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A. At a glance

Corporate Income Tax Rate (%)	30
Capital Gains Tax Rate (%)	10
Withholding Tax (%) (a)	
Investment Income (b)	
Dividends	10 (c)
Interest	10 (d)
Rental Income	10
Royalties	10
Building, Construction and Related Activities	5
Contract for Supplies	5
Consulting, Management and Technical Services	10
Commissions	10
Net Operating Losses (Years)	
Carryback	0
Carryforward	Unlimited

(a) Applicable to residents and nonresidents.
(b) For nonresidents, these are final taxes. For resident companies, only the withholding tax on dividends is a final tax.
(c) Certain dividends are exempt (see Section B).
(d) Certain interest is exempt (see Section C).

B. Taxes on corporate income and gains

Corporate income tax. Resident companies are subject to tax on their worldwide profits. Nonresident companies are taxed on the profits of their operations in Nigeria only. However, if a nonresident company performs a contract for survey, deliveries, installation or construction, the entire contract price is taxable in Nigeria, regardless of whether a portion of the contract is performed outside Nigeria. Assessable profits from all sources accruing in the accounting period are aggregated for tax purposes. Total profit on which tax is assessed is calculated by deducting capital allowances (tax depreciation) from the aggregate of assessable profits.

A company is resident in Nigeria if it is incorporated in Nigeria. A foreign company that intends to carry on a trade or business in Nigeria is required by the Companies and Allied Matters Act to incorporate a Nigerian company.

Rates of corporate tax

Corporate income tax. The corporate income tax rate is 30%. However, tax is assessed at a reduced rate of 20% for a Nigerian company's first five tax years if it is engaged in manufacturing or agricultural production or in the mining of solid materials, and if its turnover (gross sales) is under NGN1 million.

Tax holidays. Limited liability companies registered in Nigeria may apply for pioneer status, which is granted to companies in industries that are considered vital to Nigeria's economic development. A company with pioneer status is granted a tax holiday of up to three years, with a possible extension for two years.

Approved enterprises operating in export free-trade zones are exempt from all federal, state and local government taxes, levies and rates. New export-oriented companies located outside free-trade zones may qualify for a three-year tax holiday if they satisfy certain conditions. Under the Companies Income Tax (Amendment) Act of 2007, the exempt profit list also includes the profit of a company established in an Export-Processing Zone (EPZ) or Free-Trade Zone (FTZ) that exports 100% of its production.

New companies engaged in the mining of solid minerals also benefit from a tax holiday during their first three years of operations. Under the Mining and Minerals Act 2007, the tax holiday can be extended for two years.

Oil and gas companies. Companies engaged in the marketing and distribution of gas for domestic and industrial use are subject to the Companies Income Tax Act.

Beginning on the date on which they begin production, companies engaged in gas utilization (downstream operations), which is the marketing and distribution of gas for domestic and industrial use, and companies using gas in industrial projects benefit from an initial three-year tax holiday. This tax holiday is renewable for an additional two years after the tax holiday expires if the company is performing satisfactorily. The companies also benefit from accelerated capital allowances after the tax-holiday period. These allowances consist of the following:

- An annual allowance of 90% with a 10% retention for investment in plant and machinery
- An additional 15% investment allowance, which does not reduce the cost of the asset for the purposes of calculating the annual allowance

All expenditure necessarily incurred to separate gas from the reservoir (underground rock formation containing crude oil or gas), to convert it into usable product and to deliver gas to points of use is considered part of the capital investment for oil field development, which may be charged against profits.

A gas-flaring penalty is imposed on oil companies for wasteful disposals of gases through burning in oil fields and refineries.

Companies engaged in gas exploration are subject to the Companies Income Tax Act.

Companies engaged in petroleum operations are deemed to be in the upstream sector of the oil and gas sector and are subject to tax under the Petroleum Profit Tax Act. The applicable Petroleum Profit Tax rate is 85%. A reduced rate of 65.75% applies if certain conditions are met. However, for petroleum operations carried out under the production-sharing contract regime, the applicable rate is 50%.

Minimum tax. Companies are required to pay minimum corporate tax if the minimum tax is greater than their actual tax liability. If a company's turnover is NGN500,000 or less, the minimum tax is the highest of the following:

- 0.5% of gross profit
- 0.5% of net assets
- 0.25% of paid-up capital
- 0.25% of turnover

If turnover is higher than NGN500,000, the minimum tax equals the amount computed in the preceding paragraph plus 0.125% of the turnover exceeding NGN500,000.

The minimum tax does not apply to companies until the fifth year after the commencement of business. Companies engaged in an agricultural trade or business and companies with at least 25% imported equity capital are exempt from the minimum tax requirement.

