

## Deduction of Tax at Source (Withholding) Regulations, 2024: Key changes from the official gazette

### Overview

The Federal Government of Nigeria on 2 October 2024, released the official gazette of the "Deduction of Tax at Source (Withholding) Regulations, 2024" (the Regulations). Following the release of the Regulations, the Federal Inland Revenue Service (FIRS) also issued a Public Notice relating to the Regulations.

We have highlighted below, key changes introduced following the earlier version signed by the Minister of Finance released to the public in July 2024 (see our previous publication [here](#)), and relevant updates from the FIRS Public Notice.



### Key updates

1. The gazette specifies a commencement date of 30 September 2024 but with an implementation date of 1 January 2025.
2. The effective date for implementation of the Regulations on activities such as lottery, gaming, reality shows e.t.c has been changed from 1 October 2024 to 1 January 2025.
3. The Federal Inland Revenue Service (FIRS) or State Internal Revenue Service (SIRS) are empowered to issue guidelines for the effective implementation of the Regulations, and where appropriate, prescribe modalities permitting early application of the Regulations from 1 July 2024. This is subject to approval by the Minister of Finance (the Minister).
4. The list of exempted transactions now include telephone charges, internet data and airline tickets.
5. The Regulations revoke all existing regulations in respect of deductions at source or Withholding Tax, but does not invalidate anything done under the revoked regulations.

### FIRS Public Notice on the Regulations

The FIRS, through a Public Notice issued on 3 October 2024, announced that the Regulations will take effect from 1 January 2025 and the subsisting WHT regime outlined in the pre-existing WHT Regulations and other relevant WHT provisions will continue to be in effect until 31 December 2024.

### Implications and Takeaways

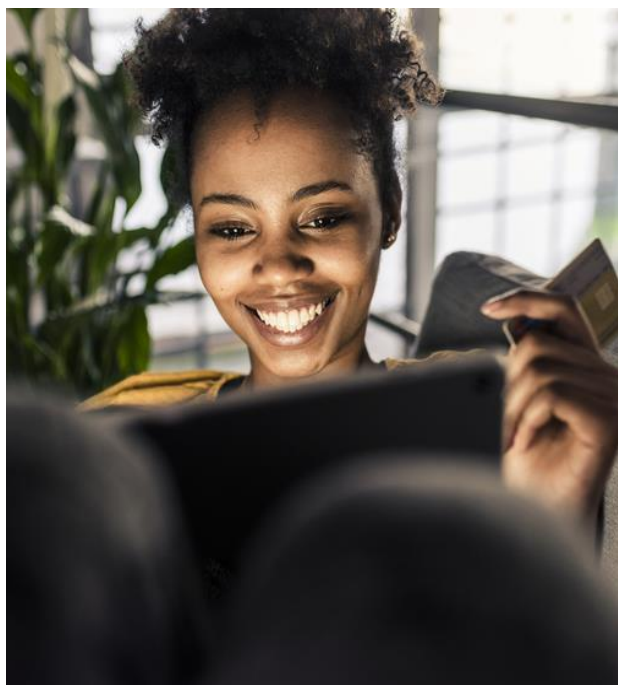
The implementation date of 1 January 2025 allows for a 90-day transition period in line with the 2017 National Tax Policy. This provides taxpayers with sufficient time to make adjustments to their systems and accounting softwares to reflect changes specified in the Regulations.

The inclusion of telephone charges, internet data and airline tickets in the list of exempt transactions addresses the issue of practicability and provides legal backing to previous circulars that exempted such transactions from WHT.

Also, it is commendable that the revocation of previous Regulations with respect to deductions at source would not invalidate past transactions under those Regulations. This ensures legal certainty and protects taxpayers from retroactive adjustments.

The key implication of the FIRS Public Notice is that the FIRS is unlikely to allow for early adoption of the Regulations. Thus, taxpayers who have applied the new WHT rates from 1 July 2024 especially relating to WHT due to the FIRS, may need to seek legal redress.

In summary, the Regulations seek to promote the ease of tax compliance and doing business, and also removes complexities in the tax system. The successful implementation of the Regulations may provide some relief to businesses in the country that have endured significant business costs following significant economic headwinds in the past couple of years.



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