

HOW TO REDUCE YOUR TAX WITHOUT BREAKING THE LAW

*A Practical Guide to Legal Tax Planning for Nigerian Individuals, Freelancers, Entrepreneurs, and
Small Business Owners*

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Reflects the Nigeria Tax Act, 2025 and the Nigeria Tax Administration Act, 2025, effective 1 January 2026

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Chapter 1: Understanding Tax and Why Tax Planning Matters

Every working Nigerian, whether an employee, a freelancer, or a business owner, has a relationship with tax. Yet very few people understand what tax actually is, why it is charged, or how to legally pay less of it. This chapter lays the foundation for everything else in this guide.

What Tax Means

Tax is a compulsory financial contribution imposed by government on income, profit, consumption, or assets, used to fund public services such as roads, security, healthcare, and education. In Nigeria, tax is collected at federal level by the Nigeria Revenue Service (NRS, formerly the Federal Inland Revenue Service), at state level by the various State Internal Revenue Services, and at local government level for certain rates and levies.

Why Individuals and Businesses Pay Tax

- Tax funds infrastructure, security, healthcare, and education that benefit society as a whole.
- Paying tax is a legal obligation for anyone earning taxable income above the applicable threshold.
- A good tax history supports access to loans, contracts, visas, and government tenders, since Tax Clearance Certificates are frequently required.
- Businesses that comply build credibility with banks, investors, and larger corporate clients.

The Importance of Tax Compliance

Compliance means declaring your income honestly, filing returns on time, and paying what is legally due, no more and no less. Non-compliance exposes individuals and businesses to penalties, interest on unpaid tax, back-duty audits, and in serious cases, criminal prosecution under the Nigeria Tax Administration Act, 2025.

Why Many Nigerians Pay More Tax Than Necessary

- They do not know which reliefs, allowances, or exemptions they qualify for.
- They keep poor or no records, so they cannot support legitimate deductions.
- They mix personal and business finances, making it difficult to identify real business expenses.
- They file returns in a hurry, without reviewing them properly, or rely on guesswork.
- They avoid professional advice because they believe it is only for large companies.

How Poor Record-Keeping Increases Tax Liability

Tax authorities generally require expenses and reliefs to be supported by evidence. Without receipts, invoices, and proper books, a business may be unable to prove that money spent was a genuine business cost. The result is that more of the business's income becomes taxable than should legally be the case.

Paying the Correct Tax vs Paying More Than Required

There is a real difference between paying the correct amount of tax and overpaying out of ignorance or disorganisation. This guide is about closing that gap: helping you pay exactly what the law requires, not a naira more, and not a naira less.

What Legal Tax Planning Means

Legal tax planning is the lawful arrangement of your income, expenses, business structure, and records in a way that takes full advantage of reliefs, allowances, exemptions, and deductions provided under Nigerian law. It is forward-looking, transparent, and fully documented.

Illustrative Example

Amaka runs a small graphic design business from home and earns ₦3,600,000 a year. She has never kept receipts for her laptop, software subscriptions, or internet bills, so she is taxed as if her entire income were profit. Once she starts keeping proper records of legitimate business expenses, a portion of her income is recognised as cost rather than profit, which legally reduces the income on which she is taxed. Nothing about her income changes; what changes is that her true financial position is now properly documented.

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Chapter 2: Tax Planning, Tax Avoidance, and Tax Evasion

These three terms are often confused, but the difference between them is the difference between a thriving, compliant business and one that is one audit away from serious trouble.

Tax Planning

The lawful use of reliefs, allowances, deductions, exemptions, and sensible business structuring to minimise tax liability, fully within the letter and spirit of the law, with complete and honest records.

Tax Avoidance

Arranging affairs in artificial or aggressive ways purely to exploit loopholes or technicalities in the law, sometimes without genuine commercial substance. Nigerian tax law now contains general anti-avoidance rules, and taxpayers may be required to disclose transactions whose principal purpose is obtaining a tax advantage. Aggressive avoidance schemes can be challenged and reversed by the tax authority, sometimes with penalties.

Tax Evasion

The illegal, deliberate act of not paying tax that is legally owed, for example by hiding income, inflating expenses, using fake invoices, or simply refusing to file returns. Evasion is a criminal offence under Nigerian law and can attract fines, back-tax assessments with interest, and imprisonment.

Tax Compliance

Meeting all your legal tax obligations correctly and on time: registering with the tax authority, keeping proper records, filing accurate returns, and paying the correct tax by the due date.

Comparison Table

Activity	Is It Legal?	Example	Possible Consequence
Claiming legitimate business expenses	Yes	Deducting verified office rent and internet costs	Lower, accurate taxable income
Using available tax reliefs	Yes	Claiming rent relief or pension contributions	Reduced tax payable, fully lawful
Keeping proper financial records	Yes	Maintaining receipts, invoices, and bank statements	Stronger position if audited; supports deductions
Aggressive/artificial avoidance schemes	Risky / may be challenged	Routing income through shell structures with no real business purpose	Transaction may be disclosed, reversed, or penalised
Failing to declare income	No – evasion	Not reporting cash sales	Back-tax assessment, interest, penalties, prosecution
Creating fake expenses	No – evasion	Recording expenses that never happened	Fraud charges, fines, disallowed deductions

Activity	Is It Legal?	Example	Possible Consequence
Using false invoices	No – evasion	Inflating supplier invoices to reduce reported profit	Criminal liability, penalties, reputational damage
Hiding sales or business income	No – evasion	Operating a second, unreported bank account for sales	Audit exposure, heavy penalties, possible prosecution

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If a strategy only works because the tax authority

hority does not know about it, it is not a tax planning - it is evasion.

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Chapter 3: Know the Taxes That May Apply to You

You cannot plan around taxes you do not understand. This chapter introduces the major taxes that individuals and businesses in Nigeria commonly encounter under the Nigeria Tax Act, 2025.

