
REGULATION AND TAXATION OF CRYPTOCURRENCY TRANSACTIONS IN NIGERIA

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ABSTRACT

With the global adoption of cryptocurrencies, understanding how they are regulated and taxed is crucial for individuals and businesses navigating the evolving transactions in Nigeria. Before now, Nigerian legal system had struggled to keep pace with rapidly advancing technology.

However, with the enactment of the Investment and Securities Act 2025 (ISA 2025) and the Nigeria Tax Act 2025 (NTA 2025), there is a sense of clarity in classification of different types of digital assets, defining which regulatory bodies is responsible for what, taxation of digital assets and giving certainty to those who participate in the market.

A challenge identified in this article is that there is currently no dedicated digital law commission in Nigeria to oversee and regulate the intricacies of virtual assets and blockchain technologies.

The aim of this article is to contribute to the ongoing discuss on the need to better regulate one of the most transformative financial innovations of the twenty-first century.

The article recommends amongst others, the need for the creation of a specialized agency focused solely on digital assets to coordinate policies and oversee compliance.

Keywords: cryptocurrency regulation, blockchain governance, NRS digital asset taxation, CBN crypto ban, SEC digital assets, and crypto tax policy in Africa.

INTRODUCTION

Nigeria stands at the crossroads of a global financial revolution, driven by the rapid rise of digital currencies and decentralized financial technologies. Cryptocurrencies like Bitcoin, Ethereum, and other blockchain-based assets have become increasingly popular, especially in developing countries, and Nigeria is no exception¹. With a young population, widespread gaps in formal banking services, and the frequent instability of the naira, Nigerians have embraced these digital currencies in ways that far outpace the country's regulatory readiness. According to Chainalysis², Nigeria ranks among the top ten countries worldwide in cryptocurrency adoption, reflecting a significant shift in how people here transact, save, and invest³. However, this fast-paced change brings important challenges around fiscal oversight, the credibility of regulatory bodies, and institutional coordination in this new digital financial landscape.

Looking back, Nigeria's approach to regulating digital assets has been anything but clear-cut. The Central Bank of Nigeria (CBN) made headlines in 2021 when it issued a circular banning financial institutions from facilitating cryptocurrency transactions, citing risks such as terrorism financing, illicit fund flows, and threats to national monetary stability⁴. On the other hand, the Securities and Exchange Commission (SEC) has taken a more open, though still cautious, stance by showing willingness to regulate crypto assets under existing securities laws. This split in regulatory posture created a confusing environment where investors, businesses, and financial institutions were often caught between contradictory rules. Some scholars have noted that such a lack of coordinated policy leads to uncertainty, discourages responsible innovation, and ultimately weakens protections for investors⁵. The Nigerian experience thus highlights the urgent need for a coherent, unified regulatory framework that can both foster innovation and safeguard the financial system.

¹ Ukwueze, F., "Cryptocurrency: Towards Regulating the Unruly Enigma of Fintech in Nigeria and South Africa" (2021) 24 Potchefstroom Electronic Law Journal/Potchefstroomse Elektroniese Regsblad 1 <<https://doi.org/10.17159/1727-3781/2021/v24i0a10743>>. (Accessed: May 20, 2025)

² Chainalysis is an American blockchain analysis firm headquartered in New York city, first start-up company dedicated to the business of Bitcoin tracing

³ Mohammed, B. S., E'tal, "Effect of Cryptocurrency on Inflation in Nigeria" (2022) 1 International Economic and Finance Review 92 <<https://doi.org/10.56897/iefr.v1i2.21>>. (Accessed: May 27, 2025)

⁴ Ediagbonya, V. and Tioluwani C.T., "The Growth and Regulatory Challenges of Cryptocurrency Transactions in Nigeria," *Science, technology and sustainability* (2022) <https://doi.org/10.1142/9789811258756_0009>. (Accessed: May 28, 2025)

⁵ *ibid*

However, the passage of the Investment and Securities Act 2025 (ISA 2025) marks a pivotal shift in the regulatory terrain. For the first time in Nigeria's legislative history, digital assets have been explicitly codified within a statutory framework. The ISA 2025 defines "digital assets" as "a digital token that represents value or rights and can be digitally traded, transferred, or used for payment or investment purposes⁶," and it categorically classifies such assets as securities, thereby subjecting them to the oversight of the SEC⁷. This statutory clarification supersedes previous administrative ambiguity, confirming that cryptocurrency and related tokens fall within the jurisdiction of Nigeria's capital markets regulator. In addition, the ISA 2025 mandates the registration of all digital asset offerings and service providers, including exchanges and custodial platforms, in order to ensure investor protection, systemic transparency, and market integrity⁸.

This legislative development represents a significant improvement in institutional coherence. While the CBN retains the authority to regulate financial institutions under the Banks and Other Financial Institutions Act, the ISA 2025 provides a clear demarcation of the SEC's role in overseeing the issuance, trading, and management of digital assets. This dual-structure model mirrors regulatory frameworks in other jurisdictions, such as the United States, where the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission share oversight functions depending on asset classification⁹. Nigeria's new law, if properly implemented, could therefore align its domestic policy with global best practices, albeit within the constraints of a developing financial infrastructure.

Initially, despite the reforms ushered in by the ISA 2025, there was still deep rooted legal and constitutional issues, particularly with respect to the taxation of cryptocurrencies. One of the key unresolved issues lied in the legal identity of digital assets. Although the Securities and Exchange Commission treats them as securities for regulatory oversight¹⁰, it remained unclear whether cryptocurrencies should be regarded as property, money, or a completely unique asset

⁶ Section 64(1), Investment and Securities Act 2025. See also section 203 Nigeria Tax Act 2025.

