NIGERIA REVENUE SERVICE
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INFORMATION CIRCULAR

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Subject: CLARIFICATION ON ASCERTAINMENT OF CHARGEABLE GAINS

This circular is issued for the information and guidance of taxpayers, tax practitioners and the public in line with the provisions of the relevant tax laws. This circular replaces FIRS Information Circular No. 2022/02 of 11th April 2022.

1.0. Introduction

The Nigeria Tax Act (NTA) No 7, 2025, Chapter Two, Part VIII, imposes tax on chargeable gains accruing to any person including companies, partnerships, un-incorporated persons, and non-resident persons on the disposal of chargeable assets in a year of assessment. This information circular is issued to provide clarification on the ascertainment of chargeable gains for the purpose of income tax.

2.0 Chargeable gains

Gains accruing to any person on disposal of chargeable asset, in a year of assessment, is chargeable to income tax.

3.0 Chargeable assets

All forms of property, whether situated in Nigeria or not, constitute chargeable assets. These assets include shares, options, rights, debts, digital or virtual assets, incorporeal property, and any other asset specified under section 34 of the Nigerian Tax Act, subject to the exemptions contained in paragraph 9.0 of this circular

4.0 Disposal of assets

There is a disposal of assets by a person where any sum is derived from a sale, lease, transfer, an assignment, a compulsory acquisition or any other disposition of assets, subject to the exemptions contained in paragraph 9.0 of this circular.

A disposal of asset will be deemed to have occurred notwithstanding that no asset was acquired by the person paying the sum and the sum received is derived:

a. by way of compensation for any loss of office or employment;
b. under a policy of insurance and the risk of any kind of injury or damage, or the loss or depreciation of assets;
c. in return for forfeiture or surrender of a right, or for refraining from exercising a right; and
d. as consideration for use or exploitation of any asset.

4.1 Part Disposal of Assets

An asset may be disposed in part. Part disposal of assets can occur under the following two conditions:

a. Where an interest or right in or over the asset is created for another person by the disposal; and
b. a part of the interest in the property which subsists before the disposal remains with the person making the disposal.

5.0 Determination of consideration for asset disposed

5.1 Consideration

A disposal of an asset by a person will be deemed to be for a consideration.

5.2 Consideration at market value

The acquisition and disposal of an asset by a person will be deemed for a consideration equal to the market value of the asset where the person acquires the asset:

a. by way of bargain not made at arm's length;
b. wholly or partly for a consideration that cannot be valued;
c. by a trustee for a creditor of the person making the disposal; or
d. upon devolution on death as a personal representative or legatee of a deceased.

5.3 Determination of market value

In computing chargeable gains:

a. the market value in relation to an asset is the price which the asset might reasonably be expected to fetch on a sale conducted at arm’s length or in the open market;
b. the market value of a disposal shall not be reduced by cash or bulk discount;
c. where the actual consideration paid to acquire an asset is less than its market value, the acquisition cost is deemed to be the amount actually paid.

6.0 Date of acquisition or disposal

An asset is deemed to be acquired or disposed at the date at which there is an enforceable right to acquire or a binding duty to dispose the asset or any right or interest in it and in particular, where:

a. it is a conditional contract, the asset is deemed acquired or disposed on the date the condition for the acquisition or disposal is satisfied;
b. consideration under the contract does not depend solely or mainly on the value of the asset at the time the condition is satisfied, the date of the acquisition or disposal of the asset will be the date of the contract. In such instance, the acquisition or disposal will be treated as if the contract had never been conditional;
c. an option is conferred by virtue of any contract, the date of the acquisition or disposal of the asset is the date the option is exercised.

7.0 Taxation of chargeable gains

Where a person makes a chargeable gain, the person will include the gain as income in the income tax returns and charged tax at the applicable rate. In the case of corporate entities, such gains are taxed at the rate of 0% or 30% as prescribed under section 56 of NTA. In the case of individuals, such gains will be included as part of chargeable income and taxed at the applicable rates band specified under the Fourth Schedule

7.1 Computation of chargeable gains

The gains chargeable to tax shall be computed as follows:

a. Where the asset disposed of has been used in trade or business and claimed capital allowance, the chargeable gain is arrived at by subtracting the residue of the asset and any incidental cost to disposal from the disposal proceeds.