Personal Income Tax (PIT)

- Who it affects: Individuals, including employees (via PAYE), sole proprietors, freelancers, and partners in a partnership.
- What it applies to: Employment income, business profits of unincorporated individuals, rental income, and other personal income, after allowable reliefs.
- Why records matter: Reliefs such as rent relief, pension, and life assurance premiums must be documented to be claimed.
- Common mistakes: Not registering for a Tax Identification Number (TIN); not claiming rent relief; ignoring income from side businesses.

Companies Income Tax (CIT)

- Who it affects: Registered limited liability companies.
- What it applies to: A company's taxable profit for the year.
- Why records matter: Deductible expenses, capital allowances, and small-company exemption status all depend on accurate accounts.
- Common mistakes: Failing to determine whether the company qualifies as a small company; poor bookkeeping that overstates profit.

Value Added Tax (VAT)

- Who it affects: Businesses supplying VATable goods and services.
- What it applies to: The value added at each stage of the supply of most goods and services, with some items zero-rated or exempt (such as basic food items, books, and medical supplies).
- Why records matter: You must be able to show VAT charged on sales and VAT paid on qualifying purchases.
- Common mistakes: Charging VAT without being properly registered; failing to remit VAT collected on behalf of the tax authority.

Withholding Tax (WHT)

- Who it affects: Businesses and individuals making or receiving specified payments, such as professional fees, rent, dividends, or contract payments.
- What it applies to: A percentage deducted at source from qualifying payments, usually creditable against the final tax liability.
- Why records matter: WHT credit notes must be obtained and kept to reconcile against tax payable.
- Common mistakes: Losing WHT credit notes; forgetting to reconcile WHT credits against final tax liability.

Capital Gains Tax (CGT)

- **Who it affects:** Individuals and companies that dispose of chargeable assets (such as property, shares, or other investments) at a gain.
- **What it applies to:** The gain realised on disposal of a chargeable asset, subject to specific exemptions, for example a one-time exemption on the sale of an individual's primary residence.
- **Why records matter:** You need the original cost and disposal value properly documented to calculate the gain correctly.
- **Common mistakes:** Not tracking the original acquisition cost of assets; overlooking available exemptions.

Other Relevant Obligations

Depending on your situation, you may also encounter the Development Levy on company profits, State-level personal income tax administration, local government rates and levies, stamp duties on qualifying instruments, and statutory payroll deductions such as pension contributions and the National Housing Fund. Always confirm which obligations apply to your specific business activity and location.

Which Taxes May Apply to Me?

Taxpayer Type	PIT	CIT	VAT	WHT	CGT
Employee (salary only)	Yes (PAYE)	No	No	Possible on other income	On disposal of personal assets
Freelancer / self-employed	Yes	No	If turnover exceeds VAT threshold	May apply to fees received	On disposal of business assets
Sole proprietor / small business owner	Yes	No	If VAT-registered / above threshold	On qualifying payments made or received	On disposal of business assets
Registered limited liability company	No	Yes (unless small company)	If VAT-registered / above threshold	On qualifying payments made or received	Yes, unless small company exemption applies

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Chapter 4: Keep Proper Business Records

Good record-keeping is the single most powerful legal tax-reduction tool available to any Nigerian taxpayer. Without records, you cannot prove your expenses, defend your numbers in an audit, or claim the reliefs you are entitled to.

How Good Records Help Your Business

- Determine your actual profit rather than guessing.
- Identify and support allowable business expenses.
- Support tax deductions and reliefs claimed in your returns.
- Make it easier to prepare accurate, timely tax returns.
- Help you avoid penalties, disputes, and lengthy audits.
- Give you the financial clarity to make better business decisions, such as pricing and hiring.

Records You Should Keep

- Sales records (invoices issued, receipts, sales ledgers)
- Purchase invoices and receipts
- Expense records, including small recurring costs
- Bank statements for all business accounts
- Payroll records, including payslips and statutory deduction evidence
- Contracts and agreements with clients, suppliers, and staff
- Tax documents: TIN certificate, filed returns, payment evidence, WHT credit notes
- Evidence supporting any claimed business expense (receipts, delivery notes, correspondence)

Understanding Key Financial Terms

Term	Simple Meaning
Revenue	All the money a business earns from sales, before any costs are deducted.
Expenses	Money spent to run the business and generate revenue.
Profit	What remains after subtracting allowable expenses from revenue.
Cash flow	The actual movement of cash in and out of the business, which may differ from profit.
Taxable income	The portion of profit or income on which tax is actually calculated, after reliefs and allowable deductions.

Monthly Business Record-Keeping Checklist

Item	Done	Action Required
Reconcile bank statements against sales and expense records	☐	☐

Item	Done	Action Required
File all sales invoices and receipts issued during the month	☐	☐
File all purchase receipts and supplier invoices received	☐	☐
Record any cash transactions not passing through the bank	☐	☐
Update the payroll register and confirm statutory deductions	☐	☐
Save evidence of any withholding tax deducted or suffered	☐	☐
Back up digital records (cloud storage or external drive)	☐	☐
Review the month's numbers against the previous month for anomalies	☐	☐

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Chapter 5: Claim Legitimate Business Expenses

Not every naira a business spends automatically qualifies as a tax-deductible expense. Understanding the principles behind allowable expenses helps you claim everything you are entitled to, without overreaching.

General Principles for Identifying Legitimate Business Expenses

An expense is more likely to be an allowable deduction where it is:

- Related to generating business income (incurred in the ordinary course of running the business)
- Wholly and reasonably connected to business operations, not personal enjoyment or benefit
- Properly documented with receipts, invoices, contracts, or other credible evidence
- Accurately recorded in the business's books and accounts

Examples of Expenses That May Qualify (Subject to the Applicable Law and Facts)

- Office rent
- Business utilities (electricity, water, generator fuel used for the business)
- Employee salaries and statutory contributions
- Professional fees (accounting, legal, consulting)
- Business insurance premiums
- Marketing and advertising expenses
- Internet and communication costs used for the business
- Business software subscriptions
- Training directly related to the business
- Repairs and maintenance of business assets
- Business travel expenses (flights, hotels, transport for business purposes)
- Bank charges and payment processing fees

Whether any specific item qualifies depends on the facts, the amount involved, how well it is documented, and the applicable tax law at the time. When in doubt, keep the paperwork and ask a qualified professional.

