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Tax Data Card Nigeria - 2021



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1. TAXES ON INCOME AND GAINS

CAPITAL GAINS TAX (CGT)

CGT is chargeable on capital gains accruing to any person (company or individual) making a disposal of assets.

Items	Comments
Rate [S 2 (1)]	10%
Payment of CGT & Self-Assessment Returns [S 2(4) & 31]	Every person that has disposed of a chargeable asset is required to compute and pay CGT as well as file the required returns not later than 30 June or 31 December of the year of disposal. This however does not apply to replacement of business assets.
Chargeable Assets [S 3]	<ul style="list-style-type: none"> ● Options, debts and incorporeal property generally ● Any currency other than Nigeria currency ● Any form of property created by the person disposing of it, or otherwise coming to be owned without being acquired ● Goodwill ● Copyrights ● Buildings ● Chattels etc. <p>CGT also applies on payments exceeding ₦10million made to employees as compensation for loss of employment. The employer is obligated to deduct and remit the CGT to the tax authorities.</p>
Exemptions/Incentives [S 26- S 30, S 32- S 40]	These include gains from disposal of <ul style="list-style-type: none"> ● Shares and stocks ● Nigerian government securities. ● Life assurance policies. ● Main residence or dwelling house of an individual. ● Compensation for wrong or injuries suffered by an individual. ● Gains arising from takeovers, business combination or reorganisation (between related parties, where parties have been related for 365 days) ● Decorations awarded for valour or gallant conduct.
Allowances [S 14] and Reliefs [S 32]	<p>Deductions</p> <ul style="list-style-type: none"> ● Initial cost of the asset ● Stamp duties ● Cost of enhancing the value of the asset ● Expenditure incurred in establishing, preserving or defending the title to, or right over the asset ● Incidental expenses for the purpose of acquiring or disposing of the assets; and ● Cost of advertisement to find a seller during acquisition and advertisement cost to find a buyer during disposal. <p>Rollover relief</p> <p>This can be claimed where proceeds of disposal are used to purchase a new asset of the same class within 12 months before or after the disposal of the old asset. The classes of the assets eligible for relief are:</p> <p>Class 1:</p> <ul style="list-style-type: none"> - 1A: (i) Building (ii) Land - 1B: Plant or machinery which does not form part of the building <p>Class 2 - Ships Class 3 - Aircraft Class 4 – Goodwill</p>
Statute of limitations [S 42 (3)]	6 years after the end of the year of assessment in which that gain accrues.

COMPANIES INCOME TAX (CIT)

The principal law is the Companies Income Tax Act (CITA) as amended by the Finance Acts (FAs) 2019 and 2020. CITA imposes income tax on profits accruing in, derived from, brought into or received in Nigeria. It is payable by companies that are registered in Nigeria and non-resident entities carrying on business or that have a Significant Economic Presence (SEP) in Nigeria.

