ANALYSIS OF NIGERIA'S NEW VIRTUAL ASSET TAXATION FRAMEWORK

The framework is technically rigorous and sound, but its success will depend heavily on the administrative capacity of the Nigeria Revenue Service to enforce the provisions and on rigorous stakeholder engagement and sensitisation.

INTRODUCTION

Since 2020, the world has seen a sustained increase in virtual asset (VA) transactions, and Nigeria is no exception to this trend. As the market evolves, laws and regulations (including tax legislation) are enacted or amended to reflect these dynamics. However, before 2023, no Nigerian tax statute specifically addressed the taxation of digital or virtual assets.

This created uncertainty in the market and led to two schools of thought on the taxation of VA transactions in Nigeria. The first held that the absence of specific tax provisions for digital or virtual assets in the tax laws meant that VA transactions were tax-free. The second held that such transactions would fall within the general taxing provisions of Section 9 of the repealed Companies Income Tax (CIT) Act, 2004, as amended, and Section 3 of the repealed Capital Gains Tax (CGT) Act, 2004, as amended, which subjected all transactions to corporate tax and CGT, respectively, unless specifically exempted.

In 2023, the Finance Act was enacted. Section 2 of the Act amended Section 3 of the CGT Act to include “digital assets” as property liable to CGT, thereby making it the first legislation to recognise the taxation of digital asset transactions.

In 2025, Nigerian tax laws were overhauled, with the repeal of the CIT Act, CGT Act, Personal Income Tax Act, and other tax laws, and the enactment of the Nigeria Tax Act, 2025 (NTA), Nigeria Tax Administration Act, 2025 (NTAA), Nigerian Revenue Service Act, 2025 (“NRSA”), and the Joint Revenue Board of Nigeria (Establishment) Act, 2025. The objectives of these new tax laws are to provide unified fiscal legislation governing taxation in Nigeria and to establish uniform procedures for the consistent and efficient administration of tax laws, amongst others.

The joint provisions of Section 79 of the NTAA, the Fifth Schedule to the NTAA, and the Ninth Schedule to the NTA now specifically provide for taxation of VA transactions and contain extensive provisions on the registration of Virtual Asset Service Providers (“VASPs”), taxable VA transactions, the valuation of virtual assets, tax record-keeping and other taxpayer obligations, and VASP reporting requirements.

Furthermore, on 31 July 2026, the Nigerian Revenue Service (NRS) issued Information Circular No. 2026/21, titled “Guidelines on Taxation of Virtual Assets 2026” (VA Guidelines), to establish a clear and standardised framework for the taxation of VA and VA transactions in Nigeria, pursuant to its powers under Section 4 of the NRSA.
To further harmonise the regulation of VA transactions in Nigeria, President Bola Ahmed Tinubu signed the Presidential Executive Order on Virtual Assets Coordination, 2026 (the Order) on 17 July 2026 to strengthen cooperation among the nation’s financial, revenue and capital markets agencies on VA transactions, protect citizens from fraud, safeguard the integrity of the financial system, and enable responsible innovation. The Order seeks to establish machinery to coordinate regulators, including the Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC) and the tax authorities, in relation to virtual assets.

The purpose of the VA Guidelines is to provide an administrative guide on the taxation of VAs in Nigeria, including the tax obligations of persons engaged in VA transactions, the registration, reporting, filing and record-keeping obligations applicable to taxpayers and VA service providers, the valuation and computation of taxable income arising from VA transactions, and clarity in the administration and enforcement of the tax laws relating to VA.

This article analyses the VA Guidelines by examining their key provisions and their implications for taxpayers, VASPs, Peer-to-Peer (P2P) marketplace operators, tax consultants, financial institutions, and all persons engaged in VA activities.

KEY PROVISIONS

Scope of Application: The VA Guidelines apply to any person who acquires, disposes of, exchanges or otherwise deals in VA; receives income or any payment in the form of VA; operates as a VASP and P2P marketplace; derives income, profits or gains from VAs that are liable to tax in Nigeria; or provides services relating to VA.

Classification and Tax Treatment of Virtual Assets: Under the VA Guidelines, a single transaction can give rise to multiple taxable events. In other words, a single transaction may give rise to income tax, Value Added Tax (VAT) or stamp duty liabilities. Therefore, the VA Guidelines divide virtual assets into six (6) categories or buckets based on their characteristics, and the tax treatment of each category is set out below:

- **Category 1:** Cryptocurrencies and exchange tokens such as Bitcoin, Ether, Solana, and BNB. Under this category, any gains arising from the disposal of the VA will be subject to income tax. Stamp duty will also apply to eligible token transfers.

- **Category 2:** Stablecoins and payment tokens such as USDT, USDC, BUSD, DAI, PYUSD, etc. These VA are subject to income tax on disposal gains, plus stamp duty on eligible transfers. However, stablecoins that offer yield or an investment return are assessed under Category 4 in respect of that yield component.

- **Category 3:** Security and investment tokens, such as tokenised equity revenue-sharing tokens, asset-backed tokens, tokenised bonds, and other tokenised assets. Income tax will apply to gains arising from the disposal of VAs. Stamp duty will also apply to eligible token transfers. However, the exemption under section 184(h) of the NTA for stocks and shares applies specifically to tokenised Nigerian stocks and shares, but not to all Category 3 tokens.