Business Expense or Personal Expense?

Expense	Likely Classification	Why
Data subscription used only for client work	Business	Directly connected to generating business income
Family grocery shopping paid from the business account	Personal	Not related to running the business
Fuel for a delivery van used for the business	Business	Directly connected to business operations
Fuel for the owner's personal car used mainly for family errands	Personal	Not wholly connected to the business, even if paid from business funds

Expense	Likely Classification	Why
Laptop used partly for business and partly for personal use	May be apportioned	Only the business-use portion may be deductible; keep a usage record
Staff training on a skill used in the business	Business	Directly related to business operations
School fees for the owner's children	Personal	Has no connection to generating business income

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Chapter 6: Separate Your Personal and Business Money

One of the simplest and most effective tax-planning habits a Nigerian entrepreneur can build is keeping personal and business money apart. This single habit makes almost everything else in this guide easier.

Why Separation Matters

- It makes it possible to see the business's real income and expenses clearly.
- It supports every deduction you claim, since transactions are not mixed with personal spending.
- It reduces the risk of unsupported or disputed deductions during an audit.
- It builds a credible financial history for loans, investors, and grants.

Practical Steps

- Open and use a dedicated business bank account where appropriate for your structure.
- Avoid paying personal expenses directly from business funds.
- Properly record owner withdrawals (sometimes called “drawings”) as such, rather than as business expenses.
- Document any money you personally introduce into the business as capital or a loan.
- Keep clear, dated records of all transactions between you and the business.

Scenario

Tunde runs an online fashion store and uses one personal account for both his salary from a part-time job and his store's sales. At tax time, he cannot easily tell which deposits were business income and which were personal transfers from friends and family. His accountant has to spend extra hours reconstructing his records, and some genuine business expenses cannot be claimed because there is no clear trail connecting them to business income. If Tunde had used a separate business account from day one, his tax position would have been straightforward to establish and defend.

How to Keep Your Business and Personal Money Separate

Item	Done	Action Required
Open a dedicated business bank account (or sub-account) if you have not already	☐	☐
Route all business income and expenses through that account	☐	☐
Pay yourself a defined, recorded owner's drawing instead of ad hoc withdrawals	☐	☐
Record any personal funds injected into the business as capital or a loan	☐	☐
Avoid using the business account/POS for groceries, school fees, or other personal spending	☐	☐
Reconcile the business account monthly against your records	☐	☐

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Chapter 7: Use Available Tax Reliefs, Allowances, Exemptions, and Incentives

Nigerian tax law provides several reliefs, allowances, exemptions, and incentives for eligible taxpayers. Many people pay more tax than necessary simply because they never claim what they are legally entitled to. The examples below reflect the framework introduced by the Nigeria Tax Act, 2025, effective 1 January 2026.

Always confirm current eligibility and documentation requirements before relying on any relief.

- Understand the eligibility requirements before you claim any relief – do not assume you qualify.
- A relief generally reduces either your taxable income or the tax you owe, depending on how it is structured.
- Every relief claimed should be backed by supporting documentation.
- Never claim a relief you are not entitled to; incorrect claims can trigger penalties and back-tax assessments.

Summary of Selected Reliefs, Allowances, and Exemptions (as at 1 January 2026)

Relief / Exemption	Who May Qualify	Key Condition	Documents Needed	Effect
Tax-free threshold on low income	Individuals earning at or below the exempted threshold (aligned with the national minimum wage level)	Total annual income must not exceed the prescribed exempt amount	Payslips / income records	No personal income tax payable on qualifying income
Rent relief	Individual taxpayers who pay rent	Relief is generally capped as a percentage of rent paid, subject to a maximum naira ceiling	Tenancy agreement, rent receipts	Reduces taxable income before tax bands are applied
Pension contributions	Employees and employers contributing to a recognised pension scheme	Contribution within statutory limits, properly documented	Pension fund administrator statements	Deducted before computing taxable income
National Housing Fund (NHF) contributions	Qualifying employees	Must be remitted and evidenced in writing	NHF remittance evidence	Deducted before computing taxable income
Life assurance premium relief	Individuals with a qualifying life policy	Premium must be within the prescribed limit	Policy documents, premium receipts	Deducted before computing taxable income
Small company exemption	Companies below the prescribed turnover and fixed-asset thresholds (excluding certain professional service businesses)	Must genuinely meet the size and activity criteria each year	Audited or management accounts, asset register	0% Companies Income Tax, and exemption from Capital Gains Tax and the Development Levy

Relief / Exemption	Who May Qualify	Key Condition	Documents Needed	Effect
Severance / compensation for loss of employment relief	Employees receiving qualifying severance or compensation	Payment must fall within the prescribed exempt limit	Termination letter, payment evidence	Exemption on the qualifying portion of the payment
Primary residence exemption (CGT)	Individuals selling their main home	One-time exemption on disposal of the primary residence and adjoining land up to the prescribed limit	Title documents, sale agreement	No Capital Gains Tax on the qualifying gain

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Chapter 8: Choose the Right Business Structure

The legal structure of your business affects your tax obligations, filing requirements, record-keeping burden, personal liability, and even your ability to raise finance. There is no single “best” structure for everyone; the right choice depends on your income level, business activities, growth plans, and appetite for risk.