Item	Comment / Description
Rate(s) [S 40(1)]	<p><i>Exempted</i> - profits of Small companies (companies with annual gross turnovers of N25m or less).</p> <p>20% - Medium-sized companies (companies with gross annual turnovers greater than N25m but less than N100 million).</p> <p>30% - Large companies (Companies with annual gross turnovers higher than N100m).</p>
Taxable Income [S 9, 13]	<p>A Nigerian company (company registered in Nigeria) is liable to tax on its worldwide income being its profits accruing in, derived from, brought into, or received in Nigeria.</p> <p>Non-resident companies (NRCs) have historically been liable to tax on income derived from Nigeria, that is, income attributable to their Nigerian operations (through a fixed base, agency or single contract with offshore components and local installation). The FA 2019 and a Ministerial Order introduced the concept of Significant Economic Presence (SEP) which now includes certain NRCs as taxable in Nigeria, even without a physical presence in Nigeria. These include:</p> <ul style="list-style-type: none"> • <u>Digital, online or e-commerce activities ("Digital SEP")</u>: NRCs that earn annual revenues of N25m and above from remotely performing a range of digital activities to customers in Nigeria. Such companies will be required to file annual tax returns in Nigeria. • <u>Technical, Professional, Management and Consultancy services ("TPMC SEP")</u>: NRCs that remotely provide the above-mentioned services to customers in Nigeria. Withholding Tax (WHT) at 10% deducted by the customers is final tax for the foreign companies.
Excess Dividends Tax (EDT) [S 19]	<p>Where a company pays dividend from profit on which tax is not payable because: -</p> <ul style="list-style-type: none"> • It has no tax payable; or • Its taxable profit is less than the dividend paid. <p>The company would be taxed on such dividends as if the dividend is the total taxable profit of the company for the relevant year of assessment.</p> <p>EDT is not applicable on;</p> <ol style="list-style-type: none"> Dividends paid from retained earnings, provided that the profits have been subjected to tax under CITA or other tax laws, Dividends paid out of tax-exempt profits Dividends paid from franked investment income and Dividends paid by a Real Estate Investment Company to its shareholders
Basis of assessment [S.29]	<p>The basis of assessment for both resident and NRCs is the preceding year basis. This means tax is charged on profits for the accounting year ending in the preceding year of assessment.</p> <p>For example, if a company makes its accounts to 31 December each year, in the 2021 tax year, it will be assessed to tax on the profits computed for the accounting year ended 31 December 2020.</p> <p>Similar principles also apply on commencement and cessation of business. However, different rules apply when a company changes its accounting date.</p>
Taxation of Companies [S 9(1), 30]	<p>The Federal Inland Revenue Service (FIRS) is empowered to tax companies using a deemed profit ratio on their Nigerian revenue, where it appears to the FIRS that the true amount of the company's profits cannot be reasonably ascertained.</p> <p>In practice, the tax authorities deem profits of 20% on every income, and taxes the profit at 30%, resulting in an effective tax of 6% of turnover. The FIRS applies this practice mostly on NRCs, and on rare occasions to Nigerian companies.</p>
Minimum tax [S 14, 16, 33 (1) & (2)]	<p>This is imposed where a company has no taxable profits, or the tax payable is less than the minimum tax computed.</p> <p><u>General rules:</u></p> <p>Minimum tax is generally computed at 0.5% of a company's annual gross turnover less franked investment income</p>

