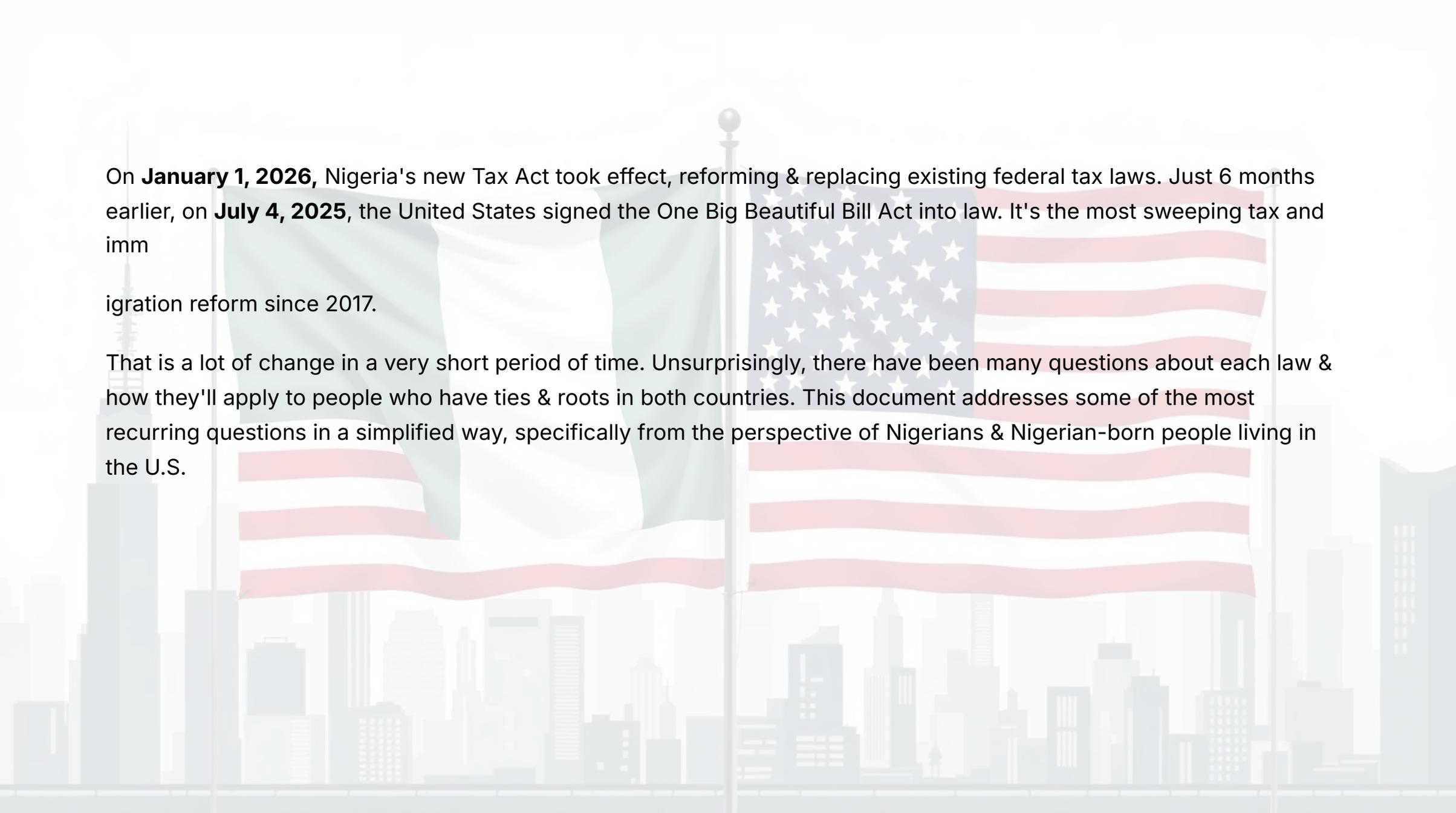




Nigeria 🇳🇮 & U.S. 🇺🇸 Tax Law Changes: What Nigerians in America Need to Know



On **January 1, 2026**, Nigeria's new Tax Act took effect, reforming & replacing existing federal tax laws. Just 6 months earlier, on **July 4, 2025**, the United States signed the One Big Beautiful Bill Act into law. It's the most sweeping tax and imm

igration reform since 2017.

That is a lot of change in a very short period of time. Unsurprisingly, there have been many questions about each law & how they'll apply to people who have ties & roots in both countries. This document addresses some of the most recurring questions in a simplified way, specifically from the perspective of Nigerians & Nigerian-born people living in the U.S.

1 • What Makes You Taxable



Nigeria taxes individuals based on **residence**, not citizenship. You're a Nigerian tax resident if you have **1 of the following**:

Domicile

Domicile in Nigeria

Permanent Place

A permanent place available for domestic use in Nigeria

Habitual Abode

A habitual place of abode in Nigeria

Economic Ties

Substantial economic or immediate family ties in Nigeria

183 Days

An aggregate of 183 days or more in Nigeria in a 12-month period

Diplomat

Current service as a Nigerian diplomat or diplomatic agent abroad

Resident

Taxed on **worldwide income**

Non-Resident

Taxed only on **Nigeria-source income**

1 • What Makes You Taxable

 UNITED STATES

U.S. income tax is based on **citizenship + residence**.

