

AN APPRAISAL OF THE PERSONAL INCOME TAX UNDER THE NIGERIA TAX ACT, 2025

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Abstract

Personal income tax is a form of tax that is paid on the income profit of gains of an individual who is gainfully employed, practicing a vocation or profession and carrying on a business other than a company. The law prescribed incomes which are taxable and exempted from tax. Some expenses incurred are allowed to be deducted from the total income before calculating the tax payable by the individual person. The recent promulgation of Nigeria Tax Act, 2025 has introduced a new dimension in the tax policy and administration of the government. The new Act was promulgated with the overall aim of ensuring that the tax law in tune with the current economic and social realities. Considering the emergence of Information Communication Technology (ICT) and Post COVID 19 which has heralded a new normal, there is the need for a legal framework that can cope with the new realities. It is on this premise that the Nigeria Tax Act, 2025 was promulgated. The paper examines personal income tax within the confine of the provision of the Nigeria Tax Act, 2025. The innovation introduced by the Act in terms of tax imposition on income and administration was examined. The paper concludes that the new Act leverages on the old legal framework to block loopholes and captured taxable persons and income within the tax net in a more transparent and accountable manner.

Keywords: Tax, Personal Income Tax, Tax Administration, Taxation, Income Tax

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1.0 INTRODUCTION

The Federal Government, under the leadership of President Bola Ahmed Tinubu, promulgated a new tax law that heralds in some innovations in Nigeria's tax laws and administration. The Personal Income tax, being one of the categories of tax payable by Nigerian citizens, is caught up in these innovations. Personal Income tax is one of the categories of income tax that is payable or deductible from the income of individuals. It forms part of the government revenue.

Constitutionally, payment of personal income tax was imposed by the Constitution of the Federal Republic of Nigeria 1999 (as amended). Section 24(f) of the Constitution provides thus:

*“It shall be the duty of every citizen to –
(f) declare his income honestly to appropriate and lawful agencies
and pay his tax promptly.”*

The same Constitution further empowers the Federal Government to make laws in respect of income tax including personal income tax. Item 59 of the Part I on the Second Schedule provides that the Federal Government shall have exclusive power to legislate on taxation of incomes, profits and capital gains.

Flowing from this, the Federal Government has enacted a series of tax laws with the view of administering personal income tax, among other taxes. The Nigeria Tax Act is the Principal Act that unifies other tax laws and repeals the existing legal frameworks with a view to creating a legal framework for the effective and efficient tax administration, which will be in tune with the current economic realities.

It is worthy of note that personal income tax is concerned with the income made by a person. The word income is defined as money received, especially regularly, for work or through investment.¹ Such income of an individual is subject to tax in accordance with the Nigeria Tax Act, 2025. The intention of the Act, as stated in its objective, is to provide a unified fiscal legislation governing taxation in Nigeria.² This unification of tax regimes is the first of its kind in the historical development of taxation in Nigeria, which started with the promulgation of the Native Revenue Ordinance by Lord Lugard in 1904.

With the advent of a new order introduced by Information Communication Technology (ICT) through the medium of e-commerce, there is a need for the income tax laws to be reviewed. This is because several incomes are generated through e-commerce, which is different from the conventional way of generating income. It is on this note that this paper will examine the taxation of the Income of a person, the imposition of personal Income tax under the Nigeria Tax Act, 2025, and the Chargeable Rate of Personal Income Tax. The paper will further examine the various innovations introduced by the Act as they relate to Personal Income Tax.

2.0 TAXATION AND INCOME TAX

From time immemorial, taxes have been one of the major sources of revenue through which government at all levels meets its obligations. According to Ola, taxation is a compulsory levy imposed on a subject or upon his property by the government to provide security, Social amenities,

¹ Constitution of the Federal Republic of Nigeria, 1999 (as amended)

² Ibid. s 1 CFRN

and create conditions for the economic well-being of the society.³ The National Tax Policy, 2017, defined tax as any compulsory payment to the government imposed by law without direct benefit or return of value or a service, whether it is called a tax or not.⁴

In the case of *Matthew v Chicory Marketing Board*⁵, tax is defined as a compulsory exaction of money by a public authority for public purposes or raising money for the purpose of government by means of contributions from individual persons. Although there are several definitions of taxation, it can be conceived as a compulsory payment imposed by the government on the income or property of the citizen in accordance with an enabling statute, where the imposition of the tax is clearly defined.