Withholding tax. The withholding tax rate on dividends and interest for residents and for recipients in non-treaty countries is generally 10%. However, certain dividends are exempt from tax (see *Dividends*). Taxable interest income includes interest on all time deposits with banks and on savings passbook accounts of NGN50,000 and above. Certain types of interest income are exempt from tax (see Section C). Tax withheld from dividends and interest accruing to nonresident companies is regarded as a final tax. For resident companies, the withholding tax from dividends is also regarded as a final tax, but they must account for other investment income in their tax returns and claim credit for tax withheld. Both resident and nonresident companies must include in their tax returns earned income subject to withholding and claim the tax withheld as a credit.

Special tax reliefs. Nigeria offers the special types of tax relief described below.

Employment tax relief. If, in an assessment period, a company has minimum net employment of 10 employees and if 60% of the employees do not have any form of previous work experience and are within three years of graduating from school or a vocation, the company is granted employment tax relief. This relief is an exemption from income tax equal to 5% of its assessable profits in the assessment period in which the profits are generated, subject to other specified conditions.

Work Experience Acquisition Programme Relief. If a company has a minimum net employment of five new employees and if it retains such employees for a minimum of two years from the year of assessment in which the employees are first employed, it is granted Work Experience Acquisition Programme Relief. This relief is an exemption from income tax equal to 5% of the company's assessable profits in the assessment period in which the company qualifies, subject to other specified conditions.

Infrastructure Tax Relief. Qualifying companies are granted Infrastructure Tax Relief. This relief equals 30% of the cost incurred in providing infrastructure or facilities of a "public nature," which includes power (electricity), roads, bridges, water and other items. The relief is granted in addition to the usual deductions allowed with respect to the costs incurred under the relevant provisions of the Companies Income Tax Act, and it forms part of the deductible expenses of the company.

Capital gains. Capital gains tax is chargeable on the gains accruing from the disposal of all types of assets, including the following:
- Land and buildings
- Options, debts and other property rights
- Any currency other than Nigerian currency
- Any form of property created by the person disposing of it or otherwise coming to be owned without being acquired
- Movable assets (motor vehicles)

For resident companies, disposals of assets located outside Nigeria are taxable regardless of whether gains accruing from such disposals are received in Nigeria. For nonresident companies, only gains accruing in Nigeria are taxable.

Taxable gain is the difference between the consideration accruing on the disposal of an asset and its original cost together with expenses incurred on its disposal.

Any loss incurred on a disposal may not be offset against the gains accruing from the disposal of another asset unless the two disposals result from a single transaction. Taxable gains are assessed in the year of disposal of an asset. The capital gains tax rate is 10%.

A company may claim an exemption if the proceeds from the disposal of an asset used in a trade or business are applied within a year before or after the disposal toward the acquisition of a similar asset to be used in the same trade or business.

Dividends. Dividends are generally subject to a final 10% withholding tax.

Dividends distributed from pioneer profit (see *Rates of corporate tax*) or from after-tax petroleum profit are exempt from tax.

Administration

Tax authority. The Federal Inland Revenue Service (Establishment) Act, which was enacted in 2007, established the Federal Inland Revenue Service (FIRS). The FIRS is responsible for assessing, collecting and accounting for tax revenue accruable to the federal government of Nigeria.

Filing and tax payment. The FIRS is responsible for administering and collecting companies' income tax, petroleum profits tax (see Section D) and capital gains tax imposed on companies.

The tax year is from 1 January to 31 December. Under the self-assessment regime modified by the government in December 2011, all companies subject to tax must compute their tax liability, make payment and file their tax return with the FIRS on or before the due date. The due date for filing of the company income tax return is six months after the end of its accounting year or within 18 months after its date of incorporation. A penalty of NGN25,000 is imposed for the first month of lateness in filing a return and NGN5,000 for each subsequent month.

A taxpayer must apply to the tax authority for the making of installment payments. The final installment must be paid not later than the due date. The tax authority may grant approval for three installment payments beginning from the due date such that the last installment is paid not later than two months after the due date. Companies that do not comply with the requirement to file self-assessment returns and pay taxes due on or before the due date are assessed tax based on an administrative assessment issued by the FIRS. These companies may be required to pay their tax liability within two months after the date the assessment notice is served.

A 10% penalty and interest at the prevailing bank lending rate are imposed for late payment of assessed tax.

Tax refunds. The reforms to the tax system in Nigeria included the introduction of a tax refund system. After auditing a company's documents, the FIRS determines whether an overpayment was made.

