Extraordinary

Federal Republic of Nigeria
Official Gazette

No. 150 **Lagos - 10th August, 2026** **Vol. 113**

Government Notice No. 80

The following is published as supplement to this *Gazette* :

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Printed and Published by The Federal Government Printer, Lagos, Nigeria
FGP 33/82026/650

Annual Subscription from 1st January, 2026 is Local : ₦100,000.00 Overseas : ₦131,000.00 [Surface Mail] ₦150,000.00 [Second Class Air Mail]. Present issue ₦4,000 per copy. Subscribers who wish to obtain *Gazette* after 1st January should apply to the Federal Government Printer, Lagos for amended Subscriptions.

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NIGERIA TAX ADMINISTRATION ACT, NO. 5, 2025

DEEP OFFSHORE OIL AND GAS PROJECTS INCENTIVES (TAX REMISSION) ORDER, 2026

ARRANGEMENT OF PARAGRAPHS

Paragraph:

B 1082

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S. I. No. 37 of 2026

NIGERIA TAX ADMINISTRATION ACT, NO. 5, 2025

DEEP OFFSHORE OIL AND GAS PROJECTS INCENTIVES (TAX REMISSION) ORDER, 2026

[6*th Day of August*, 2026] Commencement

In exercise of the powers conferred on me by section 3(1)(*e*) of the Petroleum Industry Act, 2021, section 77(1) of the Nigeria Tax Administration Act, No. 5, 2025, and upon the recommendations of the Minister responsible for Finance, I, Bola Ahmed Tinubu, President Federal Republic of Nigeria, make the following Order —

Application of Standard Production Tax Credit

1.—(1) A Standard Production Tax Credit (Standard PTC) incentive specified under paragraphs 2 and 3 of this Order shall apply to project developments in the following categories of deep offshore leases —

(*a*) existing leases, where the lessee makes a Final Investment Decision (FID) for the project development, in the period from the effective date to 31st December, 2029, provided that where the lessee is —

(*i*) unable to commit to the FID as prescribed in sub-paragraph (1)(*a*) of this paragraph due to the occurrence or subsistence of a *force majeure*, the lessee may apply to the Commission for an extension, stating the nature of the *force majeure* event, the period affected, and the revised timeline for the FID, and the Commission shall notify the Service of any extension granted within 14 days of granting the extension, and

(*ii*) desirous of taking the benefit of any incentive under this Order, the lessee shall notify the Commission of such FID within 30 days of the FID being made; and

(*b*) future leases awarded after the effective date, and those derived from existing licences or future licences awarded after the effective date.

(2) The Standard PTC incentive shall be determined separately for each approved project development.

(3) Where the lessee is unable to achieve the criteria in sub-paragraph (1)(*a*) of this paragraph, and no extension has been granted under sub-paragraph (1)(*a*)(*i*) of this paragraph, the Standard PTC shall apply at 50% of the applicable rate, provided that the project otherwise satisfies all eligibility conditions under this Order.

Standard Production Tax Credit applicable to deep offshore oil development

2.—(1) Subject to the provisions of this Order, there shall be a production tax credit in respect of crude oil produced from a project development, calculated from the commencement of production from that project development at the rate of —

(*a*) US$3.00 per barrel or at 20% of the fiscal oil price, whichever is lower, up to a cumulative production of 150 million barrels, where the producible reserves of such deep offshore development do not exceed 400 million barrels of crude oil equivalent; or

(*b*) US$4.50 per barrel or at 20% of the fiscal oil price, whichever is lower, up to a cumulative production of 500 million barrels, where the producible reserves of such deep offshore development exceed 400 million barrels of crude oil equivalent.

(2) For leases under paragraph 1(1)(*b*) of this Order, there shall be an additional Standard PTC of US$1.00 per barrel from the commencement of production up to cumulative production as specified in sub-paragraph (1)(*a*) or (*b*) of this paragraph as applicable.

(3) Where the fiscal oil price applicable to the qualifying project development for a month is below US$50 per barrel, the tax credit incentives specified under sub-paragraphs (1) and (2) of this paragraph for that month shall apply at 50% of the applicable rate.

(4) The Standard PTC under this paragraph shall be computed only on crude oil produced and sold from the project development and shall not be applied to production from any other field, lease, project, asset or contract area.

(5) The Standard PTC under this paragraph shall be computed such that the effect of the PTC is reflected solely in the Contractor's profit oil entitlement.