Comparing Common Business Structures

Business Structure	Typical Tax Considerations	Record-Keeping Level	Key Advantages	Important Considerations
Sole proprietorship (including registered business name)	Owner pays Personal Income Tax on business profit; no separate corporate tax	Moderate – simple books, but still need proper records	Easy and inexpensive to set up; simple compliance	Owner has unlimited personal liability for business debts
Partnership	Partners are generally taxed individually on their share of profit	Moderate to high – needs a partnership agreement and shared records	Shared capital, skills, and risk among partners	Partners can be jointly liable; requires a clear partnership agreement
Limited liability company	Companies Income Tax applies unless the small company exemption is met; Development Levy and other obligations may apply	High – statutory books, audited or management accounts, annual filings	Limited liability; more credible for large contracts, loans, and investors	More regulatory and filing obligations; may need professional support
Business name (unincorporated) vs incorporated company as you grow	Tax treatment shifts from personal income tax to company tax rules on incorporation	Increases with incorporation	Incorporation may unlock the small company exemption and limited liability	Weigh compliance cost against the benefits as turnover grows

As a general principle, very small, low-risk operations often start as sole proprietorships for simplicity, while businesses seeking limited liability, external investment, or larger contracts frequently incorporate as limited liability companies. The best structure for you depends on your income, business activities, growth plans, risk exposure, and the applicable law, so this decision is worth discussing with a qualified professional as your business evolves.

Signs It May Be Time to Review Your Structure

- Your turnover is approaching thresholds that change your tax treatment.
- You want to bring in investors or apply for larger contracts and loans.
- You are concerned about personal liability for business debts or claims.
- Your business has grown complex enough to need more formal governance.

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Chapter 9: Understand Withholding Tax

Withholding Tax (WHT) is one of the most misunderstood taxes among Nigerian entrepreneurs. Many business owners treat WHT deducted from their income as a loss, when in fact it is often simply an advance payment of tax that can be claimed back or offset.

What Withholding Tax Means

Withholding tax is a mechanism where a person making certain payments (such as professional fees, rent, dividends, or contract payments) deducts a percentage of the payment at source and remits it directly to the tax authority on behalf of the recipient.

Why It May Be Deducted

- It helps the tax authority collect tax early and reduce evasion.
- It creates a documented trail of income paid to the recipient.
- It is generally treated as an advance payment of the recipient's eventual tax liability, not an additional, separate tax, except where the law specifically makes it a final tax on certain types of income.

Reconciling Withholding Tax Credits

- Always request a withholding tax credit note from anyone who deducts WHT from a payment to you.
- Keep these credit notes safely, ideally in a dedicated folder by tax year.
- When filing your annual return, offset the WHT already suffered against your final tax liability, so you are not effectively taxed twice on the same income.
- If your WHT credits exceed your final liability in a period, confirm with your tax office or adviser how any excess may be treated.

Practical Example

A consulting firm pays a freelance IT consultant ₦500,000 for a project and deducts withholding tax before payment, remitting the deducted amount to the tax authority and issuing the consultant a WHT credit note. When the consultant files her annual tax return, she declares the full ₦500,000 as income but offsets the WHT already deducted against her computed tax liability for the year, using the credit note as evidence. Without the credit note, she risks paying tax twice on the same income: once through the deduction at source, and again if she cannot prove it was already remitted.

Common Mistakes Businesses Make

- Not issuing WHT credit notes to people they have deducted tax from.
- Losing or misplacing WHT credit notes received from clients.
- Forgetting to reconcile WHT credits when filing annual returns.
- Treating WHT deducted as a final cost instead of claiming it back or offsetting it.

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Chapter 10: Manage VAT Properly

Value Added Tax (VAT) is charged on the supply of most goods and services in Nigeria. Managing VAT correctly protects your business from penalties and ensures you neither overcharge nor undercharge your customers.

What VAT Is

VAT is a consumption tax added to the price of qualifying goods and services at the point of sale. Businesses that are required to register act as collection agents: they charge VAT to customers and remit it to the tax authority, after accounting for input VAT paid on qualifying business purchases where applicable.

Registration and Applicability

- Confirm whether your turnover and business activity require VAT registration, since thresholds and exemptions can change.
- Some goods and services are zero-rated or exempt (for example, certain basic food items, books, and medical supplies), so not everything you sell may attract VAT at the standard rate.
- If you are not properly registered, you should not charge VAT to customers.

Issuing Proper Invoices

- Every VATable sale should be supported by a proper invoice showing the VAT charged separately from the price of the goods or services.
- Keep copies of all invoices issued and received.
- Be aware that Nigeria is moving toward electronic invoicing and fiscalisation requirements for VAT-registered businesses; confirm current requirements for your business.

Filing and Remittance

- File VAT returns by the applicable due date, even where no VAT was collected in a period, if you are registered.
- Remit VAT collected promptly; VAT collected from customers belongs to the tax authority, not the business.
- Keep evidence of every VAT payment made.

Common VAT Mistakes

- Charging VAT without being properly registered to do so.
- Failing to remit VAT collected from customers.
- Not separating VAT from the selling price on invoices.
- Claiming input VAT on purchases that do not qualify.
- Missing filing deadlines, even in months with no sales.

Simple VAT Record Template

Date	Invoice No.	Customer/Supplier	Amount (Excl. VAT)	VAT Amount	Total

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, and reinitiation to avoid penalties.

Chapter 11: Plan Your Business Spending Wisely

A dangerous myth among Nigerian business owners is that spending more money automatically saves more tax. This chapter explains why that thinking can quietly damage a business.

The Problem With Spending Purely to “Save Tax”

A deductible expense only ever saves you a fraction of what you spend, since the deduction reduces taxable income, not the tax itself, naira for naira. Spending money you did not need to spend, purely to create a deduction, still leaves the business with less cash than not spending at all.

“Should You Spend Money Just to Save Tax?”

A business owner is told that buying ₦1,000,000 of new office furniture before year-end will “save tax.” If the applicable tax rate on that portion of profit is, say, 25%, the deduction saves at most roughly ₦250,000 in tax. The business is still ₦750,000 poorer than if it had not bought the furniture. Unless the furniture was genuinely needed for the business, the purchase is a net cash outflow dressed up as a tax strategy. The right question is never “will this reduce my tax?” but “does my business genuinely need this, and can I afford it?”

