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Policy & Administration

Nigeria and Hong Kong Sign Double Taxation Agreement to Strengthen Cross-Border Trade and Investment

On 13 July 2026, the Federal Government of Nigeria and the Hong Kong Special Administrative Region ("**HKSAR**") of the People's Republic of China signed the Agreement for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance (the "**DTA**"). According to Nigeria's Minister of Finance and Coordinating Minister of the Economy, Mr Taiwo Oyedele, the DTA is intended to eliminate double taxation, enhance tax certainty, prevent tax evasion and avoidance, and promote cross-border trade and investment between both Countries.

The DTA forms part of Nigeria's broader strategy to expand its network of double taxation treaties and strengthen its attractiveness as an investment destination. Nigeria currently has sixteen Double Taxation Agreements in force with countries including the United Kingdom, the Netherlands, South Africa, Canada, France, Belgium, among others. Once the DTA enters into force, residents of both jurisdictions will be entitled to relief from double taxation in accordance with its provisions. Also, following its entry into force, the provisions of the DTA will prevail over inconsistent domestic tax laws to the extent of such inconsistency. The agreement is also expected to provide greater certainty for businesses with cross-border operations by reducing the risk of double taxation and clarifying the taxing rights of each jurisdiction.

In Nigeria, the DTA will only enter into force upon the fulfilment of the constitutional requirement of ratification/domestication of treaties. The signing of the DTA signals Nigeria's continued commitment to strengthening its international tax treaty network and fostering a more transparent, predictable, and investor-friendly tax environment.

Federal Government Commences Implementation of Green Tax on High-Engine Vehicles

The Federal Government has commenced the implementation of the Green Tax surcharge on imported high-engine vehicles, following the expiry of the transitional period provided under the 2026 Fiscal Policy Measures (the "**FPM**"). The Green Tax, which took effect on 1 July 2026, imposes a surcharge of 2% on vehicles with engine capacities ranging from 2,000 cubic centimetres ("**cc**") to 3,999cc, and 4% on vehicles with engine capacities of 4,000cc and above. Vehicles with engine capacities below 2,000cc, as well as electric vehicles, locally manufactured vehicles and mass transit buses, are exempt from the surcharge.

The Green Tax forms part of the Federal Government's 2026 Fiscal Policy Measures ("FPM"), which are designed to support environmental sustainability by encouraging the gradual adoption of lower-emission vehicles and cleaner transport technologies. Its implementation coincides with other tariff reforms under the FPM, including reductions in import duties on passenger vehicles and lower import levies on both new and used vehicles to cushion the impact of the new surcharge on importers.

The introduction of the Green Tax aligns Nigeria with a growing number of jurisdictions that use fiscal measures to support environmental and climate-related policy objectives. Stakeholders in the automotive value chain, including vehicle importers, distributors and fleet operators, should assess the potential impact of the surcharge on vehicle acquisition costs, procurement decisions and fleet renewal strategies. Businesses should also ensure that imported vehicles are correctly classified and that any applicable exemptions or concessions are properly identified to facilitate compliance with the new regime.

Accountant General of the Federation Directs MDAs to Discontinue 1% Stamp Duty Deduction on Payments

The Office of the Accountant-General of the Federation ("**OAGF**"), through a Circular dated 15 June 2026, has directed all Ministries, Departments and Agencies ("**MDAs**") to discontinue the deduction of 1% stamp duty from payments made to contractors, vendors, suppliers and service providers. The directive was issued to align government practice with the provisions of the Nigeria Tax Act, 2025 (the "**NTA**"), which came into effect on 1 January 2026.

According to the Circular, the NTA clarifies that stamp duty is chargeable on chargeable instruments and not on payment transactions. Consequently, the longstanding practice of deducting 1% stamp duty from payments is no longer consistent with the current legal framework. The Circular further directs MDAs to ensure that stamp duty is only charged, deducted or remitted where expressly required under the NTA and the Ninth Schedule thereto, which prescribes the instruments that are subject to stamp duty.

The directive effectively reverses the administrative practice introduced by the Federal Government through the 2017 Treasury Circular, which required MDAs to deduct and remit 1% stamp duty from payments made to contractors, suppliers and service providers. The OAGF also clarified that stamp duties validly deducted before the commencement of the NTA remain preserved under the Act's savings provisions, while contracts awarded on or after 1 January 2026 will be governed by the provisions of the NTA.

