



Nigeria Capital Gains Tax Reform: A Legal Perspective for Investors

*Recent developments in Nigeria's fiscal landscape
have significant implications for investors,
particularly in the capital markets.*



Introduction

Nigeria's capital markets are at a sensitive point. The new Tax Laws increased the Capital Gains Tax from 10% to 30% depending on the investor's overall income or profit level, and the market seems to have reacted to such increase as the date of implementation, January 2026, draws closer; causing significant market volatility¹.

The government through the office of Minister of Finance, **Wale Edun**, has responded immediately² to calm the market and reassure investors that the reforms are designed to be fair, transparent, and investor-friendly. The Finance Minister has pledged to review Capital Gains Tax (CGT) as part of ongoing tax reforms, aiming to balance government revenue with the need to encourage investment³. Also, **Taiwo Oyedele**, Chairman of the Presidential Committee on Fiscal Policy and Tax Reforms, who clarified that past gains will not be taxed under the new law⁴.

What you should know:

Capital Gains Tax (CGT) is a tax charged on profits (gains) realized from the disposal or sale of shares or other equity instruments. Under the new regime, CGT ensures that investors who profit from rising share prices contribute to public revenue. **CGT applies to** Listed and unlisted shares, stocks, and equity securities, indirect share transfers (selling shares in a foreign company that owns Nigerian assets), digital and private equity transactions, mergers and acquisitions where shares are exchanged or disposed. CGT, by contrast, applies only when shares are sold for a profit i.e. the difference between sale price and purchase price. It applies to all Nigerian exchanges registered with the Securities and Exchange Commission (SEC), including the Nigerian Exchange

¹ <https://www.thisdaylive.com/2025/11/12/nigerias-stock-market-tumbles-loses-n4-6trn-in-one-day/>

² <https://nairametrics.com/2025/11/11/wale-edun-to-stockbrokers-we-have-heard-you-on-capital-gains-tax/>

³ <https://punchng.com/edun-reassures-stockbrokers-of-balanced-capital-gains-tax-outcome/>

⁴ https://nairametrics.com/2025/11/12/capital-gains-tax-oyedele-clarifies-past-gains-wont-be-taxed-under-new-law/?utm_source=chatgpt.com

(NGX) and FMDQ. Off-market or private share disposals are also covered. CGT apply to both resident and non-resident investors. Resident investors pay CGT on worldwide equity gains. Non-resident investors are taxed only on Nigerian-sourced gains (e.g. shares in Nigerian companies). Under double taxation treaties (DTTs), investors can claim foreign tax credits for taxes paid abroad on the same gain, where applicable. Resident individuals can also offset foreign CGT against Nigerian CGT on the same transaction.

Current Law in practice:

Current Legal Position under the Capital Gains Tax Act, which is still in operation until the new Tax Laws kicks in, CGT is imposed at 10% on chargeable gains arising from the disposal of chargeable assets by individuals or entities other than charities and other exempted entities. Chargeable assets include all forms of property, whether situated in Nigeria or not, including options, debts, digital assets, and incorporeal property.

With effect from 1 January 2022, CGT was imposed on gains derived from the disposal of shares in Nigerian companies (i.e., companies registered under the Companies and Allied Matters Act (“CAMA”)), except all proceeds from the disposal are reinvested in shares of a Nigerian company within the same year of assessment; the total gross proceeds from all share disposals by a person within a 12-month period do not exceed ₦100 million; or the shares are transferred between a Borrower and a Lender in a regulated securities lending transaction.

What has Changed

The newly enacted Tax Laws does not come into force immediately, it will only be operational starting from January 2026, and moves away from a flat 10% to a range of 0–30%, depending on income or profit thresholds.