Standard Production Tax Credit applicable to deep offshore non-associated gas development

3.—(1) Subject to the provisions of this Order, there shall be a production tax credit for marketable non-associated gas sold from a non-associated gas project development or project development containing crude oil and non-associated gas, calculated from the commencement of production from the project development, at the rate of —

(*a*) US$1.00 per thousand standard cubic feet (mscf) of gas sold or 30% of the fiscal gas price of such sale, whichever is lower, up to a cumulative volume of 5 trillion cubic feet (TCF), where the Hydrocarbon Liquids ("HCL") content in the field does not exceed 30 barrels per million standard cubic feet (mmscf); or

(*b*) US$0.50 per thousand standard cubic feet (mscf) of gas sold or 30% of the fiscal gas price of such sale, whichever is lower, up to a cumulative volume of 5 TCF, where the HCL content in the field exceeds 30 barrels per million standard cubic feet (mmscf), and does not exceed 100 barrels per million standard cubic feet (mmscf).

(2) The Standard PTC in sub-paragraph (1) of this paragraph shall not apply where the HCL content in the gas produced from the relevant project development exceeds 100 barrels per million SCF (mmscf).

(3) The determination of the HCL in a non-associated gas field production contemplated under this paragraph shall be limited to HCL within the upstream petroleum sector and based on guidelines issued by the Commission.

Profit gas sharing formula

4. The minimum profit gas allocation to the Government under existing non-associated gas deep offshore production sharing contracts, where a Concessionaire represents the Federation, shall be —

(*a*) up to and including 1 TCF – 20%;
(*b*) over 1 TCF and up to, and including 3 TCF – 35%;
(*c*) over 3 TCF and up to, and including 5 TCF – 45%;
(*d*) over 5 TCF and up to, and including 7 TCF – 50%; and
(*e*) over 7 TCF – 60%.

Objects of Standard Production Tax Credit

5. The Standard PTC under paragraphs 2 and 3 of this Order are intended to —

(*a*) incentivize investments in the deep offshore developments; and

(*b*) exclusively benefit parties to a production sharing contract who are directly providing the funding for developments that lead to production.

Supplementary Production Tax Credits

6.—(1) In addition to the Standard PTC applicable under paragraphs 2 and 3 of this Order, there shall be a Supplementary Production Tax Credit (Supplementary PTC) available to qualifying project developments in deep offshore leases in accordance with this paragraph.

(2) The Service shall determine and grant the Supplementary PTC on a case-by-case basis, based on the eligibility criteria under paragraph 8 of this Order, having regard to the economic profile of the relevant project development, provided that the —

(*a*) aggregate of the Standard PTC and the Supplementary PTC shall not exceed US$11.50 per barrel of crude oil, in respect of oil project developments and US$8.00 per barrel of oil equivalent, in respect of non-associated gas project developments;

(*b*) tax credits shall be allocated between the Contractor and Concessionaire in proportion to the applicable profit oil and gas sharing percentages for that period; and

(*c*) Supplementary PTC shall —

(*i*) be governed by the rates, cumulative production thresholds and terms as set out in paragraphs 1(3), 2(1)(*a*), (*b*) and 2(3) of this Order; and

(*ii*) apply to leases referred to in paragraph 1(1)(*b*) of this Order where the relevant project development reaches production within seven years from the date the lease was awarded.

Profit Oil Reset

7.—(1) Deep offshore leases operating under production sharing contracts shall, subject to the eligibility criteria set out in paragraph 8 of this Order, be entitled to a Profit Oil Reset as a further incentive.

(2) Where a Profit Oil Reset is approved, the applicable profit oil sliding scale shall restart only for the approved eligible project development, such that the allocation of profit oil ratios between Contractor and the Concessionaire shall commence at a ratio of 70:30 as between the contractor and government in respect of the eligible project development, notwithstanding that existing production elsewhere in the same contract area has already graduated the profit oil ratios to a higher step in the profit oil sliding scale.

(3) The eligible development to which the Profit Oil Reset is applied shall be ring-fenced for cost recovery and tax purposes.

(4) The Concessionaire and the relevant Contractor shall —

(*a*) within 30 days of approval of an application for a Profit Oil Reset, execute an addendum to the relevant PSC to give contractual effect to the Profit Oil Reset in respect of the eligible project development; and

(*b*) submit a copy of the executed addendum to the Service, the Commission, and the Office of the President within 14 days of execution.

Eligibility for Supplementary PTC and Profit Oil Reset

8.—(1) The Supplementary PTC under paragraph 6 of this Order shall only apply to a project development where the following criteria are satisfied —

(*a*) an application is made in respect of a crude oil or non-associated gas project development within a deep offshore lease; and

(*b*) the proposed project development is a greenfield project in respect of which an FID has not been taken as at the commencement date of this Order, but shall be taken on or before 31st December, 2029, provided that where the lessee is —

(*i*) unable to commit to the FID as prescribed in this paragraph due to the occurrence or subsistence of a *force majeure*, the lessee may apply to the Commission for an extension, stating the nature of the *force majeure* event, the period affected, and the revised timeline for the FID, and the Commission shall notify the Service of any extension granted within 14 days of granting the extension, and

(*ii*) desirous of taking the benefit of any incentive under this Order, the lessee shall notify the Commission of such FID within 30 days of the FID being made.

