



**FAQs ON FREIGHT TAX UNDER THE
NIGERIAN TAX ACT, 2025**

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INTRODUCTION

Freight tax in Nigeria is an important but often misunderstood aspect of doing business in the logistics, shipping, and import-export sectors. With multiple taxes, levies and regulatory charges imposed by different government agencies, companies involved in freight transportation frequently face uncertainty about their tax obligations and compliance requirements.

The tax imposed on freight income of Non-Resident Shipping Companies (NRSCs) (the freight tax) has been particularly controversial because, although it has been on the statute book for a long time, the tax authorities has only recently devoted more resources towards collection of this tax.

This year (2026), the Nigeria Tax Act 2025 ('NTA') replaced the Companies Income Tax Act ('CITA') as the principal legislation governing corporate taxes in Nigeria.

This FAQs article provides clear, practical answers to common questions regarding the freight tax in Nigeria and incorporates the changes introduced by the NTA.

1. **What Act Governs Freight Tax in Nigeria?**

The Nigeria Tax Act 2025 ('NTA') replaced the Companies Income Tax Act ('CITA'), and regulates freight tax in Nigeria.

2. **What is the Legal Basis for Freight Tax Under the NTA?**

Under Section 18(1) of the NTA, a non-resident person that carries on the business of transport by sea or air and whose vessel or aircraft, whether owned, leased or chartered, calls at a Nigerian port or airport is chargeable to tax on profits from the carriage of passengers, mails, livestock or goods shipped or loaded in Nigeria.

3. **Does the Freight Tax Apply to Trans-shipment Cargo?**

No. Section 18(2) NTA, excludes passengers, mail, livestock or goods brought into Nigeria solely for trans-shipment or transfer from one aircraft to another or between an aircraft and a ship.

4. **Are Non-Resident Shipping Companies Required to Register with the Nigeria Revenue Service ('NRS')?**

Yes. Section 6(1) of the Nigeria Tax Administration Act 2025 ('NTAA') requires non-resident companies that supply taxable goods or services to any person in Nigeria, or derive income from Nigeria to register for tax purposes and obtain a Tax ID.

5. **How are Profits from Nigerian Freight Operations Determined?**

Section 18(3) provides a profit apportionment mechanism:

- Where the NRS is satisfied that the tax authority of the non-resident's country of residence computes profits on a basis not materially different from what is prescribed in the NTA, the NRS will use profit ratios and depreciation ratios from global accounts to determine Nigerian assessable profits;
- Alternatively, where such comparability cannot be established, the tax may be computed by applying a fair percentage of Nigerian gross revenue from freight.

This approach maintains the spirit of the former CITA methods (ratio or deemed profit), now codified in the NTA.

6. Is there a Minimum Tax on Freight Income?

Yes. Section 18(6) of the NTA provides that the tax payable shall not be less than 2% of the gross revenue from Nigerian freight operations (i.e., freight derived from goods, passengers, mail or livestock loaded in Nigeria). This minimum tax must be computed, assessed, and paid on a monthly basis.

7. What Are the Filing and Payment Obligations for Non-Resident Shippers?

Under Section 21 of the ('NTAA'), non-resident shipping and airline companies must file monthly returns with evidence of payment of the freight tax as specified in Section 18 of the NTA to the NRS. The monthly returns must be filed by the 21st day of the following month and must include evidence of tax remittance, detailed gross revenue statement of the Nigerian operations for the specific month in which the return is being filed, and all invoices issued to relevant customers.

The requirement to file monthly returns with the NRS does not exempt a non-resident company from filing annual returns, returns in respect of its non-freight operations or any other incidental income with the NRS.

8. Where there is Charterparty chain which party is Liable for Freight Tax?

Freight tax attaches to freight profit, this is the profit earned by charging freight for the carriage of people, goods and animals by sea where they are loaded in Nigeria. Thus, where there is a chain of charterparties, liability attaches to the party that directly provides the services of carriage of people, goods and/or animals by sea from Nigeria and charges the freight.

9. Can NRS Pursue Charterers or Sub-Charterers Instead of Owners of the Vessel?

Yes. If the entity earning the freight profits is identified as a charterer or sub-charterer, the NRS can pursue that entity directly and that party becomes the "non-resident person" chargeable to tax under Section 18 of the NTA.

10. Why Does NRS First Pursue Owners of the Vessel?

The owners of the Vessel are often the most visible commercial link to voyages (AIS track, port documentation, etc.). If the NRS later establishes that another party other than the owners earned freight profits, the NRS may pursue them instead.

11. What are the Limitation (Time-Bar) Rules?


Section 36(1) of the NTAA provides that assessments must be done within 6 years from the year that the freight accrued. Limitation must be expressly asserted. It can be waived by conduct or silence. The new regime has simplified the exceptions to the time-bar, the only exception is now a deliberate misstatement of taxable income. In this case, the NRS may at any time, and as often as may be necessary, assess the non-resident company in any amount that is necessary to make good any loss of tax caused by the deliberate misstatement.

12. **What Additional Defences can be Raised?**

Another defence is that the party earned hire (charter) income, not freight. Further defences will depend on the facts.

13. **Can the NRS Accept any other Document in lieu of Audited Financial Statements for the Purpose of Filing Tax Returns?**

Yes. Section 18(7) of the NTA provides that if a non-resident company does not provide a separate audited financial statement for its Nigerian operations, the company should submit detailed gross revenue statements of its Nigerian operations, certified by one of its directors and external auditors and supported by contracts.



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