What You Need to Know About the New Capital Gains Tax Rules and Capital Market Investment in Shares

By the Presidential Fiscal Policy & Tax Reforms Committee

Overview

Recent discussions around the impact of the Capital Gains Tax (CGT) reform on the capital market have included some misinterpretations and misinformation. While detailed implementation guidelines will be provided through official regulations, it is important to clarify the critical issues at this stage.

The new CGT framework represents a major improvement over the existing law. The reform makes investment in the Nigerian capital market more attractive, reduces investment risk, and ensures fair treatment of legitimate costs incurred by investors. In essence, the reform promotes equity and confidence in the market - not the reverse.

Reform Objectives

1. Reduce investment risk - by allowing deductions for capital losses and other investment-related costs.
2. Protect small and institutional investors - by providing exemptions for retail investors and tax-exempt institutions such as Pension Funds (PFAs) and Real Estate Investment Trusts (REITs).
3. Harmonise and simplify tax administration - by aligning CGT with income tax rules to promote progressivity, consistency, and ease of compliance.

Key Changes

- The flat 10% CGT rate has been replaced with progressive income tax rates ranging from 0% to 30%, depending on the investor's overall income or profit level.
- The top rate of 30%, which applies to large corporate investors, is expected to be reduced to 25% under the broader corporate tax reform.
- Investors may now deduct certain costs that were previously disallowed under the old CGT regime ensuring that they are not taxed on a net loss position.

Exemptions

The following transactions qualify for exemption under the new CGT framework:

- Disposals within 12 months where total sales proceeds do not exceed ₦150 million and total gains do not exceed ₦10 million.
- Reinvestment of proceeds into shares of Nigerian companies within 12 months qualifies for full exemption where the exemption threshold is exceeded.
- Capital gains from foreign share disposals that are repatriated into Nigeria through CBN-authorised channels.
- Institutional investors that enjoy corporate income tax exemption such as PFAs, REITs and NGOs are also exempted from CGT.
- Small companies with turnover not exceeding ₦100 million and total fixed assets not more than ₦250 million pay 0% CGT.
- Gains from investment in a labeled startup by venture capitalist, private equity fund, accelerators or incubators.

Determination of Gains

For the purpose of CGT effective from 1 January 2026, the cost base for existing investments will be reset to the higher of:

a) the actual acquisition cost; and
b) the closing market price as at 31 December 2025.

This ensures fairness and prevents the application of the new rule to gains accrued before the new law takes effect.

Allowable Deductions

Investors can now deduct a wider range of legitimate costs, including:

- Realised capital losses on share disposals.
- Transaction charges such as brokerage fees and regulatory levies.
- Expenses such as margin interest and realised foreign exchange losses proved to be incidental to the investment while exchange gains would be treated as taxable.

Registration and Compliance

- Resident investors are required to register for tax and obtain a Tax ID.
- Non-resident investors who earn only passive income (e.g. dividends or capital gains) are not required to obtain a Tax ID.
- Self-assessment is the default compliance model, though regulations may be issued to introduce withholding or presumptive deductions at source through brokers or exchanges.
- All applicable taxes are to be paid in naira.

Filing and Payment Deadlines

- Individuals - on or before 31 March of the following year.
- Companies - within six months after the financial year-end.
- Non-resident investors - upon disposal of shares, except where reinvestment within the same year is expected. Brokers or exchanges may be authorised to deduct CGT at source.

Administration

- Resident individuals are required to pay CGT to their state of residence in Nigeria.
- Resident companies are to file returns and remit applicable CGT to the Nigeria Revenue Service (NRS).
- Non-resident investors are to pay any applicable CGT to the NRS directly or through an appointed tax withholding agent.

Additional Clarifications

- Corporate reorganisations - mergers, acquisitions, or internal restructurings as stipulated under the Nigeria Tax Act 2025 are exempt from CGT.
- Transition arrangements - gains earned on shares up to 31 December 2025 will be grandfathered and only taxed upon disposal where applicable, based on the law as at that date.
- Recordkeeping - investors are expected to maintain documentation of acquisition costs, sales proceeds, and related expenses for audit and verification.
- Policy intent - the reform is not revenue-driven but designed to promote fairness, competitiveness, long-term interest and investor confidence in Nigeria's capital markets.

In a nutshell:

The new CGT framework makes the tax system fairer, more aligned with global practice, and friendlier to long-term investors. It reduces investment risks, protects small investors, encourages reinvestment, and simplifies compliance while ensuring that large and high-income investors who wish to exit the market contribute their fair share on realised gains that are not re-invested.