Family and Wealth Management

# Retirement, Reworked: What the Nigeria Tax Act 2025 Means for Pensions and Long-Term Wealth Planning

## Introduction

Retirement planning is easy to treat as tomorrow's problem. The Nigeria Tax Act 2025 (NTA 2025 or Act), signed into law on 26 June 2025 and effective from 1 January 2026, makes that approach increasingly costly and risky.

The Act introduces important changes to Nigeria's personal tax framework, with direct implications for pension contributions, gratuity arrangements, and retirement planning. For high-net-worth individuals, business owners, senior executives, and professionals, retirement planning now requires closer attention to tax efficiency, compliance, and long-term wealth preservation.

## Key Highlights

- **Pension contributions remain deductible:**

Under section 20(f) of the NTA 2025, pension contributions made in accordance with the Pension Reform Act continue to qualify as allowable deductions in computing personal income tax.

- **Documentation is essential:**

Pension deductions should be properly claimed and supported with the required documentation to ensure they qualify for relief.

- **Pension income falls within the personal income tax framework:**

The NTA 2025 brings pension income expressly within the scope of personal income tax, making it important for retirees and their advisers to understand the treatment that applies to what they receive – not only to what they contribute.

- **Non-statutory gratuity is taxable:**

Gratuity paid outside the framework of the Pension Reform Act is subject to tax, making the structure of retirement and severance arrangements increasingly important.

## Legal and Wealth Planning Implications

- **Tax relief depends on compliance:**

Individuals seeking to claim deductions for pension contributions should maintain adequate documentation to support their claims during any review or audit by the Nigeria Revenue Service.

- **Executive exit planning requires careful structuring:**

Business owners and senior executives negotiating retirement or severance packages should assess whether gratuity and related benefits fall within the statutory pension framework or may attract tax.

- **Retirement planning should be reviewed holistically:**

Pension contributions, retirement benefits, and exit arrangements should be considered alongside broader wealth preservation and succession planning objectives.

- **Periodic reviews remain important:**

Individuals should regularly review their pension arrangements, contribution levels, and beneficiary designations to ensure they remain aligned with their long-term financial objectives and the evolving tax framework.

## The Road Forward

The NTA 2025 does more than introduce new compliance requirements. It reinforces the importance of integrating pension planning into a broader wealth management strategy.

For individuals building long-term wealth, the priorities are clear: ensure pension contributions are properly documented, structure retirement arrangements appropriately, and keep long-term financial plans aligned with the evolving tax framework.

For guidance on pension planning, retirement structuring, executive exit arrangements, and family wealth preservation under the new tax regime, contact info@scp-law.com or visit www.scp-law.com.