Nigeria's new tax laws: the first ₦800,000 is tax-free

Four reform acts took effect on 1 January 2026. Most low and middle earners pay less income tax.

₦800k
Tax-free income a year
Most low earners pay no income tax

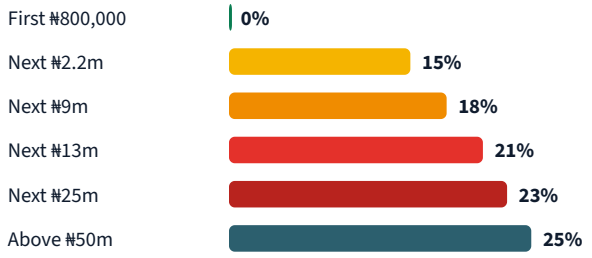
25%
Top income tax rate
On income above ₦50m a year

0%
Tax for small companies
Turnover up to ₦100m, assets up to ₦250m

7.5%
VAT, unchanged
Basic food, education and health zero-rated

The new income tax bands

Rate on each slice of annual taxable income



What you pay

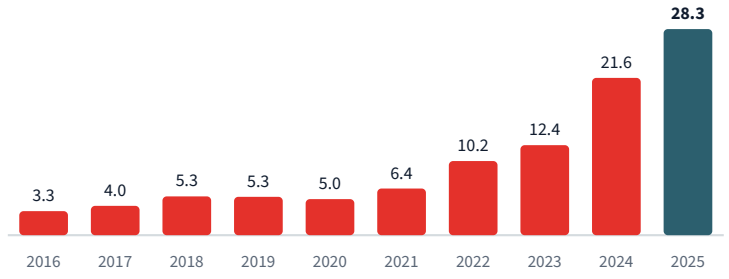
Income tax on a monthly salary, new rules

MONTHLY INCOME	TAX A MONTH	RATE
₦100,000	₦5,000	5.0%
₦300,000	₦36,500	12.2%
₦1,000,000	₦162,500	16.3%
₦5,000,000	₦1,077,500	21.6%

Before rent relief (20% of rent, up to ₦500,000) and other reliefs.

Federal tax collections keep climbing

FIRS collections, ₦ trillion; the NRS took over in 2026



What changed

2025 vs from 1 January 2026

Levies on profits	One 4% levy
Capital gains	10% → income rates
Relief allowance	Abolished
Tax authority	FIRS → NRS

WHAT IT MEANS For the economy, households and businesses

1 The economy

- Federal collections reached ₦28.3trn in 2025; the NRS now collects for 2026
- A single 4% levy on profits replaces several separate company levies

2 Households

- The first ₦800,000 of annual income is tax-free; the top rate is 25%
- Rent relief of 20% of rent, up to ₦500,000, can reduce the tax due

3 Businesses

- Small firms with turnover up to ₦100m pay 0% company income tax
- PAYE is due by the 10th and VAT returns by the 21st of each month

ECODATA

Sources: Nigeria Tax Act 2025 and Nigeria Tax Administration Act 2025 (Nigeria Revenue Service); FIRS annual collections. Tax examples calculated by Eco DataPlace. General information, not tax advice.

www.ecodataplace.com
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