⁷ Section 65, Investment and Securities Act 2025.

⁸ Section 68 of the ISA 2025, see also Arise News, 'Tinubu Signs Investments and Securities Act 2025, Strengthening Capital Market Regulations' (Arise News, 30 March 2025) <https://www.arise.tv/tinubu-signs-investments-and-securities-act-2025-strengthening-capital-market-regulations/> accessed 30 May 2025.

⁹ Moffett, T. A., "CFTC & SEC: The Wild West of Cryptocurrency Regulation" (*UR Scholarship Repository*) <<https://scholarship.richmond.edu/lawreview/vol57/iss2/11/?>>. accessed 25 May 2025.

¹⁰ Ediagbonya, V. and Tioluwani C.T., *opcit*, fn.4

category for tax purposes. However, with the signing¹¹ into law of the Nigeria Tax Bill in June 2025, The Nigeria Tax Act 2025 laid to rest the above issue and taxation of cryptocurrency has now been codified in our tax laws¹². Before the enactment of the NTA 2025, the Finance Act 2023 introduced a ten percent capital gains tax on profits from digital assets, but in the absence of alignment with other critical laws like the Companies Income Tax Act and the Personal Income Tax Act, enforcement has been both inconsistent and problematic¹³. Now, policies need to be place to ensure enforcement considering the nature of crypto transactions and it's decentralized and anonymous, nature.

Taxation must be based on a well-defined legal foundation¹⁴. While the ISA 2025 made a start in establishing a regulatory outline, with the recent solid tax laws that has clear constitutional backing, regulation and taxation of crypto transactions in Nigeria now has clear legal frameworks.

Accordingly, this article sets out to critically analyses Nigeria's current legal framework governing cryptocurrency transactions, with particular emphasis on the implications of the ISA 2025 and the NTA 2025. It argues that while the two Acts marks a positive step towards coherence and filling the gaps in taxation policy, inter-agency coordination, and constitutional compliance, there still exist the need to contribute to the ongoing scholarly and legislative conversation on how best to regulate one of the most transformative financial innovations of the twenty-first century.

DEFINITIONS

Cryptocurrencies

In light of recent legislative developments, any meaningful discussion on regulation and taxation of cryptocurrencies in the Nigerian context must take due account of the Investment and Securities Act 2025 (ISA 2025) and the Nigeria Tax Act 2025 (NTA 2025), which

¹¹ The president of the federal Republic of Nigeria, Asiwaju Ahmed Bola Tinubu signed into Law the Tax Reform Bills on 26 June 2025.

¹² See section 4, 34, and 203 of the Nigeria Tax Act 2025.

¹³ Banwo Ighodalo, 'Taxation of Digital Assets in Nigeria: What Taxpayers and Businesses Should Expect' (Banwo Ighodalo Grey Matter, 23 May 2023) <https://www.banwo-ighodalo.com/grey-matter/taxation-of-digital-assets-in-nigeria-what-taxpayers-and-businesses-should-expect/> accessed 26 May 2025.

¹⁴ Osirim, M., & Pereowe, A. A. (2024). Taxation of cryptocurrencies and other digital assets in Nigeria: Empirical evaluation of current and potential future implications. *International Journal of Multidisciplinary Research and Growth Evaluation*, 4(5), 861–865.

constitutes a significant departure from prior regulatory ambiguity. These statutes marks Nigeria's first comprehensive attempt to bring digital assets, including cryptocurrencies, within the purview of securities regulation and chargeable income, profit or gains, thereby altering the legal status, definitional clarity and taxation of these instruments. According to ISA 2025, "digital assets" are expressly defined to include "cryptocurrencies and other blockchain-based representations of value" that can be used as a medium of exchange, unit of account, or store of value and which are not issued or guaranteed by any jurisdictional authority¹⁵. Also, the NTA 2025 defines digital assets as "digital representation of value that can be digitally exchanged, including crypto assets, utility tokens, security tokens, non- fungible tokens (NFT), such other similar digital representation or derivatives of any of the listed or similar assets and any other asset as may be defined by the relevant regulatory authority"¹⁶

This statutory intervention brings a new dimension to legal interpretation by providing a clear framework within which digital assets may now be regulated, traded, and taxed in Nigeria. It negates the prior legal vacuum that allowed administrative circulars to operate in isolation of parliamentary oversight, thereby affirming the supremacy of legislative intent provided for in the constitution¹⁷.

The inclusion of digital assets within the ISA 2025 carries significant implications. It challenges the constitutional standing of the Central Bank of Nigeria's February 2021 directive that prohibited financial institutions from dealing with cryptocurrencies¹⁸. While the CBN justified the directive on the grounds of safeguarding financial stability, this position now seems at odds with the clear statutory recognition of digital assets in the new law. Although the CBN retains its role in monetary regulation, the ISA 2025 firmly places the Securities and Exchange Commission as the main regulator for digital assets, thereby settling previous disputes over which agency should have authority¹⁹.

¹⁵ Section 318(1) Investment and Securities Act 2025.

¹⁶ Section 203, Nigeria Tax Act 2025

¹⁷ Section 4 Constitution of the Federal Republic of Nigeria 1999 (as amended)

¹⁸ Central Bank of Nigeria, 'Circular on the Prohibition of Financial Institutions from Dealing in Cryptocurrency or Facilitating Payments for Cryptocurrency Transactions' (5 February 2021) <https://www.cbn.gov.ng/out/2021/ccd/volume%203%20number%202%20cbn%20update%20february%202021.pdf> accessed 20 May 2025.