There are several types of taxation, among which are income tax. Personal Income Tax, a category of income tax, is governed by the Nigeria Tax Act, 2025. The Act repealed the Personal Income Tax Act, 2011 (as amended) and other similar Acts in that regard.⁶ The focus of this paper is to examine the imposition of personal income tax on the income, gains, and profits of an individual person in accordance with the Nigerian Tax Act. According to section 3 of the Nigeria Tax Act, 2025, income tax is defined as follows: Income tax shall be determined in accordance with the provisions of this Act and imposed on the –

- a. Profits or gains of any company or enterprise,
- b. Income of any individual or family; and

³ C.S. Ola. *Income Tax Law and Practice in Nigeria*. (2nded). Nigeria, Heinemann Educational Books, 1999; 32.

⁴ See Chapter 1, paragraph 1.2 of the National Tax Policy, 2017.

⁵ (1983) 60 CLR 263.

⁶ Nigeria Tax Act, 2025, s 196. The section repealed the Personal Income Tax Act and other legal frameworks on taxation.

- c. Income arising, accruing, or due to a trustee, or an estate.

From the foregoing, personal income tax is payable on the income of an individual in the form of salary or emolument and the profit or gains made by an individual from business. The business must be carried on as an enterprise or ventures and not as a company. It therefore means that profits made from running a company are subjected to Company Income Tax and not Personal Income Tax.

3.0 IMPOSITION OF PERSONAL INCOME TAX.

It is worthy of note that personal income tax is imposed on the income, allowances, profit, or gains accrued in or derived from Nigeria by a person from any trade, business, profession, or vocation. The Act further imposes tax on the income of a person not resident in Nigeria, but that is derived in Nigeria. Section 17 provides thus:

The income, profits, or gains of a non-resident person accruing in, or derived from Nigeria, are chargeable to tax in accordance with the provisions of this Act.

The section further imposes tax on gains and profits made by non-resident on business, trade, or profession that such non-resident carried on in Nigeria. The Act provides for allowable deductions on the profit of trade, business, vocation, and profession carried on by a person in Nigeria. These allowable deductions are expenses incurred on the business, vocation, or profession.⁷ In the same vein, deductions that are not allowed on the profit of trade, business, vocation, and profession are highlighted under section 21 of the Act.

⁷ Nigeria Tax Act, s 20.

The trade, business, vocation, and profession referred to under this section do not include trade, business, vocation, or profession that is carried on under a registered company in Nigeria, but rather, profit that forms the income of an individual. Taxable income is derived from the total income less allowable deductions, and the tax rate for individuals is as specified in the fourth schedule of the Act.

Section 58 provides thus:

The income tax payable on the chargeable income of an individual, other than an individual earning Minimum Wage in line with the Minimum Wage Act, in respect of each year of assessment, shall be as specified in the Fourth Schedule to this Act.⁸

The Fourth Schedule provides for the tax rate chargeable on the income of an individual as follows:

- a. First N800,000 at 0%***
- b. Next 2,200,000 at 15%***
- c. Next 9,000,000 at 18%***
- d. Next 13,000,000 at 21%***
- e. Next 25,000,000 at 23%; and***
- f. Above N50,000,000 at 25%.***

These rates are applicable after the relief allowance, and exemptions have been granted in accordance with the provisions of the Act in order to ascertain the taxable income. However, the Act further makes provision for presumptive taxation of individuals whose taxable income cannot be ascertained. Section 29 provides thus:

⁸ Ibid. s 58.

