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TEMPLARS Transcripts: Tax Digest

Policy & Administration

Federal Government of Nigeria Introduces Market-Linked Interest Rates for Late Payment of Taxes

On 24 September 2026, the Federal Government of Nigeria, through the Minister of Finance and Coordinating Minister of the Economy Mr Taiwo Oyedeke, (the “**Minister**”), introduced a revised framework for determining interest payable on overdue tax liabilities through the *Nigeria Tax Administration (Interest on Late Payment of Tax) Order, 2026* (the “**Order**”). The Order supersedes the Federal Inland Revenue Service Public Notice on the Revised Interest Rate for Unpaid Taxes, 2017, and all prior notices governing interest on unpaid taxes.

The Order, which took effect on 1 October 2026, was issued pursuant to section 65 of the Nigeria Tax Administration Act, 2025 (the “**NTAA**”) and introduces a market-linked mechanism for calculating interest on unpaid tax liabilities. Under the revised framework:

- a. interest on naira-denominated tax liabilities will be charged at the Central Bank of Nigeria's Monetary Policy Rate (“**MPR**”) plus one percentage point, subject to a minimum rate equivalent to the yield on 364-day Treasury Bills. This replaces the previous margin of five percentage points above the MPR.
- b. interest rate on foreign currency-denominated tax liabilities will be the Secured Overnight Financing Rate (“**SOFR**”) plus six percentage points or, where SOFR is discontinued, its officially recognised successor rate.
- c. A single rate will apply for each calendar month, determined by reference to the relevant benchmark on the last business day of the preceding month, with the Nigeria Revenue Service (“**NRS**”) required to publish the applicable rate on its website on the third business day of every month.

The revised framework applies uniformly to self-assessment and to tax liabilities administered by the NRS, and the respective State and Federal Capital Territory Inland Revenue services. The new rates apply to interest arising from 1 October 2026, while those that accrued before 1 October 2026 remain subject to the rules applicable at the time.

Federal Government Inaugurates Technical Sub-committee to Review the 2025 Tax Acts and Draft the Finance Bill 2027

On 17 September 2026, the Minister inaugurated the Technical Sub-committee on Fiscal Policy and Tax Reforms (the “**Sub-committee**”) to review the implementation of the Nigeria Tax Act, 2025, the NTAA, the Nigeria Revenue Service (Establishment) Act, 2025 and the Joint Revenue Board of Nigeria (Establishment) Act, 2025.

The Sub-committee is mandated to draft the Finance Bill 2027, the Withholding Tax Regulations 2027 (intended to replace the Deduction of Tax at Source (Withholding) Regulations, 2024) and the Significant Economic Presence Order 2027 (replacing the Companies Income Tax (Significant Economic Presence) Order, 2020). Areas identified for review include Value Added Tax thresholds, Withholding Tax, capital gains treatment, multiple taxation, taxpayer rights, faster refunds, safeguards for small businesses and incentives for mining, renewable energy, healthcare and the capital market.

Lagos Gaming Regulator Directs Telecommunications and VAS Providers to Verify Gaming Licences and Tax Compliance

On 12 October 2026, the Lagos State Lotteries and Gaming Authority (the “**Authority**”) issued a public notice requiring telecommunications operators, mobile network operators (“**MNOs**”), licensed value-added service (“**VAS**”) aggregators and VAS providers facilitating lottery, betting and gaming services in Lagos State to verify the licensing and gaming-tax compliance status of operators using their platforms. The notice was issued pursuant to the Lagos State Lotteries and Gaming Authority Law, 2021 (the “**Lottery Law**”).