¹⁹ Abimbola, O., "Tinubu Signs Investments, Securities Bill into Law" (*Punch Newspapers*, March 29, 2025) <<https://punchng.com/tinubu-signs-investments-securities-bill-into-law/>. accessed 22 May 2025.

The ISA 2025 requires all issuers, sponsors, and digital asset platforms to register with the SEC and comply with rules on disclosure, investor protection, and anti-fraud measures²⁰. This effectively transforms cryptocurrencies from vague, unregulated instruments into officially recognised financial products. It also provides much-needed clarity on how these assets should be treated under securities and tax laws. Scholars who previously criticised the absence of clear legislation and the reliance on regulatory circulars²¹, must now reconsider their views in light of the ISA 2025, which offers a strong legal foundation and legitimacy to the regulation of digital assets in Nigeria.

The ISA 2025's affirmation of the Securities and Exchange Commission's regulatory authority establishes a clear legal basis that limits the risk of regulatory overreach and strengthens democratic oversight through statutory clarity. This clarity paves the way for better coordination between fiscal, monetary, and investment policies, which previously often conflicted. Moreover, the Act offers a firm legal foundation for structuring tax policies concerning gains, transactions, and appreciation of digital assets and these are clearly replicated in the provision of NTA 2025 which came into force months after the enactment of the ISA 2025. Prior to this, aligning cryptocurrency taxation with constitutional principles such as legality, necessity, and proportionality was almost unattainable. The definitional clarity provided in ISA²² and NTA 2025 now enables lawmakers and tax authorities to effectively identify, categorize, and tax digital assets in a manner that is both legally sound and practically enforceable.

Distinction Between Cryptocurrency and Virtual Currency

While the terms “cryptocurrency” and “virtual currency” are often used interchangeably in public discourse and even by some regulators, they are not synonymous. According to the Financial Action Task Force (FATF), virtual currency broadly refers to a digital representation of value that can be digitally transferred and serves as a medium of exchange, a unit of account, and a store of value, yet lacks recognition as legal tender by any sovereign authority²³. This definition encompasses both centralised and decentralised systems. For instance, loyalty

²⁰ Section 63 Investment and Securities Act 2025.

²¹ Ukwueze, F. O., “Cryptocurrency: Towards regulating the Unruly Enigma of Fintech in Nigeria and south Africa”. www.saflii.org, accessed on 20/6/25.

²² Section 318 Investment and Securities Act 2025

²³ Fernando, F e'tal, “Virtual Assets and Anti-Money Laundering and Combating the Financing of Terrorism (1)” (2021) 2021 Fintech Notes 1 <<https://doi.org/10.5089/9781513593760.063>>. accessed 25 May 2025.

points, airline miles, and mobile phone airtime credits all function as virtual currencies under this taxonomy, given their reliance on a central issuer and their limited scope of use. Cryptocurrencies, on the other hand, are a smaller and more specific subset of virtual currencies distinguished by decentralisation, cryptographic integrity, and peer-to-peer operation, which is frequently supported by blockchain architecture²⁴. This is consistent with standard practice in jurisdictions such as the United States and the European Union, where legal distinctions are routinely made between general virtual currencies and decentralised cryptocurrencies to aid regulation and enforcement.

Unlike the Central Bank of Nigeria's earlier approach, which lumped all digital assets into one undefined and controversial category²⁵, the Investment and Securities Act 2025 takes a more thoughtful and internationally aligned stance. It offers a level of clarity that has long been missing in Nigeria's regulatory space. The Securities and Exchange Commission (SEC) is now clearly empowered to oversee the offering and trading of digital assets, including the platforms and intermediaries that facilitate them²⁶. This section introduces a more deliberate and structured system that focuses on disclosure requirements, registration protocols, and consumer safeguards designed specifically for the unique features of cryptocurrency and other decentralized financial technologies. Unlike the CBN's one-size-fits-all ban that lacked any real legislative backing, ISA 2025 puts forward a nuanced and practical approach that reflects both the economic opportunities and the risks associated with these new technologies²⁷.

Now, with ISA 2025 in force, there is less room for regulatory overreach. It promotes a more predictable and rule-based environment that is essential for market growth and investor protection. Importantly, it aligns Nigeria's regulatory framework with global standards, particularly in terms of recognizing the distinct nature of digital assets. It also positions Nigeria to participate more actively in international discussions and collaborations around financial technology, instead of being left behind due to rigid or outdated regulatory attitudes. This is

²⁴ Peters, G. W., Panayi, E., et al., "Trends in Crypto-Currencies and Blockchain Technologies: A Monetary Theory and Regulation Perspective" [2015] arxiv (Cornell University) <<https://arxiv.org/abs/1508.04364>>. accessed 27 May 2025.

²⁵ *opcit*, fn 19.

²⁶ Section 63 Investment and Securities Act 2025

²⁷ Oyebanji, O., "The Blanket Classification of Crypto Assets under the Investment Securities Act (ISA) of 2025" [2025] SSRN Electronic Journal <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5207383#>. accessed 25 May 2025.

the sort of reform that offers confidence to innovators, protects users, and supports Nigeria's ambition to lead in Africa's digital financial space.

