



Understanding the practicability of the Rent Relief Allowance under the 2025 Nigeria Tax Act

The Nigeria Tax Act, 2025 (NTA) introduces a new, targeted housing incentive known as the Rent Relief Allowance (RRA), marking a significant change in the design of personal income tax reliefs in Nigeria. This provision allows taxable individuals to claim a rent relief of an amount equal to 20% of annual rent paid, subject to a maximum of N500,000, whichever is lower, as a deduction from taxable income.

The reform is aimed at aligning personal income tax reliefs more closely with Nigeria's evolving cost-of-living realities by ensuring that only individuals who incur rental costs benefit from the rent allowance. This represents a departure from the repealed Consolidated Relief Allowance (CRA), which applied uniformly to taxpayers irrespective of their housing status.

Given the persistent rise in rental costs, particularly in major cities such as Lagos and Abuja, the RRA reflects a policy acknowledgement that rent constitutes one of the most significant living expenses for Nigerian households. However, despite its equity-driven intent, questions remain around the practicality, accessibility, and real economic impact of the relief.

Overview of the Rent Relief Allowance (RRA)

Section 30(2)(a)(vi) of the NTA provides that the chargeable income of an individual shall be determined after deducting applicable eligible deductions, including the rent relief allowance. Under the NTA, the RRA is computed as 20% of annual

rent paid, subject to a maximum of N500,000, whichever is lower. This provision applies to all individuals subject to personal income tax in Nigeria, including employees under the PAYE system, and self-employed individuals assessed directly under the Personal Income tax regime. However, the relief is restricted to tenants, as homeowners and individuals without rental obligations cannot benefit from the relief.

To qualify for the relief, the taxpayer must:

- have paid rent for a personal residence,
- accurately declare the actual rent paid, and
- submit supporting documentation, as may be prescribed by the relevant tax authority, which may include tenancy agreements and receipts.

Nigeria's rental market has historically operated with a high degree of informality, characterised by absence of written tenancy agreements, non-issuance of rent receipts, and cash-based, untraceable payments. This has contributed to challenges in tenant protection, tax compliance, and Nigeria's rental market has historically operated with a high degree of informality, characterised by absence of written tenancy agreements, non-issuance of rent receipts, and cash-based, untraceable payments.

This has contributed to challenges in tenant protection, tax compliance, and transparency within the housing sector.

By making documentation a mandatory requirement for claiming the RRA, the NTA 2025 creates a strong incentive for landlords to formalise their practices. Tenants who wish to benefit from the relief are likely to demand verifiable rent receipts, written tenancy agreements, and traceable payment methods such as bank transfers.

Over time, this requirement may contribute to improved transparency, better landlord tax compliance, and enhanced data quality for tax authorities.

Application of the Rent Relief Allowance

The Joint Revenue Board (JRB) Personal Income Tax Guidelines, 2026, issued on 7 April 2026, provides further clarity on the practical implementation of the RRA as follows:

- 1. Mandatory disclosure:** To be eligible, the actual rent paid and other prescribed information must be accurately declared to the relevant tax authority.
- 2. Shared tenancy:** Where a property is jointly rented, each tenant is entitled to claim rent relief up to N500,000, limited to the portion of rent actually borne by that tenant.
- 3. Basis of assessment:** The relief is applicable on an actual year basis. That is, rent paid in the year 2026 is available for relief for the 2026 year of assessment.
- 4. Proration across calendar years:** Where rent payments span multiple calendar years, the eligible rent for relief must be pro-rated to reflect only the portion attributable to the relevant year of assessment, regardless of payment cycle. For example, if an individual pays rent of N2,000,000 covering January 2026 to December 2027 (24 months), the actual rent attributable to the 2026 year of assessment (January to December 2026) is N1,000,000, resulting in an RRA of N200,000. This approach would equally apply where rent payments span part of two consecutive years (e.g., September 2025 to August 2026).

Key concerns affecting the practicality of RRA

Despite its benefits, several factors could limit the effectiveness of the RRA:

- 1. Heavy dependence on documentation:** Given the scale of informality in the rental market, many taxpayers may struggle to produce the required documentation. This could significantly limit access to the relief, particularly among lower-income earners.
- 2. Not automatic:** The relief is not granted by default. Employees must disclose and submit rental information to their employers, while self-employed individuals must apply directly to the tax authorities before applying the deduction. This may result in low utilisation due to lack of awareness.
- 3. Administrative burden on employers:** The implementation of the RRA creates additional compliance obligations for employers, as they now need to reconfigure payroll systems, review and retain rent documentation, and maintain audit-ready records for the Nigeria Revenue Service (NRS) and State Internal Revenue Service (SIRS). This may be particularly burdensome for small and medium-sized organisations.
- 4. Limited economic impact in high-rent locations:** With a statutory cap of N500,000, the relief may provide only limited financial benefit to taxpayers in high-cost locations such as Lagos, Abuja, and Port Harcourt.

In addition, implementation uncertainty remains a concern. Notwithstanding that the RRA is already in force and over three months into its operation, tax authorities have remained silent on implementation expectations, enforcement approach, and transitional guidance. As a result, many employers are yet to reflect the relief in PAYE computations, adopting a cautious approach pending further clarification. This silence may undermine early adoption and delay the realisation of the policy's intended benefits.

Conclusion

The Rent Relief Allowance represents a meaningful shift toward targeted and equitable personal income tax relief in Nigeria. While the RRA is straightforward and potentially impactful, its effectiveness will depend heavily on documentation practices, employer readiness, taxpayer awareness, and administrative efficiency. Without improvements

in rental formalisation and sustained taxpayer education, the relief risks being underutilised.

For employers, HR teams, and taxpayers, early preparation, proper documentation, and payroll system alignment will be critical to unlocking the full value of this reform as further implementation clarity emerges.



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