Illustration 1

ABC Ltd acquired a motor vehicle for its business operations at ₦8,000,000 in January 2024, and has claimed capital allowance of ₦6,000,000 as at 2026 when the vehicle was disposed for ₦8,500,000 and incurred advertisement cost of ₦200,000. The residue (TWDV) at the time of disposal was ₦2,000,000. Compute the chargeable gain.

Treatment

Disposal Proceed…………………………………………………..₦8,500,000
Less:
Residue of Motor Vehicle………………………………………₦2,000,000
Advertisement Cost……………………………………………....₦200,000
Chargeable gain……………………………………………………₦6,300,000

a. Where no capital allowance has been claimed on the asset, the amount or value of the consideration for the acquisition of the asset and any incidental cost will be deducted from the disposal proceeds.

Illustration 2

XYZ Ltd acquired a plot of land at ₦25,000,000 in April 2024 and disposed it for ₦60,000,000, in 2026. The company incurred legal expenses of ₦2,000,000, valuation fee of ₦2,000,000 and advertisement expenses of ₦1,000,000. Compute the chargeable gain.

Treatment:

Disposal Proceed……………………………………………….₦60,000,000
Less:
Cost of Acquisition……………………………………………₦25,000,000
Legal Expenses…..…………………………………………...₦2,000,000
Valuation Fee…………………………………………………..₦2,000,000
Advertisement Expenses………………………………….₦1,000,000
Chargeable gain……………………………………………….₦30,000,000

Note: The chargeable gain of ₦30,000,000 is taxable and will be included in the assessable profits in the tax returns of the company.

7.2 Part disposal

Where a part of an asset is disposed or where some property derived from an asset remain undisposed after a disposal of the asset. The cost of acquisition of the assets plus any expenditure incurred, wholly and exclusively, for enhancing the value of the asset or the residue of an asset on which capital allowance has been claimed shall be apportioned between the disposed and the undisposed parts.

i. The apportionment shall be determined as follows;

A = Disposal proceeds of the part disposed
B = Market value of the undisposed part

ii. The acquisition cost or residue of the disposed part will be apportioned using the formula A/(A+B)

iii. The remainder of the acquisition cost or residue shall be attributed to the part undisposed.

Illustration 3

CYP LTD acquired a two-wing duplex for ₦100million in 2023, and sold a wing in 2026 for ₦60million, the market value of the undisposed wing is ₦70million. Compute the chargeable gain on the part disposed.

Treatment

A = Disposal proceed of the wing disposed……………..₦60,000,000

B = Market value of undisposed part…………………... ₦70,000,000

Acquisition Cost of Disposal = $\frac{60,000,000}{60,000,000 + 70,000,000} = 0.46$

Cost attributable to disposed wing = ₦100M × 0.46 = ₦46,000,000

Cost attributable to undisposed wing = ₦100M × 0.54 = ₦54,000,000

Chargeable gain:

	₦
Disposal proceeds	60,000,000
Less: Cost of acquisition	(46,000,000)
Chargeable gain	14,000,000

7.3 Consideration due after time of disposal

Where an asset is disposed or partially disposed and the consideration is paid by instalments for period exceeding twelve (12) months, starting from the time of disposal, the Chargeable gain will be regarded as accruing in proportionate parts in the period of assessment in which the disposal is made and in subsequent periods of assessments, until the last instalment is payable.

The chargeable gain to be regarded as accruing in a relevant year of assessment is the portion of the gain that corresponds to the amount of instalments payable in that year.

Illustration 4

FAS Ltd disposed a truck in 2026 for ₦200 million and made a gain of ₦20 million. The proceed is to be paid in the following instalments:

+

- 40% in 2026
- 30% in 2027
- 30% in 2028

Compute the chargeable gain for respective Years of Assessment (YOA).

Treatment:

Chargeable Gains payable:

2027 YOA (40% of ₦20,000,000) = ₦8,000,000

2028 YOA (30% of ₦20,000,000) = ₦6,000,000

2029 YOA (30% of ₦20,000,000) = ₦6,000,000

Illustration 5

FAS Ltd has a year-end of 31st December. The company disposed a truck in November 2025, and the proceed is payable by instalment as follows:

- 40% in 2025
- 30% in 2026
- 30% in 2027

Treatment:

Chargeable Gains payable:
2025 YOA (40% of ₦20,000,000) = ₦8,000,000
2027 YOA (30% of ₦20,000,000) = ₦6,000,000
2028 YOA (30% of ₦20,000,000) = ₦6,000,000

Note:

- The gains accruing in 2025 is taxed at 10% on actual year basis in line with CGTA.
- The gains accruing in 2027 & 2028 YOA will be taxed at 30% on preceding year basis in line with the NTA.