Better Principles for Business Spending

- Spend based on genuine business need, not solely on potential tax effect.
- Protect your cash flow; profitable businesses can still fail from poor cash management.
- Budget for growth deliberately, rather than making rushed year-end purchases.
- Prioritise productive assets that will generate future income, not just deductions.
- Keep full supporting documentation for every purchase, whatever the motivation.

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Chapter 12: Use Proper Payroll and Employee Records

If you employ staff, payroll compliance is one of the areas Nigerian tax authorities scrutinise most closely. Poor payroll management does not just risk penalties; it can quietly cost your business money that should have been legally saved.

Why Payroll Records Matter

- Accurate employee records ensure PAYE tax is calculated correctly for each staff member.
- Proper payroll calculations avoid both under-deduction (which creates employer liability) and over-deduction (which creates employee dissatisfaction and potential claims).
- Correct statutory deductions (pension, NHF, NHIS where applicable) protect both employer and employee.
- Payroll documentation supports your deductible salary expense and protects you in an audit.
- Timely remittance of deducted taxes avoids penalties and interest.
- Evidence of payment (payslips, bank transfer records) protects both parties in a dispute.

How Poor Payroll Management Creates Risk

Under the current framework, employers face stiffer penalties for under-deducting or delaying remittance of employee taxes. An employer who miscalculates PAYE, misses remittance deadlines, or fails to keep proper payroll records can face fines, interest on unpaid tax, and back-dated compliance reviews, even where the mistake was unintentional.

Basic Payroll Compliance Checklist

Item	Done	Action Required
Confirm each employee has a valid Tax Identification Number (TIN)	☐	☐
Apply the current PAYE tax bands and reliefs correctly	☐	☐
Deduct and remit pension contributions on time	☐	☐
Deduct and remit National Housing Fund contributions where applicable	☐	☐
Issue payslips showing gross pay, deductions, and net pay	☐	☐
File PAYE returns with the relevant State Internal Revenue Service by the due date	☐	☐
Keep signed employment contracts and salary review records	☐	☐
Reconcile payroll records against bank remittance evidence monthly	☐	☐

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Chapter 13: File Your Tax Returns Correctly and on Time

Filing is where all your record-keeping and planning throughout the year comes together. A return filed late, inaccurately, or in a rush can undo months of good tax planning.

Why Tax Returns Matter

- They are the official record of your income and tax liability for the year.
- Late filing attracts penalties and interest, regardless of whether tax is owed.
- Accurate returns protect you if the tax authority ever queries your affairs.
- A consistent filing history supports your Tax Clearance Certificate applications.

Preparing to File

- Gather all income records for the year: salary, business income, rental income, and any other receipts.
- Gather all supporting documents for reliefs and deductions you intend to claim.
- Collect withholding tax credit notes and reconcile them.
- Reconcile your bank statements against your books.
- Review your figures for consistency before submission, or have a professional review them.

Before You Submit

- Double-check your TIN and personal or company details for accuracy.
- Confirm you have used the correct, current tax bands, reliefs, and rates for the relevant tax year.
- Keep a copy of the submitted return and proof of submission.
- Keep evidence of any payment made alongside the return.

Annual Tax Filing Preparation Checklist

Item	Done	Action Required
All income sources for the year identified and totalled	☐	☐
All expense and relief documentation gathered and organised	☐	☐
Withholding tax credit notes collected and reconciled	☐	☐
Bank statements reconciled against business records	☐	☐
Draft return reviewed for accuracy (ideally by a professional)	☐	☐
Return filed before the applicable due date	☐	☐
Proof of filing and payment saved securely	☐	☐
Copies of the filed return retained for future reference	☐	☐

Sample Tax Compliance Calendar (Illustrative Only)

Obligation	Typical Frequency	Note
PAYE remittance (employers)	Monthly	Confirm the exact due date with your State Internal Revenue Service
VAT filing and remittance	Monthly	Required even in months with no VATable sales, for registered businesses
Withholding tax remittance	Monthly	Due shortly after the month in which the deduction was made
Personal Income Tax annual return	Annually	Confirm the current filing window with the relevant tax authority
Companies Income Tax annual return	Annually	Filed within a set number of months after the company's financial year-end

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Chapter 14: Common Tax Mistakes That Cost Nigerians Money

Most Nigerians who overpay tax are not victims of a complicated system – they are victims of avoidable mistakes. Here are the most common ones, and how to fix them.

1. Not Keeping Receipts

Why it's a problem: Without receipts, legitimate expenses cannot be proven or deducted. Possible financial impact: Higher taxable income than necessary. How to avoid it: Keep both physical and digital copies of every receipt, organised by month.

2. Mixing Personal and Business Expenses

Why it's a problem: It becomes impossible to identify genuine, deductible business costs. Possible financial impact: Disallowed deductions and confused records during an audit. How to avoid it: Use a dedicated business account and record owner withdrawals properly.

3. Failing to Record All Business Transactions

Why it's a problem: Incomplete records misstate both income and expenses. Possible financial impact: Inaccurate returns and potential penalties if discovered later. How to avoid it: Record every transaction as it happens, not from memory weeks later.

4. Ignoring Tax Deadlines

Why it's a problem: Late filing and late payment both attract penalties and interest. Possible financial impact: Avoidable extra cost on top of the tax itself. How to avoid it: Maintain a compliance calendar with reminders well ahead of each due date.

5. Not Reconciling Withholding Tax Credits

Why it's a problem: You may end up effectively taxed twice on the same income. Possible financial impact: Overpayment of tax that was legally avoidable. How to avoid it: Request, file, and reconcile every WHT credit note received.

6. Claiming Unsupported Expenses

Why it's a problem: Deductions without evidence can be disallowed and may trigger penalties. Possible financial impact: Back-tax assessment plus interest and possible penalties. How to avoid it: Only claim what you can prove with documentation.