The Authority clarified that telecommunications or VAS approvals issued by the Nigerian Communications Commission do not constitute authorisation to conduct or facilitate gaming activities in Lagos State. Referring to the Supreme Court's decision of 22 November 2024 in *Attorney-General of Lagos State & Ors. v Attorney-General of the Federation & Ors. (Suit No. SC/1/2008)*, the Authority reiterated the States' legislative competence over lotteries and games of chance, subject to the constitutional position of the Federal Capital Territory. Accordingly, gaming services made available to customers in Lagos through unstructured supplementary service data (USSD) codes, short message service, short codes, mobile applications, carrier billing or other telecommunications channels must be supported by a gaming licence issued or recognised by the Authority.

The notice requires affected MNOs, VAS aggregators and VAS providers, within 30 days of its date, to verify operators' licensing and tax-compliance status with the Authority; submit transaction, carrier-billing and revenue-sharing records for the period from 22 November 2024 to 12 October 2026 (the “**Arrears Period**”); cease onboarding gaming operators without valid authorisation; and suspend the facilitation of existing unauthorised gaming services. Gaming operators are required to account for and remit applicable gaming taxes, statutory levies and other fiscal obligations relating to the Arrears Period. The Authority stated that outstanding liabilities would be assessed using verified transaction and revenue data, together with applicable penalties and interest.

Judicial Decisions

Tax Appeal Tribunal rules that VAT is chargeable on imported services consumed in Nigeria notwithstanding that they are recharged as reimbursable costs – *PZ Cussons Nigeria Plc v Federal Inland Revenue Service (2026) 101 TLRN 44*

In 2019, PZ Cussons Nigeria Plc (the “**Appellant**”) executed a Shared Services (Information Technology) Agreement (the “**SSA**”) with PZ Cussons (International) Limited (“**PZCIL**”), a member of the PZ Cussons group based in the United Kingdom.

Under the SSA, PZCIL procured IT services from third-party vendors for the Appellant's benefit, paid the vendors centrally and recharged the cost to the Appellant without any markup, margin or profit element. Relying on information obtained from the National Office for Technology Acquisition and Promotion (“**NOTAP**”), the Federal Inland Revenue Service, now the Nigeria Revenue Service (the “**Respondent**”) issued a Notice of Assessment, raising a Value Added Tax (“VAT”) liability of USD 4,694,883.65 on the recharges, which included penalty and interest, computed at 150% and 31.755% respectively. Following the Appellant's objection and the Respondent's Notice of Refusal to Amend, the Appellant appealed to the Tax Appeal Tribunal (the “**TAT**”/ “**Tribunal**”).

The Appellant argued that the recharges were mere reimbursements of costs incurred by PZCIL on its behalf and, because no value had been added, no taxable supply arose. It further contended that VAT is accounted for on a cash basis, so that no liability could arise until payment, which had been delayed by the need for NOTAP approval and by foreign exchange constraints. Finally, it argued that the 150% penalty under section 34 of the VAT Act applies only to a supplier that fails to collect VAT from a customer, and not to a recipient that is expected to self-account for VAT on supplies from a non-resident supplier.

The Respondent contended that the IT services were not exempt and were received and consumed by the Appellant in Nigeria. On that basis, the Appellant was liable to account for VAT under the reverse charge provisions of sections 10 and 14(4) of the VAT Act, whether or not the supplier charged VAT and whether or not payment was routed through a related entity. It argued that VAT liability arises on supply and not on payment. It also argued that section 34 was properly invoked, because the reverse charge placed the Appellant in the position of a taxable person responsible for collecting VAT.

In its decision, the Tribunal held that a reimbursement without value addition is not, by itself, a taxable supply by the party making the recharge. However, applying a substance-over-form approach, it found that PZCIL acted in substance as the Appellant's agent or conduit, since the services were procured solely for the Appellant, consumed in Nigeria and passed through at cost. The underlying IT services were therefore taxable imported services, and the recharge arrangement did not alter the statutory incidence of VAT. The Tribunal further held that VAT liability arose on the supply of the services and was not deferred until reimbursement. In its view, NOTAP approval and foreign exchange constraints do not suspend the charging provisions.

