

INCOME TAX COMPUTATION FOR CORPORATE ENTITIES UNDER THE NEW TAX REFORMS ACT OF 2025

BY

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Learning Objectives

The objectives of the presentation is for participants know the major changes in the company income tax computation in Nigeria.

In line with the major objective are the following specific objectives

- Participants will know major provisions in the new laws
- Identify taxable and non-taxable income
- Know penalties for non-compliance
- Know reliefs and exemptions provided by the new tax laws

Learning outcomes

At the end of the presentation participants can do the following: -

- Explain the major changes in the new tax laws
- Give valuable advise on tax planning and tax management
- Compute company income tax in line with NTA 2025

The Nigeria Tax Reform Acts 2025, which were signed into law on June 26, 2025, introduces a major overhaul of the company income tax (CIT) regime, effective from January 1, 2026. It replaces the old laws with a more progressive structure, focusing on higher exemptions for small companies, 30% CIT for large companies and effective minimum tax rate for multinationals and companies with turnover of 50 billion and above.

As the Nigerian tax system undergone a major reform, with implementation which has begun, this new legislation consolidates tax regulations to simplify compliance, increase revenue, and modernize the framework.

This paper will look at major changes in CIT regime in Nigeria, reliefs as well as tax compliance and administration.

Introduction

11 top key changes in company income tax

1.

Tax Rates

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graph TD; A[Tax Rates] --> B[Companies with 0-100m turnover]; A --> C[Companies with Above 100 million turnover];
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Companies with 0-100m turnover have CIT rate of 0% (But assets will not be more than 250 million)

Companies with Above 100 million turnover will pay CIT of 30% and 4% development levy

2. Capital gains tax which was formerly 10% is now 30%. e.g. in 2025 a company bought a house N50 million and sold it N80 million, the gain is 30 million. Under the old law, company pays 10% of the gain of 30 million = 3 million.

In 2026, for the new law, the company will pay 30% of 30 million which is 9 million

11 top key changes in company income tax contd.

3. Organization carrying out educational services has been classified as public character. **Section 163 of NTA.2025.** However, such educational services should be carried out with company limited by guarantee or incorporated trustees. If educational Services is carried out with limited liability company or business name, CIT will be paid.
4. Companies engaged in agricultural business including crop production, livestock, aquaculture, forestry, diary, cocoa processing, manufactory of animal feed etc are exempted from CIT for the next 5yrs (2026-2030)
5. If income of a company has suffered tax outside Nigeria and it is brought into Nigeria through the approved channel such income will not be taxed again as rate of which such income was taxed will be considered. This is relief from double taxation.
6. Companies engaged in lottery and gaming businesses will pay 30% company tax on gains made.

Losses can be carried forward and can be recovered in the future.

7. Minimum tax has been eliminated except for multinationals. Before now, if a company makes loss, it may still pay minimum tax but the new law has eliminated minimum tax.
8. Professional services are regarded as big companies. No matter how much the turnover is, your company will pay tax. Professional services are not regarded as small companies.
9. Companies are allowed to deduct 5% of their turnover for research and development. Before now companies can only deduct not more than 10% of their profit.

**11 top key
changes in
company
income tax
contd.**

10. Multinationals with turnover of at least €750 million and companies with 50 billion turnover and above, will pay minimum tax which called 15% Effective Tax Rate (ETR) on their net income. Net income = Profit before Tax Less 5% Depreciation and Personnel cost. **See Section 57 (a) of NTA 2025. also see sections 57(2)(a)(b) and section 57(5) of NTA 2025**

11. Elimination of initial allowance on Qualifying Capital Expenditure (QCE), relying solely on restructured annual allowances. This change aims to simplify capital allowance computations, reducing first-year tax relief for companies and spreading deductions over the asset's life.

**11 top key
changes in
company
income tax
contd.**

A company with annual turnover of 95 million made a profit of 10 million. The company also disposed an asset for 200 million. The initial cost of the asset was 155 million thereby making a gain of 45 million from disposal. What is the tax liability of the company under NTA 2025?

Solution

1. CIT = $10 \times 0\% = 0$.
2. Chargeable gain = $45 \times 0\% = 0$

Illustration 1

A company has zero annual turnover. However, the company disposed an asset 400 million. The initial cost of the asset was 300 million thereby making a gain of 100 million. What is the tax liability of the company under NTA 2025?

Solution

Gain from disposal of asset = 100 million.

Tax liability= $100 \times 30\% = 30$ million.

Note

The company is regarded as a large company since her asset is more than 250 million.

