

Ngex

THE DIASPORA'S GUIDE TO

NIGERIA'S TAX REFORMS (2026)

UNDERSTAND. COMPLY. PLAN AHEAD.



Tax Tips for
Nigerians Abroad



Income, Property
& Investments



Double Taxation
Explained



Sample Calculations
& Scenarios

WHAT YOU NEED TO KNOW

STAY INFORMED & PROTECT
YOUR ASSETS

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1. Executive Summary

Key Message for the Diaspora

Good News: Personal remittances sent to family members in Nigeria are NOT taxed. The new tax reforms aim to simplify Nigeria's tax system, reduce the burden on low-income earners, and align with global best practices.

Brief Overview of the 2025 Nigerian Tax Reforms

On June 26, 2025, President Bola Ahmed Tinubu signed four landmark tax reform bills into law, marking the most comprehensive overhaul of Nigeria's tax system in decades. These reforms consolidated over 110 separate taxes and levies into a unified framework and took effect on January 1, 2026.

The four new Acts are:

- **Nigeria Tax Act (NTA), 2025** - Consolidates all major tax laws
- **Nigeria Tax Administration Act (NTAA), 2025** - Provides uniform administrative procedures
- **Nigeria Revenue Service (Establishment) Act (NRSEA), 2025** - Transforms FIRS into NRS
- **Joint Revenue Board (Establishment) Act (JRBEA), 2025** - Establishes dispute resolution mechanisms

Key Takeaways for the Nigerian Diaspora

- No requirement to obtain a Tax Identification Number (TIN) unless earning Nigerian-sourced income or operating a business.
- Tax residency is based on days spent in Nigeria or economic ties — not citizenship alone.
- Progressive Personal Income Tax (PIT): A new PIT structure exempts anyone earning below ₦800,000 annually.
- Investor Protection: Significant Economic Presence (SEP) rules are clarified, and small companies (turnover < ₦50m) are exempt from Corporate Income Tax.
- Remote Work Focus: Non-resident individuals earning from Nigerian sources are now clearly captured under "Significant Economic Presence" rules.

Executive Summary (Continued)

"The goal is not to tax poverty, but to tax prosperity fairly. We are moving from a system of 'many taxes' to 'few, efficient taxes'."

Taiwo Oyedele, Chairman, Presidential Committee on Fiscal Policy and Tax Reforms

✓ What's NOT Taxed:

- Family remittances and personal transfers for upkeep
- Gifts to relatives and friends
- Community savings contributions (ajo, esusu, etc.)
- Flight ticket refunds
- Foreign-earned income (if you're a non-resident)
- Foreign pensions and stipends (unless for work done in Nigeria)

! What IS Taxable:

- Income earned from Nigerian sources (rental income, dividends, business profits)
- Worldwide income (only if you spend 183+ days per year in Nigeria)
- Investment returns from Nigerian assets

"The reforms make the tax system in Nigeria fairer and more friendly to Nigerians in the diaspora, address the incidence of double taxation, align Nigeria with global best practice, simplify and provide clarity where tax is payable or filing obligation is applicable."

- Presidential Committee on Fiscal Policy and Tax Reforms

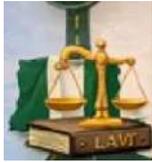
2. Overview of the 2025 Tax Reforms

Effective January 1, 2026, Nigeria is overhauling its tax system with new laws that combine and replace old statutes (Personal Income Tax, Companies Income Tax, VAT, etc.) under a unified framework that enhances compliance and simplifies administration. A central theme of the reform is the clarification and modernization of tax administration, including a clearer definition of tax residency.

Major Changes Introduced

Area of Change	Previous System	New System (2026)
Number of Taxes	110+ separate taxes and levies	Consolidated into unified framework
Personal Income Tax Exemption	Lower threshold	₦800,000 annual income exempt
Small Company Definition	Turnover ≤ ₦25 million	Turnover ≤ ₦100 million
Tax Agency	Federal Inland Revenue Service (FIRS)	Nigeria Revenue Service (NRS)
Tax ID System	Multiple TINs from different agencies	Unified Tax ID (NIN for individuals, RC for companies)
Compliance	Manual reporting	E-invoicing, digital tax filings, and automated reporting.
VAT Rate	7.5%	Phased increase: 10% (2026) → 12.5% (2027) → 15% (2030)
Corporate Income Tax	30%	Phased reduction to 25% by 2027

Timeline for Implementation



June 26, 2025

President Tinubu signs the four Tax Reform Acts into law. The Nigeria Revenue Service (Establishment) Act and Joint Revenue Board (Establishment) Act take immediate effect.



July – December 2025

Preparation period: Capacity building, system upgrades, stakeholder sensitization, and public education campaigns.



