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Nigeria's Late Tax Interest Order: What Taxpayers Need to Know

Regulatory Update

Introduction

On September 24, 2026, the Federal Ministry of Finance ("the Ministry") announced the Nigeria Tax Administration (Interest on Late Payment of Tax) Order, 2026 ("the Order").[1] The Minister of Finance issued the Order pursuant to section 65 of the Nigeria Tax Administration Act 2025 ("NTAA or the Act").[2]

Although the full text of the Order is yet to be made available by the Ministry, the Press Release gives clear insights into the core provisions of the Order which became effective on October 1, 2026, and supersedes the 2017 notice on interest on unpaid taxes.[3]

The Order ties the cost of late payment to market benchmarks and cuts the margin that taxpayers previously paid. Late payment interest touches a broad range of taxpayers from companies with large VAT and income tax balances to individuals under self-assessment, and groups with foreign-currency obligations.

In light of the above, this insight provides an overview of the regulatory objective of the Order and the key considerations for taxpayers. The numerical illustrations used assumed benchmark rates, not actual rates.

Sep 24 2026

Date of announcement

The Federal Ministry of Finance announced the Order.

Oct 1 2026

Effective from

Supersedes the 2017 notice on interest on unpaid taxes.

1pp

Spread change

Replaces the former five-point spread above MPR.

Regulatory Objective

According to the Ministry, the Order is framed around two ideas. The first is that delaying tax should never cost less than borrowing from the market, and every taxpayer should know the applicable rate in advance.[4] The second is that reducing the former five-point spread to one point lowers the baseline cost of default.

Scope of Application

In terms of scope, the Order applies to late payment of tax, whether payable in Naira or in foreign currency, and whether the liability arises through self-assessment or is administered by the NRS, a State Internal Revenue Service or the FCT Internal Revenue Service.[5] Upstream petroleum companies are, however, subject to the separate late-payment regime in section 129 of the NTAA.[6]

What Taxpayers Should Know

For tax payable in Naira, interest accrues at the Central Bank of Nigeria's ("CBN") Monetary Policy Rate ("MPR") plus one percentage point. The previous spread stood at five percentage points.[7] The Order also provides that the rate cannot fall below the yield on 364-day Treasury Bills, which the Ministry treats as the cost to Government of funding itself when taxpayers pay late, therefore setting a floor.[8]

For tax payable in foreign currency, interest accrues at the Secured Overnight Financing Rate ("SOFR"), the benchmark for US dollar borrowing, plus six percentage points. If SOFR ceases to exist, its official successor rate applies.[9] More generally, section 39(1)–(2) of the NTAA provides for tax assessment in the currency of the underlying transaction.[10]

A company operating in Nigeria's upstream petroleum sector that fails to pay tax, royalty or other remittances arising from a foreign currency transaction when due is liable to a 10% penalty plus interest at SOFR (or its successor) plus ten percentage points, rather than the six percentage points generally applicable under the Order.[11]

For naira denominated transactions by companies operating in the upstream petroleum sector, in addition to a penalty of 10% of the amount payable, section 129(1)(c) of the NTAA prescribes interest at 2% points above the prevailing CBN MPR.[12]

The Order contains three key provisions. First, the Order fixes one rate for each calendar month, on the last business day of the preceding month. The Nigeria Revenue Service ("NRS") must publish the rate on its website by the third business day of each month.[13] Second, interest is simple, not compound, and accrues daily from the due date until payment.[14] Third, the Order leaves the 10% penalty for late payment under section 65 of the NTAA untouched, and tax authorities reserve their power to waive penalty or interest where the taxpayer shows good cause.[15]

Naira liabilities

MPR + 1pp

The previous spread stood at five percentage points. The rate cannot fall below the yield on 364-day Treasury Bills.

Foreign currency

SOFR + 6pp

If SOFR ceases to exist, its official successor rate applies. Section 39(1)–(2) NTAA governs assessment in the currency of the underlying transaction.

The New Order in Practice

The practical effect of the Order is best illustrated through a series of hypothetical scenarios using assumed rates and a 365-day year.

Scenario 1:

Where the Floor Does Not Apply

Assume the MPR is 20% and the 364-day Treasury Bill yield is 17%. A company with a ₦100 million liability due on October 31, 2026, pays 90 days late. Under the Order, the applicable rate is 21% (MPR plus one percentage point), resulting in interest of approximately ₦5.18 million (21% of ₦100 million = ₦21 million × 90/365).

Under the former five-percentage-point spread, the rate would have been 25%, producing interest of approximately ₦6.16 million. Since the Treasury Bill yield floor of 17% is below the 21% rate, it has no effect.

However, if the 10% penalty applies to the entire unpaid liability, a further ₦10 million becomes payable, bringing the total cost to approximately ₦15.18 million. The penalty substantially outweighs the interest charge.

Scenario 2:

Where the Floor Determines the Rate

Assume the MPR falls to 18%, while the 364-day Treasury Bill yield rises to 21%. Although MPR plus one percentage point produces a rate of 19%, the floor raises the applicable rate to 21%. On a ₦50 million liability paid 60 days late, interest would be approximately ₦1.73 million (21% of ₦50 million = ₦10.5 million × 60/365).

