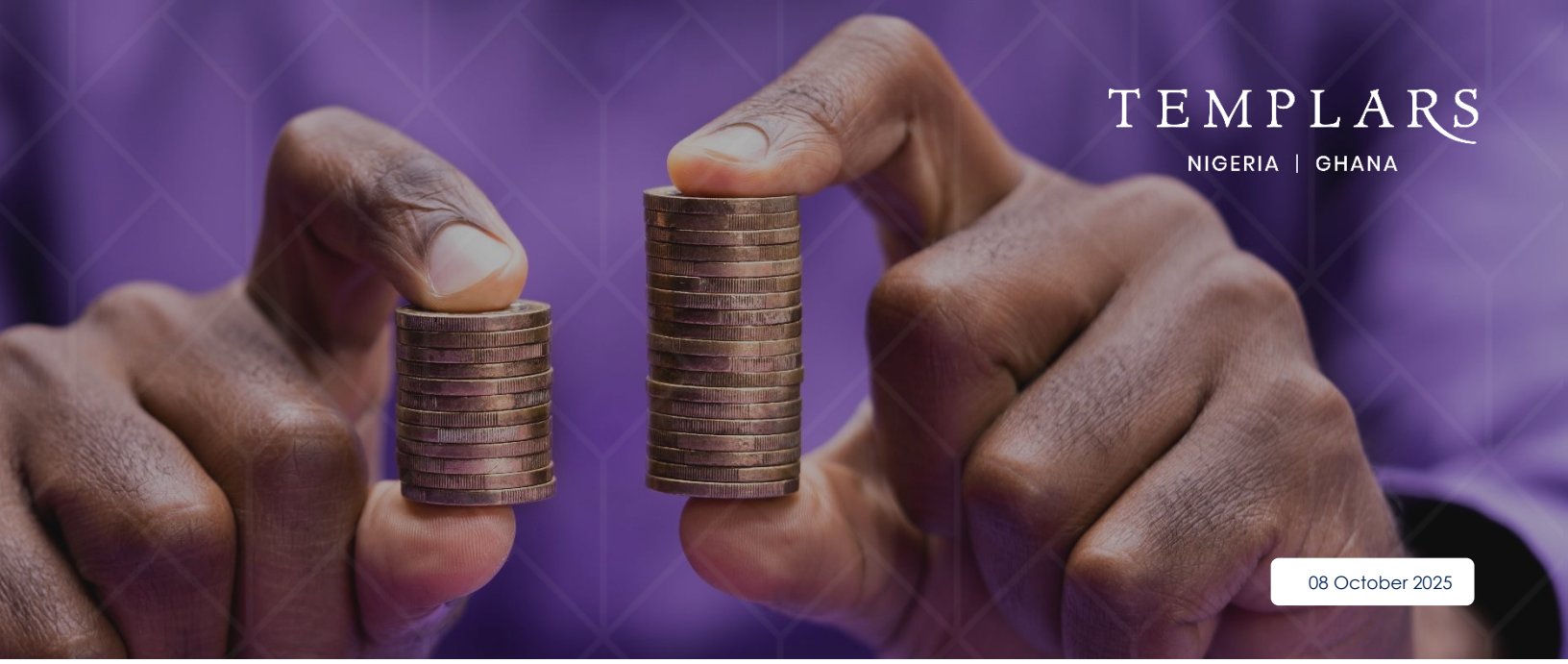

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TEMPLARS Transcripts: Tax Digest

Policy and Tax Administration

- **Federal Inland Revenue Service Issues Public Notice on Withholding Tax on Interest on Short-Term Securities**

The Federal Inland Revenue Service (FIRS) has issued a Public Notice clarifying the obligation to deduct withholding tax (WHT) from interest payments on short-term securities (the "Public Notice"). The Public Notice is directed at banks, discount houses, stockbrokers, corporate bond issuers, primary dealer market makers, financial institutions, government agencies, and the general public.

The Public Notice reiterates sections 78(1) and 81(1) of the Companies Income Tax Act (CITA) and the Deduction of Tax at Source (Withholding) Regulations, 2024, which impose WHT on interest payable to any person, including non-corporate entities. Accordingly, WHT is required to be deducted on all interest payments on investments in short-term securities at the applicable rate on the date of payment. Further, the tax withheld must be remitted to the relevant tax authority not later than the 21st day of the month following the month in which the payment occurred.