Digital assets

The evolving concept of digital assets represents a broader and more encompassing category than cryptocurrencies alone. While cryptocurrencies such as Bitcoin and Ethereum remain the most prominent examples, digital assets include a range of blockchain-based instruments such as non-fungible tokens (NFTs), stablecoins, central bank digital currencies, digital collectibles, and tokenised representations of real-world assets including securities and property rights²⁸. This wider understanding reflects global trends where regulators, investors, and legal scholars increasingly adopt a functional rather than merely typological perspective to assess the implications of these assets. According to the International Monetary Fund and other multilateral institutions, this shift allows for a more pragmatic approach to policy formulation, particularly when addressing legal gaps and jurisdictional inconsistencies in regulating new and emergent financial technologies²⁹. The academic community has extensively explored the definitional scope of digital assets, arguing that their treatment must move beyond financial characterisation and into areas of property law, contractual rights, and intellectual property³⁰. This means that in order to incorporate new digital constructs that are neither primarily financial nor informational in character, the existing legislative categories for the larger legal taxonomy of digital assets need to be rethought.

The Investment and Securities Act 2025 represents a landmark development in Nigeria's approach to digital asset regulation, providing much-needed legal clarity and institutional coherence. In the Act, digital assets are formally defined as representations of value, rights, or interests that are stored or transferred electronically using distributed ledger or similar technology³¹. This provision incorporates earlier classifications by the Securities and Exchange Commission into a statutory framework, giving them enforceable legal status. More importantly, the Act gives the SEC exclusive regulatory authority over digital asset offerings

Bongini, P. A., e'tal, "Crypto Ecosystem: Navigating the Past, Present, and Future of Decentralized Finance" [2025] The Journal of Technology Transfer <<https://doi.org/10.1007/s10961-025-10186-x>>. accessed 28 May 2025

²⁹ Zaidan, E and Ibrahim, I. A., "AI Governance in a Complex and Rapidly Changing Regulatory Landscape: A Global Perspective" (2024) 11 Humanities and Social Sciences Communications <<https://doi.org/10.1057/s41599-024-03560-x>>. accessed 30 May 2025

³⁰ See writers like Arop, J., "The Regulation of Digital assets in Nigeria." papers.ssrn.com, accessed on 20/6/25

³¹ Section 318 Investment and Securities Act 2025

and transactions, thereby resolving the jurisdictional conflict that had long existed between the SEC and the Central Bank of Nigeria³².

Beyond classification, the ISA 2025 establishes a robust licensing and compliance regime for digital asset service providers such as exchanges, custodians, and wallet operators³³. These entities must meet defined capital and operational standards that prioritize transparency, security, and investor protection. This effort brings structure to a sector that had previously been informal and vulnerable to fraud and operational failure. In aligning its standards with those set by international bodies like the Financial Action Task Force and the International Organization of Securities Commissions, Nigeria positions itself as a credible jurisdiction for global digital finance and innovation. Overall, the Act not only modernizes Nigeria's financial legal architecture but also signals the country's readiness to embrace digital innovation within a clearly defined and enforceable legal environment³⁴.

Cryptocurrency Transaction

The definition of a "cryptocurrency transaction" is pivotal to the legal regulation and taxation of digital assets. For the purposes of this discourse, a cryptocurrency transaction should encompass any action involving the acquisition, transfer, holding, disposal, or use of cryptocurrency or digital assets³⁵. This broad interpretation includes a variety of activities, such as peer-to-peer exchanges, participation in decentralised finance (DeFi) ecosystems, converting crypto into fiat currency, mining, staking, and engaging in initial coin offerings (ICOs). Each of these activities, though varied in method, contributes to the circulation and utility of cryptocurrencies within an economy. Furthermore, these transactions are often initiated without intermediary involvement, relying on peer-to-peer interactions or automated smart contracts, as is typical in Decentralized Finance (DeFi) applications³⁶. This challenges

³² Arise News, 'Tinubu Signs Investments and Securities Act 2025, Strengthening Capital Market Regulations' (Arise News, 30 March 2025) <https://www.arise.tv/tinubu-signs-investments-and-securities-act-2025-strengthening-capital-market-regulations/> accessed 30 May 2025.

³³ Section 64 Investments and Securities Act 2025

³⁴ Imoisi, S. E., e'tal, "Legal and Institutional Framework for Regulation of Financial Technology (Fintech) in Nigeria" (February 19, 2025) <<https://aspjournals.org/ajbi/index.php/ajbfi/article/view/25>>. accessed 20 May 2025

³⁵ Wyczik, J., "Ownership in the 21st Century: Property Law of Digital Assets" [2024] Information & Communications Technology Law 1 <<https://doi.org/10.1080/13600834.2024.2408917>>. accessed 21 May 2025.

³⁶ Shah, K., e'tal, "A Systematic Review of Decentralized Finance Protocols" (2023) 4 International Journal of Intelligent Networks 171 <<https://doi.org/10.1016/j.ijin.2023.07.002>>.

traditional financial systems, which are built around centrally regulated institutions, and highlights the increasing need for clear legal frameworks to address such modern realities.

LEGAL CATEGORISATION: PROPERTY, CURRENCY OR SECURITY?

The legal categorisation of cryptocurrencies remains one of the most contentious issues in contemporary legal scholarship, not only because it determines the applicable regulatory framework but also because it influences how these assets are treated in contractual, tax, and insolvency contexts. This debate ranges on, as courts, regulators, and academic commentators have offered diverging opinions depending on the jurisdiction and the specific use case. In the United States, for example, the Internal Revenue Service (IRS) has categorically classified cryptocurrency as property for tax purposes³⁷. This implies that gains and losses from transactions involving digital currencies are subject to capital gains tax in much the same way as stocks or real estate. Concurrently, the U.S Securities and Exchange Commission employs the Howey Test, a theory that dates back to *SEC v. Howey Co.*,³⁸ to assess whether certain digital assets are securities or investment contracts, and if they pass, they come under the SEC's purview and are subject to securities laws³⁹. These conflicting interpretations highlight the complexity of cryptocurrencies and their difficulty fitting into conventional legal classifications.