Illustration 2

A company's 2026 audited accounts shows a turnover of 500 million. It also shows a net profit of 85 million. Provision for Depreciation of fixed assets is 15 million while capital allowance was restricted to 20 million. In addition, the company made a gain of 25 million from disposal of an asset. In line with the provisions of NTA 2025 Compute

A. Dev. levy

B. CIT

Solution

Net profit as per accounts.		85 million
Add back Dep.		<u>15 million</u>
Assessable profit		100 million
A. Dev levy @4%	4 million	
Less capital allowance		(20 million)
Taxable profit from operations.		80 million
Add Chargeable gain		25 million
Total taxable income		105 million
B. CIT @ 30%	31.5 million	

Illustration 3

During examination of 2026 Returns, Nigerian Revenue Service (NRS) discovered, that a company did not disclose N20 million rental incomes as well as N10 million Investments interest income. Both rental and Investments interest income suffered 10% WHT deductions. In a revised computation, compute the development Levy and the company income tax considering that the assessable profit of the company is N50 million, capital allowance relief is N33 million and the company has already paid company income tax of N5.1 million

Illustration 4

REVISED TAX COMPUTATION

Year of assessment: 2026			
Basis period: 2025			
	N		N
Assessable profit as per ac			50,000,000
Add undisclosed Rental Income			20,000,000
Add undisclosed Int. Income			10,000,000
Revised Assessable profit			80,000,000
Dev. Levy at 4%		3,200,000	
Less capital allowance			
Annual Allowance		-33,000,000	-33,000,000
Revised Taxable Profit			47,000,000
Tax Rate at 30%		14,100,000	
Less already paid tax		-5,100,000	
Less 10% WHT deducted		-3,000,000	
Outstanding company Tax		6,000,000	

Solution

ABC Plc, a large manufacturing company with an annual turnover of ₦60 billion with taxable profit of 10 billion in 2025. ABC invests ₦20 billion in new, qualifying capital expenditure (QCE) for a priority project and is granted the Economic Dev. tax credit with a net income of 30 billion.

- a. Compute company income tax
- b. Compute Effective Tax Rate(ETR)and final tax payable.

SOLUTION

Step 1: Calculate the Standard Corporate Income Tax (CIT)

- ABC Plc. taxable profit is ₦10 billion.
- The standard CIT rate is 30%.
- CIT Payable = 30% of ₦10 billion = ₦3 billion.

Step 2: Calculate the EDTC

- The EDTC is 5% of the QCE per year.
- EDTC = 5% of ₦20 billion = ₦1 billion.

Illustration 5

Step 3: Calculate Tax Payable after EDTC

- ABC Plc can use the EDTC to reduce its CIT.
- Tax after EDTC = ~~₦~~3 billion (CIT) - ~~₦~~1 billion (EDTC) = ~~₦~~2 billion.

Step 4: Calculate the Effective Tax Rate (ETR) Liability

- The ETR is calculated as a percentage of the company's (net income)
- Assume the ETR is a minimum of 15% of (net income).
Assume Net income is 30 billion
- ETR Tax Liability = 15% of ~~₦~~30 billion = ~~₦~~4.5 billion.

Step 5: Final Tax Payable

- The company must pay CIT higher or equal to ETR.
Additional tax will be ETR (~~₦~~4.5 billion) - CIT (~~₦~~3 billion) = ~~₦~~1.5billion

**Illustration 5
contd.**

John Paul Ltd who owns shares in Guinness Plc valued at N139,000,000. The shares were disposed at N149,000,000 on Jan 2026 making a gain of N10,000,000. In the same Jan 2026, the proceeds were fully reinvested in purchase of shares in Nigeria breweries which was subsequently disposed at N160,000,000 in this Feb 2025 without plan for further re-investment within the year.

Compute the chargeable gains and tax liability of the company.

Illustration 6

John Paul Ltd

Computation of chargeable gains Tax

First Disposal	N'000	
Proceeds from disposal	149,000	
Less Cost of acquisition	-139,000	
Chargeable gain	10,000	

The N10 million gains will not be charged to CIT. The is disposal is less than 150 million and the gains will not be taxable because it did not exceed 10 million and it was reinvested.

Second Disposal	N'000	N'000
Sales proceeds		160,000
Less: carrying cost:		
Cost of Acquisition (reinvestment)	149,000	
Less capital gains rolled over	-10,000	139,000
Chargeable Gains		21,000
Chargeable Gains Tax (CGT) @ 30%		6,300

The 21million was subjected to tax because the disposal is above 150 million and chargeable gains above 10 million.

Solution

References

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