



## Understanding the 50% Additional Deduction for Labour Costs under the 2025 Nigeria Tax Act

### Introduction

When President Bola Ahmed Tinubu assumed office in mid-2023, the Nigerian economy experienced immediate and far-reaching shocks. Government reforms, most notably the removal of petrol subsidy and exchange-rate harmonisation, triggered a steep rise in fuel prices, transportation costs, and food prices, placing significant pressure on households and businesses. During this period of economic turbulence, many employers voluntarily introduced wage awards, transport allowances, cost-of-living adjustments, or even expanded their workforce to help their employees cope with the sudden rise in the cost of living.

Section 162(3) of the Nigeria Tax Act (NTA) appears to acknowledge and reward these employer-driven interventions by introducing a special tax incentive targeted at companies who supported low-income workers or expanded their workforce during the difficulty of the 2023 to 2025 period. The policy aims to achieve the following:

1. to cushion the impact of the economic pressures on companies that voluntarily supported vulnerable workers, and
2. to encourage employers to retain staff or grow their workforce by discouraging involuntary disengagements.

While the policy direction is positive and

commendable, the implementation of the provision remains unclear, creating potential challenges for taxpayers in determining eligibility and timing

This alert provides an overview of the incentive and highlights the key areas where administrative guidance or clarification from the Nigeria Revenue Service (NRS) will be crucial.

### Overview of the incentive

Under Section 162 (3) of the NTA, companies are entitled to claim an additional 50% tax deduction in the relevant years of assessment (YOA) for qualifying labour-related costs incurred in any two calendar years within 2023 and 2025. The qualifying labour costs are:

- wage awards, salary increases, transportation allowances, or transport subsidies that raise a low-income worker's gross monthly earnings to an amount not exceeding N100,000. Increases granted to employees already earning above N100,000 do not qualify for the additional deduction.
- salaries paid to new employees where such hires constitute a net increase in the average number of new employees during 2023 and 2024 calendar years compared to the average net employment over the preceding three years. However, these new employees must not be involuntarily disengaged for at least three years.

## Key concerns affecting the applicability of the law

Despite its good intentions, several interpretational and operational gaps may hinder effective implementation. Key concerns include:

### 1. Undefined “relevant years of assessment”

The Act states that the additional deduction is to be claimed in the “relevant years of assessment,” but does not define what years qualify as relevant. This lack of clarity raises practical concerns because:

- the eligible expenditure period (2023–2025) has elapsed,
- many companies have already filed their 2023 and 2024 tax returns, and
- the Act does not provide explicit mechanism for retrospective claims, amended or supplemental filings.

Some of the practical questions are:

- Will companies be allowed to claim the additional deduction on 2023 and 2024 qualifying costs in future YOAs filings (e.g., 2026 or 2027 YOA)?
- Will the deduction be made in different filing periods or deducted at once in a particular year of assessment?
- Will the NRS permit supplemental returns or self-amendments to capture these incentives?

Without guidance, taxpayers risk misapplying the incentive or missing out entirely.

### 2. Determining the “average net employment”

The provision relies on net employment for determining the eligibility of salaries paid to new employees. The Act defined Net employment as total hires minus total disengagements (whether voluntary or involuntary) during the calendar year. However, practical application requires clarification on:

- the acceptable documentation for headcount reconciliation,
- treatment of temporary, contract or project-based staff,
- whether staff reabsorbed after temporary layoffs

count as new hires.

- how to treat Group-wide staff movements.

Companies will require robust guidance to ensure accurate and defensible calculations..

### 3. The three-year retention test and consequences of non-compliance

The provision requires that qualifying new employees must not be involuntarily disengaged within three years. This raises compliance and audit-risk questions:

- If a qualifying employee is involuntarily disengaged before three years, is the entire incentive clawed back?
- will interest and penalties apply?
- Will companies be required to wait the full three-year period before claiming the incentive to avoid clawback?
- How will cases of business restructuring, redundancy, or liquidation be treated?

In light of these gaps, taxpayers face potential exposure to disallowed deductions and disputes during tax audit reviews. Clear guidance is necessary to manage compliance risks and avoid future disputes.

## Conclusion

The 50% additional deduction for labour-related costs has the potential to significantly reduce tax liabilities for qualifying companies and reward employers who protected vulnerable workers during a challenging economic period. However, the absence of detailed administrative guidance may pose challenges for taxpayers seeking to apply the incentive.

To facilitate proper implementation and ensure the incentive achieves its policy objectives, it is important for the NRS to issue detailed guidance addressing these operational challenges.

Until official clarification is issued, companies are advised to exercise caution, maintain comprehensive documentation of all relevant employment actions, and seek professional advice when evaluating eligibility.



**Peter Nwofia**

Partner, Tax & Regulatory Services  
[Peter.nwofia@forvismazars.com](mailto:Peter.nwofia@forvismazars.com)



**Ajibola Sogunro**

Partner, Tax & Regulatory Services  
[Ajibola.sogunro@forvismazars.com](mailto:Ajibola.sogunro@forvismazars.com)

Forvis Mazars Group SC is an independent member of Forvis Mazars Global, a leading professional services network. Operating as an internationally integrated partnership in over 100 countries and territories, Forvis Mazars specialises in audit, tax and advisory services. The partnership draws on the expertise and cultural understanding of over 35,000 professionals across the globe to assist clients of all sizes at every stage in their development.

© Forvis Mazars 2026