In the United Kingdom, the legal community has moved towards a more refined classification system. The Financial Conduct Authority (FCA), in its guidance on cryptoassets, categorises them into exchange tokens, utility tokens, and security tokens⁴⁰. Exchange tokens such as Bitcoin are not recognised as legal tender but may be used as a medium of exchange; utility tokens grant access to a product or service and are not regulated unless they function like investments; while security tokens are subject to the same regulatory scrutiny as conventional securities under the Financial Services and Markets Act 2000⁴¹. Furthermore, in the UK jurisdiction, courts have started to acknowledge the proprietary nature of digital assets. In AA

³⁷ Chason, E.D., "Crypto Assets and the Problem of Tax Classifications" (*William & Mary Law School Scholarship Repository*) <<https://scholarship.law.wm.edu/facpubs/2126>>. accessed 20 May 2025

³⁸ 328 US 293 (1946),

³⁹ Henning, J., "The Howey Test: Are Crypto-Assets Investment Contracts?" (*University of Miami School of Law Institutional Repository*) <<https://repository.law.miami.edu/umbl/vol27/iss1/6>>. accessed 18 May 2025

⁴⁰ Parrondo, I., "Crypto Assets: Definitions and Accounting Treatment under the Current International Financial Reporting Standards Framework" (2023) 30 *Intelligent Systems in Accounting Finance & Management* 208 <<https://doi.org/10.1002/isaf.1543>>. accessed 15 May 2025

⁴¹ Alekseenko, A. P., "Model Framework for Consumer Protection and Crypto-Exchanges Regulation" (2023) 16 *Journal of Risk and Financial Management* 305 <<https://doi.org/10.3390/jrfm16070305>>. accessed 17 May 2025

v Persons Unknown,⁴² the High Court recognised Bitcoin as property capable of being the subject of a proprietary injunction. This is in line with the recommendations of the UK Jurisdiction Taskforce which argued in its Legal Statement on Cryptoassets and Smart Contracts (2019) that cryptoassets are capable of being property under English law⁴³. This supports the fact that courts are increasingly adapting traditional legal doctrines to fit the realities of digital innovation.

In Nigeria, the ISA 2025 and the Nigeria Tax Administration Act 2025 (NTAA 2025) categorizes digital/virtual assets as securities⁴⁴. The NTAA 2025 further provides that “virtual asset shall be classified as a security where it is an investment of money or other assets; the investment of money or other assets is in a common enterprise; there is an expectation of profits from the investment; and any profit comes from the efforts of a promoter or third-party⁴⁵”.

The Tax Implications of Legal Categorisation of cryptocurrencies

The tax implications of the legal categorization of cryptocurrencies have assumed even greater importance in light of recent legislative developments in Nigeria, particularly the enactment of the Finance Act 2023⁴⁶ its interplay with the Investment and Securities Act 2025 and the Nigeria Tax Act 2025 (NTA 2025)⁴⁷. These statutes mark the first concerted legislative efforts to grapple with the fiscal consequences of digital asset transactions and represent a significant departure from the previously uncertain and ad hoc regulatory environment. The classification of cryptocurrencies within a statutory framework now carries definitive tax consequences, reinforcing the fundamental principle that tax liability must be grounded in law rather than administrative discretion.

Under the Finance Act 2023, Nigeria has explicitly brought digital assets within the ambit of

⁴² [2019] EWHC 3556 (Comm)

⁴³ UK Jurisdiction Taskforce, *Legal Statement on Cryptoassets and Smart Contracts* (Tech Nation, November 2019, <https://technation.io/wp-content/uploads/2019/11/6.6056JOCryptocurrenciesStatement>, accessed 4/6/25).

⁴⁴ Section 79 Nigeria Tax Administration Act 2025 provides that the Securities and Exchange Commission shall have regulatory oversight over virtual assets that qualify as securities only.

⁴⁵ Ibid

⁴⁶ It replaces the Finance Bill 2022. The Finance Act 2023 introduces some changes, such as assets, and the inclusion of digital assets as chargeable assets for capital gains tax purposes, which had been anticipated by tax payers base on the provisions of FB 2022.

⁴⁷ The Nigeria President signed into law the four Tax Reform Bills on the 26th June 2025. One of such bills is the Nigeria Tax Bill which includes digital assets among the list of chargeable gains and assets-section 34 Nigeria tax Act 2025

capital gains taxation⁴⁸. The Capital Gains Tax Act, as amended by the Act, now includes digital assets within the definition of chargeable assets⁴⁹. Also, the Nigeria Tax Act 2025, explicitly includes profits or gains from transactions in digital assets as income, profits or gains chargeable to tax⁵⁰.

This statutory modification establishes a clear legal basis for the taxation of gains realized from the disposal of cryptocurrencies and other digital tokens. This development brings Nigeria closer to jurisdictions such as the United States, where the Internal Revenue Service treats digital assets as property subject to capital gains tax upon realization. In practical terms, this means that the sale, exchange, or even gifting of cryptocurrency could constitute a taxable event, provided that a gain has been realized over the acquisition cost. This clarity is crucial for taxpayers, as it eliminates ambiguity regarding whether and when tax liability is triggered during crypto transactions.

The Nigeria Revenue Service⁵¹ is saddled with responsibility of administering income taxes which include incomes from digital assets⁵².

