



**FEDERAL INLAND REVENUE SERVICE**  
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**NIGERIA**

INFORMATION CIRCULAR

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Subject: **GUIDELINES ON THE IMPLEMENTATION OF DEDUCTION OF TAX AT SOURCE (WITHHOLDING) REGULATIONS, 2024**

*This circular is issued for the information and guidance of the taxpayers, tax practitioners and the general public. The circular amends, updates or replaces contents of any circular, notice or other publications previously issued by the Service on the subject.*

**1.0. Introduction**

The circular provides guidelines and compliance requirements for all stakeholders for the effective implementation of Deduction of Tax at Source (Withholding) Regulations, 2024.

**2.0 Scope**

The circular applies to relevant companies, partnerships, government agencies, un-incorporated persons, and non-resident persons involved in eligible transactions that require the deduction of tax at source from payments to taxable persons as provided under the relevant tax laws.

**3.0 Deduction at Source**

**3.1 Persons obligated to Deduct Tax at Source**

The following persons have the obligation to deduct tax at source from payments for all eligible transactions:

- (a) a body corporate or body unincorporate, other than an individual;
- (b) a Government Ministry, Department or Agency;
- (c) a statutory body;
- (d) a public authority;

- (e) any other institution, organisation, establishment or enterprise including those exempt from tax; and
- (f) a payment agent representing any person listed above

### 3.2 When to Deduct

The obligation to deduct tax at source from taxable persons shall be:

- i. at the point of making payment or
- ii. when the transaction amount due is settled in any other way. In this case, the tax deductible shall be computed at the applicable rate on the transaction amount.

Other ways by which transactions can be settled include but not limited to the following:

<b>S/N</b>	<b>MEANS OF SETTLEMENT</b>	<b>WHEN TO DEDUCT</b>	<b>PERSONS OBLIGATED TO DEDUCT TAX</b>	<b>BENEFICIARY OF TAX DEDUCTED</b>
1	Barter or exchange	The date of barter or exchange	The Giver of the barter	The Receiver of the barter
2	Stock or equity transfer	The date of stock or equity transfer	The person relinquishing stock or equity	The person receiving the transfer
3	Where a third party is authorised to make payment	The date the payment is made	The authorised person making the payment	The person receiving the payment
4	Debt swap	The effective date of the swap	The debtor	The creditor

**Illustration 1:**

Success Ltd, signed an agreement with TWY Ltd to provide audit services for ₦5,000,000. On April 1<sup>st</sup> 2025, Success Ltd made payments via a bank transfer to TWY.

**Treatment**

At the point of payment, Success Ltd shall deduct tax (5% of ₦5,000,000 = ₦250,000) and remit to FIRS the amount so deducted on or before 21<sup>st</sup> May, 2025, with TWY Limited as the beneficiary.

**Illustration 2:**

B Limited supplied goods worth ₦2,500,000 to a X Limited on 25<sup>th</sup> February, 2025. On 15<sup>th</sup> March, 2025, instead of paying cash, X Limited offsets the amount due against an outstanding debt owed to B Limited.

**Treatment**

X Limited shall deduct tax at (2% of ₦2,500,000.00), ₦50,000 on March 15<sup>th</sup>, 2025 (when the debt was settled) and remit it to FIRS on or before 21<sup>st</sup> April, 2025, with B Limited as the beneficiary.

**3.3 Deduction of tax at Source for Related Parties**

Where payment is made between related parties, tax will be deducted on the date of payment or the date the liability is recognised, whichever occurs first.

**Illustration 3:**

ZAY Ltd and XYZ Ltd are members of the same group of companies. XYZ Ltd provided a technical service to ZAY Ltd for a fee of \$10,000 on 2<sup>nd</sup> January, 2025.

ZAY Ltd recognised the cost in its books on 2<sup>nd</sup> January, 2025, but makes the payment on 1<sup>st</sup> February, 2025.

**Treatment**

The tax shall be deducted on 2<sup>nd</sup> January, 2025 being the earlier of the date of payment and the date the liability is recognised.

However, where the payment is made before the liability is recognised, then the tax shall be deducted on the date of payment.

In cases where transactions occur between related parties and no consideration or payment is made or required, the market value of the

transaction would be used to determine the value of the transaction and the applicable WHT rate will apply.

### **3.4 Deduction of Tax at Source for Small Companies**

Small companies and unincorporated entities of equivalent attributes are exempt from the requirement to deduct tax at source from any transaction, provided that the following conditions are met:

- (a) the supplier has a valid Taxpayer Identification Number (TIN); and
- (b) value of the transaction is N2,000,000.00 or less during the relevant calendar month.

*Where the conditions listed above are not met, a small company or an unincorporated entity of equivalent attributes has the obligation to deduct tax on all eligible transactions.*

#### **Illustration 4:**

Ojare Nigeria Ltd (a small company) has a subsisting contract of supply with Asiya Ltd (a medium company). Asiya Nig. Ltd, a company with a valid TIN made supplies worth ₦1,800,000 in February, 2025 to Ojare Nigeria Ltd.