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 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.⁹

By implication, where it is practically impossible to ascertain the taxable income of an individual person, the Minister is, by this provision, empowered to assess the amount to be paid as tax by such individual on the advice of the Joint Revenue Board. This provision may likely be the fate of many business owners, traders, vocation, or profession in Nigeria, as the Nigerian economy is largely informal. It becomes almost impossible to ascertain the profit or gains made from business, trade, or vocation.

Allowing the Minister to fix the manner of assessment may create challenges for business owners, vocation, or profession. This is because the Minister will be disconnected from the economic realities of each geographical location of the federating units, thereby creating a lacuna that may lead to a financial quagmire for the taxpayers.

Subject to section 30(2) of the Act, some deductions are allowed from the income of an individual before imposition of tax. The following eligible deductions are provided under the Act. They are:

- a. Contributions under the National Housing Fund.
- b. Contributions under the National Health Insurance Scheme
- c. Contributions under the Pension Reform Act

⁹ Ibid. s 29.

- d. Interest on loans for developing an owner-occupied residential house, etc.
- e. Annual amount of annuity or premium on life insurance of an individual or his spouse
- f. Rent relief of 20% of yearly rent paid, not exceeding N500,000.¹⁰

To claim these deductions from one’s income, a writing claim in a prescribed form by the relevant tax authority is required, alongside documentary evidence to support such a claim, and where there is no such documentary evidence or where the same is inadequate, the tax authority may refuse such deductions.¹¹

5.0 CALCULATION OF PERSONAL INCOME TAX UNDER NIGERIA TAX ACT, 2025

ALLOWABLE DEDUCTION

Gross Income	NHIS	NHF	ANNUITY	PENSION	Rent Relief	Total Allowable Deductions	Taxable Income	Tax Payable/Annum	Tax Payable/Month
XY	A	b	C	d	e	a+b+c+d+e	G.I– TAD		T.P/A÷12

Tax payable per annum is calculated using the tax rate in the fourth schedule of the Nigeria Tax Act, 2025.

Calculations under Personal Income Tax Act, 2004 (as amended)

ALLOWABLE DEDUCTION

¹⁰ Ibid. s 30(2) of the Nigeria Tax Act, 2025.

¹¹ Ibid. s 31 & 32.

Gross Income	Consolidated Reliefs	20% of Gross Income	NHF	NHIS ¹²	PENSION	ANNUNITY	Total Allowable Deduction	Taxable Income	Tax Payable /Annum	Tax Payable/ Month
XY	A	B	c	D	E	F	a+b+c+d+e+f	G.I – TAD		T.P/A÷12

First 300 000	-	7%
Next 300,000	-	11%
Next 500,000	-	15%
Next 500,000	-	19%
Next 1,600,000	-	21%
Above 3,200,000	-	24%

5.1 ALLOWABLE DEDUCTIONS

Allowable deductions are specific expenses and statutory contributions that an individual is permitted to subtract from their total income in order to determine their chargeable income for tax purposes. These deductions ensure that only the portion of income representing true taxable capacity is subjected to personal income tax.

Under the Nigeria Tax Act 2025, allowable deductions for individuals are governed primarily by Section 30(2), while related provisions in Sections 28&31–32 shape how these deductions are applied, claimed, and verified.

¹² National Health Insurance Scheme

1. Statutory Contributions¹³: The Act recognizes several mandatory contributions as deductible because they are tied to social security, healthcare, housing, and retirement planning. These include:
 - a) National Housing Fund (NHF) Contributions
 - b) National Health Insurance Scheme (NHIS) Contributions
 - c) Pension contributions under the Pension Reform Act
2. Interest on loans for owner-occupied residential property: Individuals who take loans specifically for building or improving their own residential homes may deduct the interest paid on such loans. This incentive supports home ownership and reduces housing-related financial stress.
3. Life insurance premiums and annuities: Premiums paid for life insurance policies or annuity contracts are allowable deductions when paid on the individual's own life, the life of a spouse
4. Rent relief¹⁴: Rent constitutes a major household expense: the Act provides relief in the form of 20% of annual rent paid, subject to a maximum cap of ₦500,000, whichever is lower. This deduction, however, requires an accurate declaration of rent paid and any additional information required by the relevant tax authority.
5. Income exemptions and items subject to final Tax¹⁵: Although not framed as "deductions," the Act reduces taxable income by excluding income expressly exempt under the Act, and Income where tax withheld at source is treated as final tax. These items effectively reduce the tax burden and are considered part of total deductions when computing an individual's total income.

