SpringHill Capital

Nigeria's New Tax Reform Bill- Review

May 19, 2025

Key Points

- **Simplified Tax System:** The bill unifies tax laws and introduces digital compliance tools and faster dispute resolution.
- **Lower CIT, Smarter VAT:** CIT drops to 27.5%, while VAT redistribution rewards high-consumption states like Lagos and Rivers.
- **Sector-Specific Gains:** Manufacturing, fintech, retail, and tax tech stand to benefit most; investors should reallocate accordingly.

What Changed, Why It Matters, and How Investors Should Respond

In May 2025, Nigeria passed the Nigeria Tax Bill a transformative piece of legislation aimed at overhauling the country's tax structure. This reform consolidates existing tax laws into a unified framework and introduces changes that are designed to streamline compliance, improve transparency, and strengthen revenue allocation mechanisms. For businesses and investors, the Nigeria Tax Bill marks a shift toward a more competitive, rules-based fiscal environment with clearer incentives and fewer barriers to growth.

Pre-Reform vs. Post-Reform Snapshot:

S/N	Category*	Pre-2025	2025 Tax Bill
1.	Legal Structure	Fragmented, multiple overlapping laws	Consolidated under Nigeria Tax Bill
2.	CIT Rate	30%	27.5% (2025), 25% (2026)
3.	VAT Rate	7.5%	7.5% (unchanged)
4.	VAT Sharing Formula	15% Fed, 50% States, 35% LGs	10% Fed, 55% States, 35% LGs; 30% based on consumption
5.	Taxpayer Identification	Inconsistent, state-dependent TINs	Unified TIN system
6.	Compliance Process	Manual, paper-based	Digital-first filing, centralized systems
7.	Dispute Resolution	Court-based, slow	Tax Appeal Tribunal and Ombud for timely resolution
8.	Investor Risk Profile	High uncertainty	Stronger clarity, faster compliance, improved ROI predictability

Consolidation and Clarity in Tax Law

At the heart of the Nigeria Tax Bill is the consolidation of various overlapping tax statutes into a single legal framework. This shift eliminates ambiguities that have long plagued corporate taxpayers and investors, offering a unified structure for obligations across corporate income tax, VAT, and personal taxation. The bill introduces a unified Taxpayer Identification Number (TIN), digital-first filing processes, and faster resolution mechanisms through a Tax Appeal Tribunal and the Office of the Tax Ombud. These structural changes aim to reduce bureaucratic friction and create a more transparent audit trail, aligning Nigeria with global best practices.

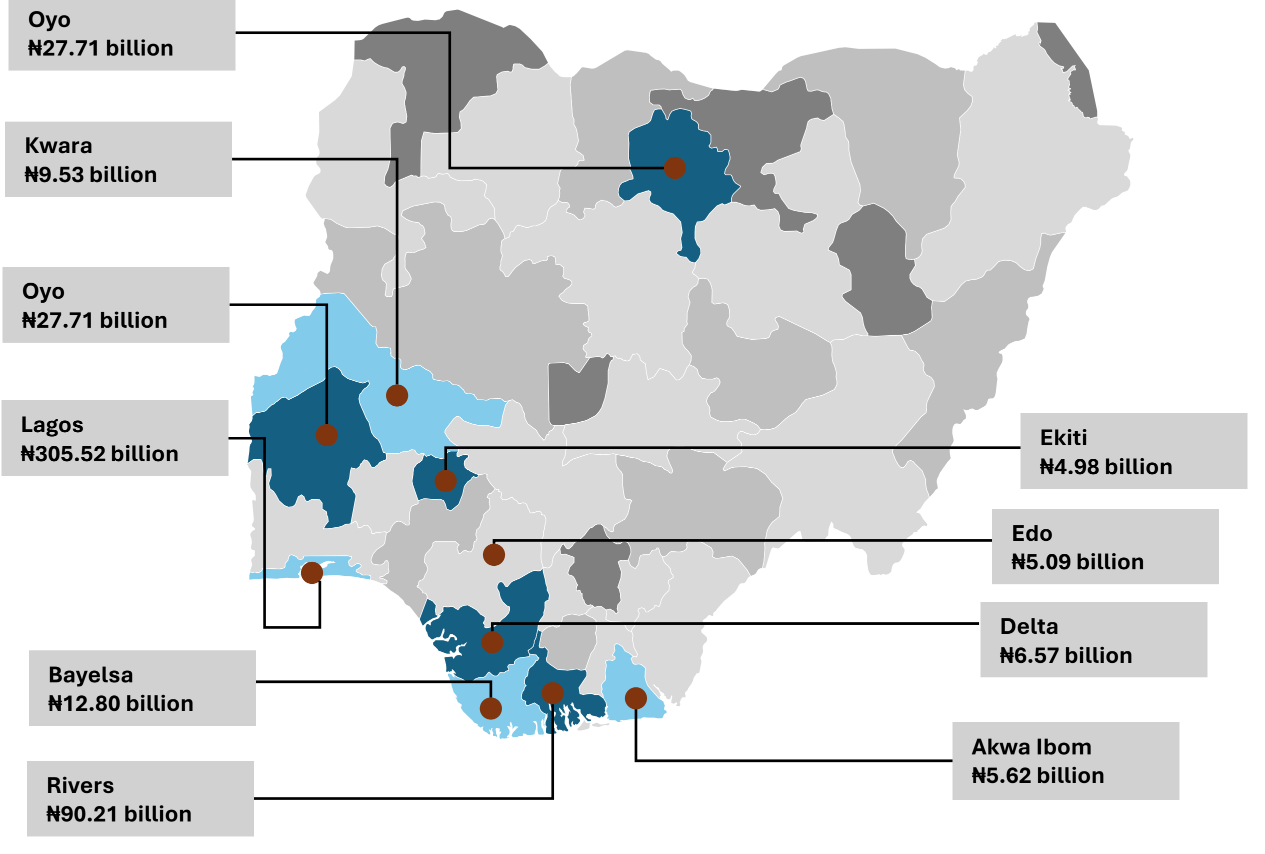
Key improvements include:

- Unified legal framework consolidating multiple tax laws
- Mandatory unified TIN system
- Digital-first filing and compliance tools
- Establishment of Tax Appeal Tribunal and Ombud office

Company Income Tax and VAT Adjustments

The bill significantly reduces Company Income Tax (CIT) from 30% to 27.5% in 2025, with a further cut to 25% planned for 2026. This positions Nigeria as more fiscally attractive compared to many emerging markets, particularly for multinationals evaluating regional headquarters or reinvestment strategies. Although the VAT rate remains at 7.5%, the revenue sharing formula has been revised. Now, 30% of VAT will be allocated based on actual state-level consumption a change that rewards economically active states and provides incentives for states to stimulate commerce.

Top 10 VAT contributors Map (Jan 2025):



Implications for Investors

The Nigeria Tax Bill opens clear value pathways for portfolio investors, particularly in sectors sensitive to margin improvement, operational scale, and regional consumption trends. With the CIT now at 27.5% and set to fall to 25% investors can expect improved after-tax earnings and re-rated valuations across multiple industries.

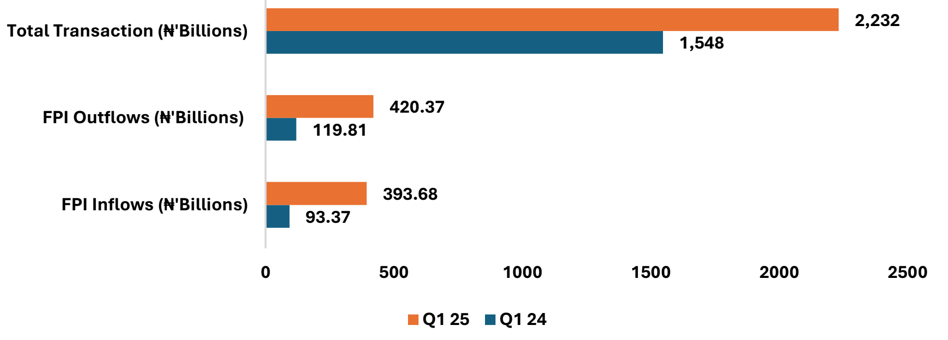
The table below outlines key sectors poised to benefit, the reasons why, and how investors can position accordingly:

S/N	Sectors	Benefits	Positioning Strategy
1.	Manufacturing & Industrials	CIT reduction increases reinvestment capacity and net margins	Target mid-cap industrials in Lagos, Rivers, Ogun
2.	Retail & FMCG	High VAT allocations to consumer hubs boost demand and logistics	Allocate to firms with strong distribution in VAT-leading states
3.	Fintech & SaaS	Simplified digital tax systems support scalable platforms	Back compliant FinTech's and scalable B2B SaaS ventures
4.	Logistics & Transport	Unified TIN and lower tax friction ease nationwide operations	Focus on asset-light logistics and delivery infrastructure
5.	Tax Tech & Compliance	Digital compliance mandates drive demand for automation tools	Invest in tax filing, audit, and ERP solution startups

Impact on Foreign Participation

Q1 2025 data from the Nigerian Exchange Group (NGX) reflects activity in the domestic equities market, offering a focused view of how portfolio investors are responding to recent reforms including the new Tax Bill:

Q1 2025 VS Q1 2024 Foreign Participation



Total foreign transactions in the Nigerian equities market hit ₦814.05 billion in Q1 2025, already **96%** of 2024's full-year total (₦852.03 billion). March alone saw foreign trades dominate the market (63% of total volume), showing foreign funds are actively engaged but not necessarily settled.

Foreign Portfolio Outflows (FPI) from equities also jumped to ₦420.37 billion a **251%** year-on-year increase. This reflects ongoing concerns around FX volatility, policy execution, and macro stability, despite improved entry signals.

Foreign Portfolio Inflows (FPI) in equities rose sharply to ₦393.68 billion, up **322%** from ₦93.37 billion in Q1 2024. This surge suggests short-term investors are responding positively to fiscal clarity, market liberalization, and corporate tax reductions.

Net FPI in equities stood at a deficit of ₦26.69 billion for the quarter serving as a clear indicator that capital flight exceeded capital entry despite reform momentum.

This duality strong inflows and strong outflows paints a picture of confidence in opportunity, tempered by nervousness about staying power. It underscores the role of the tax reform as a catalyst, but not a cure-all.

For investors, this is not just a fiscal policy update, it's a structural realignment that makes Nigeria's economy more predictable and investable. By reducing friction and rewarding growth, the Tax Bill lays the groundwork for durable, long-term capital flows. For forward-looking investors, the message is clear: recalibrate, reallocate, and engage early.

Ifeanyichukwu Okafor
Springhill Capital

About Springhill Capital

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