Beyond just capital gains, the Finance Act and the NTA 2025 brings important changes to income taxation when it comes to cryptocurrency-related activities⁵³. For instance, if someone earns regular or business income through crypto mining, staking, yield farming, or even by providing services paid in cryptocurrency, such earnings would now clearly fall under the Personal Income Tax Act (PITA) or the Companies Income Tax Act (CITA), depending on whether the taxpayer is an individual or a company. What sets the updated regime post-2023 apart from the previous system is that income from digital sources is no longer taxed merely on the basis of administrative decisions or interpretations. Instead, there is now explicit legal backing through legislation.⁵⁴ This is crucial because it addresses longstanding constitutional concerns raised by tax experts, who argued that tax demands should not be imposed by

⁴⁸ See section 2 of Finance Act 2023. See also Banwo & Ighodalo, "Highlights of The Finance Act 2023 And What Businesses Should Expect -<https://www.banwo-ighodalo.com/grey-matter/highlights-of-the-finance-act-2023-and-what-businesses-should-expect/#:~:text=Digital%20Assets%20are%20now%20Chargeable,Nigeria%20have%20become%20chargeable%20assets.>>. accessed 14 May 2025.

⁴⁹ Ibid, see also section 3 of the Capital Gains Tax Act.

⁵⁰ Sections 4 (i) and 34 (a) Nigeria Tax Act 2025

⁵¹ The Nigeria Revenue Service which is established under the Nigeria Revenue Service (Establishment) Act, 2025.

⁵² Section 3 (1) (b) Nigeria Revenue Act 2025

⁵³ Banwo & Ighodalo, *Supra* fn. 13

⁵⁴ See sections 4 (i), 34 (a), 203 of the Nigeria Tax Act 2025

administrative fiat without clear legislative authority. The Constitution of the Federal Republic of Nigeria⁵⁵, which guards against compulsory acquisition without proper legal basis, supports this view. So, the formal recognition of digital assets as taxable for both capital gains and income tax purposes now grounds the tax regime firmly within constitutional limits.

When it comes to indirect taxation, especially under the Value Added Tax (VAT) Act, the current VAT law as amended by the Nigeria Tax Act explicitly exempted money or securities including interest in money or securities from payment of VAT⁵⁶. This exemption includes digital assets⁵⁷.

CHALLENGES

1. The taxation and regulation of cryptocurrency transactions in Nigeria reflect a complex and deeply problematic intersection between rapidly evolving digital financial technologies laws that are not technologically driven. The architecture of cryptocurrencies, being decentralised, pseudonymous, and tokenised, directly confronts and disrupts the assumptions that underpin Nigeria's traditional, state-centric legal order. This tension is not unique to Nigeria but is felt more acutely due to the institutional limitations and the glaring absence of a structured legislative response to digital financial innovation.
2. The problem of fragmented stance of Nigerian regulatory institutions. The Central Bank of Nigeria, in its bid to preserve monetary and financial stability, has prohibited financial institutions from enabling cryptocurrency transactions⁵⁸. This move, widely interpreted as a cautious and restrictive measure, sharply contrasts with the more progressive posture of the ISA 2025, which has recognised digital assets as a new asset class requiring regulatory oversight⁵⁹. The law gives the SEC formal oversight of digital

⁵⁵ Section 44 1999 Constitution of the Federal Republic of Nigeria (as amended).

⁵⁶ Section 186(m) Nigeria Tax Act 2025

⁵⁷ This is because digital assets are categorized as securities by the ISA 2025. See section 64 Investments and Securities Act 2025.

⁵⁸ Central Bank of Nigeria, 'Circular on the Prohibition of Financial Institutions from Dealing in Cryptocurrency or Facilitating Payments for Cryptocurrency Transactions' (5 February 2021) <https://www.cbn.gov.ng/out/2021/ccd/volume%203%20number%202%20cbn%20update%20february%202021.pdf> accessed 20 May 2025.

⁵⁹ Oyebanji, O., "The Blanket Classification of Crypto Assets under the Investment Securities Act (ISA) of 2025" [2025] SSRN Electronic Journal <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5207383#>. accessed 25 May 2025

assets- a signal, it seemed, that crypto trading is now legal.⁶⁰ However, in reality, banks continue to flag accounts, still restricts crypto-linked accounts and confusion persists over what the law actually changed. The is because banks and FinTechs are wary of regulatory backlash and are still cautious over the CBN directive which barred financial institutions from facilitating crypto transactions. While the CBN quietly lifted the ban in 2023, it never clearly endorsed crypto, leaving a gap between what the law implies and how the system behaves.⁶¹ These divergent regulatory approaches expose deeper constitutional and institutional tensions. The Nigerian Constitution, guarantees that no person shall be penalised unless there is a specific law clearly outlining the offence⁶². Thus, the lack of harmonised and prospective regulation creates legal uncertainty, undermines compliance, and promotes institutional disarray. The situation resembles a turf war between regulatory agencies, each operating with overlapping mandates and divergent philosophies, resulting in a governance structure that appears disjointed and uncoordinated.

3. The challenges of tax administration in the digital asset space are compounded by infrastructural deficits within Nigeria's revenue authorities. The technical capacity to trace, assess, and collect digital assets taxes remains questionable. Without access to robust blockchain analytics tools, international exchange cooperation, or statutory requirements for disclosure by local trading platforms, enforcement will remain limited. For tax obligations to be meaningfully imposed, there must be not just legal authority, but also administrative competence and due process safeguards.
4. Another significant challenge arises from the pseudonymous nature of blockchain transactions. Although blockchains are publicly accessible and offer a permanent record of transactions, the identities behind these transactions are usually concealed⁶³. This reality severely limits the ability of tax authorities and other regulators to trace crypto-related income, enforce compliance, and monitor international transfers. Countries in the West have addressed this issue by imposing strict know-your-customer and anti-

⁶⁰ Nelson, O., "Crypto is legal in Nigeria – until the bank disagees", (June 1, 2025), mariblock.com

⁶¹ Ibid

⁶² Section 36(2) Constitution of the Federal Republic of Nigeria 1999 (as amended).