¹³ s 30(2)(a)

¹⁴ 30(2)(a)(vi)

¹⁵ s 28(2)(b)(iii–iv)

6. Losses¹⁶: Where an individual incurs a loss in a trade, business, profession, or vocation, or disposal of a chargeable asset, such losses are deductible, subject to important conditions, such as Loss cannot exceed the amount of income¹⁷, it must first be deducted against the earliest future profits until fully recouped, losses on digital or virtual assets may only be deducted from profits of the same asset class.
7. Capital Allowances¹⁸: Though primarily applicable to businesses, individuals with qualifying capital expenditure may deduct capital allowances¹⁹

5.1.1 Documentation Requirements²⁰

- i. To Claim Deductions, The Individual Must Formally Apply In Writing
- ii. The Tax Authority May Request Supporting Documents
- iii. Failure To Produce Adequate Evidence May Result In The Deduction Being Disallowed

These rules reinforce compliance and ensure deductions are granted only for legitimate and verifiable expenses.

5.2 NON-ALLOWABLE DEDUCTIONS

While the tax system permits specific deductions to ensure fairness in determining an individual's taxable income, the Nigeria Tax Act 2025 also

¹⁶ s 28(3)

¹⁷ No negative chargeable income

¹⁸ s 28(2)(b)(ii)

¹⁹ For instance, for plant, equipment, or tools used in generating income

²⁰ s 31–32

expressly prohibits certain expenses from being deducted. These non-allowable deductions, outlined in Section 21, ensure that only legitimate, income-producing expenses reduce taxable income, while private, capital, or unrelated expenditures remain fully taxable.

Understanding these restrictions is essential for accurate tax compliance and preventing disallowed claims that may attract penalties.

- i. Capital expenditure²¹: Any expenditure of a capital nature, such as acquiring land, buildings, cars, machinery, or other long-term assets, is not deductible when determining taxable income. Although such items may qualify for capital allowances, the initial purchase cost itself cannot be deducted as an expense.
- ii. Domestic or private expenses²²: Personal living costs do not reduce taxable income. These include household expenses, personal travel not related to generating income, private school fees, non-business telephone bills, and clothing (except protective work clothing). The Act distinguishes clearly between business-related expenses, which may be allowable, and personal consumption, which is not.
- iii. Capital repaid or withdrawn²³: Any repayment or withdrawal of capital is non-deductible. This includes return of capital to investors, drawings by business owners, and repayment of loan principal. Only interest on a qualifying loan may be deductible, not the principal itself.

²¹ s 21(b)

²² s 21(c)

²³ s 21(a)

- iv. Sums recoverable under insurance or indemnity²⁴: If an expense can be claimed back from insurance, the taxpayer cannot also deduct it for tax purposes. This prevents double relief
- v. Taxes paid on profits or income²⁵: Taxes themselves are not deductible, whether paid in Nigeria or elsewhere. Examples include Personal income tax, Capital gains tax, and foreign income taxes. This ensures taxes do not reduce tax liabilities further.
- vi. Payments to unapproved pension or provident funds²⁶: Contributions to any pension, provident, retirement benefit scheme, or similar fund not approved under the Pension Reform Act cannot be deducted. Only contributions to recognized statutory schemes qualify as allowable deductions.
- vii. Depreciation or impairment²⁷: Depreciation charges recorded in financial statements are not tax-deductible. Instead, the Act uses capital allowances as the standard method for granting relief on assets. Non-deductible items include annual depreciation, asset impairment losses, and unrealized foreign exchange losses on foreign-currency items
- viii. General provisions, reserves or provisions²⁸: Any amounts “reserved out of profits,” including general provisions for future expenses or contingencies, are fully non-deductible. Only specific, recognized deductions, such as verified bad debts, are allowed under strict conditions.