You're a U.S. income tax resident if you're:

U.S. Citizen

Regardless of where you live or work

Green Card Holder

Lawful permanent resident status

Substantial Presence

Present for at least 31 days during the current year + 183 days in the last 3-year period

Resident

Taxed on **worldwide income**

Non-Resident

Taxed only on U.S. **source income**

2 · Remittances & Family Gifts

 NIGERIA

Under Nigeria's new tax law, **remittances and gifts are not taxable.**

The Sender

Sending money to Nigeria does **not** create a tax liability for the sender

The Recipient

Receiving remittances or gifts in Nigeria is **not taxable** to the recipient



2 · Remittances & Family Gifts

 UNITED STATES

1% Tax on Outbound Transfers

The U.S. introduced a **1% tax on outbound transfers**, but this **doesn't apply to** digital transfers funded from U.S. bank accounts or U.S.-issued cards — those are excluded.

Gifts Over \$19,000 Per Person (2026)

Must be **reported**, but are **not taxed**.

Gift Tax Threshold

Gift tax applies only after lifetime gifts exceed about **\$15 million** — won't affect most people.

Receiving Over \$100K from a Foreign Person

No tax, but you have to **report it using Form 3520**.

3 · Salary & Investment Income

 NIGERIA

INCOME TYPE	TAX TREATMENT
Work done outside Nigeria	Only taxable if you're a Resident
Work done inside Nigeria	Taxable for Residents & Non-Residents
Nigeria-sourced investment income subject to tax	Rental income, Dividends, Business profits, Capital gains on Nigerian-located assets
Dividend, interest, rent or royalty from outside Nigeria brought in through approved channels	Exempt
Nigeria-sourced tax-exempt investment income	Government bonds; Sukuk bonds; Dividends from wholly export-oriented companies

3 · Salary & Investment Income

 UNITED STATES

INCOME TYPE	TAX TREATMENT
Work done outside the U.S.	Only taxable if you're a Resident
Work done inside the U.S.	Taxable (exempt from Social Security & Medicare taxes if you're an international student & been in the U.S. for less than 5 years)
Tax-exempt investment income for Non-Residents	Ordinary bank deposit interest; Capital gains; portfolio interest (corporate bonds, Treasury securities)
Foreign financial accounts exceed \$10,000 or foreign assets exceed \$50,000	Must report/declare this

4 · How Are Taxes Collected

 NIGERIA

1 Self Assessment / Self Reporting

Taxes aren't collected from your bank account — they're based on self assessment/self reporting. You declare your income and pay taxes based on the actual income, minus any allowable expenses.

2 Automated Bank Monitoring

The NRS uses automated data from banks, monitoring inflows/outflows over **₦25 million** for individuals.

3 Audits & Penalties

If you don't file a return or if the NRS believes your self-assessment is inaccurate, they can audit you, request data from financial institutions & impose penalties.

4 • How Are Taxes Collected

 UNITED STATES

1 Self Assessment Process

Uses the same self assessment process as Nigeria — you file your own return declaring your income.

2 Third-Party Reporting

Banks, employers & brokers must send copies of your income data to the IRS (Forms W-2, 1099-INT, 1099-B). The IRS compares that to what you filed in your return.

3 Seriously Delinquent Tax Debt

If you have "**Seriously Delinquent Tax Debt**" (over **\$64,000** in 2026), your passport can be revoked. Failing to file or pay taxes is also a violation of many visas.

What to Do Next — 3 Things

STEP 1

Avoid Double Taxation

No Tax Treaty Between Nigeria & the U.S.

Unlike the UK & Canada, Nigeria does not have a tax treaty with the U.S., so it makes the possibility of being taxed twice on the same income much more important for American residents to take seriously.

Tax Must Be Paid in Currency of Transaction

The new tax laws also say that Nigeria tax must be paid in the **currency of the transaction**. For example, if income is earned in USD, the tax must be paid in USD.

Easy to Become a Nigerian Tax Resident

It's very easy to be considered a tax resident in Nigeria (having substantial family ties or a habitual abode can make you one) & the top tax rates in Nigeria are lower (25% vs 37%) but the brackets are narrower, especially for someone earning well in USD. E.g. someone with taxable income of \$50,000 after deductions has a top rate of 12% in the U.S. & 25% in Nigeria.

Foreign Tax Credits Are Not Enough on Their Own

There are foreign tax credits available but without a treaty, **both countries can fully assert taxing rights on the same income** under their domestic laws. Foreign tax credits only operate **after** tax has already been imposed. It's best to proactively avoid double taxation than plan to rely on credits after the fact.

What to Do Next — 3 Things

STEP 2

Understand What Works Better Where

Better in the U.S.