On penalties, the Tribunal held that the reverse charge mechanism imposes a self-accounting obligation and not a collection obligation. It also held that penal provisions in tax statutes must be construed strictly. The 150% penalty under section 34 had therefore been wrongly applied. The correct regime was section 19 of the VAT Act, which prescribes a penalty of 10% of the tax not remitted

together with interest. Accordingly, the Tribunal upheld the principal VAT liability, set aside the penalty and interest, and order the Respondent to reassess the Appellant in line with the correct provision.

Tax Appeal Tribunal holds that a tax authority cannot approbate and reprobate on a reconciled tax liability, and the COVID-19 waiver of penalty and interest required no formal application – *Dancom Technologies Limited v Federal Inland Revenue Service (2026) 101 TLRN 98*

Following a full-scale tax audit for the 2014 to 2015 years of assessment, the Nigeria Revenue Service (the “Respondent”) issued additional assessments on Dancom Technologies Limited (the “Appellant”) totalling ₦706,261,800 and USD 531,587. These comprised Companies Income Tax, Education Tax, VAT and Withholding Tax. The Appellant objected on the ground that the Respondent had provided no basis for several of the adjustments. In particular, it challenged the adjustments for undisclosed turnover, overstated cost of sales and capital allowance withdrawn.

After reconciliation meetings, where the Appellant provided additional documents, the parties arrived at a revised liability of ₦64,656,298. The Appellant subsequently paid ₦50,121,163 on 19 June 2020, excluding penalties and interest. That date fell within the extended deadline of 30 June 2020 announced in the Respondent’s press releases on the waiver of interest and penalty under its COVID-19 palliative measures. However, the Respondent subsequently directed the Appellant to pay a penalty of ₦5,012,116 and interest of ₦9,523,020.59 and further rejected the reconciled position entirely by a letter dated 28 October 2021.

On appeal to the TAT, the Appellant maintained that the reconciled amount represented a position agreed with the Respondent and that it had paid the sum in reliance on that agreement. It argued that the Respondent could not accept payment of the agreed amount and subsequently seek to enforce the original assessment. In relation to the waiver, the Appellant submitted that the press releases announcing the waiver did not prescribe an application process. It contended that it had submitted an application for the waiver only on the advice of the Respondent’s representative, who indicated that this was a mere procedural formality. The Appellant further relied on its payment receipts as evidence that the payments were made within the stipulated waiver period, arguing that denying it the benefit of a waiver which extended to the general public, would be arbitrary and unjust.

On its part, the Respondent contended that the reconciled position was expressly subject to management approval, which had not been obtained. It also argued that its audit team had no authority to bind the Service. It further contended that the Appellant had made payment before applying for the waiver, and that approval had to be sought and obtained before payment.

In its decision, the Tribunal held that, on the evidence, the initial assessment no longer reflected a fair liability. This was supported by the testimony of the Respondent’s own witness, who accepted that the additional documents provided at reconciliation would have changed the original assessment. Relying on section 35 of, and paragraph 7(8) of the Second Schedule to the Joint Revenue Board of Nigeria (Establishment) Act, 2025, the Tribunal found the reconciled sum of ₦64,656,298 to be the Appellant’s fair liability.

It further held that a tax authority must be consistent in issuing assessments. Having directed a taxpayer to pay a revised liability, the authority cannot later insist that the revision lacked management approval after the taxpayer has acted on it. The Respondent’s demand for penalty and interest on the reconciled sum was further evidence that it had accepted that sum.

On the waiver, the Tribunal held that the press releases imposed no condition other than full payment within the stated deadline. Having paid within that period, the Appellant had satisfied the conditions for the waiver of interest and penalty. The appeal accordingly succeeded. The Tribunal declared the Respondent’s attempt to revert to the original assessment wrongful and held that the Appellant was right to rely on the reconciled liability. It also directed the Respondent to give effect to the COVID-19 waiver.

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