²⁴ s 21(d)

²⁵ s 21(e)

²⁶ s 21(f)

²⁷ s 21(g)

²⁸ s 21(h)

- ix. Payments to connected persons that fail transfer pricing standards²⁹: Expenses paid to related parties are not deductible if the amount is excessive, the transaction does not meet arm's-length requirements, or there is inadequate documentation. This prevents artificial profit shifting.
- x. Expenses related to exempt income³⁰: If an income is exempt from tax, any expense incurred in generating that income cannot be deducted. Tax benefits cannot be doubled.
- xi. Expenses deductible under capital gains provisions³¹: Expenditures that are already recognized when calculating chargeable gains cannot also be deducted from income.
- xii. Penalties and fines³²: Any penalty imposed under any law is fully non-deductible. This includes late filing penalties, traffic fines, and regulatory sanctions. Allowing such deductions would reduce the deterrent effect of penalties.
- xiii. Taxes or penalties borne on behalf of another person³³: If an individual pays tax or penalties on behalf of someone else, such payment is disallowed as a deduction.
- xiv. Disallowed compensating payments in securities lending³⁴: Certain compensating payments between borrowers, lenders, and approved agents in a regulated securities lending transaction are non-deductible where they qualify as dividends or interest under the Act.

²⁹ s 21(i)

³⁰ s 21(j)

³¹ s 21(k)

³² s 21(l)

³³ s 21(m)

³⁴ s 21(n-o)

- xv. Expenses with unpaid VAT, customs duties, or levies³⁵: Where VAT is due on an expense and was not charged, or where import duties have not been paid, the underlying expense is non-deductible. This enforces compliance with VAT and customs regulations.

5.3 INCOMES EXEMPTED FROM TAXATION

Section 163 of the Act provides for incomes that are exempted from tax. The section lumps together both personal income and company income that are exempted. Flowing from the proviso, the following personal incomes are exempted from taxation. They are:

- a. Profit or gains made from the disposal of assets of a cooperative, trade union, organization engaged in educational, religious, or charitable activities, statutory or friendly society, where such profits are not derived from the trade or business of such society
- b. Profit accruing to or gains from the disposal of assets of Federal, State, or Local Government in Nigeria, their Ministries, Departments, and Agencies, and other public institutions other than profits or gains derived from trade or business or any instrumentality established for trade or business
- c. Dividend distributed by an authorized collective investment scheme
- d. Pension, gratuity, or any retirement benefits granted in accordance with the Pension Reform Act.
- e. Wound and disability pensions granted to members of the armed forces or of any recognized national defence organization, or to a person injured as a result of enemy action.

³⁵ s 21(p)

- f. A sum received by way of death gratuities or as consolidated compensation for death or injuries.
- g. Income earned from bonds issued by a State or the Federal Government of Nigeria.
- h. Wages and salaries of military officers.
- i. Income of a person from an employment where such person earns gross income of National Minimum Wage or less from such employment.
- j. Dividend, interest, rent, or royalty derived from outside Nigeria and brought into Nigeria through approved channels
- k. Income in respect of which tax is remitted or exempt under the provisions of the Diplomatic Immunities and Privileges Act or of any enactment, order, or notice continued in force or effected by that Act.
- l. Emoluments of persons serving as other ranks and other personnel serving in combat zones, hazardous areas, or in designated operations.³⁶

With this new tax law regime, the salaries of the Presidents and Governors are now subject to tax, while the incomes of the military personnel are now exempted. This is one of the innovations introduced by the Act.

6.0 IMPOSITION OF TAX ON THE PROFITS OF INDIVIDUALS

Under the Nigeria Tax Act 2025, tax is formally imposed on the income and profits of individuals as part of the consolidated national tax framework. Section 3(b) expressly provides that “income of any individual

³⁶ Nigeria Tax Act, 2025.

or family” is subject to taxation, establishing the legal foundation for personal income tax in Nigeria. This statutory charge covers all categories of income listed under Section 4(2), including salaries, wages, bonuses, allowances, compensations, pensions, annuities, profits or gains from transactions in digital or virtual assets and any other earnings accruing to an individual.

