

TAX & RATES ALERT

Two Rate Cuts. One ₦12 Million Trap.

Interest on late tax just fell.
The 10% penalty did not.

In one week, the CBN cut its benchmark rate and the Finance Ministry cut the interest on late tax. The Ministry's aim is plain: with the penalty, holding on to tax that is due must not be cheaper than borrowing from the market.

Inside:

- what the two cuts really save you
- what they leave untouched
- the ₦12 million mistake to avoid



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IN 60 SECONDS

- The CBN cut its benchmark interest rate (the MPR) from 26.5% to 23% on 22 September. It calls this a technical "reset", not the start of cheap money.
- From 1 October, interest on late naira tax is MPR + 1 point instead of MPR + 5. At today's MPR that is about 24% a year, and it resets every month.
- The 10% late-payment penalty has not changed. Pay ₦100m of tax one month late and it still costs about ₦12m.
- SAC's view: the change rewards businesses that clear old tax debts now. It does not make tax a cheap source of cash, and it was designed never to.

23%

NEW CBN RATE (MPR)
from 22 Sept; was 26.5%

~24%

**LATE-TAX INTEREST,
OCTOBER**
MPR + 1; SAC
computation, NRS rate
not yet published

₦4m

**SAVED BY THE NEW
ORDER**
per ₦100m, per year

10%

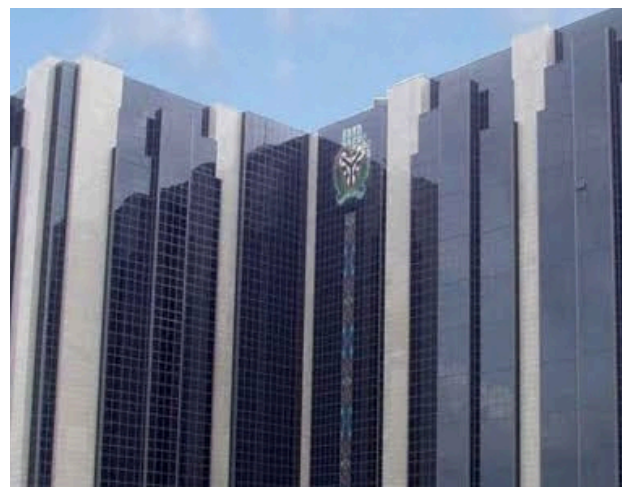
**LATE-PAYMENT
PENALTY**
unchanged

01 TWO CUTS IN ONE WEEK

Two different institutions, two different reasons, one formula that now ties them together.

PLAIN ENGLISH: WHAT IS THE MPR?

The Monetary Policy Rate is the Central Bank's anchor interest rate. It tells the market where the CBN wants borrowing costs to sit. Banks, Treasury bill yields and now the tax authorities all take their cue from it. When the MPR moves, your tax interest now moves with it the following month.



Cut 1: The Central Bank, 22 September

The Monetary Policy Committee lowered the MPR by 3.5 points to 23%, one of the largest single moves in years. The CBN was explicit that this is an **operational reset**, meant to bring its official rate closer to what money actually costs in the market, and not a signal that it is turning soft on inflation.