⁶³ Atlam, H. F., e'tal, "Blockchain Forensics: A Systematic Literature Review of Techniques, Applications, Challenges, and Future Directions" (2024) 13 Electronics 3568 <<https://doi.org/10.3390/electronics13173568>>.

money laundering obligations on digital asset providers⁶⁴. Nigerian law⁶⁵ has clearly provided for VASPs⁶⁶ operating in Nigeria to maintain accurate customer information to comply with Know Your Customer (KYC) requirements. However, by contrast, Nigeria lacks the technological infrastructure and policy tools necessary to implement similar measures effectively. The absence or underutilisation of blockchain analytics tools such as Chainalysis⁶⁷ and CipherTrace⁶⁸ compounds the difficulty. Additionally, the popularity of peer-to-peer platforms, which often operate without any form of identification requirements, makes regulatory enforcement even more fragile and ineffective⁶⁹.

5. Trust in Nigeria's regulatory authorities has taken a serious hit, particularly following the Central Bank's 2021 directive that banned banks from handling cryptocurrency transactions⁷⁰. Many saw this move as sudden and heavy-handed, with no meaningful engagement or consultation with those it affected. It also lacked the backing of clear and transparent legislation. When regulatory decisions appear unpredictable and opaque, they discourage investment from both local and foreign actors⁷¹. At the same time, they drive crypto users to seek safer environments in countries with more stable and transparent legal frameworks. In the end, such erratic regulatory behavior erodes the credibility of governing institutions and weakens the essential foundations of democratic accountability and trust. Even with the ISA 2025 in force, CBN, through the banks it oversees, remains hesitant. This has left Nigerian users and businesses stuck in a regulatory limbo.⁷²

⁶⁴Campbell-Verduyn, M., "Bitcoin, Crypto-Coins, and Global Anti-Money Laundering Governance" (2018) 69 Crime Law and Social Change 283 <<https://doi.org/10.1007/s10611-017-9756-5>>.

⁶⁵Fifth schedule (Virtual Assets), Nigeria Tax Administration Act 2025, section 6 (e)

⁶⁶ Virtual Asset Service Providers- persons who offers service related to exchange, custody or management of virtual assets on behalf of client. See section 8 (interpretation section of schedule 5 to Nigeria Tax Administration Act 2025)

⁶⁷ Supra fn 2

⁶⁸ Ciphertrace develops cryptocurrency Anti-Money Laundering, cryptocurrency forensics and blockchain threat intelligence solution. See crptoslate.com

⁶⁹ Ofir, M., and Tzang, I., "An Empirical View of Peer-to-Peer (P2P) Lending Platforms" [2021] SSRN Electronic Journal <<https://doi.org/10.2139/ssrn.3807550>>.

⁷⁰ Central Bank of Nigeria, supra, fn 57

⁷¹ Farok J e'tal, "How Do Country Regulations and Business Environment Impact Foreign Direct Investment (FDI) Inflows?" (2019) 29 International Business Review 101640 <<https://doi.org/10.1016/j.ibusrev.2019.101640>>.

⁷² Nelson, O., supra, fn 59

6. Nigeria's approach to regulating cryptocurrencies still falls short of matching international standards⁷³. Global bodies like the Financial Action Task Force have laid out detailed recommendations for how countries should oversee virtual asset service providers, emphasizing the need for supervision that is based on assessing and managing risks to prevent financial crimes⁷⁴. Similarly, the Organization for Economic Cooperation and Development has introduced the Crypto Asset Reporting Framework, aiming to boost transparency and ensure better tax compliance⁷⁵. Otherwise, it could lead to serious consequences such as being placed on a grey list by the Financial Action Task Force. This could have far-reaching effects on Nigeria's financial sector and its standing in international markets.
7. Finally, one must not ignore the widespread lack of financial literacy among the Nigerian public regarding cryptocurrencies. Many Nigerians, particularly the youth, engage in crypto transactions without a clear understanding of the legal, tax, or financial implications of their actions. This situation is worsened by the widespread dissemination of misinformation on social media and the speculative enthusiasm that surrounds crypto trading. Reports by organisations such as Enhancing Financial Innovation and Access and the Central Bank's Financial Inclusion Strategy have highlighted the pervasive gaps in financial education across the country. Bridging this knowledge gap through public education campaigns, school curricula, and digital finance literacy programmes is crucial for fostering a more responsible, informed, and compliant crypto ecosystem in Nigeria.

RECOMMENDATIONS

To effectively tackle the complex challenges Nigeria faces in regulating and taxing cryptocurrencies, these recommendations must be implemented thoughtfully and with a clear sense of purpose:

⁷³ Boyode, F. E., "Evaluating Nigeria's Cryptocurrency Regulatory Framework: Pathway to Boosting Investors' Confidence" [2024] SSRN Electronic Journal <<https://doi.org/10.2139/ssrn.4956760>>.

⁷⁴ Financial Action Task Force (FATF). (2021). *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers*. Retrieved from <https://www.fatf-gafi.org/en/publications/fatfrecommendations/documents/guidance-rba-virtual-assets-2021.html>

⁷⁵ Oberson, X., "Exchange of Information on Crypto-Assets and Crypto-Currencies," *Edward Elgar Publishing eBooks* (2023) <<https://doi.org/10.4337/9781800884915.00023>>.

