YOU!