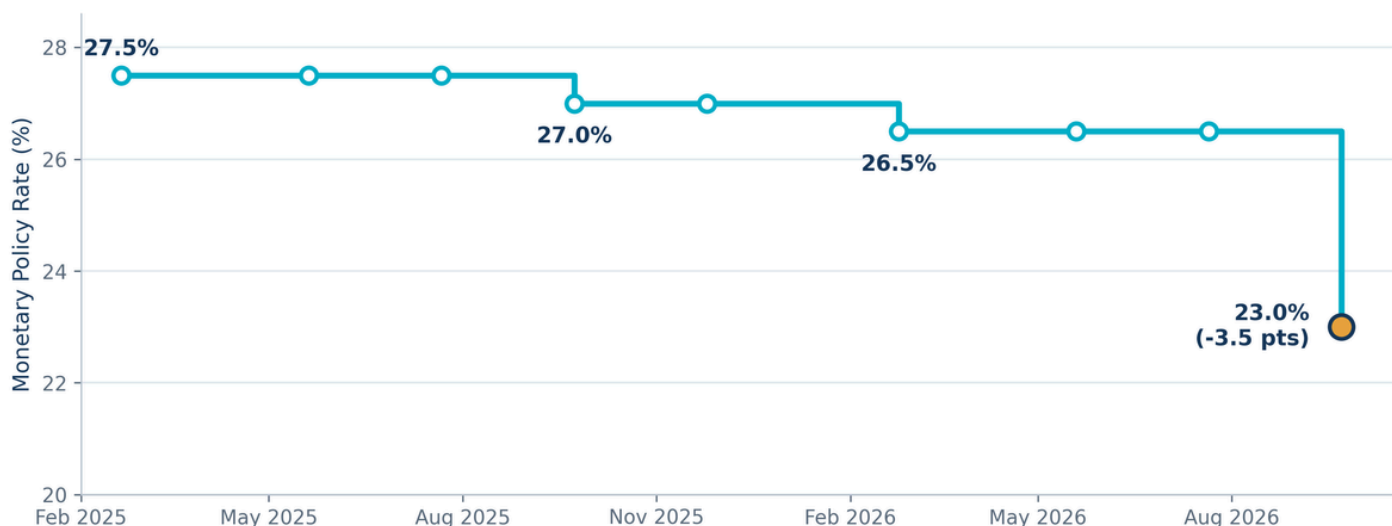
It felt able to act because the numbers have improved. Headline inflation eased to 15.39% in August (15.43% in July) and gross external reserves stood at \$55.25 billion on 18 September, reported as an 18-year high and about 11 months of import cover. What it did not change matters just as much: commercial banks must still keep 45% of their deposits with the CBN (the cash reserve requirement). That keeps lending expensive, which is why cheaper loans will be slow to arrive.

Cut 2: The Finance Ministry, announced 24 September

Using its power under section 65 of the Nigeria Tax Administration Act, 2025, the Ministry issued the Nigeria Tax Administration (Interest on Late Payment of Tax) Order, 2026, effective 1 October. Highlights:

- Naira tax: MPR + 1 point (previously MPR + 5), but never below the 364-day Treasury bill yield, which the Ministry ties to Government's own cost of funding.
- Foreign-currency tax: Secured Overnight Financing Rate (SOFR) (the US dollar benchmark rate) + 6 points, or its official successor if SOFR is discontinued.
- Monthly reset: the rate is fixed on the last business day of each month for the following month, and the NRS must publish it on its website by the third business day. Interest is simple, charged daily.
- Wide reach: the Ministry says the Order applies to the NRS, State and FCT revenue services, and to self-assessment. It replaces the 2017 notice on interest.

Every MPC decision, Feb 2025 to Sep 2026: two small cuts, then a big reset



Source: CBN Monetary Policy Committee decisions, February 2025 to September 2026. Chart drawn to a true time scale.
Next MPC meeting: 23-24 November 2026.

02 THE #4 MILLION TRUTH

Ignore the "31.5% to 24%" headlines. Here is what the new Order actually saves you.

Many reports say late tax interest has fallen from 31.5% to 24%. That compares the old rule at the old CBN rate with the new rule at the new one. But the CBN cut would have lowered your tax interest anyway. The fair test is the old rule at today's MPR (23% + 5 = 28%) against the new rule (24%).