(2) The Profit Oil Reset under paragraph 7 of this Order shall only apply where, in addition to the criteria in sub-paragraph (1) of this paragraph, the applicable profit oil sliding scale under the relevant PSC has progressed beyond the 70:30 contractor-government profit oil split.

9. Notwithstanding the approval of an application, an applicant shall only take benefit of the incentives under paragraphs 6 and 7 of this Order, subject to satisfying the conditions that all activities relating to the project development shall be performed in Nigeria, except for activities that are —

Conditions for accessing Supplementary PTC and Profit Oil Reset

(*a*) on the critical path, such as, long-lead items that significantly affect project timeline; or

(*b*) 10% more expensive to execute within Nigeria than outside Nigeria, taking into account the full costs including logistics, shipment, duties, and all other relevant costs,

provided that all such activities performed outside Nigeria shall be in compliance with a Nigerian Content Plan approved by NCDMB.

10.—(1) An application for the incentives provided under paragraphs 6 and 7 of this Order shall be submitted to the Service and accompanied by a full open-book economic model, setting out the relevant cost, price, production and fiscal assumptions, together with such other information as the Service may require to demonstrate that the proposed project development satisfies the eligibility criteria specified in paragraph 8 of this Order.

Application process for Supplementary PTC and Profit Oil Reset

(2) The Service shall, within 45 days of receipt of a complete application, consider the application in consultation with the Federal Ministry of Finance and relevant institutions to —

(*a*) verify the eligibility of the project development against the criteria set out in paragraph 8 of this Order; and

(*b*) determine the applicable level of Supplementary PTC, having regard to the economic profile of the proposed project development and within the ceiling prescribed in paragraph 6 (2) of this Order.

(3) The Service shall, within the period specified under sub-paragraph (2) of this paragraph, issue a formal response to the applicant, refusing or approving the application, and in the case of approval, specifying the applicable level of Supplementary PTC.

(4) The Service shall, within 45 days of the commencement date of this Order, develop and publish guidelines setting out the criteria and methodology it shall apply in making determinations under sub-paragraph (2)(b) of this paragraph, and shall adhere to its published guidelines in determining the level of Supplementary PTC to be granted.

11.—(1) Where the Service determines that an applicant obtained, utilised or benefitted from the Supplementary PTC under this Order by false statement, misrepresentation, omission, concealment, incorrect data, artificial arrangement, prohibited tax avoidance arrangement, breach of an approval condition, or failure to satisfy an eligibility requirement, the Service may

Claw back and recovery of incentive

withdraw the approval, recompute the tax payable, recover the amount of tax credit wrongly utilised or benefit wrongly obtained and impose applicable penalties and interest in accordance with the Nigeria Tax Administration Act, 2025 and any other applicable law.

(2) The withdrawal or recovery under sub-paragraph (1) of this paragraph shall be without prejudice to any criminal, civil, administrative or regulatory action that may be taken against the applicant or any responsible person.

Calculation of production tax credit

12. The fiscal price for calculating the tax credits shall be the same price for determining petroleum royalty under the Nigeria Tax Act, 2025, the Nigeria Tax Administration Act, 2025 and any applicable regulations or guidelines, and the tax credit shall be —

(*a*) computed monthly based on crude oil production or gas sold from the approved project development after production commences; and

(*b*) reconciled annually as part of the applicant's tax incentive returns and annual tax returns,

subject to the minimum effective tax rate as prescribed in the Nigeria Tax Act.

Applicable incentives in relation to technical cost of development

13.—(1) The tax credits granted by this Order shall be reduced by 10% for qualifying project developments where the unit technical cost of development exceeds the benchmarked cost levels determined in accordance with regulations made by the Commission on a periodic basis.

(2) For the purpose of this paragraph, the unit technical cost shall only include elements approved by the Commission and communicated to the Service for the relevant project development.

Exclusion of production allowances and Associated Gas Framework Agreement from tax incentives

14. The tax credits accruable in a year under this Order shall not be combined with the production allowance incentives provided in the Sixth Schedule to the Nigeria Tax Act, 2025 or the Associated Gas Framework Agreement (AGFA).

Production tax credit surplus

15.—(1) Where there is a tax credit surplus in any year, the surplus shall be carried forward to the subsequent year, provided that unutilised tax credit surplus occurring in any year shall only be carried forward for a maximum of four years.

(2) A tax credit or tax credit surplus under this Order shall not be refundable, transferable, assignable, saleable, convertible to cash or available for set-off against any tax, levy, royalty, penalty, interest or other liability of any person, asset, project, lease or contract area other than the tax liability arising from the qualifying project development approved under this Order.