#### **Treatment 1**

Ojare Nig. Ltd is not required to deduct tax on the transaction, since Asiya Nig. Ltd has a valid TIN and the transaction value is less than ₦2,000,000.

However, where Asiya Nig. Ltd does not have a valid TIN in the above illustration, Ojare Nig. Ltd is required to deduct tax as follows:

$$₦1,800,000 @ 2\% = ₦36,000$$

#### **Illustration 5:**

Hub Ltd and Cop Ltd have a subsisting contract of supply. Cop Limited made supply of goods valued at ₦2,500,000 in March, 2025 to Hub Ltd (a small company with valid TIN).

#### **Treatment**

Hub Ltd shall deduct tax at 2%, since the transaction value in March, 2025 exceeds ₦2,000,000.

#### **Note:**

It is imperative to note that where a taxable person (except a small company), has in the course of business, made eligible transactions or

has a contractual agreement or obligation with a total value of ₦2,000,000 or more, such taxable person when making part payments of the total value towards the settlement of such obligation, irrespective of the amount being paid, shall deduct tax on the part payment and remit to the relevant tax authority.

### **Illustration 6:**

Samari Nigeria Ltd (small company) has a contract with Bafa Nigeria Ltd (a medium company with valid TIN) for supply of goods, Bafa Nigeria Ltd made supplies worth ₦ 3,000,000 in April, 2025 to Samari Nigeria Ltd. The companies agreed on an instalment payment schedule. Subsequently, Samari Nigeria Ltd in May 2025 made a first instalment of ₦ 1,500,000 to Bafa Nigeria Ltd.

### **Treatment**

Given that the value of the eligible supplies which this payment is related to is ₦ 3,000,000 (exceeds ₦2,000,000.), Samari Nigeria Ltd shall deduct tax at 2% from the instalment i.e. deduct the sum of ₦30,000. (being 2% of ₦1,500,000) and remit to the Federal Inland Revenue Service on or before 21<sup>st</sup> June 2025.

### **3.5 Deduction at Source not an Additional Tax**

Tax deducted from a payment is not an additional tax or extra cost added to the contract amount. Instead, it is an advance payment of income tax. In the case of non-resident beneficiaries, tax deducted at source is a final tax subject to the provisions of the First Schedule to the Regulation.

### **4.0 Obligations of Persons Authorised to Deduct Tax at Source**

- Timely deduction of tax at source at the applicable rate.
- Remittance of tax deducted to the relevant tax authorities within the stipulated time.
- Maintenance of proper records of tax deductions, including details of the payer, payee, transaction type, and amount deducted.
- Submission of returns to the relevant tax authorities as and when due.

### **5.0 Remittance of Tax Deducted at Source**

The tax deducted at source shall be remitted to the Relevant Tax Authority as follows:

(a) Payments or remittances to the Federal Inland Revenue Service, not later than the 21st day of the month following the month in which the payment was made; and

(b) Payments to a State Internal Revenue Service and the FCT Internal Revenue Service:

(i) Capital Gains Tax and Pay-As-You-Earn, not later than the 10th day of the month following the month of payment, and

(ii) Any other deduction, not later than the 30th day of the month following the month of payment.

## **6.0 Returns**

a) Any person who deducts tax from any payment is required to submit returns to the relevant tax authority with evidence of remittance of the amount deducted using the format prescribed in the Second Schedule to the Regulations, or as prescribed by the relevant tax authority.

b) The returns should include the following information in respect of the person from whom the amount was deducted:

- i. Name and address;
- ii. TIN, National Identification Number (NIN), RC. Number or its equivalent;
- iii. Nature of transaction in respect of which the payment was made;
- iv. Gross amount paid or payable;
- v. Amount of tax deducted; and
- vi. Calendar month to which the payment relates

## **7.0 Issuance of Receipt for Tax Deducted**

a) Any person who deducts tax from any payment is required to upon remittance of the tax deducted to the relevant tax authority, issue a receipt and a statement to the person who has suffered tax deduction.

b) the statement should include the following information or as may be prescribed by the relevant tax authority:

- i. name and address of the beneficiary;
- ii. TIN of the beneficiary
- iii. where the beneficiary has no TIN, the National Identification Number (NIN) in case of individuals, or RC Number in case of a company or its equivalent;

- iv. nature of transaction in respect of which the payment was made;
  - v. gross amount paid or payable or settled in the currency of transaction;
  - vi. amount of tax deducted; and
  - vii. calendar month to which the payment relates
- c) where a taxable person submits counterfeited or fake receipts to the relevant tax authority for the purpose of claiming tax credit, the relevant tax authority shall invoke appropriate sanctions on such defaulters as provided in the law.
- d) The Relevant tax authority may from time to time issue detailed guidelines on the WHT credit process and may deploy the use of technology in the administration of granting credits to persons who has suffered tax deductions.