8.0 Transitional Issues

8.1 Transitional Issues for payment of chargeable gains

Before the enactment of the Nigeria Tax Act, 2025 (NTA), chargeable gains were taxable under the Capital Gains Tax Act (CGTA) at the rate of 10%. Following the enactment of the NTA and the repeal of CGTA, chargeable gains arising from the disposal of assets are chargeable to income tax.
All chargeable gains arising from the disposal of assets on or after 1 January 2026 are to be computed and added to the assessable profit of the company and taxed at the applicable income tax rate. In the case of individuals, such gains will be included as part of chargeable income and taxed at the applicable rates band specified under the Fourth Schedule.

Under the repealed law, tax on chargeable gains is paid in the year the gains are derived. The Service provided clarification in *circular No:2022/04 with publication date:11th April,2022* requiring that chargeable gains in respect of the disposal of asset from 1st December in a year to 31st May of the immediately following year will be charged to tax not later than 30th June of that following year. Similarly, chargeable gains in respect of the disposal of asset from 1st June to 30th November each year will be charged to tax not later than 31st December of that year.

Consequently, the Service provides the following transitional arrangements from the CGTA to NTA:

a. Chargeable gains arising from the disposal of assets from 1st July to 30th November 2025 shall be assessed and filed under the Capital Gains Tax Act by 31st December 2025.

b. Chargeable gains arising from the disposal of assets in December 2025 shall be assessed under the CGTA and filed by 30th June 2026.

c. Disposal of assets from 1st January 2026 are fully subject to the provisions of the NTA 2025 and must be included in the company's tax computation as part of its annual income tax filing.

8.2 Transitional issues for payment by instalment

Under the repealed law, where disposal proceed is payable by instalment for a period exceeding 18 months, the chargeable gain is spread proportionately over the year of assessments in which the instalments are paid.

Consequently, the Service provides the following transitional arrangements from the CGTA to NTA:

a. Where the instalment is for a period less than 18 months, and parts of the instalment payments extend beyond 31st December 2025, the provisions of CGTA shall apply to instalment payments made from 1st January 2026.

b. Where the instalment is for a period more than 18 months and parts of the instalment payments extend beyond 31st December 2025, the provisions of NTA shall apply to instalment payments made from 1st January 2026.

Illustration 6

Frog Industries Limited (Frog), a Nigerian company acquired a parcel of land in January 2017, at a cost of ₦30,000,000. Frog sold the land on 30th April 2025 for ₦85,000,000 to be paid in four instalments as follows;

April 2025= ₦45,000,000

July 2025= ₦15,000,000

November 2025=₦15,000,000

March 2026=₦10,000,000

Treatment

The instalments accrued within 12months (April 2025 to March 2026), as such the chargeable gain is taxed under the provision of the CGTA, at 10%.

The CGT on the instalment will be filed as follows;

April 2025………………………………………………not later than 30th June,2025.

July & November 2025…………………………….not later than 31st December 2025

March 2026……………………………………………..not later than 30th June 2026.

Illustration 7

Frog construction Ltd acquired a forklift at a cost of ₦40,000,000 on 1st July 2020, the company disposed the forklift in June 2024 for a consideration of ₦120,000,000, payments are to be made in 6 equal instalments within 24 months as follows;

June 2024…………………………………………… ₦20,000,000

October 2024……………………………………….₦20,000,000

January 2025……………………………………….₦20,000,000

April 2025…………………………………………….₦20,000,000

July 2026……………………………………………..₦20,000,000

December 2026……………………………………₦20,000,000

Treatment

The instalments exceed 18 months (July 2024- December 2026), as such the chargeable gain will accrue proportionately in the period that each instalment is paid.

The CGT on the instalment will be filed as follows;

June & October 2024……………………………….not later than 31st December 2024

January & April 2025…………………………………..not later than 30th June 2025

July & December 2026………………………………………..The Chargeable gains accruing in 2026 will be included in the income tax returns and charged at the applicable rate and filed on Preceding Year Basis (PYB) in accordance with the provisions of NTA.