January 1, 2026

Full implementation begins – Nigeria Tax Act and Nigeria Tax Administration Act become effective.



2026-2030

Phased implementation of VAT increases and other provisions. Continuous monitoring and refinement of the system.

Clarifications from the Presidential Committee

Taiwo Oyedele, Chairman of the Presidential Committee on Fiscal Policy and Tax Reforms, has provided extensive clarifications addressing diaspora concerns:

Q: Will money I send to Nigeria be taxed?

A: No. Genuine personal transfers such as family remittances, gifts, refunds, or community savings contributions are not treated as taxable income. Only income earned or deemed to be income (wages, business profits, investment returns) is subject to tax.

Q: Do I need a Tax Identification Number (TIN)?

A: A TIN is not required, and there is no requirement to file tax returns unless you earn employment or business income from Nigeria. For diaspora Nigerians, your National Identification Number (NIN) serves as your Tax ID for banking, investments, or transactions when needed.

Q: Does having dual citizenship affect my tax status?

A: No. Dual citizenship does not affect your tax status. Your tax obligations are determined solely by the 183-day residency rule and the source of your income, not by your citizenship or passport.

3. Impact on the Nigerian Diaspora

Understanding Tax Residency

Your tax obligations are primarily determined by your residency status, which is based on the number of days you spend in Nigeria in a tax year.

How Tax Residency is Determined

Days Spent in Nigeria	Tax Status	What Gets Taxed
Less than 183 days	Non-Resident	Only Nigerian-sourced income (rental income, dividends, local business profits)
183 days or more	Tax Resident	Worldwide income (subject to double taxation agreements and tax credits)

"If you spend 183 days or more (about 6 months) in Nigeria during a tax year, you are classified as a tax resident in Nigeria. You will be taxed on all income earned worldwide. If you spend less than 183 days in Nigeria, you are not a Nigerian tax resident. You only pay tax on income sourced from Nigeria."

Impact on the Diaspora (Continued)

What IS Taxed (Obligations)

- **Rental Income:** Income from property owned in Nigeria is subject to tax, though 20% of the rent (up to ₦500,000) can now be claimed as a relief*.
- **Capital Gains:** If you sell a Nigerian property or shares in a Nigerian company for profit, you are liable for Capital Gains Tax (CGT), subject to minimums.
- **Remote Workers:** If you are abroad but provide digital services to Nigerian residents (consulting, tech, etc.), your income may be subject to a 4% flat tax if no other withholding tax applies.

Stakeholder Impact Summary

Stakeholder	Primary Impact	Action Required
Property Owner	20% rent relief introduced*	Register for TIN; File Annual returns
Equity Investor	Capital Gains Tax (CGT) aligned with income rates*	Keep records of purchase/sale prices
Remote Freelancer	Digital nexus clarified	Check if your Nigerian clients deduct Withholding Tax (WHT)

Key Term Explanations

***The 20% Rent Relief**

This new tax incentive simplifies how rental income is taxed. Instead of being taxed on the total (gross) rent you collect, the law allows you to automatically deduct 20% of that income as "allowable expenses" to cover costs like maintenance and repairs, up to a cap of ₦500,000. For example, on ₦2,000,000 rent, you can deduct ₦400,000 and are only taxed on the remaining ₦1,600,000.

***Capital Gains Tax (CGT) is aligned with income rates**

This means the profit ("gain") from selling an asset like real estate is no longer taxed at a flat 10% rate. Instead, it is treated like regular income and taxed at rates corresponding to the Personal or Corporate Income Tax bands. This simplifies the tax code, ensuring "income is income," whether from a salary or an asset sale.

***"Digital services nexus clarified"**

This refers to the new "Significant Economic Presence" (SEP) rules. These rules determine when a foreign entity is connected to the Nigerian economy for tax purposes, even without a physical office. If you provide digital services (e.g., consulting, SaaS) to Nigerian clients from abroad, you have a "digital nexus." The Nigerian company paying you is now required to deduct Withholding Tax (WHT) from your payment. This clarifies previous grey areas and helps in claiming foreign tax credits to avoid double taxation.

Types of Income: Affected or Exempt

Income Type	Tax Status	Details
Family Remittances	✓ EXEMPT	Personal transfers to family for upkeep, gifts, projects
Foreign Salary/Wages	✓ EXEMPT (Non-residents)	Salary earned abroad while living abroad
Foreign Pension	✓ EXEMPT	Pensions and stipends from abroad not taxed in Nigeria
Remote Work Income	✓ EXEMPT (if abroad)	Taxed based on country of residence, not payment source
Nigerian Rental Income	✗ TAXABLE	10% withholding tax on rental income
Nigerian Dividends	✗ TAXABLE	10% withholding tax (7.5% for treaty countries)
Nigerian Business Profits	✗ TAXABLE	Subject to corporate or personal income tax
Capital Gains (shares)	✗ TAXABLE	If gains exceed ₦10 million on sales over ₦150 million

Addressing Common Concerns

Double Taxation

Nigeria has Double Taxation Agreements (DTAs) with 16 countries to prevent income from being taxed twice. The new reforms also allow for unilateral tax credits even if no treaty exists with your country of residence.