Capital Gains

The U.S. has preferential rates (0%, 10%, or 20%) for long-term capital gains, versus being taxed at the same rate as personal income in Nigeria.

Better in Nigeria

Ordinary Dividends & Interest

Nigeria has a max 10% WHT for non-residents, versus being taxed at the same rate as personal income in the U.S.

What to Do Next — 3 Things

STEP 3

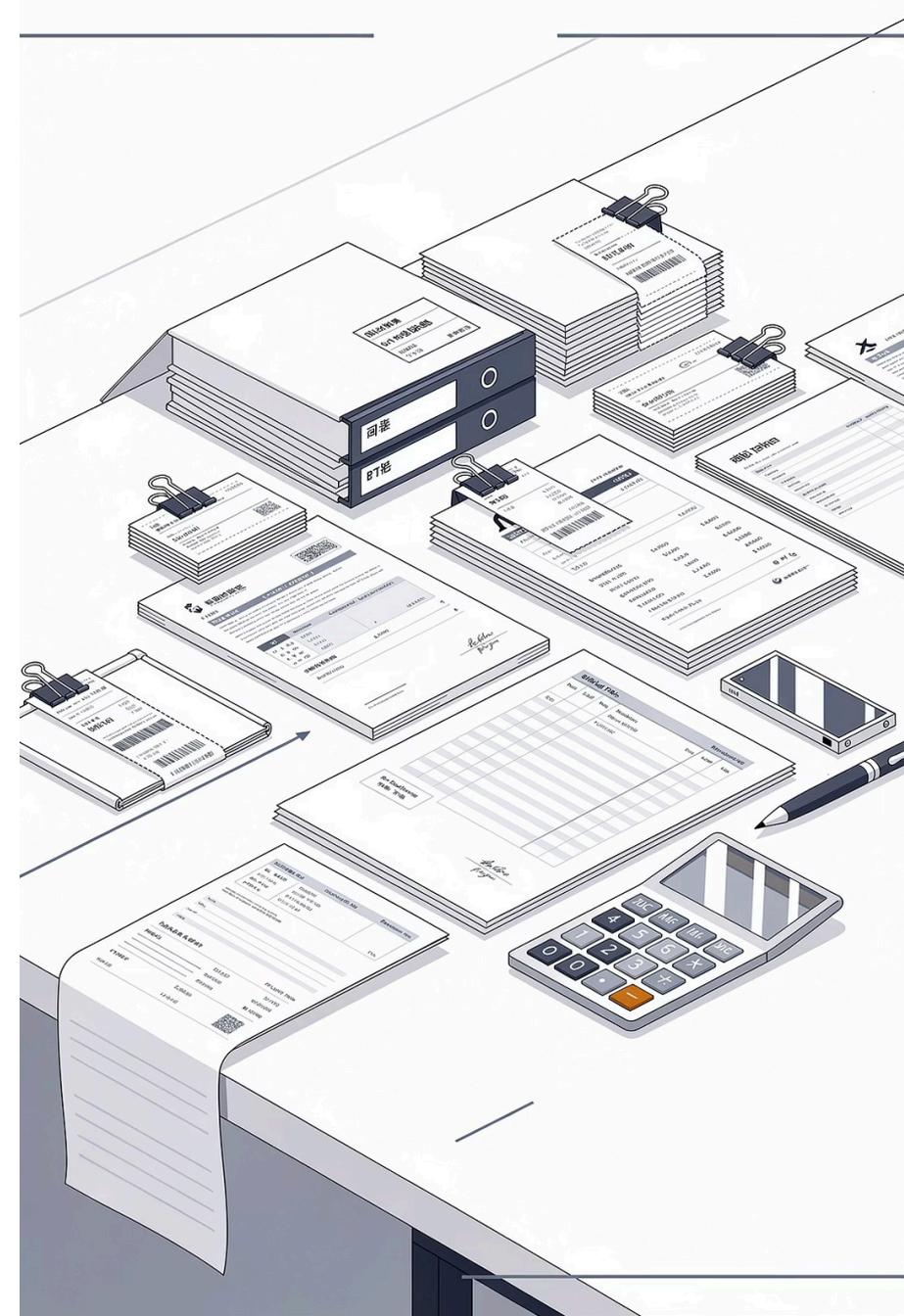
Document, Document, Document

Bank Narrations Are Not Conclusive

The narrations you write in bank account transactions aren't conclusive. Tax treatment depends on the source and use of the funds, so it is also important to keep clear records & a complete paper trail in case of an NRS review or audit.

Use Approved Channels for Foreign Currency

To rely on exemptions, deductions, or benefits, funds in foreign currency need to be brought in through approved channels at official rates.



A Note & Next Steps

📄 **NOTE:** *This has been very simplified for clarity, there may be exceptions or complexities in some cases for specific situations. This article also refers majorly to Federal Income Tax & doesn't factor other taxation regimes such as State Income Tax, Estate & Inheritance Tax, etc.*

If you're a Nigerian in America or Nigerian-American & you'd like to discuss how these rules apply to your specific situation, **feel free to contact us to have a conversation.**

[Click Here to Reach Out](#)