

The Cost of Delay:

Nigeria's New Interest Rules for Late Tax Payments

Introduction

On 1 October 2026, the *Nigeria Tax Administration (Interest on Late Payment of Tax) Order, 2026* (the Order) took effect, introducing new rules for calculating interest on overdue taxes in Nigeria.

Issued by the Minister of Finance and Coordinating Minister of the Economy under the *Nigeria Tax Administration Act, 2025* (NTA), the Order links interest rates to prevailing financial market rates. It applies uniformly to taxes administered by the Nigeria Revenue Service (NRS), State Internal Revenue Services and the Federal Capital Territory Internal Revenue Service.

For businesses, the changes affect both the cost of delayed tax payments and how interest on outstanding tax liabilities is calculated.

Key Highlights

- **Interest on overdue taxes payable in Naira:** Interest will be charged at the Central Bank of Nigeria's Monetary Policy Rate (MPR), its benchmark interest rate, plus one percentage point. This replaces the previous margin of five percentage points above the MPR. However, the rate cannot fall below the yield on 364-day Treasury Bills, which are short-term government debt instruments.

- **Interest on foreign currency tax liabilities:** Interest will be calculated using the Secured Overnight Financing Rate (SOFR), a benchmark based on the cost of borrowing US dollars overnight, plus six percentage points. This means the interest charged on overdue foreign currency taxes will change as SOFR changes. If SOFR is discontinued, its officially recognized successor rate will apply.

- **Monthly publication of rates:**
  A single interest rate will apply for each calendar month. The rate will be determined on the last business day of the preceding month, and the NRS must publish it on its website by the third business day of each month.

- **Daily calculation of interest:**
  Interest will be calculated daily on a simple interest basis, from the date the tax becomes due until it is paid, using the rate applicable for each month. The longer the payment remains outstanding, the more interest will accumulate.



What This Means for Stakeholders

- **For businesses with outstanding tax liabilities:**
  The new interest rates apply to interest arising from 1 October 2026, including interest on taxes that became due before that date. However, interest accrued before 1 October remains subject to the rules in force when it accrued, and will not be recalculated at the new rate.

- **For businesses managing tax payments:**
  Companies should monitor the monthly rates published by the NRS and account for potential interest when planning tax payments and cash flow. Changes in the MPR, Treasury Bill yields or SOFR may affect the cost of delayed payments from month to month.

- **For finance and tax teams:**
  Internal processes should support timely filing, accurate calculation of tax liabilities and payment within statutory deadlines. Businesses should also review existing tax debts to determine the interest payable under the new framework.

- **For all taxpayers:**
  The Order does not change the 10% penalty for late payment under Section 65 of the NTA. Businesses that pay taxes late may therefore face both interest and a penalty, even though the interest margin on Naira liabilities is now lower.

  For taxpayers with good cause for late payment, tax authorities retain their power under Section 66 of the NTA to waive penalties or interest where good cause is shown. Taxpayers seeking a waiver should keep records that explain the reasons for any delay.



The Road Forward

With interest rates now linked to market conditions, businesses can no longer assume that the cost of late tax payments will remain unchanged. Regular monitoring of published rates and accurate records of outstanding tax obligations will become increasingly important.

Businesses should also review their tax payment procedures and address outstanding liabilities promptly. Where there are disagreements over tax assessments or difficulties meeting payment obligations, early engagement with the relevant tax authority may help businesses understand their options and avoid additional costs.

For legal advisory on tax compliance, public finance, tax disputes and regulatory obligations, contact us at **info@scp-law.com** or visit **www.scp-law.com**.