Furthermore, Section 12 expands the scope by deeming all income, gains, or profits of a resident individual to accrue in Nigeria, regardless of where they are earned or received. This establishes a worldwide tax basis for Nigerian residents, ensuring that individuals are taxed on income regardless of its source. Taken together, these provisions create a comprehensive framework for taxing the profits and incomes of individuals, forming the backbone of Nigeria’s personal income tax system.³⁷ By implication, incomes generated from outside the country and virtual and digital assets like crypto-currency, etc are now subjected to personal income tax.

6.1 Rules of Residency

One of the most important foundations of Nigeria’s personal income tax regime is the determination of residency. Residency status decides which State or territorial tax authority has the right to assess and collect personal income tax from an individual. The Nigeria Tax Act, 2025 provides detailed rules for different categories of taxpayers, including individuals with earned income, those with unearned income, families, trustees, estates, and corporations sole. The Act establishes clear legal criteria for determining residency, particularly in the Twelfth Schedule of the Act, which outlines how earned and unearned income is allocated to specific taxing territories.

³⁷ Nigerian Tax Act, 2025, s 3(b), 4(2), 12

Paragraph 1³⁸ of the Schedule deals with people who are under foreign employment, that is, a job whose employer is a foreigner and whose duties are normally performed outside Nigeria. This paragraph applies to anyone who has a foreign employment on 1st January or anyone who starts a foreign employment during the year, and because of that job, they become liable to Nigerian tax in that year. However, this provision does not apply to individuals covered by Section 3(1)(a)(iv)³⁹ of the Nigeria Tax Administration Act, because those people are treated under special rules. If a person's duties are performed outside Nigeria, then he is deemed resident in the territory where his employer's office is located. This implies that where a person works for a UK company whose head office is in Lagos State⁴⁰, and his work is performed entirely in the UK, such an individual is treated as resident in Lagos State for Nigerian Tax purposes.

However, if an employee works in Nigeria for a foreign employer, the rule is that he is resident in the place where he actually lives, that is, his habitual residence. For example, where an individual works remotely from Ibadan for a Canadian Firm, his residence for the purpose of personal income tax is Ibadan, Oyo State. This provision ensures that a person is assigned to one clear tax authority even if they work partly in Nigeria or their employer is entirely foreign. This gives Nigerian Tax Authorities certainty and uniformity.

³⁸ Ibid

³⁹ This provision relates to non-resident persons who derive profit or income from Nigeria or any income derived from employment in Nigeria by a person, not being a resident of any State in Nigeria

⁴⁰ Nigerian branch or Representative Office

Paragraph 2⁴¹ provides that an individual who holds a Nigerian employment on 1st January, or who becomes liable to tax by entering into Nigerian employment during the year, is deemed resident in the territory where he has a place or principal place of residence on that day or on the day he starts full duties. If the person is on leave from Nigerian employment on 1st January, residency is based on where they lived immediately before the leave began.

Paragraph 3 covers employees whose residency may not be easily identified. This is where an individual works in Nigeria but has no residency in any state (for example, offshore workers living on oil rigs, seafarers working offshore, or workers living entirely at sea or in the Exclusive Economic Zone or territorial waters of Nigeria). If such an individual cannot be assigned to any State under paragraph 2, such a person is treated as having foreign employment for residency purposes. If even under foreign employment, he still has no territory, then he falls under section 3(1)(a)(iv) of the Nigerian Tax Administration Act, which generally applies special residency/taxation allocation rules for non-resident or itinerant workers.

The Act⁴² anticipates situations where more than one rule could establish residency. In such cases, the first-numbered paragraph that applies⁴³ is the controlling authority. Additionally, if a tax authority wrongly assesses an individual before residency is correctly determined, that authority must discharge the incorrect assessment. This reinforces fairness and correct application of the law.