Countries with DTAs with Nigeria:

Belgium, Canada, China, Czech Republic, France, Italy, Netherlands, Pakistan, Philippines, Romania, Singapore, Slovakia, South Africa, Spain, Sweden, United Kingdom.

Note: Treaties with Kenya, Mauritius, Poland, and South Korea are signed but awaiting ratification (as of Jan 2026).

Property Owners

If you own property in Nigeria and earn rental income, you are subject to a 10% withholding tax regardless of where you live. The new reforms also provide a VAT exemption on real estate transactions, clearer guidelines on deductible expenses, and simplified online filing processes.

Diaspora Investors & Remote Workers

The reforms introduce several provisions affecting diaspora investors, including tax benefits for investments in priority sectors (agriculture, creative, manufacturing), exemptions for small companies (turnover \leq ₦100m), and a 5% annual tax credit for 5 years on qualifying capital expenses. For remote workers, the rules clarify that tax is based on residency, not payment source. Income for services physically rendered outside Nigeria is not taxable in Nigeria (unless you are a tax resident).

Reporting Requirements: Who Needs to File?

You MUST file if:

- You earn employment income from a Nigerian employer
- You operate a business in Nigeria
- You earn rental income from Nigerian property
- You are a tax resident (183+ days) with worldwide income

You DO NOT need to file if:

- You only send remittances to Nigeria
- You have no Nigerian-sourced income
- You work remotely abroad for foreign companies (and are non-resident)

CRITICAL TAX RESIDENCY RULE

THE 183-DAY RULE



This is the key statistic determining your tax status. Spending **183 days or more** in Nigeria in a tax year classifies you as a Tax Resident, making your worldwide income subject to Nigerian tax (with DTA considerations).

Spending **less than 183 days** means only Nigerian-sourced income is taxed.

4. Practical Steps for the Diaspora

Step 1: Determine If You're Affected (Self-Assessment)

1. Do you spend 183 or more days in Nigeria per year? (Yes = Tax Resident)
2. Do you own property in Nigeria that generates rental income? (Yes = Must pay tax)
3. Do you own shares in Nigerian companies that pay dividends? (Yes = Must pay tax)
4. Do you operate a business in Nigeria? (Yes = Must pay tax)
5. Do you only send money to family/friends? (Yes = No tax obligations)
6. Do you work remotely abroad for foreign companies? (Yes = No Nigerian tax, if non-resident)

Step 2: Document and Categorize Your Transactions

Maintain clear records to prove residency status and differentiate personal remittances from business transactions. Keep all rental agreements, investment statements, and receipts for foreign taxes paid to claim tax credits.

Step 3: Leverage Double Taxation Agreements (DTAs)

If you live in a DTA country, you can claim a credit for tax paid in Nigeria against your tax liability in your country of residence. This prevents being taxed twice on the same income.

Practical Steps (Continued)

Step 4: Consult Professional & Trusted Advisors

For personalized advice, it is crucial to consult with professionals who understand the nuances of both Nigerian tax law and international agreements. Seek out:

- International tax attorneys with Nigeria experience
- Certified public accountants (CPA) familiar with DTAs
- Financial advisors specializing in cross-border compliance



The advertisement features a dark green background with the NgEX logo in the top right corner. The main heading is "Find Professional & Trusted Advisors" in bold yellow and white text. Below this, a list of four categories is shown with yellow checkmarks: International tax attorneys with Nigeria experience, Certified public accountants (CPA) familiar with DTAs, Financial advisors specializing in cross-border compliance, and Legal advisors. The bottom half of the ad shows a group of four diverse professionals (two women and two men) in business attire, smiling and working together at a desk with a laptop and documents. At the bottom, the text reads "In the NGEX Business Directory: www.ngex.com/bd".

Step 5: How to Stay Informed and Compliant

Monitor official platforms for updates and digital compliance tools. If required to register, you can typically do so on the Nigeria Revenue Service (NRS) online portal using your NIN as your Tax ID.

Key Information Sources:

- Presidential Committee on Fiscal Policy and Tax Reforms: fiscalreforms.ng
- Nigeria Revenue Service (formerly FIRS): www.firs.gov.ng
- NGEX research and updates

Important Tax Deadlines



Personal Income Tax Returns

Due **March 31** following the tax year.



Corporate Income Tax Returns

Due **June 30** following the accounting year.



Quarterly Returns (Self-Employed)

Due April 30, July 31, October 31, and January 31.



