Tax Alert

Taxing the intangible: A critical analysis of the NRS guidelines on taxation of virtual assets

August 2026

On 31 July 2026, the Nigeria Revenue Service (NRS, formerly the Federal Inland Revenue Service) published Information Circular No. 2026/21 “Guidelines on the Taxation of Virtual Assets”. It is the first comprehensive administrative framework for the taxation of **virtual assets (VAs)** in Nigeria and published at a time when digital asset activity has become a significant and growing feature of the Nigerian economy. This tax alert examines the key positions taken by the NRS, practical implications, and open questions arising from the Guidelines.

Background and effective date

Nigeria's regulatory posture towards virtual assets has softened considerably in recent years. From the Central Bank of Nigeria's initial restrictions on banks dealing in cryptocurrency, through to the licensing framework introduced by the Securities and Exchange Commission and the recent tax reforms, the regulatory landscape has progressively moved towards formalisation rather than prohibition.

The publication date of the Guidelines is 31 July 2026 and does not include any effective date even though it introduces some new obligations that are not in the Nigeria Tax Act (NTA) or Nigeria Tax Administration Act (NTAA).

Key provisions of the Guidelines

Classification of virtual assets

The Guidelines adopt a six-category classification that determines the applicable tax treatment:

Category 1
Cryptocurrencies and exchange tokens (e.g., Bitcoin, Ether, Solana), which function as a medium of exchange or store of value and are subject to income tax on gains on disposal and stamp duty on eligible transfers.

Category 2
Stablecoins and payment tokens (e.g., USDT), which are similarly taxable, though stablecoins offering yield are assessed under Category 4 in respect of that yield component.

Category 3
Security and investment tokens regulated under the Investments and Securities Act 2025, with the important mention that the capital gains exemption under section 184(h) of the NTA applies only to tokenised Nigerian stocks and shares specifically.

Category 4
Utility and governance tokens, including those that generate staking rewards, DeFi yield, or liquidity rewards.

Category 5
NFTs, whose treatment depends on economic substance and the creator/investor/trader status of the holder.

Category 6
Sovereign digital currencies (the eNaira and foreign CBDCs) are excluded entirely from the VA tax framework and receive the same treatment as fiat currency.

Applicable taxes and rates

A single VA transaction may give rise to multiple tax liabilities based on triggers called “taxable events”

Income tax

- It is applied to individuals (at progressive rates) and companies (at 30% for companies other than small companies) on gains from disposal and on income or gifts received in VAs (including employment
- income, professional fees, mining rewards, staking rewards, DeFi rewards, airdrops), and all other income from VA activities.
- The guidelines introduce a withholding tax (WHT) rate of 1% on gross disposal proceeds for Categories 1, 3, and 5 assets, collected by Virtual Asset Service Providers (VASPs).
- Passive income from staking, mining, airdrops, and DeFi yield attracts WHT at 10%.
- Professional fees attract WHT at 5% or 10% as applicable.

Applicable taxes and rates contd.

VAT

- It is applied at 7.5% to taxable supplies connected with VA transactions i.e. exchange fees, brokerage commissions, custody fees, advisory services, and similar service charges but the transfer of ownership of a VA does not, of itself, constitute a taxable supply.
- Where VAs are used as consideration for taxable goods or services, VAT applies to the underlying supply as if payment had been made in fiat.

Stamp duty

- The guideline applies a rate of 1.5% (borne by the transferee) to Token-to-Fiat and Fiat-to-Token transfers under item 33 of the Ninth Schedule to the NTA. The guideline introduces an obligation for VASPs to deduct the stamp duty in token units from the tokens credited, rather than reducing the fiat consideration.
- VASPs must remit stamp duty by the 15th and 30th of the month of transaction.

Determination of dollar-referenced gain for income tax computation

- The most technically significant provision is the dollar-referenced methodology for computing taxable gains on disposal. Under this approach, the gain is computed by reference to the USD value of the asset at acquisition and at disposal; only the resulting dollar gain is then converted to Naira at the CBN/NAFEM rate on the disposal date.
- The methodology excludes the Naira depreciation component from the taxable base, ensuring that taxpayers are not taxed on phantom gains arising purely from currency movements. It also aligns with the NTAA that requires taxes to be assessed in the currency of transaction.
- Losses from VA disposals may only be set off against VA gains; they cannot be offset against non-VA income.
- Capital losses may be carried forward indefinitely, but only against future VA gains.
- FIFO is the default cost-base method, though Weighted Average Cost is accepted as an alternative where elected consistently from commencement.

Non-taxable events and safe harbours

- The Guidelines provide important safe harbours. The mere holding of a VA does not trigger taxation; only a taxable disposal does.
- Transfers between wallets owned by the same individual do not constitute a disposal.
- Staking lock-ups, minting of NFTs, tokenisation of real-world assets without a change in beneficial ownership, collateralised loans, wrapping and unwrapping of tokens, and deposits into DeFi protocols in exchange for receipt tokens are all treated as non-taxable events.