7. Paying Tax Without Understanding the Assessment

Why it's a problem: You may be paying more (or less) than is actually due. Possible financial impact: Overpayment, or future liability if underpaid. How to avoid it: Review every assessment carefully, and query anything unclear before paying.

8. Failing to Seek Professional Advice When Necessary

Why it's a problem: Complex transactions (property sales, business restructuring, foreign income) have tax consequences that are easy to get wrong. Possible financial impact: Missed reliefs, or costly compliance errors. How to avoid it: Engage a qualified tax professional for significant or unusual transactions.

9. Waiting Until the Last Minute to Prepare Tax Records

Why it's a problem: Rushed filing leads to errors, missed reliefs, and stress. Possible financial impact: Overpaid tax, penalties for late or inaccurate filing. How to avoid it: Treat record-keeping as a monthly habit, not an annual emergency.

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Chapter 15: Legal Tax-Reduction Strategies You Can Start Using Today

This chapter brings together the practical action plan at the heart of this guide. Each strategy below is lawful, requires only discipline and documentation, and can be started immediately.

1. Keep complete financial records

What to do: Records are the foundation of every deduction and relief you will ever claim.

- Why it matters: Records are the foundation of every deduction and relief you will ever claim.
- Documents or records required: Receipts, invoices, bank statements, ledgers.
- Common mistake to avoid: Relying on memory instead of documentation.

2. Separate personal and business transactions

What to do: Protects the integrity of your business records and deductions.

- Why it matters: Protects the integrity of your business records and deductions.
- Documents or records required: Dedicated business bank account statements.
- Common mistake to avoid: Paying personal bills from the business account.

3. Record legitimate business expenses promptly

What to do: Delayed recording leads to missed or forgotten deductions.

- Why it matters: Delayed recording leads to missed or forgotten deductions.
- Documents or records required: Dated receipts and expense logs.
- Common mistake to avoid: Waiting until year-end to reconstruct expenses.

4. Maintain receipts and supporting documents

What to do: No documentation, no deduction.

- Why it matters: No documentation, no deduction.
- Documents or records required: Physical and digital copies, organised by month.
- Common mistake to avoid: Discarding “small” receipts.

5. Understand applicable tax reliefs and allowances

What to do: Unclaimed reliefs are money left on the table, legally yours.

- Why it matters: Unclaimed reliefs are money left on the table, legally yours.
- Documents or records required: Relief-specific evidence (rent agreement, pension statements, etc.).
- Common mistake to avoid: Assuming you do not qualify without checking.

6. Reconcile withholding tax credits

What to do: Prevents effectively being taxed twice on the same income.

- Why it matters: Prevents effectively being taxed twice on the same income.
- Documents or records required: WHT credit notes.
- Common mistake to avoid: Losing or never requesting credit notes.

7. Plan business expenses based on genuine business needs

What to do: Avoids wasting cash chasing a small tax deduction.

- Why it matters: Avoids wasting cash chasing a small tax deduction.
- Documents or records required: Purchase justification and budget records.
- Common mistake to avoid: Buying items solely to “save tax.”

8. Review the business structure as the business grows

What to do: The right structure changes as turnover, risk, and ambitions grow.

- Why it matters: The right structure changes as turnover, risk, and ambitions grow.
- Documents or records required: Financial statements, growth projections.
- Common mistake to avoid: Sticking with an outdated structure out of habit.

9. Prepare for tax obligations throughout the year

What to do: Spreads the compliance workload and avoids year-end panic.

- Why it matters: Spreads the compliance workload and avoids year-end panic.
- Documents or records required: A compliance calendar with all due dates.
- Common mistake to avoid: Treating tax as a once-a-year event.

10. File accurate returns on time

What to do: Protects you from penalties and supports your Tax Clearance Certificate.

- Why it matters: Protects you from penalties and supports your Tax Clearance Certificate.
- Documents or records required: Filed returns and payment evidence.
- Common mistake to avoid: Rushing the return without review.

11. Seek professional tax advice for complex transactions

What to do: Complex situations carry real financial risk if handled incorrectly.

- Why it matters: Complex situations carry real financial risk if handled incorrectly.
- Documents or records required: Professional engagement letters and advice notes.
- Common mistake to avoid: Trying to self-manage high-value or unusual transactions.

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Chapter 16: A 30-Day Tax Organisation Plan

If your tax records are currently disorganised, this simple 30-day plan will bring you from chaos to clarity, one manageable week at a time.

Week 1: Organise Your Records

- Days 1–2: Gather every receipt, invoice, and bank statement you can find.
- Days 3–4: Sort documents by month and category (sales, expenses, payroll, tax).
- Days 5–7: Set up a simple filing system, physical or digital (cloud folders by year and month).

Week 2: Review Your Income and Expenses

- Days 8–9: Total your income for the year to date from all sources.
- Days 10–12: Categorise your expenses and flag anything that looks personal rather than business-related.
- Days 13–14: Identify any missing documentation and note what needs to be requested or reconstructed.

Week 3: Check Your Tax Position

- Days 15–17: List every relief and allowance you may qualify for, and gather supporting evidence.
- Days 18–19: Reconcile any withholding tax credit notes you have received.
- Days 20–21: Confirm your TIN and registration status are correct and up to date.

Week 4: Create a Tax Compliance System

- Days 22–24: Build a simple compliance calendar with every relevant filing and payment due date.
- Days 25–26: Decide on a monthly record-keeping routine and put it on your calendar.
- Days 27–28: Consider whether you need professional help and, if so, start the conversation.
- Days 29–30: Review everything, back up your files, and set a reminder to repeat this exercise next quarter.

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Chapter 17: Frequently Asked Questions

Below are practical answers to the questions Nigerian taxpayers ask most often. These answers are general in nature; always confirm specifics with a qualified professional or the relevant tax authority.

