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Tax Reforms: Understanding the Guidelines on the Taxation of Virtual Assets.

July 2026

Introduction

On the 31 July 2026, the Nigeria Revenue Service **(the "NRS")** issued the Guidelines on the Taxation of Virtual Assets **("the Guidelines")** pursuant to the Nigeria Tax Act, 2025 **("NTA")** and the Nigeria Tax Administration Act, 2025 **("NTAA").** The Guidelines establish a uniform framework for the taxation and administration of virtual asset transactions by clarifying the applicable tax treatment, compliance obligations and administrative procedures for taxpayers and the taxman.

Generally, the Guidelines applies to all person engaged in virtual assets transactions that give rise to tax obligations under Nigerian law. It also adopts a substance-over-form approach by focusing more on the nature of the transaction and the income or gains derived, rather than by the label attached to the digital asset. This article examines the scope of the Guidelines, the principal tax rules applicable to virtual assets, the administrative and compliance obligations introduced under the framework.

Key Tax Implications of Virtual Asset Transactions

Income Taxes

For individuals, taxable income includes gains from the disposal of Virtual Assets (VAs), employment income, business and professional income received in VAs, mining and staking rewards, decentralized finance (DeFi) investment returns, airdrops and other taxable rewards. Companies are similarly liable to tax on profits derived from VA trading, exchange operations, Virtual Asset Service Provider **("VASP")** services, token issuance, mining, staking, DeFi activities and other VA business activities. Taxable income is recognised at the fair market value **("FMV")** of the VA on the date the taxpayer acquires unrestricted ownership or control, while employers paying remuneration in Vas are required to report both the quantity of the VA and its FMV in USD at the payment date.

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Further, the Guidelines further clarify that income tax on gains is generally payable at the applicable rates under the NTA, being the progressive rates for individuals and 30% for companies other than small companies. However, a 1% withholding tax applies to the gross disposal proceeds of specified categories of VAs to be deducted at source by the VASPs and VASP-operated peer-to-peer marketplaces. Additionally, passive income derived from virtual asset activities is subject to withholding tax at 10%. Where tax is not deducted at source, including where the payer is a non-resident, the recipient is required to declare the income and account for the tax in the annual self-assessment return.

Value Added Tax

According to the Guidelines, the transfer of ownership of a VA does not, by itself, constitute a taxable supply for VAT purposes. However, VAT at the prevailing rate of 7.5% applies to taxable services connected with VA transactions, including exchange fees, brokerage commissions, custody and wallet management fees, listing and transaction facilitation fees, advisory and digital platform services, professional services, and other taxable supplies made for consideration. Where VAs are used as consideration for taxable goods or services, VAT applies to the underlying supply as though payment had been made in fiat currency, with the supplier required to account for and remit the tax.

The Guidelines further require non-resident VASPs supplying taxable digital services to persons in Nigeria to comply with the applicable registration and compliance obligations. Where a non-resident supplier fails to charge VAT, the resident company is required to self-charge. In all cases, VAT liabilities are computed using the fair market value of the VA at the time of the transaction. VAT on VASP service fees is to be deducted and remitted by VASPs or VASP-operated peer-to-peer marketplaces, while VASPs remain liable to self-assess and account for corporate income tax on their own profits under the NTA.

Stamp Duties

This applies to Token-to-Fiat and Fiat-to-Token transfers in accordance with the Ninth Schedule to the NTA. Where such transactions are facilitated through a VASP or other recognised intermediary, the intermediary is responsible for withholding and remitting the applicable duty.

Furthermore, the Guidelines further provide that the use of a VA to settle a transaction does not exempt the underlying instrument from stamp duty where it is independently dutiable under the NTA. Additionally, the stamp duty applicable to VA transfers is separate from any duty chargeable on the underlying instrument, which means that both obligations may arise from the same transaction. The duty becomes due upon the conversion of fiat currency to tokens, or vice versa, and is borne by the transferee of the token. The VASP is then required to withhold the duty from the tokens credited to the transferee and remit it not later than the 15th and 30th of the month of transaction.

Administrative and Punitive Measures

The Guidelines impose extensive compliance obligations on taxpayers, VASPs and peer-to-peer ("P2P") marketplace operators. Persons engaged in VA activities are required to register for tax purposes and obtain a Tax ID, while VASPs and P2P escrow operators must make a valid Tax ID a prerequisite for account activation. In addition, VASPs are required to deduct and remit applicable taxes, collect stamp duties where necessary, account for VAT on taxable supplies, file the prescribed tax returns and maintain adequate records in accordance with the NTAA.

To encourage compliance, the Guidelines prescribe administrative penalties for various defaults, including failure to register, file returns, maintain proper records, deduct or remit taxes, comply with reporting obligations or respond to notices issued by the relevant tax authority. They also impose significant sanctions on non-compliant VASPs and P2P marketplace operators, while fraudulent conduct, such as false VAT refund claims and the concealment of material facts in dutiable instruments, attracts substantial financial penalties and, in certain cases, criminal sanctions.

Our Comments

By clarifying the tax treatment of VA transactions, the Guidelines provide much-needed certainty for taxpayers while reinforcing the principle that digital transactions are subject to the same tax obligations as traditional commercial activities. Notably, tax is applied on virtual assets when economic value is realised. For instance, the disposal of virtual assets, staking and mining rewards, income from virtual assets, however, the mere holding of assets or transfers between personal wallets does not amount to a taxable event.

The Guidelines also demonstrate a shift in the approach to tax administration. Rather than focusing solely on taxpayers, the framework places increased compliance responsibilities on VASPs and other intermediaries, recognizing their central role in facilitating transactions and maintaining reliable records. This aligns with emerging international practice, where tax authorities increasingly rely on third-party reporting and digital information sharing to improve compliance.

Notwithstanding these developments, the long-term success of the framework will depend on effective implementation. Given the evolving nature of virtual assets, additional guidance will likely be required on issues such as decentralized finance, token valuation, cross-border transactions and emerging digital assets. Clear administrative guidance, together with sustained stakeholder engagement, will be essential to ensure that the Guidelines remain responsive to developments within the digital economy.

Recommendation

To enhance the effectiveness of the Guidelines, the Tax authority must establish standardized valuation methodologies for virtual assets to promote consistency and minimize disputes arising from price volatility across trading platforms while also strengthening taxpayer education and stakeholder engagement to improve awareness of the tax obligations applicable to virtual asset transactions.

Further, relevant government agencies must enhance inter-agency collaboration among tax authorities, financial regulators and law enforcement agencies to facilitate information sharing and improve regulatory oversight of the virtual asset ecosystem. There is also a need to periodically review and update the Guidelines to reflect technological developments, evolving business models and emerging international best practices in the taxation of virtual assets. On the other hand, taxpayers and Virtual Asset Service Providers (VASPs) must implement robust record-keeping and compliance systems capable of supporting accurate reporting and valuation of virtual asset transactions.

You may reach out to our team at: info@wtsblackwoodstone.com for further guidance and support.

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