



CLIENT ALERT
**FIRS IMPOSES 10% WITHHOLDING
TAX ON INTEREST ON SHORT-TERM
SECURITIES**

INTRODUCTION



The Federal Inland Revenue Service (FIRS) directed banks, stockbrokers and other financial institutions to deduct 10% withholding tax on interest earned on investment from short-term securities. The directive, which was issued on 16th September 2025, marks a shift from the former regime, which exempted interest earned on short-term securities from tax deductions to promote investment.¹²

WHAT THIS MEANS FOR INVESTORS



Under the new directive, short-term securities including but not limited to treasury bills, government bonds, promissory notes, corporate bonds, financial papers and bills of exchange will now be subject to 10% deductions at source. Relevant entities must comply with the new policy and remit the tax deductions to the FIRS on or before the 21st day of the month following the month of payment. This aligns with the provisions of Sections 78(1), 78 (2), and 81(1) of the Companies Income Tax Act³ as well as the Deduction of Tax at Source (Withholding) Regulations, 2024.

IMPLICATIONS FOR INVESTORS

The directive could alter preferences for investment in short-term securities, and this could result in a low appetite for investments in these securities. Also, Investors while complying, will now have to track such taxes withheld to claim the equivalent subsequently as tax credits. The policy marks a shift in tax treatment for short-term securities in Nigeria and would require equal adjustments in investment strategy, payment tracking and invoice system and requires that the designated interest payers comply with the directive to avoid penalties.

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¹ FIRS Public Notice on Withholding Tax Payment on Short-Term Securities <https://x.com/firsnigeria/status/1968303492000514361?s=46&t=s2mqWEG5nfHbT0nD34GcSQ>

² Companies Income Tax Exemption Order 2011: <https://archive.gazettes.africa/archive/ng/2012/ng-government-gazette-dated-2012-01-02-no-26.pdf>

³ The Companies Income Tax Act which mandates the deduction of 10% withholding tax at the point of payment on interest earned from investments.