Advance tax on dividends. A company planning to distribute dividends must first pay tax on the taxable profits at the corporate income tax rate to ensure that the dividends are paid with after-tax profits. This tax on dividends is considered an advance tax payment. If dividends are distributed from profits on which no tax is payable as a result of no total profits or total profits that are less than the amount of dividends paid, the company paying the dividends is charged to tax on the dividends as if such dividends are the total profits of the company for the relevant year of assessment. The tax paid on dividends is not regarded as an advance payment of tax, and it is not refundable.

Foreign tax relief. Foreign tax relief for the avoidance of double taxation is governed by tax treaties with other countries. If foreign tax is paid to a country that does not have a tax treaty with Nigeria, resident companies may claim the foreign tax paid as a tax-deductible expense.

C. Determination of trading profit

General. Taxable income is based on financial statements prepared on commercial principles (that is, local generally accepted accounting principles [GAAP] or International Financial Reporting Standards [IFRS]). Trading profit is adjusted for deductions not allowed for tax purposes and for profits or gains not subject to tax.

Investment income earned abroad is tax-exempt if it is brought into Nigeria through the Central Bank of Nigeria or through any bank or other corporate body appointed by the Minister of Finance as an authorized dealer.

Interest received by banks on loans with a moratorium of at least 18 months and with an interest rate that is not more than the base lending rate at the time the loan was granted is exempt from tax if the following circumstances exist:
- The loans are granted to agricultural trades or businesses.
- The loans are granted to companies or individuals engaged in the manufacturing of plant and machinery in Nigeria.
- The loans are granted for working capital for any cottage industry established by the company.

Interest on bank loans granted for the manufacturing of goods for export are exempt from tax if certain specified conditions are met.

Interest on foreign loans is exempt from tax in accordance with the following percentages.

Repayment period including moratorium	Grace period	Tax exemption allowed (%)
More than 7 years	Not less than 2 years	100
5 to 7 years	Not less than 18 months	70
2 to 4 years	Not less than 12 months	40
Less than 2 years	None	0

Interest earned by a nonresident company on a deposit account consisting entirely of foreign-currency transfers is exempt from tax. In addition, interest on foreign-currency accounts maintained or operated in Nigeria is exempt from tax.

The following are exempt from income tax, effective from 2 January 2012:

- Trading income derived from short-term federal government securities, such as treasury bills and promissory notes
- Trading income derived from bonds issued by federal, state and local governments and their agencies
- Trading income derived from bonds issued by corporate bodies including supranationals
- Interest earned by holders of the bonds and securities listed above

The exemption is for a period of 10 years with the exception of income derived from bonds issued by the federal government which have an indefinite exemption.

Expenses must be reasonable and incurred wholly, exclusively, necessarily and reasonably for the purpose of the trade or business.

Deductions are not allowed for the following:

- Losses reimbursable under an insurance contract or a contract of indemnity
- Donations made to public bodies and institutions not approved by the government
- Subscriptions to social organizations

Limitations apply to the deductibility of the following:

- Donations to approved bodies and institutions
- Management fees
- Contributions to the National Pension Fund Scheme

Inventory. The tax law does not prescribe any basis for the valuation of inventory, provided a method is used consistently from year to year. However, subject to certain exceptions stated in the Statement of Accounting Standards issued by the Financial Reporting Council (formerly Nigerian Accounting Standards Board), stocks must be valued at the lower of cost or net realizable value. The last-in, first-out (LIFO) method is discouraged.

Tax depreciation (capital allowances)

Initial and annual allowances. Annual allowances are granted under the straight-line method. The company deducts the initial allowance from the asset's cost once in the life of an asset and then applies the annual allowance rate to the balance. The following are rates of initial and annual allowances.

Qualifying expenditure	Initial allowance (%)	Annual allowance (%)
Buildings (industrial and non-industrial)	15	10
Mining	95	Nil
Plant		
Agricultural production	95	Nil
Others	50	25
Furniture and fittings	25	20
Motor Vehicles		
Public transportation	95	Nil
Others	50	25
Plantation equipment	95	Nil
Housing estate	50	25
Ranching and plantation	30	50
Research and development	95	Nil

Investment allowances. An investment allowance at a rate of 10% is granted for expenditure incurred on plant and equipment. If the expenditure is for replacement of obsolete industrial plant and equipment, an investment tax credit of 15% is granted. The investment allowance is not taken into account in determining the written-down tax value of the asset. It is granted in addition to the initial allowance.

Initial and annual allowances are recaptured on the sale of an asset if the sales price exceeds the written-down tax value. The amount recaptured may not exceed the initial and capital allowances granted. Amounts recaptured are taxed as ordinary income at the regular corporate tax rates.

