NIGERIA REVENUE SERVICE
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INFORMATION CIRCULAR
NO: 2026/05 PUBLICATION DATE: 29TH JUNE, 2026

Subject: **CLARIFICATION ON THE CHANGES IN THE ADMINISTRATION OF THE VALUE ADDED TAX**

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. The circular withdraws and replaces FIRS Information Circular No. 2022/14 of 4th April 2022.

1.0 Introduction

This circular clarifies the provisions of Value Added Tax in line with Chapter Six, part IV of Chapter Eight and other relevant provisions of the Nigeria Tax Act 2025 No. 7, (NTA), and the Nigeria Tax Administration Act No. 5, 2025 (NTAA).

2.0 Taxable Supplies

VAT is payable on all taxable supplies in Nigeria except those listed in section 185 of the NTA. Taxable supply is deemed to take place in Nigeria, where –

a. in the case of goods:
   (i) the goods are physically present in Nigeria, imported into, assembled or installed in Nigeria at the time of supply, or
   (ii) the beneficial owner of the rights in or over the goods is a taxable person in Nigeria; and the goods or right is situated, registered or exercisable in Nigeria;

b. in the case of a service, it:
   (i) is rendered to or consumed by a person in Nigeria, irrespective of whether the service is rendered within or outside Nigeria, or whether or not the legal or contractual obligation to render such service is on a person within or outside Nigeria,
   (ii) relates to an existing immovable property, including but not limited to the services of agents, experts, engineers, architects, valuers, etc., where the property is located in Nigeria; and

c. in the case of an incorporeal:
   (i) the exploitation of the right is made by a person in Nigeria or whose place of usual residence is Nigeria,

(ii) the right is registered in Nigeria; it is assigned to or acquired by a person in Nigeria regardless of whether the payment for its exploitation is made within or outside Nigeria,

(iii) the incorporeal is connected with a tangible or immovable asset located in Nigeria.

3.0 Time of Supply

Section 146 sets out when a taxable supply is considered to have occurred for VAT purposes. This timing determines when VAT becomes chargeable.

As a general rule, a taxable supply is treated as having taken place at the earliest of the following:

a. When the supplier issues an invoice or receipt;
b. When the goods are delivered or made available to the customer;
c. When payment becomes due; or
d. When payment is actually received.

Supply is also considered to have taken place in the following circumstances -

3.1 Supplies between connected persons

Where the supplier and the recipient are connected persons and no invoice is issued, the time of supply is determined as follows:

a. For goods to be removed, when the goods are removed;
b. For goods that are not to be removed, when the goods are made available to the recipient;
c. For services, when the supplier begins providing the service; and
d. For incorporeal property (e.g. rights or intangible assets), when the recipient is first able to use it.

3.2 Rental agreements or periodic service contracts

Where goods or services are supplied under a contract requiring regular or periodic payments, each period is treated as a separate supply, occurring when payment becomes due or payment is received, whichever occurs first.

3.3 Progressive or periodic supplies involving construction, assembly, manufacturing, alteration, improvement, or repair works etc.

Where supplies are made progressively and payment is due or paid in instalments, each instalment is considered a separate supply, and the time of supply is when payment becomes due, payment is received, or an invoice is issued in respect of that instalment, whichever occurs first.

3.4 Instalment credit agreements

For supplies made under an instalment credit agreement (e.g. hire purchase), the supply occurs when the goods are delivered, or when any payment relating to the supply is received, whichever occurs first.

Illustration 1

Lucas Nigeria Ltd, is into supplies of wall paint and ancillary services. Lucas Ltd sold buckets of wall paints to Lukeman Nigeria Ltd and issued an invoice of ₦4,720,000 dated 9th January 2026.The wall paints are to be delivered to Lukeman Nigeria Ltd on 13th January 2026. Before the date of delivery, Lukeman Nigeria Ltd contacted Lucas Nigeria Ltd to supply an additional ₦5,700,000 worth of paint which was delivered along with the initial order. The invoice on the additional order was issued on the 1st of February 2026.

Lucas also rendered plumbing services to Lukeman Ltd for a period of 6months from February to July 2026 at a fee of ₦2,400,000 Lukeman Ltd pays the full amount upfront on 15th January 2026. What is the time of supply in the transactions for VAT purposes.