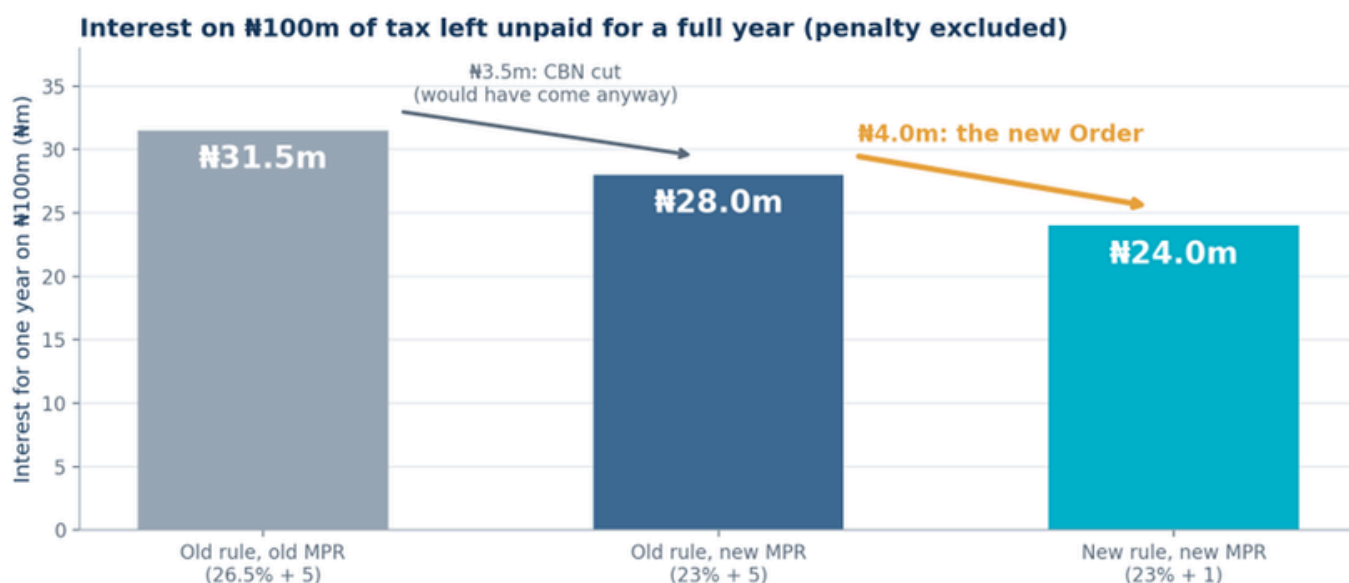


Illustration only: ₦100m of naira tax unpaid for a full year, rate assumed constant, simple interest, 10% penalty excluded

On ₦100m left unpaid for a year, the Order itself saves ₦4m. The other ₦3.5m comes from the CBN, and that part is not locked in: it will move again at every MPC meeting.

WHAT OCTOBER LOOKS LIKE

With the MPR at 23%, we compute October's naira rate at 24% (MPR + 1). The Treasury bill floor does not bite today: the 364-day yield was reported at 15.89% at the first auction after the MPC, roughly 8 points below 24%. The floor would only matter if the CBN cut much further while bill yields stayed put.

The Ministry has directed the NRS to publish each month's rate by the third business day, which for October was Tuesday 6 October. As at 7 October, the rate was not yet on the NRS website. Until it is, work with our 24% figure. Once the NRS publishes, use its figure, not ours.

03 THE 10% TRAP

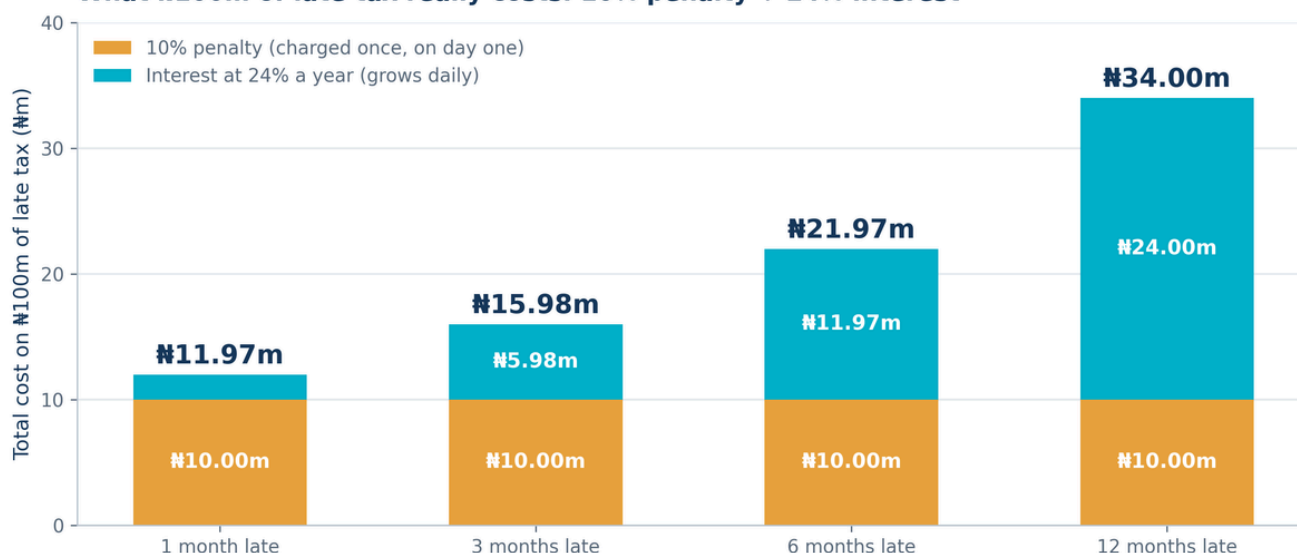
Interest is only part of the bill. The penalty is charged in full the day you are late.

