



THE PROPOSED TAX REFORM ACT

A New Dawn for Small Businesses

Introduction

Small businesses are the lifeblood of Nigeria's economy, fueling innovation, job creation, and community growth. Yet for years, they have operated under the heavy weight of a tax system often seen as fragmented, burdensome, and punitive. Change is on the horizon.

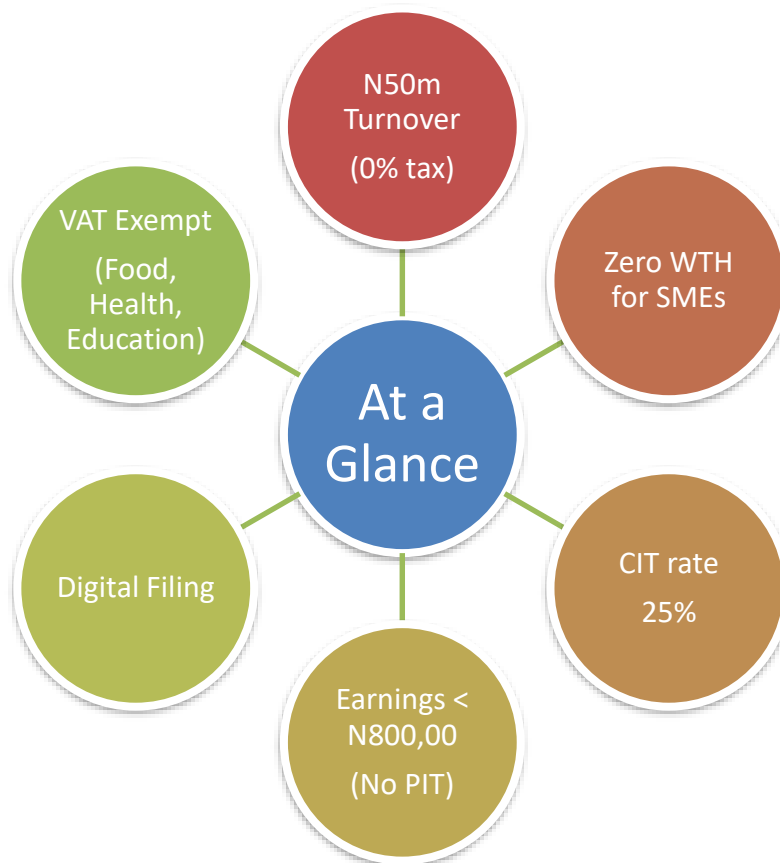
The Nigerian government, under President Bola Ahmed Tinubu, has put forward a sweeping package of tax reforms — including the Nigerian Tax Bill, the Nigeria Tax Administration Bill, the Joint Revenue Board Bill, and the Nigeria Revenue Service Bill — aimed at modernizing the country's tax landscape.

These bills, presented to the National Assembly in October 2024, mark a bold attempt to simplify, streamline, and stimulate Nigeria's economy, particularly for small businesses.

What's Driving This Push for Reform?

Nigeria's over-reliance on oil revenues and a historically narrow tax base have exposed the economy to vulnerabilities. Meanwhile, small businesses — despite their critical role — have often struggled to survive a tax framework riddled with multiple layers of taxation, high compliance costs, and uncertainty.

The new Tax Reform Act seeks to change this narrative, creating a fairer, simpler, and more growth-oriented tax environment.



Key Wins For Small Businesses

Here's why we believe Nigeria's small business ecosystem is poised for a renaissance:

Income Tax Relief for Small Businesses

Businesses with annual turnovers of ₦50 million or less will now be exempt from corporate income tax. This frees up crucial cash flow for reinvestment, expansion, and hiring — the foundations of business growth.

Elimination of Withholding Tax on Business Income

Small businesses will no longer have to deduct or remit withholding tax on vendor payments, cutting down the time and administrative hassle involved in tax compliance.

Lower Corporate Income Tax Rates

The corporate income tax rate is set to decline — from 30% to 27.5% in 2025, and eventually down to 25%. This creates breathing room for businesses to scale more sustainably.

Relief for Low-Income Earners

Employees earning ₦800,000 annually or less will be exempt from personal income tax. With more disposable income in the hands of everyday Nigerians, small businesses could see a boost in demand for their products and services.

VAT Reforms

Essential goods and services like food, healthcare, education, and public transportation will become VAT-exempt, easing cost pressures on consumers. Small businesses can also claim tax credits for VAT paid on operational expenses, improving their bottom line.

Simplified Compliance Through Digital Systems

The reform emphasizes the adoption of digital filing systems, designed to make tax compliance less painful and more efficient for businesses of all sizes.

BEYOND COMPLIANCE – A CATALYST FOR FORMALIZATION AND GROWTH

Historically, the complexity and cost of Nigeria's tax system discouraged many small businesses from formalizing their operations. By simplifying the framework and lowering the entry barriers, the reforms create stronger incentives for businesses to formalize, register, and join the formal economy.

A larger, more active formal sector strengthens the overall economy, deepens the country's tax base, and positions Nigeria as a more attractive destination for local and international investment.

What Small Businesses Must Do Now

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Get Registered:

Ensure you are registered with the Federal Inland Revenue Service (FIRS) and have your Tax Identification Number (TIN) ready.

Prepare Financial Records:

Clean, organized accounting will be key to benefiting from available credits and exemptions.

Embrace Digital Filing:

Transition to electronic platforms as they are rolled out, to remain compliant and avoid penalties.

Stay Updated:

Tax laws continue to evolve — staying informed ensures you are always prepared to maximize opportunities.

THE BOTTOM LINE

The Tax Reform Act represents a once-in-a-generation opportunity to reshape Nigeria's business landscape for the better. Small businesses — the heart of the economy — stand to gain the most if they are prepared to adapt and seize the moment.

At DFC Asset Management, we see these reforms not just as regulatory changes, but as catalysts for economic empowerment, innovation, and sustainable growth.

For small business owners, the message is clear: **The future is brighter — and it's time to step into it.**



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