Token-native remittance and VASP obligations

1

Income tax and stamp duty deducted at source are to be remitted to the NRS in the originating token of the transaction. No intermediate Naira conversion is required at the point of withholding. The NRS will maintain a Token Treasury and publish a list of supported tokens.

2

VASPs have been given extensive obligations: deducting WHT, and collecting stamp duty, filing and maintaining records under the Fifth Schedule to the NTAA, in addition to their standard obligations of charging VAT on their service fees and remitting their own taxes within prescribed timelines

Penalties

- The penalty regime is significant. VASP or P2P marketplace non-compliance attracts a penalty of ₦10,000,000 for the first month and ₦1,000,000 for each subsequent month of default.
- Failure to deduct tax at source attracts a penalty of 40% of the amount not deducted. Failure to remit tax deducted at source attracts 10% per annum plus CBN MPR interest in addition to the principal amount.

Some insights and takeaways

Clarity on taxable digital assets

The definition of “**digital assets**” in the NTA brings all digital representation of value within the scope of taxation, while the NTAA’s definition of “**virtual assets**” removed CBDCs, securities and investment tokens regulated by SEC, utility tokens, access tokens, or tokenised loyalty rewards from scope. The Guidelines provide taxpayers with much needed clarity of the NRS’ view of when these assets are within or out of scope for taxation and reporting.

Clarity on the Naira valuation question

The dollar-referenced gain computation is a welcome and pragmatic policy choice. Taxing nominal Naira gains on assets inherently denominated in dollars would have imposed punitive effective tax rates on real economic returns. Taxpayers should also be aware that the pendulum could swing the other way.

Conveyance/transfers vs conveyance on sale

The NRS has taken the view that transfer of all property (even though they are not immovable property or mining assets) are subject to stamp duty at 1.5%. This has significant implications beyond digital assets as all transactions involving the transfer of goods or intangible property are by implication subject to stamp duty of 1.5%.
However, based on the law, if those transactions (including VAs) are N10m or less, stamp duty should not apply. This would have to be considered by the NRS and the VASPs in configuring their systems.

The VASP as de facto tax collector

The Guidelines appoints VASPs as the primary collector in the ecosystem. VASPs must withhold WHT on disposals, deduct stamp duty in token units, enforce Tax ID requirements as a precondition for account activation, and file comprehensive returns. The penalties leave little margin for error.

It however raises two questions:

1. whether the Guidelines are fair considering the same obligations are not imposed on bureau de changes and stock exchanges; and
2. whether the NRS can impose WHT outside the WHT Regulations 2024.

P2P and off-platform transactions

While VASP-operated P2P marketplaces (with or without escrow) bear full collection obligations, "true off-platform bilateral transactions" wallet-to-wallet transfers, messaging-app trades, and in-person arrangements rely entirely on annual self-assessment by the taxpayer.

Given the perceived prevalence of informal P2P trading in Nigeria, this represents a clear enforcement gap that the NRS will need to address.

Cross-border optimisation

The NRS takes the view that conversion of Naira into VAs for cross-border settlement is not a taxable disposal, even though stamp duty still applies at the conversion point and is not affected by subsequent transmission to an offshore recipient.

Businesses using VAs for cross-border payments will need to carefully model the stamp duty cost vs the treasury benefit.

Ambiguities to watch

Several areas remain ambiguous.

- The wallet-transfer safe harbour applies only to individuals, not companies or partnerships. This may create difficulties for corporate treasury operations involving multiple wallets.
- The requirement that all prices be sourced from an "aggregator approved by the Service" introduces a dependency on an as-yet-unpublished list.
- The interaction between the WHT on gross proceeds and the income tax on net gains will require careful reconciliation on annual returns to avoid over-taxation.

Conclusion

Taxpayers engaged in VA activities should urgently register for tax and obtain a Tax ID, otherwise, Nigerian VASPs may stop processing their transactions. As there is no effective date, the VASPs may implement the rules abruptly.

VASPs should immediately review their systems to ensure they can withhold, compute, and remit taxes in token units as required or consider if they want to challenge the position of the NRS since it is inconsistent with WHT Regulations. However, this can be complicated with the ability of the NRS to appoint agents or trigger its powers of substitution. The NTAA also allows the tax authorities to appoint other relevant tax authorities for tax administration, and therefore the NRS can obtain delegated rights to collect PIT which is due to the States.

All taxpayers should adopt FIFO or Weighted Average Cost as their cost-base methodology from the outset as switching methods retrospectively is not permitted. Record-keeping for at least six years is mandatory.

While implementation challenges remain, the Guideline provides a workable baseline for compliance.

For a deeper discussion, please contact

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