Can I reduce my tax legally?

Yes. By keeping proper records, claiming legitimate expenses, and using the reliefs and allowances the law provides, you can lawfully reduce the tax you pay to exactly what is due, no more.

Is tax planning the same as tax evasion?

No. Tax planning is the lawful use of reliefs, deductions, and proper structuring. Tax evasion is the illegal concealment or misrepresentation of income or expenses. They are fundamentally different, both in method and in consequence.

Can I claim every business expense as a tax deduction?

No. Only expenses that are genuinely connected to generating business income, properly documented, and permitted under the applicable law can be claimed.

What happens if I do not keep receipts?

You may be unable to prove a deduction or relief, meaning more of your income becomes taxable than should legally be the case, and you may struggle in the event of an audit.

Can I use my personal bank account for business?

You can, but it is not advisable. Mixing funds makes it far harder to identify genuine business income and expenses, and can weaken your position if your records are ever queried.

Is withholding tax an additional tax?

Generally no. It is usually an advance payment of tax that can be offset against your final liability, provided you obtain and reconcile the WHT credit note, except for specific categories of income where the law treats it as a final tax.

Should I register my business?

Formal registration (as a business name or a company) generally improves your access to contracts, loans, and certain reliefs, and clarifies your tax obligations. Consider your goals and consult a professional on timing and structure.

Can a small business qualify for tax incentives?

Yes. Nigerian tax law provides a small company exemption from Companies Income Tax, Capital Gains Tax, and the Development Levy for companies that meet the prescribed turnover and fixed-asset thresholds, excluding certain professional service businesses. Confirm current thresholds before relying on this.

What records should I keep?

At minimum: sales records, purchase invoices, expense receipts, bank statements, payroll records, contracts, and all tax-related documents, including WHT credit notes and filed returns.

When should I hire a tax professional?

Consider professional help when your income grows significantly, when you are restructuring your business, when you face an audit or query, or whenever a transaction (like a property sale) is complex or unfamiliar.

Can I reduce my tax by buying more business assets?

Only if the asset is genuinely needed for the business. A deduction only saves a fraction of what you spend; buying unnecessary assets purely for a tax effect still leaves you with less cash overall.

What should I do if I receive a tax assessment that I do not understand?

Do not ignore it and do not pay it automatically. Review it carefully, compare it to your own records, and seek clarification from the tax authority or a qualified professional before responding or paying.

Do I need a Tax Identification Number (TIN)?

Yes, generally. A TIN is required for tax registration, filing returns, and is often required for opening business bank accounts and for many government and corporate transactions.

What is the difference between an allowable and a disallowed expense?

An allowable expense meets the legal tests for deductibility (business purpose, documentation, and reasonableness). A disallowed expense fails one or more of these tests, even if genuinely incurred.

Can freelancers claim business expenses too?

Yes. Freelancers and other self-employed individuals can generally claim legitimate expenses connected to earning their income, subject to the same documentation principles as any other business.

What if my business made a loss during the year?

You should still keep complete records and file as required. Loss treatment (such as carrying losses forward) may be available under the applicable law; confirm the current rules with a professional.

Is rent relief automatic?

No. It generally must be claimed with supporting evidence, such as a tenancy agreement and rent payment records, subject to the applicable cap.

Do I still need to file if I earn below the tax-free threshold?

Filing requirements can differ from the question of whether tax is owed. Confirm your specific filing obligations with the relevant tax authority even where you expect no tax to be due.

What is the risk of using fake invoices to reduce tax?

It is tax evasion, a criminal offence. It can result in back-tax assessments, heavy penalties, interest, and prosecution, and it permanently damages your credibility with the tax authority and financial institutions.

How often should I review my tax position?

At least quarterly, alongside your regular record-keeping routine, and always before making a major financial decision such as buying property, restructuring, or bringing in investors.

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Chapter 18: Final Checklist – Are You Paying More Tax Than Necessary?

Use this self-assessment honestly. Every “No” or “Action Required” answer is a specific, fixable opportunity to legally reduce your tax burden.

Question	Yes	No	Action Required
Do I maintain complete sales records?	☐	☐	☐
Do I keep receipts for legitimate business expenses?	☐	☐	☐
Do I separate personal and business transactions?	☐	☐	☐
Do I understand the taxes that apply to me?	☐	☐	☐
Have I reviewed available reliefs and incentives?	☐	☐	☐
Do I reconcile withholding tax credits?	☐	☐	☐
Do I file my returns on time?	☐	☐	☐
Do I keep copies of tax filings and payment evidence?	☐	☐	☐
Do I review my tax position regularly?	☐	☐	☐
Do I consult a qualified tax professional when necessary?	☐	☐	☐

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Conclusion

Reducing your tax legally is not about hiding income or avoiding your responsibilities. It is about understanding the law, keeping accurate records, claiming only what you are entitled to, planning properly, and paying the correct amount of tax.

Every chapter in this guide points to the same underlying truth: taxpayers who overpay are rarely victims of an unfair system. Far more often, they are victims of poor records, missed reliefs, and avoidable mistakes, every one of which is fixable.

You now understand the difference between tax planning, avoidance, and evasion. You know which taxes may apply to you, how to keep proper records, which expenses you can legitimately claim, and how to use the reliefs and allowances available under the Nigeria Tax Act, 2025. You have a 30-day plan to organise your records and a checklist to keep yourself honest going forward.

Build a tax-compliant business, one that can access loans, win larger contracts, attract investors, and grow sustainably, because its financial house is genuinely in order. That is a far stronger foundation than any shortcut could ever provide.

