

Nigeria's Value Added Tax Reset

Key Administrative Changes and Business Implications

7 October 2026

Introduction

On 29 June 2026, the Nigeria Revenue Service (NRS or "the Service") issued Information Circular No. 2026/05 ("the circular"), providing guidance on the administration of Value Added Tax (VAT) under Chapter Six and Part IV of Chapter Eight of the Nigeria Tax Act 2025 (NTA), as well as the Nigeria Tax Administration Act, 2025 (NTAA).

The circular replaces Information Circular No. 2022/14, which was issued by the former Federal Inland Revenue Service (FIRS), now the NRS, on 4 April 2022.

The circular consolidates the VAT provisions introduced under the NTA and NTAA and provides practical illustrations to support the application of these provisions. Among other matters, the circular provides guidance on the place and time of supply rules, the determination of the value of taxable supplies, the treatment of input and output VAT, the appointment and obligations of VAT withholding agents, and the implementation of the Electronic Fiscal System (EFS).

■ Key Provisions

1. Time of Supply Rules

The circular provides guidance on the circumstances in which a supply will be deemed to take place in Nigeria for VAT purposes. The positions set out in the circular are broadly consistent with the provisions of the NTA.

The time of supply rules establish the point at which VAT becomes chargeable on a transaction. Generally, the time of supply for VAT purposes is the earliest of the following events: the issuance of an invoice or receipt; the delivery of the goods or the goods being made available to the customer; the date payment becomes due; or the date payment is received.

It is important to distinguish between the time of supply rules and the obligation to remit VAT. While the time of supply rules determine when VAT becomes chargeable on a transaction, they do not, in themselves, determine when the VAT must be remitted.

2. Value of Taxable Supplies

The circular seeks to clarify, through several illustrative examples, the basis for determining the value of a taxable supply. In broad terms, the NTA, as reiterated in the circular, provides that the value of a taxable supply shall be as follows:

- Where the supply is made for monetary consideration, the value is the price of the goods or services before the addition of VAT
- Where the supply is not made for monetary consideration, the value is the market value of the supply; and
- Where a single consideration relates partly to a taxable supply and partly to other transactions, the consideration should be apportioned accordingly.

Importantly, the NTA further provides that where a supply is made for non-monetary consideration or between connected persons, the “market value” of the supply is the amount that would have been payable in a transaction conducted at arm’s length between independent parties.

Accordingly, based on the clarification contained in the circular, transactions between connected persons must be valued for VAT purposes at their market value, irrespective of whether the consideration is monetary or not. In other words, the value of the taxable supply is deemed to be the amount that would have been payable had the parties been acting independently and dealing with one another at arm’s length.

Companies may wish to review transactions with related parties in line with the arm’s length principle, as any undervaluation may result in additional VAT liabilities, together with any associated interest and penalties.

3. Place of Supply Rules

The circular reaffirms the provisions of the NTA by clarifying that a supply will be deemed to take place in Nigeria in the following circumstances:

- a. **Goods:** the goods are physically present in, imported into, or assembled or installed in Nigeria at the time of supply; or where the beneficial owner of the rights in or over the goods is a taxable person in Nigeria and the goods or right is situated, registered or exercisable in Nigeria.
- b. **Services:** the service is rendered to or consumed by a person in Nigeria, irrespective of where the service is performed or where the legal or contractual obligation to render it sits. Also, where the service relates to immovable property located in Nigeria.
- c. **Incorporeal:** the right over the incorporeal is exploited by a person in Nigeria or a person whose usual place of residence is Nigeria; where the right is registered in Nigeria or assigned to or acquired by a person in Nigeria regardless of where payment is made; where the incorporeal is connected with a tangible or immovable asset located in Nigeria.

4. Treatment of Input and Output VAT

The circular outlines the conditions that must be satisfied before input VAT incurred by a registered person on the acquisition of goods, services, or incorporeal property can be deducted from output VAT collected from customers. These conditions include the following:

- the input VAT deduction is made at the end of the tax period in which the supply was made
- the input VAT was incurred only for the purposes of consumption, use or supply while making taxable supplies
- where there are both taxable and non-taxable supplies, only the input VAT relating to taxable supplies is claimable
- the input tax is claimed within five years from the tax period in which it was incurred; and
- the deduction is limited to taxable supplies made from the commencement of the NTA and the NTAA.

5. Appointment of VAT withholding agents

The circular clarifies that where the Service appoints a person as a VAT withholding agent, the appointed agent is responsible for withholding and remitting VAT on taxable supplies made to it. In such circumstances, the supplier is relieved of the obligation to collect the VAT on those supplies. The circular further directs taxpayers to the Guidelines on the Withholding of Value Added Tax for the applicable procedures governing the withholding and remittance of VAT.

Specifically, the Guidelines on the Withholding of VAT provide guidance on the party responsible for accounting for VAT in the circumstance that both the supplier and the customer are VAT appointed agents. The Guidelines clarify that the purchaser of such supply shall account for the VAT.



6. Deployment of the Fiscalisation System

The circular also reiterates the requirement under the NTA for all taxable persons making taxable supplies to adopt and integrate with the Electronic Fiscal System (EFS) deployed by the Service.

According to the circular, a failure to process a taxable supply through the fiscalisation system attracts the following sanctions:

- an administrative penalty of ₦200,000
- an additional penalty equal to 100% of the tax due; and
- interest at the prevailing Central Bank of Nigeria Monetary Policy Rate, calculated on an annual basis

The NRS is adopting a phased approach to the implementation of the EFS deployment, which is to reaffirm NRS's intention to move towards near real-time VAT reporting and digital tax administration. It may be reasonable to expect that the stipulated penalties should apply in circumstances where taxpayers have been brought within the scope of a particular implementation phase and have failed to do so. Further clarification from the NRS may be helpful.

■ Conclusion

The circular represents an important development in the administration of VAT under Nigeria's new tax framework. By consolidating the VAT provisions introduced under the NTA and the NTAA, and supplementing them with practical illustrations, the circular may assist taxpayers in understanding and applying the relevant rules with greater certainty and consistency. Though the circular does not address the VAT implications for business restructuring, the NTA is explicit that VAT will not apply to any restructuring carried out in accordance with the extant law.

However, taxpayers may need to make substantial improvement in their accounting systems, tax engines, control and compliance processes to monitor trigger events with respect to the earliest event rule relating to the determination of time of supply. Having a robust system will also ensure that VAT is properly accounted for and avoid unnecessary interest and penalties.

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



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