⁴¹Twelfth Schedule of the Nigerian Tax Act, 2025

⁴² Twelfth Schedule, Paragraph 8

⁴³ i.e., the earliest applicable rule in the Schedule

For family income, it is taxed solely by the territory where the family member who customarily receives that income resides⁴⁴. Income arising to trustees, estates, or executors is taxed only by the territory where the settlor or creator of the trust is resident⁴⁵. This rule aligns taxing power with the origin of the trust arrangement rather than the location of assets or beneficiaries.

The residency rules under the Nigeria Tax Act, 2025, form the backbone of personal income tax administration in Nigeria. The Act provides a systematic framework that prioritizes: Physical residence on 1 January, Location of income sources where residence is unclear, Clear guidance for trustees, families, and Conflict resolution mechanisms to prevent overlapping assessments.

7.0 OFFENCES RELATING TO PERSONAL INCOME TAX

By virtue of the Nigeria Tax Administration Act, 2025, some offences are specifically relevant to the administration and compliance of personal income tax (PIT). These offences are of general application and apply to individuals, employers, and other persons with obligations under the personal income tax framework.

One major offence is the failure to register for tax purposes. Every taxable person is required to register with the relevant tax authority and obtain a Tax Identification Number (Tax ID). An individual who fails to register as required commits an offence and is liable to the prescribed penalties⁴⁶.

⁴⁴ Twelfth Schedule, Paragraph 10

⁴⁵ Twelfth Schedule, Paragraph 11

⁴⁶ s 100 Nigerian Tax Administration Act, 2025

Closely related is the failure to file income tax returns. Individuals are required to file annual income tax returns, whether or not tax is ultimately payable. Failure to file returns within the stipulated time constitutes an offence and attracts statutory penalties⁴⁷. This is particularly relevant for self-employed persons and employees with income from multiple sources. Another key offence affecting personal income tax is the failure to keep proper books and records. Individuals engaged in trade, business, profession, or vocation are required to maintain adequate records to enable the correct determination of their tax liability. Failure to do so is an offence under the Act⁴⁸.

The Act also criminalizes false declarations and making incorrect statements or returns. Where an individual knowingly makes a false statement, understates income, or provides misleading information in a tax return or document submitted to the tax authority, such conduct constitutes an offence⁴⁹. This provision reinforces honesty and accuracy in personal income tax compliance.

In addition, failure to deduct or remit tax, particularly under the Pay-As-You-Earn (PAYE) system, is an offence. Employers who fail to deduct personal income tax from employees' emoluments, or who deduct but fail to remit such tax to the relevant tax authority, commit an offence and are liable to penalties⁵⁰. This offence directly affects the effective collection of personal income tax from employment income.

⁴⁷ s 101 of the Act

⁴⁸ s 102 *ibid*

⁴⁹ s 124 *ibid*

⁵⁰ *Ibid*, s 105 & 107

Finally, the Act provides for general penalties where no specific penalty is prescribed for an offence. In such cases, an individual who contravenes any provision of the Act relating to personal income tax is liable to the general penalty stipulated by the law⁵¹.

8.0 CONCLUSION

The paper examines the various provisions of the Nigeria Tax Act, 2025 as it relates to personal income tax. Findings reveal that the new Act has expanded the tax net to capture profits or gains from business, vocations and professions other than a company. Also, incomes derived from other countries into Nigeria and particularly incomes made from digital assets and another online platform are now captured in the new Act. This is to ensure that our tax policies are in tandem with the current economic and socio realities and to ensure that every person who is earning income, profits or gains especially from small scale businesses, vocation and professions running informally are within the tax net. The Act leverages on the defects and challenges of the old tax laws with a view to establish a more workable legal framework that is more stringent and ensures no one escapes or evade payment of tax.

With this new development, it is believed that tax administration will take a new twist and this will broaden the revenue generation of the government, ensure accountability and transparency.

⁵¹ s 127 ibid