



**FEDERAL INLAND REVENUE SERVICE 15 SOKODE CRESCENT, WUSE
ZONE 5, P.M.B 33, GARKI, ABUJA, NIGERIA**

KEY CHANGES TO TAX LAWS INTRODUCED BY 2021 FINANCE ACT

A. CAPITAL GAINS TAX ACT (CGTA)

1. Capital gains from the disposal of stocks and shares in Nigerian companies, for aggregate proceeds amounting to ₦100 million or more in any period of 12 consecutive months, is liable to CGT at 10% where the proceeds have not been reinvested within the same year of assessment in the acquisition of shares in the same or other Nigerian Companies **[Section 30(2) CGTA]**.

B. COMPANIES INCOME TAX ACT (CITA)

2. Profits of companies engaged in educational activities now liable to tax due to the removal of educational activities from the exempt provisions of **Section 23(1)(c) of CITA**.
3. The profits of companies from the exports of goods produced in Upstream, Midstream and Downstream Petroleum operations are liable to tax as clarified in **section 23(1)(q) of CITA**.
4. Non-resident companies liable to tax on profits arising from providing digital goods or services to Nigerian customers under the Significant Economic Presence (SEP) Rule may be assessed on fair and reasonable percentage of their turnover in the event that there is no assessable profit, the assessable profit is less than what is to be expected from that type of trade or business, or the assessable profit cannot be ascertained **[Section 30 (1)(b)(iia) of CITA]**.
5. Capital allowance on qualifying capital expenditure incurred in generating tax-exempt income is not deductible from the assessable profits arising from income not exempt from tax under CITA. Capital allowances accruing in respect of QCE employed for both taxable and tax-exempt income shall be pro-rated where the tax-exempt income constitutes more than 20% of the total income of the company **[section 31(1A) - (1B) of CITA]**.
6. Capital allowance on qualifying capital expenditure incurred by small companies are deemed utilised during the periods such companies are tax-exempt **[section 31(1C) of CITA]**.

7. Minimum tax rate is reduced from 0.5% to 0.25% for any two consecutive accounting periods falling on 1 January 2019 to 31 December 2021, as may be elected by the taxpayer **[Section 33 of CITA]**.
8. A company engaged in a trade or business of gas utilisation in downstream operations in Nigeria is entitled to a tax-free period, with respect of that trade or business, only once in its lifetime; additional investment, reorganisation or other forms of corporate restructuring shall not qualify it for further incentive. The company will also not be entitled to similar incentive under any other sections of CITA or other law **[Section 39(1)(a) of CITA]**.
9. Any company that claims the reduced 0.25% rate under the minimum tax rule in section 33 of CITA but filed its tax returns late is liable to penalty that is equal to the benefits or reduction claimed **[Section 55 of CITA]**.
10. Taxpayers may pay tax due in instalments provided that the final instalment shall be paid on or before the due date of payment **[Section 77 of CITA]**.
11. WHT deducted from payments to a Unit Trust shall be the final tax on such income provided the said deduction is fully remitted to FIRS **[Section 78(4) of CITA]**.

C. Tertiary Education Trust Fund Act (TETFA)

12. The rate of tertiary education tax has been changed from 2% of assessable profits to 2.5% of assessable profits **[Section 1 of TETFA]**.

D. National Agency for Science and Engineering Infrastructure (NASENI) Act

13. Companies engaged in the business of banking, mobile telecommunication, ICT, aviation, maritime and oil and gas with turnover of ₦100 million and above, are liable to pay NASENI Levy at 0.25% of their profits before tax and the tax is to be administered by FIRS **[section 20 of NASENI Act]**.

E. Nigeria Police Trust Fund (Establishment) Act

14. FIRS is vested with the duty to assess, collect, account and enforce the payment of the Nigeria Police Trust Fund Levy. The levy is 0.005% of the net profit of companies operating business in Nigeria as provided under **Section 4 of the Nigeria Police Trust Fund (Establishment) Act**.

F. Value Added Tax Act (VATA)

15. Non-Resident Suppliers of taxable goods or services to Nigeria, or any other person appointed by the Service to collect tax under the VAT Act have

statutory obligation to collect the tax and remit same to the Service **[section 10 of VATA]**.

16. Companies engaged in Upstream Petroleum operations will continue to have obligation to withhold VAT, even when they have not commenced commercial operations or have not reached ₦25 million turnover **[Section 15 of VATA]**.

G. Federal Inland Revenue Service (Establishment) Act (FIRSEA)

17. Any person who fails to grant FIRS access to its information processing systems to deploy its automated tax administration technology after a 30 days' notice, or such extension granted by the Service, is liable to a penalty of ₦25,000 for each day it continues to fail to grant the access **[Section 25 (4B) of FIRSEA]**.
18. Any bank that fails to prepare and submit quarterly returns of new accounts or any information requested by the relevant tax authority, or submit incorrect returns or information, under **section 28 of FIRSEA or sections 47 and 49 of PITA**, is liable to a penalty of ₦1m for each quarterly return or information not provided or incorrect returns or information provided.
19. Any person employed in the Service or otherwise that has access to taxpayer information is under a strict legal obligation to keep such information confidential. Leakages of taxpayer information by such person is liable to fine, imprisonment or both fine and imprisonment **[Section 50 of FIRSEA]**.
20. It is an offence, punishable by a fine of ₦10m, imprisonment or both, for any agency of the Federal Government (other than FIRS) or any of their staff or consultant, to demand for books or returns for the purposes of tax, or carry out the function of assessment, collection or enforcement of tax, or pay any portion of tax revenue to any person or into any account, other than the relevant accounts designated by the constitution or relevant laws of the National Assembly **[Section 68(3) of FIRSEA]**.
21. Other Agencies of the Federal Government are under statutory obligation to report cases requiring tax investigation, enforcement or compliance, encountered in the course of performing their function, to the Service for necessary action; they are forbidden from carrying out tax monitoring, audit or investigation **[Section 68(5) of FIRSEA]**.