



RSM2SNF
Research Supporting African MSMEs
To Provide Safe and Nutritious Food

**The Nigeria Tax Reform Bill & RSM2SNF stakeholder perception
survey: what Agribusiness owners should know**

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Highlight

- ❖ VAT at zero rate on essential goods and services: Basic food items are listed as essential goods and services to enjoy zero-rated tax.
- ❖ The new Nigeria tax bill, if well implemented, will see input cost drop with production becoming cheaper (lower cost), profit margins improving (leading to more competitiveness) and production expansion (higher productivity)

Introduction

The Nigeria Tax Reform Bill was passed on the 26th of June 2025 by the Nigerian government in order to change the structure of one or more taxes or elements of the tax system for improved functionality of the system. The bill, consisting of 4 acts, {i.e. the Nigeria Tax Act (NTA), Nigeria Revenue Service (Establishment) Act, Nigeria Tax Administration Act and the Joint Revenue Board (Establishment) Act} seeks to streamline revenue administration, enhance compliance and reposition the tax system to support inclusive growth (Akwusola, 2025). By consolidating a number of outdated statutes and introducing modern mechanisms for enforcement, digitalization and dispute resolution, this bill is expected to reshape Nigeria's system of taxation.

What's new on the bill?

- **Increased exemption threshold for small companies** - Small companies are now exempt from Companies Income Tax (CIT), Capital Gains Tax (CGT) and the newly introduced Development levy (see below). Small companies are defined as companies with annual gross turnovers of NGN100 million (previously NGN25 million) and below, and total fixed assets not exceeding NGN250 million.
- **Increased Capital Gains Tax (CGT) rate** – The NTA increases the Capital Gains Tax rate from 10% to 30% for companies. This effectively aligns the CGT and Companies Income Tax rate and reduces any tax arbitrage that could have been unduly enjoyed in the classification between chargeable gains and trading income. For individuals, capital gains will be taxed at the applicable income tax rate based on the progressive tax band of the individual.
- **Introduction of Economic Development Incentive** - The Acts replace the “pioneer” tax holiday incentive, with an “Economic Development Incentive” (or EDI). This incentive introduces a tax credit of 5% per annum for 5 years on qualifying capital expenditure purchased by eligible companies within 5 years effective from the production date. If a company has unused tax credits or qualifying capital expenses, it can carry them forward for another 5 years. Any credits still unused after this timeline will expire.

- **VAT at zero rate on essential goods and services** - The NTA expands the list of zero-rated items to include essential goods and services such as basic food items, medical and pharmaceutical products, educational books and materials, electricity generation and transmission services, medical equipment and services, tuition fees, exports (excluding oil and gas exports) etc. The impact of this is that businesses selling these goods and services can recover their VAT costs even though the goods and services are zero-rated which was previously not possible by law.
- **Increased penalties for non-compliance** - Significant increase in non-compliance penalties and the introduction of new penalties. Some of the updates include increase in the penalty for failure to file returns to NGN100,000 in the first month, and NGN50,000 for every month the failure continues, introduction of new penalties such as penalty of NGN5million for awarding contracts to individuals or entities that are not registered for tax, penalties for failure to grant access for deployment of technology, inducing a tax officer etc. As noted by Lawrence-Omole (2025), these tougher penalties aim to promote voluntary compliance, reduce revenue leakage, and signal the government's commitment to building a fairer, more effective tax system that holds all taxpayers accountable for meeting their obligations.
- **Introduction of the Tax Ombuds Office** - The Acts introduce the Tax Ombuds Office to liaise with tax authorities on behalf of taxpayers and serve as an independent arbiter to review and resolve complaints relating to taxes, levies, duties, or similar regulatory charges.

RSM2SNF project stakeholder perception report

The RSM2SNF project with core objectives to understand the midstream of these food value chains with a focus on MSMEs, and to inform policies and interventions to support MSMEs in providing safe and nutritious foods at affordable prices, conducted a survey in May–July 2022, to capture stakeholder perceptions of the most pressing challenges faced by MSMEs in the fish and vegetables value chains in Nigeria. The survey captured a broad assessment of the food system in Nigeria and touched on awareness and perceptions of related legislation that guides MSMEs in the agrifood value chain, gender roles in the fish and vegetables values chains, among other topics (see [here](#) for the report).

The survey was administered to 200 Agrifood stakeholders, who were recruited using both purposive and snowballing methods. The stakeholders included representatives from civil society organizations, government, farmers, the private sector (post-production), as well as academia from both the north and south of Nigeria. One of the key findings from survey was the dominant focus on high cost of inputs where respondents regarded the greatest challenge for affordability of food products to be the high cost of production inputs. While the stakeholder perception survey did not reveal high tax rates as the primary challenges, high cost of production stemming from high cost of input in agribusiness can be indirectly linked to Nigeria's tax structure. Import taxes on agricultural inputs such as fertilizers, seeds, feed, equipment, pesticides, etc., which are largely imported, value added on raw materials, cost of transportation as well as multiple taxation and regulatory levies from multiple small levies such as union charges, inspection fees e.t.c. even when agribusiness are technically tax exempt, contributes to higher prices of production which are transferred to MSMEs.

While there is no evidence that RSM2SNF research findings inform what is on the tax reform bill, the new bill is highly relevant as it aims to simplify multiple taxation, introduce incentives for small businesses and local production and reduce compliance cost, and if well implemented, will see input cost drop with production becoming cheaper (lower cost), profit margins improving (leading to more competitiveness) and production expansion (higher productivity).

What MSME owners should do:

- Business owners should register their businesses with CAC, to boost business visibility, credibility and open up businesses for more opportunities locally as well as internationally
- Stay updated- Regularly monitor official communications, information circulars or regulations from the government authorities issued pursuant to the Tax laws
- Keep records of assets and income to determine their eligibility to leverage on tax incentives such as reduced tax rates or exemptions.
- Stay compliant to tax rules that apply to businesses to avoid fines.

The RSM2SNF project has developed a short [video](#) and a flier about the bill and what it entails and disseminated both to the respondents and also to the general public.

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