- **Category 4:** Utility and governance tokens, such as gaming tokens, access tokens, DAO governance votes, staking derivative tokens, receipt tokens, etc., are subject to income tax on disposal gains. Staking rewards, decentralised finance (DeFi) yield, and liquidity rewards are taxable as income on receipt.

- **Category 5:** Non-Fungible Tokens (NFTs), which are unique digital assets such as digital art, music NFTs, collectibles, and property NFTs, have tax treatment that depends on economic substance and the creator/investor/trader status of the holder. In this regard, income derived by a creator from the sale of an NFT constitutes business income and is liable to income tax, as do gains arising from the disposal of an NFT held as an investment.

- **Category 6:** Sovereign digital currency, such as the eNaira or a foreign Central Bank Digital Currency (CBDC), held by Nigerian residents is treated exactly like fiat currency, with no VA tax obligations arising.

Section 7 of the VA Guidelines goes further to provide a breakdown of the VA transactions that qualify as Taxable Events and Non-Taxable Events.

OTHER KEY POINTS ON TAX TREATMENT OF VA TRANSACTIONS

Income earned by a person from VA transactions must be recognised at the Fair Market Value (FMV) of the VA on the date the taxpayer acquires unrestricted ownership or control of the asset.

Where VA are received as employment income or emoluments, the employer must report the remuneration in VA and the amount paid, together with its FMV in USD as at the date of payment, in accordance with section 14 of the NTAA.

A non-resident person who derives income, profits or gains from VA activities in Nigeria will be liable to tax in accordance with the relevant provisions of the NTA and the NTAA. The provisions relating to Significant Economic Presence (SEP) and Nigerian-source income will apply to VA activities in the same way as to any other taxable business.

The transfer of ownership of a VA will not, by itself, constitute a taxable supply for VAT purposes. However, VAT will apply to taxable supplies connected with VA transactions, such as exchange fees charged by VASPs; brokerage commissions; custody fees; wallet management fees; listing fees; transaction facilitation fees; advisory services; and professional services rendered in connection with VA, amongst others.

Penalties for Non-Compliance: Section 13 of the VA Guidelines sets out the penalties for non-compliance with the Guidelines, without prejudice to the application of any other penalty, interest or offence prescribed under the NTAA or any other applicable law. Consequently, any VASP or P2P marketplace operator that fails to comply with the provisions of the VA Guidelines will attract a penalty of ₦10,000,000 (ten million naira) for the first month and ₦1,000,000 (one million naira) for each subsequent month of default.

Non-payment of tax on Naira transactions will attract a fine of 10% of the amount due and the CBN MPR interest, while non-payment of tax on foreign currency transactions will attract a fine of 10% of the amount due and the SOFR plus spread.

ANALYSIS AND COMMENTARY

While the VA Guidelines represent NRS' most comprehensive effort to date to establish a structured and enforceable tax framework for digital asset transactions, certain areas remain open to interpretation and pose practical challenges. In particular, questions arise about their interaction with existing tax legislation and the statutory basis for certain obligations imposed on participants in the virtual asset ecosystem.

A classic example is the 1% WHT on gross disposal proceeds for Categories 1, 3 and 5 tokens. Under the Deduction of Tax at Source (Withholding) Regulations, 2024 (WHT Regulations), the WHT rate varies between 2%, 5% and 10%, depending on the nature of the transaction and the recipient. For instance, earnings on tokens qualifying as interest attract a WHT of 5% for individuals and 10% for corporate recipients under the WHT Regulations. This disparity raises a fundamental question about the legal basis for the 1% WHT rate prescribed by the VA Guidelines, particularly in the absence of an express amendment to the WHT Regulations.

The VA Guidelines' dollar-referenced gain methodology is wholly novel but not provided for under the NTA or NTAA. It computes gains in USD regardless of the transaction currency, converting only at disposal. This raises the question of whether NRS has the power to prescribe a computation basis that departs from the principal law. The methodology appears well-intentioned: it counteracts the inflated gains a straight Naira-to-Naira computation would produce over longer holding periods amid Naira depreciation. Even so, it remains vulnerable to challenge as unknown to the NTA.

Finally, under the 1999 Constitution (as amended), the NTA, and the Joint Revenue Board of Nigeria (Establishment) Act, State Inland Revenue Services are the competent authority for assessing resident individuals for personal income tax (excluding armed forces/police, external affairs officers, and FCT residents). Given the limited infrastructure and technical capacity of the various states, it remains unclear how they will implement these sophisticated Guidelines, or whether they will delegate this task to NRS. Further coordination through the Joint Revenue Board should clarify this.

CONCLUSION

Overall, the framework is technically rigorous and sound, but its success will depend heavily on NRS' administrative capacity to enforce the provisions and on rigorous stakeholder engagement and sensitisation. VASPs and other market participants are advised to undertake a meticulous review of their structures and systems to ensure they are aligned with their relevant obligations under the VA Guidelines.

Detail Commercial Solicitors is distinct as Nigeria's first commercial solicitor firm to specialise exclusively in non-courtroom practice. Based in Lagos, Nigeria's business capital, DETAIL is totally committed to its clients' business objectives and reputed for dealing with the minutiae. Email: info@detailsolicitors.com