## **8.0 Exemptions**

The transactions listed in paragraph 10(1) of the Regulation are exempt from deduction at source. However, this does not exempt the transactions from the relevant income taxes except as provided in the enabling law.

### **9.0 Explanatory Notes on Exempted Transactions**

#### **9.1 Interest and fees paid by the Bank as Direct Debit**

WHT is not applicable to interest or fees paid to a Nigerian Bank by a customer where the payment is through direct debit of the customer's funds domiciled with the Bank.

*However, where a corporate customer pays interest or fees to a bank other than by way of the direct debit to its account with the bank, the customer has the obligation to deduct tax.*

#### **9.2 Commission retained by Brokers**

This exemption only applies to persons licensed to act as brokers by the industry regulators.

### **10.0 Failure to deduct or remit tax due to the Service**

#### **10.1 Failure to deduct tax**

Any person who is obliged to deduct tax at source, but fails to do so and pays the entire transaction amount to the recipient shall be liable to an administrative penalty of 10 per cent of the tax.

## **10.2 Failure to remit tax deducted**

Any person who deducts tax at source and fails to remit the tax deducted to the Service within the time specified shall be liable to pay the tax withheld and not remitted in addition to a penalty of 10 per cent of the tax not remitted per annum and interest at the prevailing Central Bank of Nigeria re-discount rate.

## **11.0 Failure to deduct or remit tax due to State Internal Revenue Service**

### **11.1 Failure to deduct tax**

Any person who is obliged to deduct tax at source, but fails to do so and pays the entire transaction amount to the recipient shall incur a fine of 10 per cent of ₦5,000 or 10 per cent of the amount of the tax not deducted, whichever is higher.

### **11.2 Failure to remit tax deducted**

Any person who deducts tax at source and fails to remit the tax deducted to the relevant tax authority within the time specified shall be liable to a fine of 10 per cent of ₦5,000 or 10 per cent of the amount of the tax not deducted, whichever is higher, in addition to the amount of tax deducted and not remitted, plus interest at the prevailing commercial rate.

## **12.0 Accountant-General of the Federation to Deduct at Source**

The Accountant-General of the Federation shall have the power to deduct at source, from its budgetary allocation, un-remitted taxes due from any Ministry, Department or Government Agency and transfer such deduction to the relevant tax authority.

## **13.0 Effective Implementation date**

The effective date for the implementation of Deduction of Tax at Source (Withholding Tax) Regulation 2024 is 1<sup>st</sup> January, 2025.

## **14.0 Amendment or Review of Circular**

The Service may, at any time, review, withdraw, amend, replace or publish an updated version of this circular.

## **15.0 Enquiries**

Any request for further information or clarifications on this Information Circular should be directed to the:



Executive Chairman,  
Federal Inland Revenue Service,  
Revenue House, 20, Sokode  
Crescent, Wuse Zone 5, Abuja.

Or

Director, Tax Policy and Advisory Department,  
Federal Inland Revenue Service,  
Revenue House, 26, Sokode  
Crescent, Wuse Zone 5, Abuja.

Or

Email: [tpld@firs.gov.ng](mailto:tpld@firs.gov.ng)

## APPENDIX 1

### ELIGIBLE TRANSACTIONS AND APPLICABLE RATES

Transactions	Corporate Recipients		Non-Corporate Recipients		Remarks
	Resident	Non-resident	Resident	Non-resident	
Dividend, Interest	10%	10%	10%	10%	Rates as specified in the law
Royalty	10%	10%	5%	5%	Rates as specified in the law
Rent, Hire or Lease	10%	10%	10%	10%	Rates as specified in the law
Commission, consultancy, technical, management, and professional fees	5%	10%	5%	10%	Higher rate for non-residents to serve as final tax
Supply of goods or materials other than by the manufacturer or producer	2%	N/A	2%	N/A	Simplified description and reduced rate to address low margin
Co-location and telecommunication tower services	2%	5%	2%	5%	Lower rate to reflect low industry margins
Supply or rendering of services other than those	2%	5%	2%	5%	Simplified description and reduced rates

specifically listed in this Schedule					
Construction of road, bridges, building and power plants	2%	5%	2%	5%	Further rate reduction to reflect lower margin
Any other form of construction and related activities	5%	10%	5%	10%	Amount due from non-resident is final
Brokerage fee	5%	10%	5%	10%	Subject to Paragraph 10(1)(1)
Directors' fees	N/A	N/A	15%	20%	Rates reflect marginal PIT rate for directors
Compensation for loss of employment	N/A	N/A	10%	10%	Section 36 of the CGT
Entertainers and sports persons	N/A	15%	N/A	15%	Applies on amounts earned in Nigeria
Winnings from lottery, gaming, reality shows, etc.	N/A	N/A	5%	15%	With effect from/January 2025