



**THE IMPLICATION ON RECEIPTS OF**  
**PAYMENTS FOR PROJECTS**  
**EXECUTION UNDER THE NEW TAX**  
**REFORMS**  
**BY NEPC F&A**



## **PREAMBLE:**

The Nigerian tax reforms Act, 2025 represents a comprehensive overhaul of Nigeria's tax framework repealing and consolidating major tax laws such as the company income tax act, capital gain Tax Act, petroleum profit tax Act, VAT Acts, Personal income Tax Act and others into a unified and modern tax regime effective 1st january,2026.



For Public/Civil servants involved in the receipts of payment from government treasury for projects execution such as:

Monthly salaries

Duty tour allowance (DTA), estacode allowance

Non personal advances etc, the Act has introduced significant tax and administrative changes that affect how payments are received, documented and tax.

Implications of the new Tax Reform Act on receipts of payments on monthly salaries, DTA/estacode allowance and advances are as follows:



## 1. PAYE (PAY AS YOU EARN)

### **Most Workers Exempted**

One Of The Standout Changes Under The New Tax Regime Is That A Very Large Majority Of Nigerian Workers Will *No Longer* Pay PAYE On Their Salaries:

### **New Tax-free Threshold & Progressive Bands**

**First ₦800,000 Of Annual Income Is Fully Tax-exempt** — Meaning No PAYE is due on this part Of your earnings.

Above that, new progressive tax brackets have been introduced (examples widely discussed):

₦800,001 – ₦3,000,000: 15%

₦3,000,001 – ₦12,000,000: 18%

₦12,000,001 – ₦25,000,000: 21%

₦25,000,001 – ₦50,000,000: 23%

above ₦50,000,000: 25%

Result: Most low- and middle-income earners will either pay zero paye or less than under the old tax regime; only higher earners pay more.



## New Allowable Deductions

You can now deduct certain specific items *before* calculating taxable income, e.g.

**Rent relief** (capped amount — commonly ₦500,000, with rules on documentation)

Approved pension, NHF, approved insurance and other statutory deductions

*(this reduces taxable income and thus PAYE.)*



For instance, If your yearly rent is ₦5 million, 20% would be ₦1 million, but the law caps it at ₦500,000. To enjoy this relief, you must declare your actual rent and provide the details to the relevant tax authority



# Employer & Compliance Requirements (PAYE process)

The new regime also modernises how PAYE is *administered*:

Employers must withhold and remit PAYE monthly as usual.

Uniform documentation and reporting standards nationwide.





Employers are responsible for consistent withholding and remittance to tax authorities

Individuals may also be required to file annual income returns in some cases — expanding transparency beyond just payroll withholding.



**Duty tour allowance** is a per-diem type payment paid to civil/public servants when they embark on official tours, meant to cover lodging, feeding and related official travel costs. It's set by public service rules and circulars from the National Salaries, Income and Wages Commission

Most allowances paid by an employer are treated as earned income and are taxable under PAYE unless they fall under a specific exemption.



# **Not taxable (not treated as earned income)**

Your DTA is generally NOT taxable if:

It is paid strictly to reimburse official travel expenses, and

It is wholly, exclusively, and necessarily incurred in the performance of your duties, and

It is not a fixed or lump-sum allowance, but tied to actual duty travel (often supported by approval/expense schedules).



In this case, it is treated as a reimbursement,  
not income.

The tax authority (Federal or State Revenue Service) can require documentation to justify any claimed exemption based on reimbursement.





## **Takeaway**

*Allowances that strictly reimburse actual documented official travel expenses — supported with receipts — are generally not taxable.*

*Per-diem allowances paid without rigorous third-party audit documentation (i.e., paid just based on entitlement or rate schedule alone) are usually considered taxable under PAYE.*



### 3. Advances for Project

When advance project money is paid to an individual in a lump sum, it does not automatically become their personal income. What happens to it depends on how the project is structured and the rules of the organization.

# **1. It is treated as an advance, not salary**

The money is given **to be used for project expenses**, not for personal use.

The individual is responsible for using it only for approved project costs (materials, travel, services, etc.).

# **2. The individual must account for the money**

They usually must submit the retirement with:  
Expense reports  
Receipts or invoices  
A statement showing how the money was spent

### **3. Any unused balance must be returned**

If the full amount is not spent, the remaining money must be **refunded to the organization**.

Keeping unspent funds without approval can be treated as misuse will be taxable.

### **Special cases**

If the payment is labelled as:

**Honorarium / allowance / stipend** → it may be income and will be taxed



## **4. General**

## **Knowledge**

**1. Will transfers and deposits into my bank account be taxed?**

No. Moving money around (via POS, transfers, deposits, or withdrawals) is not a taxable event. What is taxed is income earned.

**2. Will the money I KEEP in my bank account be taxed from 2026?**

No. Just having money in your account is not taxable. Only the income you earn (like salary, business profits, or interest) is what can be taxed.

**3. Will I pay tax on the loan I borrow from loan app or any lender?**

No. Loans are not taxable given that they are not income.

**4. I am a pensioner, will my pension income be taxed in 2026?**

No. Approved pension and retirement benefits are exempt from tax.

**5. Are military salaries taxable?**

No. The salaries of military officers are now tax-exempt.



**6. If I get a big severance package when leaving my job, will I pay tax on it?**

You won't pay tax if it is ₦50 million or less, BUT if it is more than the extra amount, it will be taxed using the progressive tax band in no 15 above.



**Thank you**