

# Navigating the New Corporate Taxation Rules

30 September 2026

## Background

On 29 June 2026, the Nigeria Revenue Service (NRS or “the Service”) issued Information Circular No. 2026 / 01 (“the circular”) to clarify its approach to computing companies income tax and development levy under the Nigeria Tax Act, 2025 (“NTA”).

Historically, corporate taxation in Nigeria was governed primarily by the Companies Income Tax Act, with separate legislation applying to other taxes such as capital gains tax, tertiary education tax and petroleum profits tax. The enactment of the NTA introduced a consolidated framework for the taxation of income, profits and gains while replacing certain levies with a new development levy.

The circular provides practical guidance on basis periods, the computation of assessable profits, total profits, development levy, capital allowances, losses, the taxation of companies operating through partnerships and similar arrangements and transitional matters.

## Key Highlights

### 1. Determining the relevant basis period

The circular confirms that assessable profits are determined based on the accounting period immediately preceding the year of assessment (PYB), but with specific rules for:

- **Commencement of business:** profits are determined from the commencement date to the end of the first accounting period. However, in the illustration provided in paragraph 2.1 of the circular, the first year of assessment was taken as 2026 rather than 2025 based on the exception rule in section 22(2) of the NTA. This approach may help mitigate potential overlap and double taxation concerns that could otherwise arise from a literal reading of the provision.
- **Change of accounting date:** the basis period commences from the first day after the immediate preceding year of assessment to the new accounting date. The accounting period of subsequent years of assessment will be computed based on the new accounting period. The circular also requires a taxable person to notify the NRS of the change no later than 30 days before the normal return filing date.

- **Cessation:** profits are determined from the beginning of the final accounting period to the cessation date. Taxes arising from cessation are generally payable within six months of cessation, and taxpayers are required to disclose post-cessation receipts and payments within one month of such receipt or payment.



## 2. From accounting profit to total profits

**The circular illustrates the basis of computation in the following sequence:**

- i. Start with accounting profit and make the relevant tax adjustments
- ii. Determine assessable profits from trade or business
- iii. Add profits from other sources and chargeable gains where applicable
- iv. Derive total assessable profits
- v. Deduct allowable losses
- vi. Deduct available capital allowances
- vii. Derive total profits
- viii. Apply the applicable income tax rate under section 56, subject to sections 9 and 57.

The circular confirms that chargeable gains now form part of assessable profits and should be included in the annual income tax computations.

Section 9 of the NTA provides that where a Nigerian company declares a dividend from profits on which no income tax is payable because it has no total profits or its total profits are lower than the dividend declared, the company paying the dividend shall be charged to tax as if the dividends were the total profits of the company for the year of assessment to which the accounts, out of which the dividend is declared, relates. In this situation, the dividend will be treated as total profits for income-tax purposes. However, this provision does not apply to dividends sourced from previously taxed retained earnings, exempt profits or gains, franked investment income and qualifying distributions by a real estate investment company.

The circular's basic 0% / 30% income tax illustration does not capture the separate minimum effective tax computation that may apply under section 57. The 15% minimum effective tax rule applies to a company that is a constituent entity of a multinational enterprise group with aggregate group turnover of at least GBP750million<sup>1</sup> or its equivalent and to any other company with aggregate turnover of ₦50billion and above in the financial year. The minimum effective rate will be computed as the ratio of covered taxes (aggregate of income tax,

petroleum profit tax, hydrocarbon tax, development levy and priority sector tax credit) to net income defined as profit before tax as reported in the audited financial statements, excluding franked investment income and unrealistic<sup>2</sup> gains or losses.



## 3. Basis of calculation of development levy

Section 59 of the NTA imposes development levy at 4% of assessable profits. The levy does not apply to a small company or a non-resident company, and assessable profits attributable to hydrocarbon tax are excluded.

The circular clarifies that development levy is computed on total assessable profits, and not just the assessable profits from trade and business.

<sup>1</sup> The reference to GBP rather than EUR in the NTA appears to be a drafting error. Clarification from the NRS on the intended currency / threshold may be useful, however a legislative amendment will ultimately be required to address the statutory wording.

<sup>2</sup> The reference to "unrealistic" in the NTA appears to be a typographical error for "unrealised".



#### 4. Capital allowances

**The circular confirms that, where sufficient assessable profits are available, capital allowances may be claimed in full, subject to the following:**

- **Value added tax and import charges:** Section 27(2) of the NTA refers to value added tax (VAT) that was due but not charged, and to import duty or levy on an imported item that was not paid. However, the circular appears to treat non-payment of VAT as a disqualifying basis, especially for purchase of local assets.
- **Mixed-use assets:** capital allowances may require apportionment where an asset produces taxable and non-taxable income. An exception applies where non-taxable income is less than 10% of total income; accordingly, the need to apportion may arise where the proportion is 10% or more.
- **Priority activities:** capital allowance relating to an activity within the Economic Development Tax Incentive regime should be matched to the assessable profits of that activity.

A notional amount of 1% of the qualifying capital expenditure must be recorded in the capital allowance schedule. This will not reduce or increase the capital allowance claimable.

#### Transition for pre-NTA assets

The circular contains detailed transition commentaries for assets acquired before the commencement of the NTA. They include:

- i. Where the useful life under the former regime is shorter than under the NTA, the remaining tax written-down value may continue to be claimed over the remaining allowable period.
- ii. Where the useful life under the old regime is equal to or exceeds the NTA period, a one-off deduction of any remaining residue may be granted upon commencement of the NTA; and
- iii. No additional allowance is available where capital allowances have already been fully utilised before the NTA commenced.

#### 5. Loss relief and digital or virtual assets

**Losses may be deducted from assessable profits, subject to the following conditions:**

- Losses can only be offset against profits from the same trade or business
- Losses are carried forward until fully utilised
- Chargeable losses from assets employed in the trade may also be deductible; and
- Losses should be computed using the applicable basis periods prescribed under the NTA.

The circular also provides specific guidance on losses arising from digital or virtual asset activities. Such losses may only be relieved against gains from digital or virtual asset activities and cannot be offset against profits from unrelated business activities.

#### 6. Partnerships, joint ventures and similar arrangements

The circular clarifies the treatment of companies operating through partnerships, joint ventures and similar arrangements. Each company's share of profit is treated as a separate source and taxed accordingly.

## Commentary ■

The circular provides useful clarification on application of several provisions introduced by the NTA. While many of the clarifications reflect the wording of the legislation itself, the examples included in the circular offer insight into the NRS's approach to implementation. It should also be noted that, in some instances, the NRS, through the circular, seeks to simplify tax computation and make tax provisioning easier.

Though the NTA creates a direct connection between indirect tax compliance and direct tax deductions, the circular appears to go a step further by stating that the NRS may deny capital allowance where VAT, on local asset purchases has not been paid. Based on our reading of the NTA, this restriction only applies to imported assets.

We encourage businesses to properly review their accounting and tax engines to ensure full compliance with the provisions of the NTA and manage compliance exposures and potential penalties. Procurement systems may also need to be reviewed to ensure tighter controls on purchase of assets.

- Please **click here** to download a copy of the circular.



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