Investment tax relief. Investment tax relief is similar to the rural investment allowance. It is granted for expenditures on certain infrastructural facilities by companies established at least 20 kilometers (12.4 miles) from such facilities. The following are the types of facilities and the applicable percentages of the relief:
• Electricity: 50%
• Water: 30%
• Tarred road: 15%

The investment tax relief may be claimed for three years. A company that has enjoyed or is enjoying pioneer status (see Section B) may not claim the relief.

Companies engaged in research and development activities may claim a tax credit of 20% of their qualifying capital expenditure.

Relief for losses. Trade and business losses may be carried forward to offset profits of the same trade or business for an unlimited number of years. Losses may not be carried back.

Groups of companies. Each company must file a separate tax return. No provisions exist for filing consolidated returns or offsetting losses and capital allowances against profits within a group of companies.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax, levied on specified goods and services, including goods manufactured or assembled in Nigeria, imported goods, certain bank services and services performed by professionals	5
Education tax, on assessable income; the tax is deductible for purposes of the petroleum profits tax	2
Pension contributions, on monthly gross salary (for pension purposes, gross salary consists of basic pay, housing and transport allowances); paid by	
Employer	7.5
Employee	7.5
(Expatriates covered by a plan in their home country may qualify for exclusion.)	

Nature of tax	Rate (%)
Information technology levy; imposed on before-tax profits of specified companies and enterprises with annual turnover of NGN100 million or more	1

E. Miscellaneous matters

Foreign-exchange controls. Foreign investors that intend to set up businesses in Nigeria must register with the Nigeria Investment Promotion Commission and obtain a Certificate of Capital Importation from authorized foreign-exchange dealers through whom foreign currency is imported. This certificate, which serves as documentary evidence of the importation of the currency, guarantees the unconditional transferability of dividends and interest and the repatriation of capital through authorized dealers.

Companies are free to determine the amount of dividends distributed. Borrowing funds to remit dividends is not allowed. The application to remit dividends must be submitted with the Certificate of Capital Importation and a tax clearance certificate, which establishes that tax was paid or that no tax is due with respect to the dividends to be remitted. If the appropriate amount of tax is withheld from dividends and interest paid to nonresidents, no additional tax clearance is required.

Remittances of royalties and fees require the approval of the underlying agreements by the National Office for Technology Acquisition and Promotion. Permission is granted if the royalties and fees are within certain prescribed limits.

Importation and exportation of the naira (NGN), the Nigerian currency, are regulated.

Exporters must open a local domiciliary bank account marked "Export Proceeds" and must credit their foreign-currency export earnings to this account.

Anti-avoidance provisions. Under the general anti-avoidance provisions, if the tax authority determines that a disposition has not in fact had an effect or that a transaction that reduces or would reduce the amount of any tax payable is artificial or fictitious, it may disregard any such disposition or transaction or direct that appropriate adjustments be made to the tax liability. These actions are designed to counteract the reduction of the tax liability that would otherwise result from the transaction. Any company concerned is then assessed accordingly. For this purpose, a disposition includes a trust, grant, covenant, agreement or arrangement.

Transfer pricing. Transfer Pricing Regulations, which took effect on 4 August 2012, apply to transactions between connected taxable persons (related parties, as defined in the regulations). Connected taxable persons entering into transactions to which the regulations apply must determine the taxable profits resulting from such transactions in a manner that is consistent with the arm's-length principle. For purposes of the regulations, a permanent establishment is treated as a separate entity, and a transaction between a permanent establishment and its head office or other connected taxable persons is considered a controlled transaction

subject to the regulations. Key provisions of the regulations include those pertaining to the following:
• Entities and transactions to which the regulations apply
• Methods that may be used to determine arm's-length prices
• Documentation that must be maintained to support the arm's-length price and advance pricing agreements

The regulations must be applied in a manner consistent with the arm's-length principle in Article 9 of the United Nations (UN) and Organisation for Economic Co-operation and Development (OECD) Model Tax Conventions on Income and Capital, the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, and the UN Transfer Pricing Manual.

Debt-to-equity rules. No tax-related thin-capitalization rules apply in Nigeria.

F. Treaty withholding tax rates

	Dividends %	Interest %	Royalties %
Belgium	7.5	7.5	7.5
Canada	7.5	7.5	7.5
China	7.5	7.5	7.5
Czech Republic	7.5	7.5	7.5
France	7.5	7.5	7.5
Netherlands	7.5	7.5	7.5
Pakistan	7.5	7.5	7.5
Romania	7.5	7.5	7.5
South Africa	7.5	7.5	7.5
United Kingdom	7.5	7.5	7.5
Non-treaty countries	10	10	10

Nigeria has signed double tax treaties with Bulgaria, Mauritius, the Philippines and Poland, but these treaties have not yet been ratified.

Nigeria has begun tax treaty negotiations with Algeria and Tunisia.