Treatment:

Time of supply for the first order for paint

The time of supply is 9th January 2026 when invoice was issued by Lucas Ltd for the buckets of wall paints sold to Lukeman Ltd.

Time of supply for the second order for paint

The time of supply for VAT purposes is 13th January 2026 when Lucas Ltd delivered the buckets of wall paints to Lukeman Ltd.

Time of supply for the plumbing services

The time of supply for the plumbing services is 15th January 2025 when the upfront payment was made by Lukeman Ltd to Lucas Ltd.

Illustration 2

Mega Plaza & Malls Ltd engaged the services of Top Star Nigeria Ltd in a contract for the construction of shopping malls for the sum of ₦600million. Mobilization of ₦60million was paid on the 14th January 2026; Top Star Nigeria Ltd issued invoice of N240 million on 16th March 2026, the same day the first certificate was issued, while payment was made on 28 March 2026. The second certificate of valuation of N200 million was issued on the 23rd June 2026 and paid on 30th June 2026.

Top Star Nigeria Ltd is to render monthly facility maintenance of the constructed mall for the sum of ₦80million per month payable every last day of the month. For January to March 2026 invoice dates were as follows: 28th January 26th February and April 7th.

Top Star Nigeria Ltd was further engaged to manage rental Services of the malls, for ₦4million per quarter. The payment for first quarter was due on 31st March, the invoice was issued on 1st April, while payment was made on 3rd April. Top Star Nigeria Ltd issued invoice for second quarter on 26th June, which was paid on the 4th July.

What is the time of supply in the transactions for VAT purposes?

Treatment:

Time of supply for the construction services

PAYMENT	MILESTONE	AMOUNT	TIME OF SUPPLY
Phase 1	Mobilization	₦60million	14th January 2026, the day payment was made.
Phase 2	First certificate of valuation	₦240million	16th March 2026, the date invoice/certificate was issued.
Phase 3	Second certificate of valuation	₦200million	23rd June 2026, date of the certificate was issued.

Treatment:

Time of supply for facility maintenance service:

Invoice Date	Payment Date	Time of supply
28th January	31st January	28th January, being the earlier of invoice and payment dates
26th February	28th February	26th February, being the earlier of invoice and payment dates.
7th April	31st March	31st March, being the earlier of payment and invoice date

Treatment:

Time of supply for rental services:

Payment due date	Invoice date	Date payment was made	Time of supply
31st March	1st April	3rd April	31st March, being the earlier of payment due date, invoice date and the date payment was made.
30th June	26th June	4th July	26th June, being the earlier of payment due date, invoice date and the date payment was made.

4.0 Value of Taxable Supplies

4.1. The value of taxable goods and services is determined as follows:

a. where the supply is for money consideration, its value is the price of goods or service before the addition of VAT;
b. where the supply is not for money consideration, the value of the supply will be its market value;

c. the market value of a taxable supply between connected persons is the money consideration as may be payable by a person in a transaction at arm's length; and
d. where a consideration relates to a taxable supply and other transactions, the consideration will be prorated accordingly.

Illustration 3: Market value for connected persons

Yusuf Limited sold a truck to one of its subsidiaries, Abu Limited, on the 25th of June 2026, for **₦50,000,000**. Yusuf Ltd sold the same model to an unconnected person at **₦70,000,000** on the same day the truck was sold to Abu Limited. What is the value of the truck sold to Abu Limited.

Treatment

The value of the truck to Abu Limited will be N70,000,000, which is the market value of the truck, based on the price sold to an unconnected person.

Illustration 4: Consideration for multiple transactions

ABC Ltd incurred a legal and agency fee of ₦7,500,000 in respect of its building. One third of the building is used for educational purposes while two third of the building is used as an office to generate taxable supplies. Determine the value of the legal and agency fee attributable to the consideration paid for educational purpose.

Treatment	₦
1/3 of the building used for educational purpose =	
$\frac{1}{3}$ X ₦7,500,000	= 2,500,000

4.2. The value of imported taxable supplies is the total amount of the imported supply including taxes, duties and other levies charged outside or within Nigeria (excluding VAT imposed under NTA), as well as other incidental costs such as commission, parking, transportation and insurance up to the port or point of entry.

