

Your Guide to the 2025 Tax Act: Empowering SMEs & Startups for Growth

Understand the changes, keep more of what you earn, and scale with confidence.

These changes take effect on January 1, 2026.

A New Paradigm for Nigerian Business Growth

The 2025 reforms are designed to help startups and SMEs retain more earnings by eliminating the transitional medium buffer that previously stifled growth.

Reclassification

The Medium-Sized category is abolished. The definition of a Small Company massively expands.

Cash Flow Protection

Broad exemptions across corporate income, capital gains, and withholding taxes to allow profit reinvestment.

The Formalization Premium

Digitalization and formal registration now unlock strategic financial rewards rather than just triggering compliance costs.

The End of the Medium Category

Classification	Pre-2025 Reality	2025 Reality
Small Company	Up to ₦25M Turnover	Up to ₦100M Turnover AND up to ₦250M Fixed Assets.
Medium Company	₦25M - ₦100M Turnover	**Category Eliminated**
Large Company	Above ₦100M Turnover	Above ₦100M Turnover (Subject to full standard tax bracket).

If you generate under ₦100M annually, you are now entirely shielded from the transitional tax burdens that used to apply above ₦25M.

Complete Corporate Relief

Businesses meeting the new Small Company threshold gain immediate, complete relief from legacy financial burdens, allowing capital to be reinvested into growth.

0%

**Company Income
Tax (CIT)**

0%

Capital Gains Tax

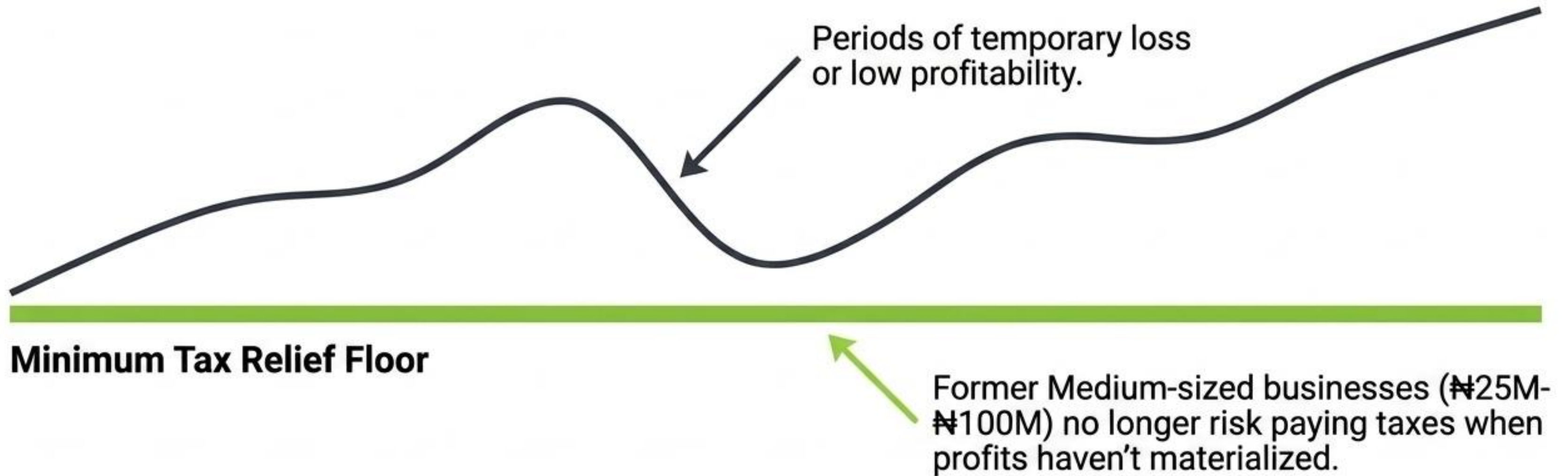
0%

**New Development
Levy**

Early registration is now rewarded with the breathing room to build your business without disproportionate tax liabilities.

