TAC



TAX ALERT

FEDERAL GOVERNMENT REDUCES INTEREST RATE ON LATE PAYMENT OF TAX



The Honourable Minister of Finance and Coordinating Minister of the Economy, Mr Taiwo Oyedele, has issued the Nigeria Tax Administration (Interest on Late Payment of Tax) Order, 2026 ("the Order"), setting out the interest rate applicable where tax is not paid on the due date, pursuant to Section 65 of the Nigeria Tax Administration Act, 2025.

The Order takes effect on 1 October 2026 and applies uniformly across the Nigeria Revenue Service and the State and FCT Internal Revenue Services. This was following a recent notice dated 22nd September, 2026 which relates to a reset in the MRP from 26.5% to 23%, as published by the Monetary Policy Committee of the Central Bank of Nigeria (CBN).

The Order ties the cost of late payment more closely to prevailing market rates, giving taxpayers certainty as to what late payment will cost, while ensuring that holding on to tax that is due does not become a cheaper source of funding than borrowing from the market.

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Key Provisions of the Order

1. Interest on tax payable in Naira

Interest is charged at the Central Bank of Nigeria's Monetary Policy Rate (MPR) plus one percentage point. This is a reduction from the five percentage point spread previously applicable, save that the rate will not fall below the yield on the 364-day Treasury Bill, which reflects the Government's own cost of funding when taxes are paid late.

2. Interest on tax payable in foreign currency

Interest is charged at the Secured Overnight Financing Rate (SOFR), the international benchmark for US dollar rates, plus six percentage points. Where SOFR is discontinued, its official successor rate will apply.

3. Monthly review and publication

One rate applies for each calendar month, set on the last business day of the preceding month. The Nigeria Revenue Service has been directed to publish the applicable rates on its website by the third business day of every month.

Key Provisions of the Order

4. Basis of computation

Interest is simple interest, calculated daily from the due date until the date of payment.

At a glance

Tax paid in Naira	Monetary Policy Rate + 1 percentage point, subject to a floor of the 364-day Treasury Bill yield
Tax paid in foreign currency	SOFR + 6 percentage points (a defined successor rate applies if SOFR is discontinued)
Rate reset	Once a month, set on the last business day of the previous month
Computation basis	Simple interest, calculated daily from the due date until payment
Where published	Nigeria Revenue Service website, by the third business day of each month
Who applies it	Self-assessment, the Nigeria Revenue Service, and the State and FCT Internal Revenue Services
Effective date	Oct 1, 2026

Worked Illustration: How the Interest Rate is Determined

This means the applicable rate in any given month is the higher of
(a) MPR + 1 percentage point, or
(b) the 364-day Treasury Bill yield.

Illustration 1: Where MPR + 1% is higher than the Treasury Bill yield (floor not triggered)

Assume, for a particular month: CBN MPR = 23% and 364-day Treasury Bill yield = 18%.
Step 1: Compute MPR + 1% = 23% + 1% = 24%
Step 2: Compare with the Treasury Bill yield of 18%
Step 3: Since 24% is higher than the floor of 18%, the applicable interest rate for the month is 24% per annum.

Illustration 2: Where the Treasury Bill yield is higher than MPR + 1% (floor triggered)

Assume, for a different month: CBN MPR = 18%; 364-day Treasury Bill yield = 22%.
Step 1: Compute MPR + 1% = 18% + 1% = 19%
Step 2: Compare with the Treasury Bill yield: 19% is lower than 22%
Step 3: Since MPR + 1% (19%) falls below the floor of 22%, the floor applies, and the applicable interest rate for the month is 22% per annum, not 19%.

Worked Illustration: How the Interest Rate is Determined

Illustration 3: Computing the Actual Interest Payable

Using the rate from Illustration 1 (24% per annum), assume a company has an outstanding tax liability of NGN10,000,000 that remained unpaid for 45 days under the new regime.
Daily rate = 24% divided by 365 = 0.06575% per day
Interest for 45 days = NGN10,000,000 x 0.06575% x 45 days
Interest for 45 days = approximately NGN295,875

This interest is in addition to, not instead of, the 10 percent late payment penalty under Section 65 of the Act, which remains unaffected by the Order.

Transitional Provisions

The new rates apply to interest arising from 1 October 2026, including interest on tax that became due before that date. Interest that arose before 1 October 2026 is unaffected, to the extent specifically provided for under the rules in force at the time. The Order supersedes the 2017 notice on interest on unpaid taxes and any other earlier notices on the subject.

Importantly, the Order does not change the 10 percent penalty for late payment under Section 65 of the Act. Relevant tax authorities also retain their power under Section 66 of the Act to waive penalty or interest where good cause is shown.

Our Recommendation

Taxpayers with outstanding tax liabilities, whether under self-assessment or arising from an ongoing audit or desk review, should use this transition period to review their exposure, settle liabilities promptly where possible, and engage the relevant tax authority where a waiver may be warranted. Businesses that pay taxes in foreign currency should also assess the impact of the SOFR-linked rate on their obligations.

TAC Professional Services is available to assist clients with tax liability reviews, interest and penalty computations, and engagement with the Nigeria Revenue Service and State Internal Revenue Services on outstanding matters.

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Sources

Federal Ministry of Finance, Press Release, Abuja, 24 September 2026: "FG Reduces Interest Rate for Late Payment of Tax."