Illustration 5

Jen Jewellery Stores Ltd specializes in luxury jewellery. On 24th January 2026, the company imported gemstones worth ₦70,000,000 from Dubai. Additional expenses incurred are:

Packaging:	₦1,000,000
Import duties:	₦2,000,000
Freight:	₦1,500,000
Export levy imposed in Dubai:	₦500,000

Determine the value of the imported item for VAT purposes.

Treatment:
Value of other Incidental costs

(a) Total Incidental cost (Packaging + Freight + Import duties + Export levy) ₦5,000,000
(b) Cost of item ₦70,000,000

Total Value of item (a + b) ₦75,000,000.

5.0 Treatment of input and output VAT

5.1 Input VAT may be claimed in respect to all taxable supplies including supply of goods, services, intangibles and capital assets. Where a taxable person has incurred input VAT in respect of a taxable supply, the input VAT may be claimed as deduction from the output VAT and if the:

a. output VAT exceeds the input VAT, remit the excess to the Service; or
b. input VAT exceeds the output VAT, be entitled to utilise the excess tax as a credit against subsequent months or claim a refund.

5.2 A registered person may deduct input VAT on taxable supplies where the following conditions are met:

a. deduction is made at the end of the tax period in which the supply was made;
b. input VAT was incurred only for the purposes of consumption, use or supply in the course of making the taxable supplies;
c. transactions of taxable and non-taxable supplies, only the proportion relating to the taxable supplies can be claimed;
d. the input tax to be claimed is allowable for deduction within five years from the tax period it was incurred; and
e. input tax deducted is limited to taxable supplies made from the commencement of the NTA and NTAA.

Illustration 6
AG Motors, an automobile manufacturing company recorded the following transactions in February 2026:

Sales: ₦200,000,000
Purchases: ₦180,000,000

Required: Compute the VAT payable.

Treatment

Output VAT -	(₦200,000,000 X 7.5%) =	₦15,000,000
Input VAT -	(₦180,000,000 X 7.5%) =	₦13,500,000
VAT payable-		₦1,500,000

Scenario 2: Where the purchases is ₦220,000,000

Output VAT -	(₦200,000,000 X 7.5%) =	₦15,000,000
Input VAT -	(₦220,000,000 X 7.5%) =	₦16,500,000
Amount available as credit or refund		(₦1,500,000)

6.0 Appointment of agent for collection of VAT

Where a person appointed by the Service as an agent to withhold VAT:

a. makes a taxable supply, the person has an obligation to collect the tax and remit same to the Service; and

b. the supplier of the goods or services is not obligated to collect the tax.

The procedures for the collection and remittance of VAT by the agents of withholding is specified in the *Guidelines on the Withholding of Value Added Tax (VAT).*

7.0 Deployment of the Fiscalisation System

A taxable person making a taxable supply is obligated to implement the fiscalisation system by adopting the Electronic Fiscal System (EFS) deployed by the Service.

Accordingly, all taxable persons are required to:

a. record and report all taxable supplies through the EFS;
b. maintain accurate records of all transactions processed through the EFS; and
c. comply with any regulations, specifications, and transition arrangements issued by the Service for the implementation of the system.

7.1 Penalties for non-compliance

Any taxable person who fails to process a taxable supply through the fiscalisation system will be liable to pay:

a. administrative penalty of ₦200,000 in addition to;
b. 100% of the tax due; and
c. interest at the prevailing Central Bank of Nigeria (CBN) Monetary Policy Rate (MPR) per annum.

8.0 VAT Obligations

A taxable person has the following obligations -

a. register with the Service;
b. include VAT on all invoices issued to its customers;
c. collect or withhold VAT included in the invoice issued, as the case may be;
d. file returns and remit the VAT collected within 21 days of the month following the month of transaction;

e. file returns and remit the VAT withheld within 14 days of the month following the month of transaction; and
f. keep proper records.

9.0 VAT Refund

A taxable person may request for a VAT refund as prescribed in the *Guidelines on Tax Refund.*

10.0 Penalties

Failure to comply with obligations to the administration of Value Added Tax shall be liable to the penalties prescribed in the relevant tax laws.

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

Any request for further information or clarification on this Information Circular should be directed to the:

Executive Chairman,
Nigeria Revenue Service,
Revenue House,
Plot 1241 Kur Mohammed Avenue,
Central Area, Abuja.

Or

Director,
Tax Policy and Advisory Department,
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