

What Happens to My Salary Under the New Tax Act? (PAYE without the Stress)



So you have worked hard all month, the alert finally lands, and then... wait, what happened to my money?

Let us break down PAYE (Pay As You Earn) under the new Nigeria Tax Act in plain gist.

First Things First: What Is PAYE?

PAYE simply means your employer is the middleman for the taxman. Instead of waiting for you to calculate and pay taxes yourself, your employer deducts tax from your salary before it even hits your account and sends it straight to the government.

So if you have ever felt your salary was short, do not fight HR, it is the law.

Who Does This Affect?

PAYE applies to almost everyone who earns a salary or regular income, including:

- Full-time employees (9 to 5 crew)
- Contract staff
- Part-time staff and casual workers
- Allowances and benefits (emoluments) are also taxable

Basically, if it looks like salary, smells like salary, and walks like salary, the taxman will take his share.

How Do They Calculate It?

Under the new Act (as also in the current law), it is not just your basic salary that is taxed. It is your total package (emoluments):

- Basic pay
- Housing allowance
- Transport allowance
- Other perks (those “small” allowances count too)

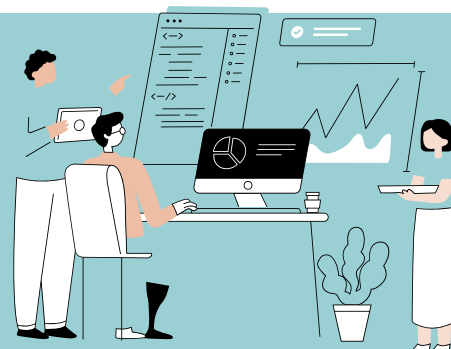
But do not panic, the law still gives you reliefs and exemptions before the tax bite lands.



Why Does My Take-Home Pay Feel Smaller?

Because gross pay is the fancy number HR promises. But take-home pay = gross pay minus PAYE, pension, NHF and NHIS.

Think of gross pay as the full suya plate you ordered, and take-home as what is left after friends - PAYE, pension, NHF and NHIS, taste it before it reaches you.



What Changed Under the New Act?

- Clearer definition of emoluments, no more hiding allowances outside the tax net
- Digital tracking with Tax IDs, your PAYE tax is now tied neatly to your Tax ID
- Stricter employer duty, bosses must deduct and remit PAYE on time or face penalties
- From January 2026, new rates, ₦800,000 tax-free band, CRA disappears, and a brand-new rent relief joins the long-standing list of statutory deductions



(A) Step-by-Step: How PAYE Is Calculated

For salaries you are earning now (2025 paychecks):

1. Add up Gross Pay (GI), basic + housing + transport + other taxable allowances
2. Subtract allowable deductions, for example 8% employee pension, NHF, NHIS, life insurance premiums
3. Compute CRA (Consolidated Relief Allowance), higher of ₦200,000 or 1% of GI plus 20% of (GI minus pension and other allowable deductions)
4. Taxable Income = GI – pension – CRA
5. Apply current PIT bands (annual):
 - First ₦300,000 → 7%
 - Next ₦300,000 → 11%
 - Next ₦500,000 → 15%
 - Next ₦500,000 → 19%
 - Next ₦1.6m → 21%
 - Above ₦3.2m → 24%
6. Minimum wage earners (₦70,000/month or less) → no PAYE



From January 2026 (new Act kicks in):

1. Add up Gross Pay
2. Subtract eligible deductions, these are not new, they have always been around:
 - Pension contributions
 - National Housing Fund (NHF) contributions
 - National Health Insurance (NHIS) contributions
 - Life insurance or annuity premiums (for you or your spouse)
 - Interest on loans for building your own house
 - New addition: Rent relief = 20% of rent paid (capped at ₦500,000)
3. Taxable Income = Gross pay – deductions
4. Apply new bands:
 - First ₦800,000 → 0%*
 - Next ₦2.2m → 15%
 - Next ₦9m → 18%
 - Next ₦13m → 21%
 - Next ₦25m → 23%
 - Above ₦50m → 25%
5. Minimum wage earners (₦70,000/month or less) → no PAYE



Exemptions You Should Know

The Act also says some income is completely tax-free:

- Compensation for personal injury or loss of office/ employment up to ₦50m
- Gains from selling your main home (principal private residence + up to 1 acre of land) – once in a life time exemption.
- Gains from selling small personal assets (like furniture, jewelry, cars) if total proceeds ≤ ₦5m in a year
- Certain approved losses can reduce your taxable income if you are also doing business as an individual (business losses, investment losses)

(B) PAYE: 2025 vs 2026 At a Glance



Feature	2025	2026
Tax-Free Allowance	National Minimum Wage earners ($\leq$ ₦70k/month = ₦840k/year) pay 0%	First ₦800,000 of annual income is 0%. <i>Note: If your total income is $\leq$ ₦840,000 (minimum wage), you still pay nothing, the exemption overrides the tax table.</i>
Reliefs and deductions	CRA + long-standing reliefs (pension, NHF, NHIS, life insurance, housing loan interest)	Same long-standing reliefs continue + new Rent Relief (20% of rent paid, capped ₦500,000). CRA is abolished
Bands and Rates	7% $\rightarrow$ 24% (6 steps). First ₦300k = 7%, Next ₦300k = 11%, Next ₦500k = 15%, Next ₦500k = 19%, Next ₦1.6m = 21%, Above ₦3.2m = 24%	0% $\rightarrow$ 25% (6 steps). First ₦800k = 0%*, Next ₦2.2m = 15%, Next ₦9m = 18%, Next ₦13m = 21%, Next ₦25m = 23%, Above ₦50m = 25%
Focus	Protects low earners, CRA reduces tax for middle-income	Simpler, bigger 0% band, targeted reliefs (rent + long-standing ones), broader net for high earners

Do Not Forget the Global Rule

If you are a resident of Nigeria, your worldwide income is taxable here, whether you earned it in Lagos, London, or Los Angeles. If the money is yours, Nigeria wants to know.

What Should Employees Do?

- Know your gross vs net pay, do not wait till alert day for surprises
- Check your payslip, make sure PAYE is actually deducted and remitted
- Keep your Tax ID handy, your PAYE is linked to it
- Ask questions, HR must explain your deductions if you are confused



How Vi-M Professional Solutions Can Help

We know tax can sound like wahala, but at Vi-M we make it simple. For employees, that means:

- Clear and correct PAYE deductions on your payslip
- No surprises with under-deductions or double deductions
- Your Tax ID linked properly to your salary records

Many companies already let us manage and outsource their payroll. So when Vi-M is in charge, salaries land on time, pensions and PAYE are deducted correctly, and payslips stop giving employees headaches. With Vi-M, you just enjoy your salary alert while we quietly handle the payroll and tax stress in the background.