This illustrates why taxpayers should not assume that MPR plus one percentage point will always determine the effective rate.

Scenario 3:

Foreign-Currency Liabilities

For a foreign-currency liability, assume SOFR is 4%. The applicable rate would be 10% (SOFR plus six percentage points). A multinational with a US$2 million liability that pays 30 days late would incur interest of approximately US$16,438 (10% of US$2 million = US$200,000 × 30/365). Interest exposure therefore moves with SOFR, independently of Nigerian monetary policy.

Scenario 4:

Liabilities Spanning the Effective Date

Consider a company with a ₦10 million liability due on September 1, 2026, and paid on November 30, 2026. For October, 31 days at an assumed rate of 21% produces interest of approximately ₦0.18 million (21% of ₦10 million = ₦2.1 million × 31/365), while November at an assumed rate of 20% for 30 days produces approximately ₦0.16 million (20% of ₦10 million = ₦2 million × 30/365). The combined interest for October and November is therefore approximately ₦0.34 million.

The Order applies its rates to interest arising from October 1, 2026, including where the underlying tax liability fell due earlier, while preserving earlier interest to the extent specifically provided for under the rules then in force.[16]

Current Rates

Currently, the CBN's MPR stands at 23.00%.[17] The Naira rate under the Order therefore stands at 24% (MPR plus one), against 28% under the earlier spread of five points. The Treasury Bill floor currently has no effect. At the October 28, 2026, auction, the 364-day bill cleared at a stop rate of 15.80%, this would result in a yield[18] of 18.76% for an investor and is well below 24%[19].

The Press Release does not say that the new rate takes effect only on publication. A taxpayer who pays on the first or second business day may nevertheless struggle to confirm the applicable rate. It is advised that such a taxpayer should clearly state the rate relied on.

Where rates stand now

CBN MPR

23.00%

The Naira rate stands at 24%, against 28% under the earlier spread. The 364-day T-bill floor currently has no effect.

24%

was 28%

T-bill stop 15.80% / yield 18.76%

Practical Steps for Taxpayers

Taxpayers and tax advisers should start by recomputing every open liability. They should then track the Nigeria Revenue Service's monthly rate notice. The rate resets every month, so tax provisioning, cash forecasts, and financial statement accruals must follow it.

Prompt settlement of tax liabilities remains the safest approach. Where genuine grounds for delay exist, the taxpayer should promptly apply for a waiver of penalty or interest to the relevant authority under section 66 of the Act.[20]

Taxpayers with foreign-currency liabilities should model SOFR movements and test whether hedging or earlier settlement reduces the cost of delay. Finally, parties should review existing commercial contracts that expressly incorporate statutory late-payment rates, tax indemnities or other tax-related payment obligations.

Conclusion

The Order would make a clear change in how the cost of late payment of tax is set in Nigeria. By replacing the former five-point spread with benchmark-based rates that reset each month and accrue as simple interest daily, it ties the cost of default to the market, while preserving the statutory 10% penalty and the power to waive penalty or interest for good cause under section 66 of the NTAA.

Accordingly, taxpayers and tax advisers should review their open liabilities, tax provisioning and contractual tax clauses against the Order. The penalty can outweigh the interest, the floor can lift the rate above MPR plus one and foreign-currency exposure moves with SOFR. Upstream petroleum companies should note that they remain subject to the separate late payment regime under section 129 of the NTAA.

Given that the full text of the Order is yet to be made available, and that the transitional treatment of existing liabilities requires further regulatory clarification, businesses and individuals with outstanding tax liabilities should seek advice from qualified tax professionals to correctly compute interest on open balances and document defensible grounds for any waiver application.

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Endnotes

1. Federal Ministry of Finance, 'FG Reduces Interest Rate for Late Payment of Tax' (Press Release, Abuja, September 24, 2026) 1 (Press Release).
2. Nigeria Tax Administration Act 2025, s 65.
3. Press Release (n 1) 1, 3.
4. Press Release (n 1) 2–3.
5. Press Release (n 1) 2.
6. Nigeria Tax Administration Act 2025, s 129(1).
7. Press Release (n 1) 1.
8. Press Release (n 1) 1.
9. Press Release (n 1) 2.
10. Nigeria Tax Administration Act 2025, s 39(1)–(2).
11. Nigeria Tax Administration Act 2025, s 129(1)(b).
12. Nigeria Tax Administration Act 2025, s 129(1)(c).
13. Press Release (n 1) 2.
14. Press Release (n 1) 2.
15. Nigeria Tax Administration Act 2025, ss 65–66.
16. Press Release (n 1) 3.
17. Central Bank of Nigeria, 'Key Decisions of the Central Bank of Nigeria Monetary Policy Committee September 21–22, 2026' (CBN, 22 September 2026) <https://www.cbn.gov.ng/MonetaryPolicy/Decisions.html> accessed 28 October 2026.
18. A yield is calculated by dividing the difference between the face value and the purchase price by the purchase price and multiplying the result by 100.
19. Central Bank of Nigeria, 'Government Securities: Nigerian Treasury Bills (NTB)' (CBN, October 28, 2026) <https://www.cbn.gov.ng/rates/GovtSecurities.html> accessed 28 October 2026.
20. Nigeria Tax Administration Act 2025, s 66.



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