Judicial Decision

Tax Appeal Tribunal rules that that Transfer of Participatory Rights and Funding Obligations under a Production Sharing Contract Qualifies as a Conveyance on Sale for Stamp Duty Purposes – Nexen Petroleum Nigeria Limited & Anor v Nigeria Revenue Service (TAT/LZ/SD/043/2024)

The appeal arose from the Nigeria Revenue Service (the "**NRS**")'s assessment of stamp duties on the Deed of Assignment between Nexen Petroleum Nigeria Limited and Nexen Petroleum Exploration and Production Nigeria Limited (the "**Appellants**") and Total Upstream Nigeria Limited in connection with the transfer of participatory rights and funding obligations under Production Sharing Contracts ("**PSCs**") relating to Oil Mining Leases ("OMLs") 138 and 154.
The Appellants argued that contractors under PSCs do not own any proprietary interest in the underlying OMLs, as legal title to petroleum resources remains vested in the Federal Government. According to the Appellants, the Deed of Assignment merely transferred contractual rights and obligations, including participatory rights, funding obligations and cost recovery rights, none of which constituted property or an equitable interest. Additionally, that a "conveyance on sale" under the Stamp Duties Act ("**SDA**") contemplates the existence of a property capable of transfer, and the passing of a proprietary or equitable interest therein. Consequently, the Appellants submitted that, the instruments in question could not qualify as conveyances on sale but, at most, as ordinary agreements subject only to nominal stamp duty. They further contended that the Schedule to the SDA contains no charge head for the assignment of funding obligations or transfer of PSC participatory rights, and that extending the definition of "conveyance on sale" to cover all contractual rights would distort the classification of chargeable instruments under the SDA.

The NRS, on the other hand, argued that the Deeds of Assignment transferred valuable, identifiable and commercially exploitable rights under the PSCs, including rights to participate in petroleum operations, recover costs and receive profit oil. The NRS contended that although legal title to the OMLs remained with the Federal Government, PSC contractors possessed valuable beneficial and economic interests capable of assignment with ministerial consent. The NRS therefore submitted that a "conveyance on sale" under the SDA extends beyond transfers of tangible property to any instrument transferring property, rights or interests for consideration. It maintained that the rights transferred under the Deed of Assignment are valuable and quantifiable, and therefore fall within the scope of chargeable instruments. It further argued that the assumption of funding obligations constituted the consideration for the acquisition of those rights and that the substance, rather than the nomenclature, of the transaction should determine its stamp duty treatment.

The Tribunal relying on expansive concept of "property" under the Conveyancing Act 1881, the Law of Property Act 1925 and persuasive foreign authorities, found that proprietary interests are not limited to tangible assets but also extend to enforceable contractual rights and other choses in action. On this basis, the Tribunal held that "property" as contemplated by section 52 of the SDA extends beyond tangible assets to include participatory rights and funding obligations transferred under the PSCs and that the Deed of Assignment therefore qualified as a conveyance on sale, chargeable to ad valorem stamp duty.

Tax Appeal Tribunal Holds that a Sale and Purchase Agreement Executed Outside Nigeria is Not Liable to Stamp Duty in the Absence of Evidence that the Instrument was Physically Brought into Nigeria – CNOOC Exploration and Production Nigeria Limited v Federal Inland Revenue Service (TAT/LZ/SD/042/2024)

CNOOC Exploration and Production Nigeria Limited (the "Appellant") appealed against a stamp duty assessment by the Federal Inland Revenue Service (the "Respondent") in connection with a Sale and Purchase Agreement ("SPA") under which South Atlantic Petroleum Limited transferred 90% of its interest in a PSC to the Appellant. The central issue was whether the SPA, having been executed outside Nigeria was subject to stamp duty in the absence of evidence that it had been brought into or first received in Nigeria.

The Appellant argued that the SPA was executed and retained outside Nigeria and was never brought into or received in Nigeria. It submitted that, under sections 23(1), (3) and (4) of the Stamp Duties Act (the "SDA"), Stamp Duty is chargeable only on instruments executed in Nigeria or, where executed outside Nigeria, upon their first receipt in Nigeria. According to the Appellant, Stamp Duty is imposed on instruments rather than transactions, and in the absence of a dutiable instrument executed or received in Nigeria, no liability could arise. The Appellant further contended that the NRS' assertion that the SPA must have been brought into Nigeria to obtain regulatory approval was speculative and unsupported by evidence.

The NRS submitted that the Appellant's argument that the SPA was executed outside Nigeria was irrelevant, as what mattered was not where the instrument was signed but what it related to, namely, a Nigerian property with specific rights to explore for and produce petroleum in Nigerian territory. The NRS argued that section 2 of the SDA applies to instruments executed in Nigeria or relating to property situate in Nigeria, such that the SPA remained chargeable to stamp duty even if executed abroad. The NRS further contended that, having obtained ministerial consent for the transfer of interests in the Oil mining lease, the Appellant had submitted itself to Nigerian regulatory jurisdiction and could not now contend that the transaction fell outside the scope of Nigerian tax law.

The Tribunal held that by the combined effect of sections 23(1), (3), and (4) of the SDA, documents may be executed outside Nigeria and such documents only become liable to stamping obligations upon their first receipt in Nigeria. The import of the Tribunal's finding is that while documents executed outside Nigeria are subject to stamp duty, the obligation or liability to stamp such documents will only crystallise when the document is physically brought into Nigeria. The Tribunal further held that the SDA contemplates physical stamping by impressed stamp, presupposing the physical receipt of the instrument within the jurisdiction, with no express provision extending this requirement to electronic transmission or deemed receipt of the instrument. Having failed to adduce evidence to show that the SPA had been received or brought into Nigeria, the Tribunal held that the NRS was wrong to impose stamp duty on the Appellant in respect of the SPA.

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