The 10% penalty under section 65 is a one-off charge that lands as soon as a payment is missed. On short delays it dwarfs the interest, which is why a few weeks of "cash management" through unpaid tax is ruinously expensive.

How late	Penalty (10%)	Interest, old rule (28%)	Interest, new rule (24%)	Total cost, old rule	Total cost, new rule	Order saves
1 month	₦10.00m	₦2.30m	₦1.97m	₦12.30m	₦11.97m	₦0.33m (2.7%)
3 months	₦10.00m	₦6.98m	₦5.98m	₦16.98m	₦15.98m	₦1.00m (5.9%)
6 months	₦10.00m	₦13.96m	₦11.97m	₦23.96m	₦21.97m	₦1.99m (8.3%)
12 months	₦10.00m	₦28.00m	₦24.00m	₦38.00m	₦34.00m	₦4.00m (10.5%)

Illustrative, per ₦100m of naira tax. Simple daily interest at a constant rate (30, 91, 182 and 365 days). "Old rule" is MPR + 5 at today's MPR (23% + 5 = 28%); "new rule" is MPR + 1 (24%). The 10% penalty is the same under both. Percentages show the saving as a share of the old-rule total.

What ₦100m of late tax really costs: 10% penalty + 24% interest



SAC VIEW: TAX ARREARS ARE NOT A CREDIT LINE

The Minister of Finance, Mr. Taiwo Oyedele, put it plainly: the Order ensures that "delaying tax does not become a cheaper form of credit than the market itself." The table proves the point. Put your own overdraft rate next to it: for any delay of a few months, late tax is almost certainly the dearer option.

It is also pure cost. Under section 65(3), penalty and interest cannot be counted as tax paid when claiming any relief. Where cash is tight, a bank facility, or an instalment arrangement agreed in advance with the tax authority, will almost always cost less than simply paying late.

FOUR WATCH POINTS BEFORE YOU RELY ON THE NUMBERS

- Simple or compound? The Ministry's release states simple interest, calculated daily. Section 65(4) of the Act, as published, refers to compound interest. We expect the simple basis to apply, but until the signed Order is sighted, compute exposure both ways and provide for the higher figure.
- Old debts, split in two. The new rate applies to interest arising from 1 October, including interest on tax that fell due earlier. Interest that built up before 1 October is not affected, to the extent the old rules specifically provided for it. Split every balance at that date.
- State and FCT taxes. The Ministry says the Order applies uniformly. For levies charged under a State's own laws, get written confirmation from that State's revenue service before relying on the new rate.
- Foreign-currency tax. SOFR + 6 cannot be compared with the naira rate on its own. The real cost depends on the currency the tax is legally due in and the exchange rate on the day you pay.

04 DISPUTES, OLD DEBTS AND RELIEF

A lower rate is an opportunity to clean up. Here are the rules that decide the outcome.