9.0 Exemptions
Chargeable gains exempted from tax are those expressly provided for under Part VIII and Chapter Eight, Part I, subsection (2) of the of the Nigeria Tax Act.

9.1 Disposal of shares
Gains accruing to a person on disposal of shares in any Nigerian company shall not be chargeable gain where the-

a. disposal proceeds are less than ₦150 million and the chargeable gain is less than ₦10 million in any 12 consecutive month period;

b. shares are transferred between an approved borrower and lender under a regulated securities lending arrangement; or

c. disposal proceeds are reinvested within the same assessment year in acquiring shares in the same or another Nigerian company. However, tax shall be paid on gains from the portion of the proceed not reinvested.

9.2 Compulsory acquisition of land
Tax will not be charged under this Act in respect of gains on any compulsory acquisition and disposal of land by a person to an authority (government), except where the person:
a. deliberately acquires the Land despite having prior knowledge that it belongs to the authority; or
b. does not make any effort by advertisement to dispose of it known to the authority or others.

9.3 Life assurance policies
Chargeable gain shall not accrue on the disposal of an interest in or right under policies of assurance or contract, except where the person making the disposal is not the initial beneficial owner and the right or interest was acquired for a consideration.

9.4 Insurance policies other than life assurance
Rights under any other policy of insurance other than life assurance will not constitute chargeable assets on disposal of which chargeable gains may accrue.

9.5 Personal injury and compensation

Sums not exceeding ₦50,000,000.00 obtained by way of compensation or damages for any wrong or personal injury suffered by an individual in his profession or vocation, including compensation for loss of office or employment, libel, slander or enticement, will not constitute chargeable gains.

9.6 Principal private residences

a. The gains accruing to an individual are exempt from tax in respect of the disposal of, or an interest in:

   i. a dwelling house or part of such dwelling house; and land adjoining the dwelling house up to a maximum of one acre that is not used for commercial purposes.

   ii. This exemption can only be claimed once in the lifetime o an individual.

b. Where an individual dispose of only a part of a dwelling house or a house used partly as a dwelling place and partly for carrying out a trade, business, profession or vocation, the consideration from the disposal will be apportioned accordingly.

9.7 Personal chattels

Gains on disposal of tangible movable personal chattels of an individual will not constitute chargeable gain where the amount or value of consideration in a period of assessment does not exceed N5,000,000 or three times the annual national minimum wage, whichever is higher.

9.8 Motor vehicles

A car or vehicle used by an individual solely for private or non- profit purposes will not be an asset for the purpose of ascertaining chargeable gains. The exemption applies to a maximum of two vehicles in any year of assessment.

9.9 Gift

Where an asset acquired by way of gift or any other form of gift is disposed of by way of gift, the gain accruing from the disposal will not be chargeable gains except where the asset was acquired upon devolution on death.

9.10 Assets held in trust for charities

Gains accruing from the disposal of property held in trust for religious, charitable institutions of a public character, statutory or registered friendly society, cooperative society or trade union registered under the law will not be chargeable gains, where the gains are:

a. not derived from the disposal of an asset acquired in connection with any trade or business carried on by the institution, society or trade union; and

b. applied for the purpose of the institution, society or trade union.

9.11 Other exemptions

a. the disposal of assets by angel investors, venture capitalist, private equity fund, accelerators or incubators with respect to a labelled start-up provided the asset has been held in Nigeria for a minimum of 24 months.

b. Pension fund and assets approved under the Pension Reform Act.

c. An individual from disposal of investment held as part of a National Provident Fund or other retirement benefit schemes established under the provisions of any act or enactment for employees throughout Nigeria.

d. Disposal of decorations, awarded for gallantry or public service acquired without consideration.

10.0 Filing of returns

Upon the commencement of the Nigerian Tax Act, all chargeable gains shall be aggregated with a company's profits and subjected to tax at the applicable corporate income tax rate. For tax computation purposes, chargeable gains are to be classified as other income. Consequently, chargeable gains accruing on or after 1 January 2026 shall be assessed and filed together with the company's corporate income tax returns.

11.0 Amendment or Revision of the Circular

The Service may, at any time, withdraw or replace this Circular or publish an amended or updated version.

12.0 Enquiries

Further clarifications on this Information Circular should be directed to the:
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