What is currently happening

Market Reaction:

- a. The NGX All-Share Index fell 5% on a single day, marking the largest drop since March 2010⁵.
- b. The sell-off is directly linked to the government's announcement that foreign investors would face a CGT of 30% on the sale of Nigerian shares starting January 2026, up from the current 10%, unless proceeds are reinvested locally.
- c. Major companies, including Dangote Cement, MTN Nigeria, and BUA Cement, each fell by 10%.

Government Response:

- a. **Edun:** Announced that the government will review CGT provisions in the new tax reform to ensure investor confidence. The goal is to balance government revenue needs with the need to attract private capital.
- b. **Oyedele:** Confirmed that gains made before 2026 will not be taxed under the new law. This is achieved through two mechanisms:
 - i. **Cost Basis Reset:** For all existing investments, the cost base is reset to the higher of the actual purchase price or the market value as of 31 December 2025.
 - ii. **Grandfathering Clause:** Past gains (up to 31 December 2025) are exempt from taxation under the new regime. Only gains realized from 2026 onward will be subject to CGT.

Example:

If an investor bought shares at N5 in 2020 and their value rises to N20 by December 2025, only any appreciation beyond N20 in 2026 will be taxed. Historical gains (N15 in this example) remain tax-free.

⁵ <https://www.bloomberg.com/news/articles/2025-11-11/nigerian-stocks-suffer-biggest-drop-in-15-years-on-tax-concerns>

Investor-Friendly Features of the Reform

The Nigeria Government have argued that new CGT reforms are structured to boost Nigeria's investment climate⁶.

- a. **Progressive Tax Rates:** Moving away from a flat 10% to a range of 0–30%, depending on income or profit thresholds.
- b. **Exemptions:** Small companies with turnover not exceeding ₦100 million and total fixed assets not more than ₦250 million pay 0% CGT, pension funds, REITs, and registered NGOs remain exempt.
- c. **Deductions:** Investors can deduct losses, brokerage fees, interest on margin loans, and statutory transaction charges when calculating net gains.
- d. **Reinvestment Relief:** Capital gains are exempt if proceeds are reinvested in Nigerian equities within 12 months.
- e. **Clear Guidelines:** Full implementation guidance is expected before the January 1, 2026 rollout.

Implications for Investors

- i. **Short-Term Impact:** Market volatility is expected to continue until there is absolute clarity. Investors are likely rebalancing portfolios to pay the current 10% CGT before the 30% rate applies.
- ii. **Long-Term Confidence:** The reset and grandfathering provisions reduce the risk of retroactive taxation, which should reassure long-term investors.

Market and Legal Implications

For investors, the interplay between tax policy and capital markets is not abstract—it affects the timing of disposals, reinvestment strategies, and the structuring of international portfolios.

- i. **Investor Confidence:** The reset and grandfathering mechanisms directly address market fears of retroactive taxation.

⁶ <https://www.premiumtimesng.com/news/headlines/831232-oyedele-counters-claims-of-investor-frustration-over-nigerias-new-capital-gains-tax.html>

- ii. **Portfolio Strategy:** Investors may consider **rebalancing portfolios** before January 2026 to benefit from the current 10% CGT rate.
- iii. **Long-Term Planning:** High-net-worth clients should review investment structures to optimize exposure under the new regime.

Practical Considerations for Clients

- i. Assess existing holdings and unrealized gains.
- ii. Determine whether to sell pre-2026 to realize profits at 10% CGT.
- iii. Explore reinvestment opportunities to utilize relief provisions.
- iv. Align cross-border investments with updated tax rules to minimize CGT exposure.

Conclusion

Nigeria's CGT reform represents both **challenge and opportunity**. The reforms are still being tested by the market and especially the reactions of investors to these sweeping reforms. The Government has promised a balanced review. The market awaits these reviews and its impact both on the Nigeria economy and the investors' balance sheet.

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All enquiries may be directed to your usual contact at the firm, or to: ✉

info@legalifyattorneys.com

Legalify Attorneys

For more information contact :
info@legalifyattorneys.com

www.legalifyattorneys.com