1. First, lawmakers and regulators must immerse themselves in understanding the technology and economics behind digital currencies. Laws should be crafted with enough flexibility to adapt as the technology evolves, avoiding rigid rules that quickly become outdated.
2. Giving regulatory bodies clear authority will help reduce conflicts between agencies and improve enforcement, boosting the overall trust and effectiveness of the system.
3. Technology plays a vital role in enforcing any regulatory or tax measures. Nigeria needs to invest in modern blockchain analytics tools that can trace and monitor cryptocurrency transactions effectively. Alongside this, there must be regulations mandating crypto service providers to follow strict anti-money laundering and customer verification processes. Currently, peer-to-peer platforms operate with little oversight, making enforcement difficult. Licensing and supervision of these platforms will close loopholes and reduce illegal activities. Yet, technology alone is not enough; regulators need ongoing training and support to use these tools effectively. Combining advanced technology with skilled personnel is essential to building a strong and responsive regulatory framework. Equipping tax officials with the knowledge and tools to handle these new challenges. Training programs on blockchain technology and digital asset valuation will be vital. Additionally, educating the public on their tax obligations in relation to cryptocurrencies will encourage compliance and foster a culture of transparency and fairness.
4. There is need to gain the trust of Nigerian when making policy decision. When policies are one sided and not aligning with other regulators policies, there will be confusion Regular communication, shared information systems, and joint efforts in enforcement would be key to fostering this cooperation. Such a coordinated approach would provide much-needed consistency, making the environment more predictable and reliable for businesses and individuals involved in crypto.
5. Nigerian policies on cryptocurrencies should align with internal benchmark, this is because hesitation to integrate these international frameworks may put the country at risk of facing criticism on the global stage, damaging its reputation.

6. Financial literacy is a key pillar often overlooked in the discussion about crypto regulation. Many Nigerians, especially young people, engage with cryptocurrencies without fully understanding the risks or legal responsibilities involved. Tackling this knowledge gap requires a broad educational strategy that reaches people across the country through radio, TV, social media, and school programs. Clear, simple messaging about the benefits and dangers of cryptocurrencies will help protect users from scams and promote responsible participation. Partnering with fintech companies, consumer groups, and community organizations will strengthen these efforts, ensuring that the message resonates widely and builds trust.

Finally, it is important that these recommendations are not seen as one-off fixes but part of an ongoing process. The world of cryptocurrencies is constantly changing, and Nigeria's regulatory framework must keep pace. Setting up mechanisms for regular reviews and stakeholder consultations will help identify emerging issues early and allow policies to be adjusted accordingly. Introducing regulatory sandboxes where new crypto innovations can be tested under supervision could also encourage innovation while managing risks. By building flexibility and responsiveness into its approach, Nigeria can create a safer and more transparent digital finance environment that encourages growth and protects its citizens.

CONCLUSION

It is interesting that Nigeria is aligning with other jurisdictions on the regulation and taxation of cryptocurrency. With the enactment of ISA 2025 and NTA 2025, it is clear that Nigeria has formally accepted transactions in cryptocurrency.

However, the Nigerian legal system has not yet developed dedicated parliamentary bodies or digital law commissions capable of navigating the intricacies of blockchain technologies and virtual assets⁷⁶. This institutional vacuum significantly impedes the capacity to craft a coherent legal response that can effectively accommodate and regulate cryptocurrencies. There is need for the creation of a specialized agency or committee focused solely on digital assets. This new body would coordinate policies and oversee compliance, cutting through the confusion caused

⁷⁶ OM Atoyebi San and OM Atoyebi San, "An Appraisal of the National Blockchain Policy and Its Likely Impact on the Nigerian Blockchain Ecosystem - Omaplex Law Firm" (*Omaplex Law Firm - Round-The-Clock Legal Assistance Just For You*, July 23, 2024) <<https://omaplex.com.ng/an-appraisal-of-the-national-blockchain-policy-and-its-likely-impact-on-the-nigerian-blockchain-ecosystem/>>, accessed on 25th May 25

by overlapping responsibilities. This will put to effect the provisions of section 79(1) of the Nigeria Tax Administration Act 2025 which provides that: “The President shall, by an order published in the Federal Government Gazette, designate a relevant agency of the Federal Government with the primary responsibility for the regulation of all forms of virtual assets defined in the Fifth schedule to NTAA 2025 which includes cryptocurrencies, tokens and digital collectables.

Technological and institutional capacity building will be vital to the success of agency/commission when the Federal Government designates such. This is because with the rapid evolution of digital financial technologies, Nigerian regulators and tax authorities must invest in advanced tools for tracking and auditing cryptocurrency transactions. Additionally, fostering expertise within regulatory institutions will ensure that the country remains agile in responding to new developments in the crypto space. Public-private sector cooperation, alongside international collaboration, will also be necessary to address global risks and align Nigeria’s policies with international best practices. Only by doing so can Nigeria avoid becoming isolated in the global cryptocurrency ecosystem and mitigate the risks associated with illicit financial flows and regulatory gaps.

Finally, a broader public awareness campaign is essential to improving financial literacy and ensuring that Nigerians understand both the risks and opportunities presented by cryptocurrency. Educating the public on the legal and fiscal implications of engaging with digital assets will not only encourage compliance but also reduce fraudulent activities and scams. It will also foster a more transparent and accountable crypto environment, where both consumers and investors can participate with confidence. If these recommendations are successfully implemented, Nigeria stands to emerge as a leader in Africa’s cryptocurrency landscape, positioning itself to attract foreign investment, foster technological innovation, and ensure that the benefits of this digital revolution are harnessed for the broader economic good.