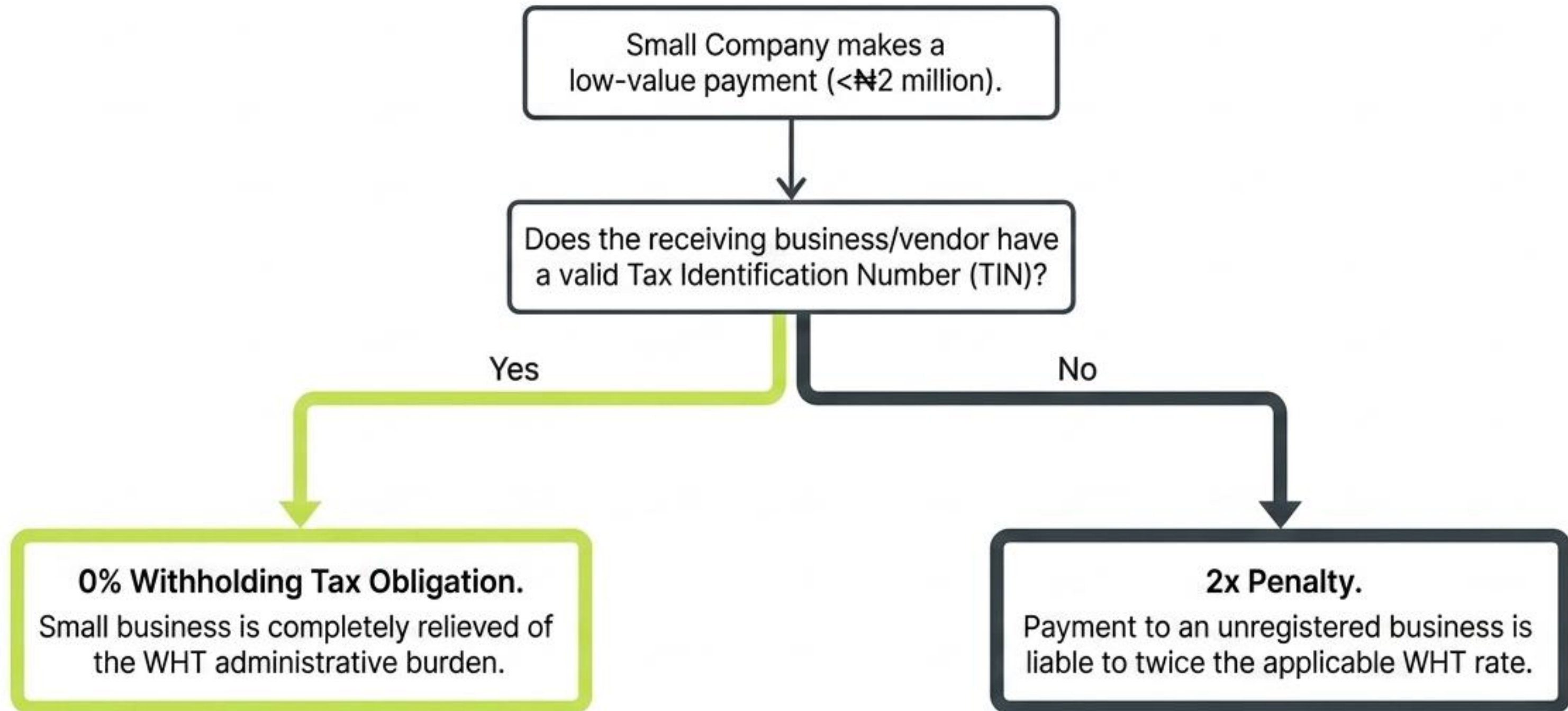
Preserving Cash Flow During Scaling

Total Relief from Minimum Tax



This structural safety net allows growing SMEs to preserve critical operating cash flow, focusing entirely on growth without draining reserves to meet tax obligations during unprofitable quarters.

The New Rules for Withholding Tax (WHT)



Daily transactions are now frictionless—provided you strictly mandate TIN compliance from your vendors and partners.

Input VAT Recovery for Startups

Unlocking Capital Expenditure

Startups and businesses making taxable sales are now permitted to recover VAT on nearly all business-related expenses. Crucially, this now includes capital acquisitions and fixed asset purchases.

The Growth Flywheel

A tech or manufacturing startup incurs high initial setup costs (e.g., purchasing servers, heavy machinery, or infrastructure). By recovering the Input VAT on these fixed assets, the startup effectively recoups critical capital, feeding it directly back into operational scaling.



The Personal Income Tax (PIT) Shield

Protecting the Bootstrappers



Founders and employees earning ₦800,000 or less annually are now 100% exempt from Personal Income Tax.

The system now explicitly protects early-stage entrepreneurs. By removing the tax burden on your initial, limited finances, the 2025 Act provides the personal financial runway necessary to bootstrap a new venture without government friction.

The Choice: Cost of Informality vs. Formalization Premium

The Cost of Staying Informal

- NTA mandates strict registration.
- Severe penalties for awarding contracts to unregistered businesses or individuals.
- Subject to 2x Withholding Tax penalties on transactions.

The Formalization Premium

- Eligibility for zero corporate tax status (up to ₱100M).
- Access to government, donor grants, and the Economic Development Incentive.
- Institutional legitimacy to secure corporate partnerships.

The Digital Leveling Field



Step 1

Manual Filing & Errors

High compliance risk and manual tracking.



Step 2

VAT Fiscalisation

Mandatory rollout of e-invoicing and VAT fiscalisation.



Step 3

Automated Record Keeping

Big and small businesses operate on the exact same digital playing field.

E-invoicing is no longer an enterprise-only tool. For SMEs, this means fewer **filing errors**, **more accurate records**, and a drastic reduction in the risk of penalties due to manual compliance mistakes.

The SME Immediate Action Plan



Secure Your TIN

Obtain and maintain a valid Tax Identification Number; mandate the same from all vendors.



Monitor Thresholds

Track annual turnover (<₱100M) and fixed assets (<₱250M) strictly to maintain Small Company status.



Upgrade Accounting

Maintain proper, digitally-ready accounting records and supporting documentation.



Reclaim Capital

Review operational expenses and capital investments immediately to recover eligible Input VAT.



Prepare for Tech

Begin the transition toward e-invoicing and digital tax compliance requirements today.



Assess Incentives

Check eligibility for the Economic Development Incentive and secure advice before crossing the ₱100M mark.

Partnering for Growth

If you've been waiting for the right time to formalize or scale your business, this is it. Don't navigate the transition to the ₦100M threshold alone.

- ✓ Correctly register your operations.
- ✓ Ensure bulletproof compliance while maximizing tax benefits.
- ✓ Develop sound financial and tax strategies for long-term growth.

Let our experts guide you from registration to ongoing compliance.

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