

NIGERIA TAX REFORM: WHAT MSMEs SHOULD KNOW

It is an act passed by the Nigerian government to change the structure of one or more taxes or elements of the tax system, to improve the functioning of the system.



What is new on the bill?

- Increased exemption threshold for small businesses
- Harmonised system
- Formalization incentive
- Introduction of the Tax Ombudsman office

Whats new?

What does this mean for Agribusiness?

- Increased exemption threshold for small companies
Companies with annual gross turnovers of NGN 100million and below, and total fixed assets not exceeding NGN 250million, are now exempt from Companies Income Tax (CIT), Capital Gains Tax (CGT) and the newly introduced Development levy.

- Harmonised system:

A new Joint Revenue Board (JRB) has been setup to coordinate tax matters between federal, state, and local governments which removes duplication, and harmonizes processes across states

- Formalization incentives

To encourage informal businesses to come under the tax net, the government has introduced a formalization incentive; businesses newly registered with the Corporate Affairs Commission (CAC) are now eligible for a one-year startup tax credit. There is also a two-year tax holiday for MSMEs operating in priority sectors e.g agriculture and manufacturing

- Tax ombuds office creation

An office setup to handle tax queries and protect tax payer rights.



What should MSMEs do?

Formalise their businesses
(register with CAC)!



Keep records of assets, income to determine their eligibility to leverage on tax incentives such as reduced tax rates or exemptions.



Stay compliant to tax rules that applies to businesses to avoid fines.