(3) Any unutilised tax credit surplus remaining after the expiry of the four-year carry-forward period shall lapse.

Implementation guidelines

16.—(1) The Service shall, within 45 days from the date of this Order, issue implementation guidelines with respect to the incentives under this Order.

(2) The implementation guidelines shall include the application procedure, documentation requirements, economic valuation methodology, computation templates, utilisation rules, reporting requirements, ring-fencing rules, treatment of surplus credits, monitoring procedures and any other matter necessary for the effective administration of this Order.

Effective date

17. Paragraphs 1, 2, 3, 4, 5, 12, 13, 14 and 15 of this Order shall be deemed to have come into effect from the Effective date of this Order.

Commencement date

18. Paragraphs 6, 7, 8, 9, 10, 11 and 16 of this Order shall be deemed to have come into effect from the Commencement date.

Interpretation

19.—(1) In this Order —

"*applicant*" means the operator of an upstream petroleum lease that submits an application in accordance with paragraph 10 of this Order;

"*Commission*" means the Nigerian Upstream Petroleum Regulatory Commission established under the Petroleum Industry Act, 2021;

"*Concessionaire*" means the NNPC Limited;

"*Contractor*" means the contractor under Production Sharing Contract;

"*Commencement Date*" means the date this Order is signed;

"*deep offshore leases*" means the petroleum mining leases and oil mining leases awarded in the deep offshore segment of the upstream petroleum sector;

"*Effective date*" means the 28th February, 2024;

"*Final Investment Decision*" means the point at which a lessee, group of lessees on a single lease or a unitised lease, and their contractors, in the case of a production sharing contract, or other stakeholders, formally commit irreversibly to fund and develop an oil and gas project and have engaged its construction contractors to start implementation of the project;

"*NCDMB*" means the Nigerian Content Development and Monitoring Board;

"*Office of the President*" as used in paragraph 7 of this Order means the relevant Special Adviser to the President on the subject of this Order;

"*Production Sharing Contracts*" means any agreement awarded by the government to a contractor for the exploration, development, and production of petroleum, on terms under which the contractor, as the financial risk-bearing party, shall recover its costs and receive a share of the profits based on a share of production from the applicable area, as stipulated in the said agreement;

"*profit oil*" means the balance of available crude oil and condensates produced from a project development after application of royalty oil, cost oil and tax oil as contemplated under the relevant PSC;

"*profit gas*" means the balance of available gas produced from a project development after application of royalty gas, cost gas and tax gas as contemplated under the relevant PSC;

"*Profit Oil Reset*" means the restart of the applicable profit oil sliding scale contained in the relevant PSC, such that the allocation of profit oil ratios between the Contractor and the Concessionaire shall start from a ratio of 70:30 as between a contractor and government in respect of each new deep offshore project development, intended to be developed in a contract area where existing production elsewhere in the contract area has already graduated the profit oil ratios higher up in the profit oil sliding scale;

"*profit oil sliding scale*" means the profit oil allocation model contained in the relevant PSC, stipulating the graduating sharing ratios of profit oil, between the Concessionaire and Contractor for the various cumulative production milestones;

"*project development*" means a project comprising activities solely aimed at developing a greenfield crude oil or non-associated gas field (undeveloped field) or group of greenfields within a single or multiple oil mining leases, pursuant to an approved field development plan and does not include infill drilling, workover, recompletion, debottlenecking, routine facilities upgrade, enhanced recovery from an existing producing field, or any other brownfield optimisation activity;

"*Service*" Nigeria Revenue Service;

"*Standard PTC*" means the production tax credit granted under paragraphs 2 and 3 of this Order and includes the additional US$1.00 per barrel available only to future leases under paragraph 2(2) of this Order;

"*Supplementary PTC*" means the additional production tax credit granted by the Service under paragraph 6 of this Order, being a further tax remission incentive available on a case-by-case basis to qualifying project developments that have satisfied the eligibility criteria under paragraph 8 of this Order;

"*tax credits*" means the Standard PTC and the Supplementary PTC collectively, being tax remission incentives available only in accordance with this Order and not constituting a grant, subsidy, cash payment, refundable credit, transferable instrument or government debt; and

"*Unit Technical Cost*" means the sum of the unit operating cost and unit capital cost.

(2) A term used in this Order and not defined shall have the same meaning as used under the Petroleum Industry Act, 2021.

Citation

20. This Order may be cited as the Deep Offshore Oil and Gas Projects Incentives (Tax Remission) Order, 2026.

MADE at Abuja this 6th day of August, 2026.

BOLA AHMED TINUBU, GCFR
President, Federal Republic of Nigeria