Under section 41 of the Nigeria Tax Administration Act, 2025, once you receive an assessment you have 30 days to pay or object. A valid objection must set out your grounds, the correction you want and the amount of tax you accept. The tax authority then has 90 days to respond; if it does not, your objection is upheld.



Situation	SAC recommendation
Assessment you fully accept	Pay within 30 days. After that, the 10% penalty lands at once and interest runs daily.
Assessment you partly dispute	Object in time, state the amount you accept, and pay that part now. Interest on it stops, and it strengthens your good-faith position.
Disputed amount pending	Our prudent working assumption: if the objection fails, interest will run from when the tax first became payable. Quantify that cost before choosing to wait.
Old arrears already on the books	Reconcile to the authority's records, split interest at 1 October, and settle or agree terms. The lower rate makes this the cheapest moment in years to clear them.
Genuine reason for lateness	Apply for waiver under section 66 ("good cause"). Build the file: dated evidence of the cause and your prior compliance record.

05 YOUR MONEY AFTER THE CUT

What the lower rate means for borrowing, cash, investments and planning.

The rate cut reaches every line of your treasury, but not at the same speed. Expect lower returns on cash first, and cheaper loans later, if at all this year.



Area	What to expect	What to do now
Bank loans and overdrafts	Slow relief. The unchanged 45% reserve requirement keeps banks' costs high, and analysts expect market yields to fall before borrowing costs do.	Check what your facility is priced off (MPR, Nigerian Overnight Financing Rate (NOFR) or the bank's prime rate). Ask your bank in writing when and how it will reprice.
Cash, deposits and T-bills	Returns are falling. At the first post-MPC auction, 91, 182 and 364-day bills were reported at 15.50%, 15.80% and 15.89%, down 0.7 to 0.8 of a percentage point.	Review idle balances and placement tenors now. Rates available today may not be available next quarter.
Shares	The NGX All-Share Index was up about 62% for the year by 25 September, also lifted by Nigeria's return to FTSE Russell Frontier status on 21 September. The rate cut's own effect cannot be isolated.	Do not treat the cut as a reason to chase the rally. Follow your approved investment policy.
Budgets and forecasts	Finance costs and tax interest now move month by month with the MPR.	Rebase Q4 2026 and FY2027 budgets on a range of rates, not a single figure, before the 23-24 November MPC.
Customers and suppliers	If credit eases, collections and supplier terms may improve, but not immediately.	Keep stress-testing receivables. Do not bank on relief in Q4.

Who gains most? Businesses carrying overdue tax or open disputes, and borrowers on facilities that genuinely track the MPR. Who feels it first? Companies and individuals relying on interest income from bills and deposits.



06 YOUR PLAYBOOK TO THE NOVEMBER MPC

When	Action	Owner
Immediately	List every unpaid tax balance (federal, State and FCT) and split the interest before and after 1 October.	Finance / Tax
On publication	Obtain the NRS October rate and update your exposure figures.	Tax team
During October	Pay undisputed amounts. Decide pay, object or apply for waiver on each disputed item.	CFO / Tax adviser
During October	Write to your banks on repricing of existing facilities.	Treasury / CFO
Before 23 November	Present quantified tax exposure and a rate-range budget to the leadership team.	CFO / Management

Suggested management timetable, not legal deadlines.

HOW SAC CAN HELP

We turn this alert into a documented position for your business:

- Quantifying interest and penalty exposure on every outstanding liability, month by month.
- Reconciling balances to NRS, State and FCT records and validating assessments.
- Preparing objections, waiver applications and instalment proposals.
- Rebasing budgets and board papers for a monthly-moving rate environment.

Talk to us: Nansoh Bali, Deputy Managing Partner | Regina Ukwai, Tax Manager

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ABOUT THE EVIDENCE

Terms of the Order are taken from the Federal Ministry of Finance press release dated Abuja, 24 September 2026, reviewed by SAC. SAC has not yet sighted the signed Order itself and will update this alert once the gazetted text is available. Market figures described as "reported" come from media reports of official data. Illustrations are SAC calculations, not forecasts.

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