The Public Notice further clarifies that the person from whose interest payment the tax was deducted is entitled to a tax credit equal to the amount withheld and remitted, except where the tax deducted is the final tax. Further to the Public Notice, short-term securities include (but are not limited to) government bonds, treasury bills, promissory notes, corporate bonds, financial papers, and bills of exchange. However, interest payment on bonds issued by the Federal Government is expressly exempt from WHT.

The FIRS has directed all relevant interest payers to ensure compliance with the Public Notice and extant laws in order to avoid penalties and interest under the tax laws.

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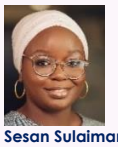

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- **Presidential Fiscal Policy and Tax Reforms Committee Clarifies the Imposition of 5% Surcharge on Fossil Fuel Products**

  The Presidential Fiscal Policy and Tax Reforms Committee (the "Committee") has issued a clarification on the imposition of 5% surcharge on chargeable fossil fuel products under the newly enacted Nigeria Tax Act (the "NTA"). According to the Committee, the surcharge is not a new levy introduced under the NTA, rather, it existed under the Federal Roads Maintenance Agency (Amendment) Act, 2007 (the "FERMA Act") and was restated in the Nigeria Tax Act, 2025 for harmonisation and transparency.

  The Committee confirmed that the surcharge will not take effect automatically in January 2026 when the new tax laws commence. The implementation is contingent upon an order of the Minister of Finance, to be published in the Official Gazette, thereby ensuring that broader economic conditions are taken into account before enforcement.

  The surcharge will not apply to all fossil fuel products. Exemptions from the surcharge under the NTA include household kerosene, cooking gas, compressed natural gas (CNG), and clean or renewable energy products, consistent with Nigeria's energy transition policy. The Committee explained that the surcharge is designed as a dedicated fund for road infrastructure, similar to the practice in other jurisdictions where fuel-related levies provide sustainable financing for road maintenance and development.

- **Federal Government of Nigeria Suspends Implementation of 4% FOB Charge on Imports**

  The Federal Ministry of Finance, vide an official circular dated 15 September 2025, has directed the Nigeria Customs Service (NCS) to suspend the implementation of the 4% Free-on-Board (FOB) charge on imported goods.

  The 4% FOB charge was introduced pursuant to section 18(1)(a) of the Nigeria Customs Service Act, 2023, to replace the 1% Comprehensive Import Supervision Scheme (CISS) fee and the 7% customs collection fee. It was designed to serve as a dedicated funding mechanism for NCS operations, including investments in technological upgrades and trade facilitation infrastructure.

  Following concerns raised by stakeholders that the levy could worsen inflation, erode competitiveness, and increase costs for importers and consumers, the Ministry of Finance explained that the suspension will enable a comprehensive review of the framework and an assessment of its wider economic implications.

- **Presidential Fiscal Policy and Tax Reforms Committee Launches Personal Income Tax Calculator Ahead of 2026 Reforms**

  The Presidential Fiscal Policy and Tax Reforms Committee (the "Committee") has unveiled a Personal Income Tax (PIT) calculator designed to assist Nigerians estimate their PIT obligations under the new tax reforms that will take effect from January 1, 2026. The tool allows individuals to compare their estimated liability under the reformed system against current rates.

  The President of Nigeria, President Bola Ahmed Tinubu further explained that the initiative is aimed at promoting transparency, simplifying compliance, and ensuring equity in Nigeria's tax system. According to the President, the reforms are structured to protect low-income earners, uphold progressivity, and prevent a tax regime that punishes poverty or overburdens the vulnerable.

The President urged Nigerians to use the calculator to better understand their tax obligations under the new tax regime, describing it as a tool to build trust in the system and renew hope for a more equitable economy. The Personal Income Tax Calculator can be accessed **here**.

- **Federal Government of Nigeria Approves US$300 Duty-Free Threshold for Low-Value Imports**

The Federal Government has approved a new customs policy exempting imported goods valued at US$300 (Three Hundred United States Dollars) or less from the payment of duties and related taxes. The measure, which takes effect on September 8, 2025, was endorsed during the 63rd meeting of the Nigeria Customs Service (NCS) Board chaired by the Minister of Finance and Coordinating Minister of the Economy.

In a statement, NCS National Public Relations Officer explained that the decision establishes Nigeria's official De Minimis Threshold Value for low-value consignments, covering e-commerce imports, express shipments, and passenger baggage. The exemption is limited to four importations per individual annually and excludes prohibited or restricted items.

The NCS stated that the policy aligns with global trade facilitation practices and provisions of the Nigeria Customs Service Act, 2023, as well as international instruments such as the World Trade Organisation Trade Facilitation Agreement and the World Customs Organisation (WCO) Revised Kyoto Convention. The measure is expected to simplify clearance procedures, reduce delays at entry points, and boost Nigeria's role in cross-border e-commerce and regional trade.