Withholding Tax Remittance

Due within **21 days** of payment.

5. Pros and Cons of the Tax Reforms

✓ Benefits	! Challenges
Simplified Tax System: Consolidation of 110+ taxes reduces complexity.	VAT Increases: Phased increases to 15% by 2030 will raise cost of living.
Lower Tax Burden for Low Earners: ₦800,000 annual income exemption.	Implementation Concerns: Risk of confusion during the transition period.
Clarity for Diaspora: Explicit exemptions for remittances remove uncertainty.	Enforcement Capacity: Questions about the government's ability to implement effectively.
Reduced Corporate Tax: Phased reduction to 25% encourages investment.	Trust Deficit: Historical issues with tax administration may persist.
Enhanced Investment Climate: Tax incentives for priority sectors.	Compliance Burden: New documentation requirements for those with Nigerian-sourced income.

6. Estimated Financial Impact: Hypothetical Scenarios

Scenario 1: Family Remitter (No Tax Impact)

Profile: Nurse in the UK, sends money monthly to parents in Nigeria.

Transaction / Item	Amount	Tax Status / Details
Annual Salary (UK)	£35,000 (~₦70 million)	Taxed in UK, not Nigeria
Monthly Remittance	£300 (~₦600,000/month)	✓ EXEMPT
Days Spent in Nigeria	30 days (annual vacation)	Non-resident
Nigerian Tax Liability	No	Remittances remain untaxed.

Scenario 2: Property Owner (Tax Liability)

Profile: Software engineer in Canada, owns rental property in Lagos.

Item	Amount (₦)	Calculation/Details
Annual rental income	₦2,400,000	₦200,000/month × 12
Withholding tax (10%)	-₦240,000	Deducted by tenant/agent
Foreign tax credit (DTA)	Up to ₦240,000	Credit claimed in Canada
Conclusion	Must pay Nigerian tax on rental income, but can claim credit in Canada to avoid double taxation.	

Financial Scenarios (Continued)

Scenario 3: Diaspora Investor (Mixed Impact)

Profile: Entrepreneur in USA, owns shares in Nigerian company, invests in startups.

Income Source	Amount (₦)	Tax Rate	Tax Amount
Dividends from Nigerian stocks	₦5,000,000	10%	₦500,000
Capital gains (share sale)	₦15,000,000 gain	10%	₦1,500,000
Investment in priority sector	₦50,000,000	5% annual credit × 5 years = ₦12,500,000 benefit	
Conclusion	While dividends and gains are taxed, strategic investment in priority sectors can yield significant net tax benefits.		

Scenario 4: Remote Worker (No Nigerian Tax)

Profile: Freelancer based in Germany with global clients.

Income Item	Amount	Tax Jurisdiction
Annual salary (US company)	\$80,000	Germany (resident country)
Freelance income (global clients)	\$20,000	Germany (resident country)
Days in Nigeria	45 days (family visits)	Non-resident
Nigerian Tax Liability	No	Income is not sourced in Nigeria.

7. Verification Notes & Disclaimer

Methodology

This report is based on official government documentation, statements from the Presidential Committee on Fiscal Policy and Tax Reforms, and analysis from reputable professional services firms. The information contained herein is based on publicly available sources as of December 2025 and represents our understanding of the 2025 Nigerian Tax Reforms. All facts have been cross-referenced. Currency conversions are approximate and for illustrative purposes only.

Legal and Tax Advisory Notice

This guide is for informational purposes only and does not constitute legal, tax, or financial advice. Tax laws are complex and subject to change. Individual circumstances can vary significantly.

- This guide does not create an attorney-client, accountant-client, or advisor-client relationship.
- The Nigerian tax environment is evolving, and regulations may change after this publication.
- Currency exchange rates fluctuate and should be verified for current values.
- Hypothetical scenarios are illustrative only and may not reflect your specific situation.

Recommended Actions:

- Consult with qualified tax professionals licensed in Nigeria and your country of residence.
- Verify all information with official government sources before making decisions.
- Seek personalized advice based on your specific financial situation.
- Stay informed through official channels as implementation progresses

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About NGEX



NGEX is a leading platform and consultancy dedicated to engaging, connecting, and empowering the Nigerian Diaspora and Nigerians worldwide. We serve as a bridge between the diaspora and Nigeria - facilitating engagement, investment, knowledge transfer, and community building.

Our Service Buckets

- **Insights:** Custom Research & Consulting, Data Subscriptions, Workshops & Webinars
- **Connect:** Verified directories; databases of Nigerian businesses, events, groups etc; collaboration tools, and business matchmaking.
- **Media:** Nigeria-focused digital stories - podcasts, newsletters, and highlights.
- **Experiences:** Cultural immersion programs, Diaspora townhalls, and exchange opportunities.

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