



Budget Watch 2025: Key Takeaways for Investors, Businesses and Individuals

Introduction

On February 28, 2025, His Excellency, President Bola Ahmed Tinubu signed the ₦54.99 trillion Appropriation Bill into Law. The budget, which reflects a significant increase from 2024 figures, outlines the government's spending and revenue priorities for the year. Key focus areas include infrastructure, social investment, public services, and revenue generation. While some fiscal proposals—such as the planned Value Added Tax (VAT) increase—remain under legislative consideration, the budget offers important signals for individuals, businesses and investors across sectors.

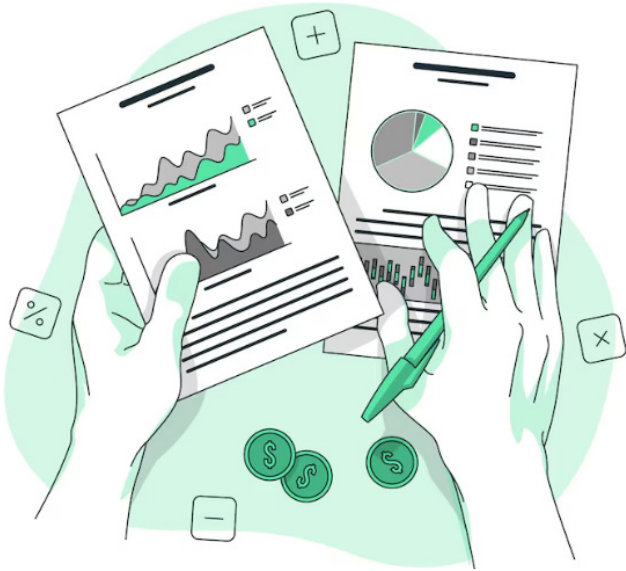
Key Budget Highlights and Implications

1. Gradual VAT Increase to 12.5% by 2026:

The 2025 budget includes a proposed VAT increase from 7.5% to 12.5% by 2026. Essential items like food and medicine are expected to remain VAT-exempt. The proposal has generated debate, and its implementation will depend on legislative outcomes.

Possible Impacts:

- Individuals may experience higher costs on non-essential goods and services.
- Businesses in non-exempt sectors may need to manage increased tax exposure.



- Pricing strategies may require adjustment to cushion cost pressures.
- Firms should review VAT compliance frameworks proactively.

2. VAT Revenue Allocation Linked to Contribution: The budget framework introduces a potential shift in how VAT is distributed among states, linking allocation to revenue contribution. However, population and derivation have also been proposed as additional sharing parameters.

Possible Impacts:

- High-contribution states like Lagos, Rivers, and FCT may see enhanced funding for public services.
- Individuals in high-contribution states may benefit from improved infrastructure or social services, while others may face limited state resources.
- Businesses in states with lower allocations may need to navigate tighter fiscal conditions and reduced infrastructure spending.

3. Intensified Tax Collection and Compliance Measures: Revenue agencies, including Federal Inland Revenue Service (FIRS) and Customs, are expected to deepen enforcement efforts, leveraging technology and data-driven systems to improve compliance.

Possible Impacts:

- Greater scrutiny of tax filings and audit trails.
- Individuals earning income outside the formal tax net may face increased reporting and registration requirements.
- Companies should consider strengthening internal tax controls.

4. Evolving Fiscal and Monetary Policy

Environment: To manage inflation and exchange rate volatility, tighter monetary measures may be adopted. Broader inclusion in the tax base is anticipated, with indications that low-income earners may continue to enjoy relief measures.

Possible Impacts:

- Potential rise in borrowing costs and reduced access to credit.
- Import-heavy businesses may face cost pressures due to currency fluctuations.
- Policy shifts may require re-evaluation of financial and supply chain strategies.

Looking Ahead

The 2025 budget introduces a range of fiscal and regulatory measures that could influence business operations and investment decisions. The extent of impact will depend on how quickly the provisions are implemented, the broader economic climate, and the outcome of ongoing legislative discussions. Businesses and individuals may benefit from forward-looking strategies—such as reviewing tax exposure, adjusting financial models, and staying informed on evolving policies.

For advisory on tax compliance, investment structuring, or public finance developments, contact us at info@scp-law.com or visit www.scp-law.com.