To prevent abuse, the NCS warned that invoice manipulation or duty evasion will attract strict sanctions, including forfeiture, arrest, and penalties under the relevant laws. The NSC also announced that support channels would be set up to assist stakeholders in the implementation of the policy.

Judicial Decision

- **Federal High Court Rules that Federal Inland Revenue Service approval is not required for Transfer of Assets Between Companies – *Dangote Agro Sacks Limited v Federal Inland Revenue Service (FIRS): (Appeal No: FHC/L/CS/18A/2023)***

Dangote Agro Sacks Limited (the "**Appellant**"), appealed the Tax Appeal Tribunal's (the "**Tribunal**") decision which upheld the Federal Inland Revenue Service's (the "**Respondent**") refusal to grant the Appellant's capital allowance claims on assets transferred from Obajana Agro Sacks Limited. The key issue for determination was whether sections 29(9) and (12) of the Companies Income Tax Act (the "CITA") which requires FIRS approval for any merger, takeover, transfer or restructuring of a business applies to transfer of assets between companies.

The Appellant argued that sections 29(9) and (12) CITA apply strictly to the transfer of a trade or business in the context of mergers, acquisitions, or corporate reorganisations. It further argued that its transaction was a straightforward transfer of assets, not a transfer of a going concern, and therefore did not require FIRS approval. The Appellant submitted that tax statutes must be interpreted strictly. It further submitted that the Tribunal erred in adopting the FIRS's position, which had no foundation in the language of the statute.

In response, the Respondent contended that by implication of sections 29(12) of the CITA no form of business restructuring can be undertaken without the consent of the FIRS. It maintained that where a statute prescribes a particular mode or method of performing a particular action, the method of doing that action must be done in accordance with the express provisions of the statute of rules. Accordingly, the absence of FIRS approval rendered the Appellant's transaction non-compliant with the statute.

In allowing the appeal, the Federal High Court (the "Court") held that sections 29(9) and (12) of the CITA are confined to the transfer of a trade or business in the context of mergers, takeovers, or business reorganisations, and cannot be extended to transfer of assets between companies. The Court emphasised that tax statutes must be strictly construed, and that FIRS approval is not a condition precedent to effecting transfers of assets. Accordingly, the Court ruled that the Appellant's transaction was valid without FIRS consent and set aside the decision of the Tribunal.

- **High Court of Rivers State Affirms Tax Exemption for Enterprises Operating Exclusively in Oil and Gas Free Zones – *West Atlantic Shipyard Ltd v Attorney General of Rivers State & Anor (Suit No: PHC/266/CS/2024)***

  West Atlantic Shipyard Limited (the "**Claimant**") commenced an action against the Attorney General of Rivers State and the Rivers State Board of Internal Revenue Service ("RSBIRS") (together the "**Defendants**"), challenging the RSBIRS' demand for the payment of registration/renewal of business premises levy under the *Registration of Business Places Law of Rivers State*. The key issue for determination was whether enterprises operating exclusively within a designated Oil and Gas Free Zone are exempt from state taxes under the *Oil and Gas Export Free Zone Act* (the "**OGEFZA**").

  The Claimant argued that as a licensed enterprise under the OGEFZA, it was exempt from the payment of all federal, state, and local government taxes, levies, and rates. The Claimant submitted that the language of a statute must not be strained in order to tax a transaction which, had the legislature intended, would have been expressly provided. It maintained that the demand by the RSBIRS was inconsistent with the OGEFZA, given that its activities were conducted in the free zone and not in the customs territory. Further, the Claimant contended that, where both federal and state legislatures enact laws on the same subject, the law passed by the state legislature would be invalid, to the extent that the federal law has already covered the field.

  The Respondents contended that the OGEFZA cannot exempt the Claimant from paying taxes and levies that are not within the legislative competence of the Federal Government. Therefore, the Rivers State Government retained authority to enforce its laws, including the Registration of Business Places Law, and that the Claimant was not exempt from compliance.

  The High Court of Rivers State (the "Court") held that the OGEFZA expressly exempts enterprises operating exclusively within oil and gas free zones from all forms of federal, state, and local government taxes and the Defendants lack the legal standing to lawfully impose state taxes, levies, rates and duties on the Claimant. Accordingly, the Court granted a perpetual injunction restraining the Defendants from demanding, assessing, imposing or collecting the levy imposed on the Claimants.

If you require any further clarification, do not hesitate to contact us.