

JANUARY, 2025

NEWSLETTER

WITHHOLDING TAX (WHT) REGULATIONS 2024



Deduction of Tax at Source (Withholding) Regulations, 2024

Takes Effect 1 Jan 2025

IMPLEMENTATION DATE

The 2024 Withholding Tax Regulations, which was approved in July 2024 and published in the Official Gazette in October 2024, take effect from 1 January 2025.

ELIGIBLE TRANSACTIONS AND RATES

The eligible transactions and the applicable rates at which deductions shall be made at source are as specified in the "First Schedule".

Where a Recipient has no Tax Identification Number (TIN), for the supply of goods, provision of services, or any qualifying transaction involving earned income or business income, the withholding amount shall be twice the rate specified in the Schedule.

PERSONS REQUIRED TO MAKE DEDUCTIONS AT SOURCE

All organizations, body corporate or unincorporated entities, other than an individual are required to withhold from their vendors, suppliers or contractors.

PERSONS NOT PERMITTED TO DEDUCT WHT

Any entity (LLC, LLP or Enterprise) classified as being a small company in accordance to Section 105 of the Companies Income Tax Act (CITA) are exempt from the requirement to deduct tax at source from any transaction, provided that the supplier has a valid TIN and the value of the transaction is NGN 2 million or less during the relevant calendar month.

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TIMING OF DEDUCTION

The obligation to deduct at source shall arise at the earlier of when payment is made to the supplier, or the amount due is otherwise settled.

For transaction between related parties, deduction shall be made at the time of payment or when the liability is recognised, whichever is earlier.

NON RESIDENT PERSONS

The amount deducted on any payment to a non-resident person shall be the final tax except where the income is liable to further tax by reason of a taxable presence in Nigeria.

TIMING OF REMITTANCE

The amount deducted at source shall be remitted to the relevant tax authority as follows:

- For companies or body corporate, payment shall be made to the Federal Inland Revenue Service (FIRS), not later than the 21st day of the month following the month of payment to the supplier or vendor; and
- For unincorporated entities, business ventures or enterprise, payment shall be made to the State Internal Revenue Service not later than the 30th day of the month following the month of payment to the contractor.
- With respect to Capital Gains Tax (CGT) and Pay-As-You-Earn (PAYE), payment shall be made to the State Internal Revenue Service not later than the 10th day of the month following the payment.

GLOSSARY OF TERMS

- **Across-the-counter transaction** means any transaction carried out between parties without an established contractual relationship or any prior formal contracting arrangement and in which payment is made instantly in cash or on the spot via electronic means.
- **Professional fees** refer to payments for services which are occupations in the tertiary sector of the economy requiring special training in the arts, technology or sciences, which services are regulated and normally require holding a professional licence such as those of architects, accountants, engineers, doctors, surveyors, stockbrokers, tax practitioners or lawyers, and include payments for technical, management and consultancy services.
- **Manufacturing or Production** means the assembling of a final product or the making of a part or component of a product utilizing raw materials or other inputs including labour and production overheads. The production of energy, including electricity, gas, and petroleum products shall qualify as manufacturing.

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TRANSACTIONS EXEMPTED FROM WHT DEDUCTION

- Across-the-counter transactions as defined under these Regulations;
- Telephone charges, internet data and airline tickets;
- Insurance premium;
- Out-of-pocket expense that is normally expected to be incurred directly by the supplier and is distinguishable from the contract fees;
- Interest and fees paid to a Nigerian bank by way of direct debit of the funds which are domiciled with the bank;
- Goods manufactured or materials produced by the person making the supply;
- Imported goods where the transaction does not create a taxable presence in Nigeria for the foreign supplier;
- Supply of Liquefied Petroleum Gas (LPG), Compressed Natural Gas (CNG), Premium Motor Spirits (PMS), Automotive Gas Oil (AGO), Low Pour Fuel Oil (LPFO), Dual Purpose Kerosene (DPK), and JET-A1;
- Commission retained by a broker from money collected on behalf of the principal in line with the industry norm for such transactions;
- Compensating payments under a Registered Securities Lending Transaction in line with Section 81 (8) of the Companies Income Tax Act;
- Dividend payment or any distribution to a Real Estate Investment Trust or Real Estate Investment Company as provided under Section 80 (5) of CITA;
- Any payment in respect of income or profit which is exempt from tax; and
- Winnings from a game of chance or a reality show with contents designed exclusively to promote entrepreneurship, academics, technological or scientific innovation. Winning means the net payout to a participant in a game of chance.

APPLICABLE RATES – FIRST SCHEDULE

Transactions	Corporate Recipients		Non-Corporate Recipients		Remarks
	Resident	Non-resident	Resident	Non-resident	
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 Act
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 1 January 2025

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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 specifically listed in this Schedule	2%	5%	2%	5%	Simplified description and reduced rates
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)(l)