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Bonus Resources

Bonus 1: Monthly Tax Record Checklist

Task	Done?
Reconcile bank statements	☐
File sales invoices and receipts	☐
File purchase receipts	☐
Record and file WHT credit notes received	☐
Update payroll register	☐
Confirm VAT position for the month	☐
Back up all digital records	☐

Bonus 2: Business Expense Tracker Template

Date	Expense Description	Supplier	Amount	Business Purpose	Receipt Available?	Tax Review Status

Bonus 3: Annual Tax Preparation Checklist

- Total income from all sources for the year
- All expense and relief documentation organised
- Withholding tax credits reconciled
- Bank statements fully reconciled against books
- Draft return reviewed before submission
- Return filed and payment made by the due date
- Filing and payment evidence saved securely

Bonus 4: Tax Document Storage Guide

- Keep both physical and cloud-based (digital) copies of key documents.
- Organise folders by tax year, then by category (sales, expenses, payroll, filings).
- Retain tax records for the minimum period required under Nigerian law, and longer where practical.
- Back up digital records regularly to more than one location.
- Label scanned receipts clearly with date and description before filing them digitally.

Bonus 5: Questions to Ask Your Tax Adviser

1. Which taxes currently apply to my specific business or income situation?
2. Am I claiming every relief and allowance I am entitled to?
3. Is my current business structure still the right one for my income level and goals?
4. Are my business records sufficient to support the deductions I am claiming?
5. How should I treat withholding tax credits I have received this year?
6. Do I need to register for VAT, and am I handling it correctly?
7. What are my upcoming filing deadlines, and what do I need to prepare?
8. Are there any recent changes to Nigerian tax law that affect me?
9. What records should I improve or start keeping?
10. What would trigger a need for more in-depth professional support?

About the Author

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Marketing & Promotional Toolkit

The materials below are provided to help you market and sell this eBook. They are separate from the eBook content itself.

1. Back-Cover Description

Do you ever feel like tax season is something that just happens to you, instead of something you plan for? “How to Reduce Your Tax Without Breaking the Law” is the practical, no-jargon guide Nigerian entrepreneurs, freelancers, and small business owners have been waiting for. Inside, you will discover how to legally lower your tax bill, not by hiding income or cutting corners, but by understanding the reliefs, allowances, and smart record-keeping habits the law already gives you. With real Nigerian examples, ready-to-use checklists, and a 30-day organisation plan, this guide turns confusing tax rules into simple, confident action. Stop overpaying out of confusion. Start paying exactly what you owe, and not a naira more.

2. Five Alternative eBook Subtitles

11. Simple, Legal Strategies to Lower Your Tax Bill in Nigeria
12. The Nigerian Entrepreneur's Guide to Smart, Legal Tax Savings
13. Keep More of What You Earn – The Right Way
14. A Step-by-Step Guide to Paying Only the Tax You Truly Owe
15. Practical Tax Planning for Freelancers, Founders, and Small Business Owners in Nigeria

3. Ten High-Converting Promotional Headlines

16. Stop Overpaying Tax – Legally Reduce Your Bill Starting Today
17. The Tax Guide Every Nigerian Entrepreneur Wishes They Had Sooner
18. Legal Tax Savings, Explained in Plain English
19. Keep More of Your Hard-Earned Money – Without Breaking a Single Law
20. From Confused to Confident: Master Your Taxes in 30 Days
21. The Small Business Owner's Playbook for Paying Less Tax, Legally
22. Why Are You Paying More Tax Than You Have To?
23. Turn Tax Season From a Headache Into a Habit
24. Everything Nigerian Freelancers Need to Know About Legal Tax Planning
25. Your Records Could Be Costing You Money – Here's How to Fix It

4. Short Sales Description for WhatsApp

💰 Are you paying more tax than you should? Most Nigerians are, simply because no one ever showed them how to plan properly. My new eBook “How to Reduce Your Tax Without Breaking the Law” shows you, step by step, how to legally lower your tax bill using reliefs, smart record-keeping, and simple strategies, no loopholes, no risk, no wahala. Perfect for entrepreneurs, freelancers, and small business owners.  Comes with checklists, templates, and a 30-day action plan. Get your copy today and start keeping more of what you earn 📌

5. Product Description for Selar / Digital Product Platforms

How to Reduce Your Tax Without Breaking the Law is a practical, easy-to-follow eBook written for Nigerian individuals, freelancers, entrepreneurs, and small business owners who want to legally lower their tax bill. Grounded in the Nigeria Tax Act, 2025 and current Nigerian tax administration practice, this guide walks you through the real difference between tax planning and tax evasion, the taxes that apply to you, how to keep proper records, which business expenses you can legitimately claim, how to use available reliefs and allowances, and how to file accurate returns on time. You'll get 18 in-depth chapters, practical Nigerian examples with naira figures, ready-to-use checklists and templates, a 30-day tax organisation plan, and a 20-question FAQ section answering the concerns Nigerian taxpayers raise most. This is not tax evasion advice – it is a responsible, professional guide to paying exactly what the law requires, and nothing more. Educational content only; always confirm current rules with a licensed tax professional.

6. Ten Social Media Content Ideas to Promote the eBook

26. A carousel post: “5 Signs You're Paying More Tax Than You Should”
27. A short video busting the myth that tax planning equals tax evasion
28. A before/after graphic: “Disorganised records vs. organised records at tax time”
29. A quote card: “A tax deduction is a discount, not a refund”
30. A poll: “Do you know which taxes apply to your business?”
31. A client-style testimonial or case-study style post (anonymised) about the value of proper records
32. A countdown post to a tax filing deadline with a tip from the eBook
33. A myth-vs-fact carousel on withholding tax
34. A behind-the-scenes post on why you wrote the eBook
35. A free sample chapter or checklist as a lead magnet, linking to the full eBook

7. Suggested Price Range (Nigerian Naira)

Version	Suggested Price Range (₦)	What It Might Include
Beginner	₦3,000 – ₦5,000	The core eBook (PDF) only
Standard	₦7,000 – ₦12,000	eBook plus editable checklist and tracker templates
Premium	₦15,000 – ₦30,000	eBook, templates, plus a bonus live Q&A session or short video walkthrough

These are general suggestions only; adjust based on your audience, brand positioning, and the depth of any bonus material you add.