Item	Comment / Description
	<p>“Gross turnover” means the gross inflow of economic benefits during the period arising in the course of the operating activities of an entity. This also includes sales of goods, supply of services, receipt of interest, rent, royalties or dividends.</p> <p><u>Insurance companies</u></p> <p>The minimum tax for Insurance Companies is imposed when the Company has tax payable which is less than the minimum tax computed at -</p> <p>a) 0.5% of gross premium for non-life insurance business b) 0.5% of gross income for life insurance business</p> <p>“Gross Premium” means the total premiums received/receivable excluding unearned and returned premiums.</p> <p>“Gross Income” means the total income earned by a life insurance business including investment income and excluding franked investment income, premiums received, and claims paid by re-insurers.</p> <p><u>Non-resident shipping and airline companies</u></p> <p>CITA also includes a minimum tax for NRCs that carry out international shipping and airline operations in Nigeria. This minimum tax is computed at 2% of revenue from outbound freight activities and is usually paid in the form of withholding tax before repatriating the income in foreign currency</p>
Exemption from minimum tax	<p>A company is exempted from minimum tax if it meets any of the following conditions:</p> <ul style="list-style-type: none"> ● It is within its first four calendar years of business. ● It has annual gross turnover of less than N25 million in the relevant year of assessment. ● It carries on primary agricultural trade or business.
Filing requirements [S 52(1), 55]	<p>Filing requirements include a self-assessment return in the prescribed form and the following supporting documents.</p> <ul style="list-style-type: none"> ● Audited accounts ● Tax and capital allowance computation ● A statement in writing containing the amount of profit for the year from each and every source. <p>It is not compulsory for the accounts submitted by Small and Medium Companies (companies that earn annual turnovers less than NGN100m) to be audited.</p> <p>For NRCs required to submit tax returns under section 13(2) of CITA, the returns should include:</p> <ul style="list-style-type: none"> ● Global/home-country audited financial statements, and a financial statement of their Nigerian operation attested by a certified Nigerian Accountant ● Tax computation schedule ● Statement of Nigerian profits, including the source ● Self-Assessment forms <p>Self-assessment forms must be signed by an authorised officer of the company.</p> <p>NRCs that create a TPMC SEP or earn only passive income (dividends, interest, royalty and rent) from Nigeria, are not required to submit tax returns, if WHT has been deducted on the income at 10%.</p>
Due date for filing [S 55(2)]	<p>Within 6 months of the company’s accounting year end. However, a new company must file its returns within 18 months from the date of incorporation or 6 months after the end of its first accounting period, whichever is earlier.</p> <p>In practice, tax returns may be delayed until the first working day of the following calendar year for companies with financial year-end dates between January and June. This is to align the tax returns with the relevant government fiscal year.</p>
Due date for payment of CIT [S 77(5) and Self-Assessment Regulations S 3]	<p>Every company shall make payments of tax due on or before the due date of filing in one lump sum or in installments.</p> <p>With respect to installments, the taxpayer is expected to write, with evidence of the first installment and obtain the approval of the revenue authority before making such installment payments and the final installments must be paid on or before the due date of filing.</p> <p>Where a company pays its tax 90 days before the due date of payment, such company shall be entitled to a bonus of</p>

Item	Comment / Description
	<ul style="list-style-type: none"> • 2% if such company is a medium sized company • 1% for any other company <p>on the amount paid, which can be utilised as tax credit against the company's future tax payable.</p>
<p>Offences and Penalties</p> <p>[S55,53,85]</p>	<p>Late filing of returns – [S 55(3) (5)]</p> <p>Failure to file tax returns attracts a penalty of ₦25,000 for the first month in which the failure occurs and ₦5,000 for each subsequent month in which the failure continues. Upon conviction, the responsible officer of the company may be liable to a fine of ₦100,000 or 2 years imprisonment or both.</p> <p>Late payment or non-payment of tax - [S 85(1)]</p> <p>Penalty is 10% of the amount of tax payable and interest at the monetary policy rate (MPR) currently plus a spread to be announced by the Finance Minister. The FIRS published a public notice in July 2017 stating that the Finance Minister approved a spread of 5%. With the MPR generally around 11.5% in 2021, this translates to interest rate at about 16.5%. However, in practice, the tax authorities assume an MPR of about 14% and therefore, assess interest at 19%.</p> <p>Incorrect returns - [S 53 (2)]</p> <p>Penalty and Interest on any outstanding tax will accrue from the date the incorrect return was filed and payment made.</p>
<p>Statute of limitations [S 66]</p>	<p>The tax authority may issue additional assessment within six years from the relevant tax year. However, the limitation does not apply in the event of a fraud, willful default or neglect by the company.</p>
<p>Correspondence - Notice of Assessment and Objections [S 68 & 69]</p>	<p>Courier service, email and other electronic means are validly recognised as means of correspondence for issuance of assessment and raising valid objections.</p>
<p>Gas Utilization Incentives [S 39]</p>	<p>Companies engaged in gas utilisation (downstream operations) may be granted the following incentives in respect of the gas utilisation operations of a company, subject to satisfactory performance of the business:</p> <ul style="list-style-type: none"> • Tax free period of up to 5 years, or 35% additional tax depreciation (investment allowance) in respect of gas infrastructure • Investment allowance of 15% after the tax-free period. • Tax free dividend during the tax -free period under certain conditions. • Accelerated capital allowance after the tax-free period. <p>The section will however not apply to companies that have or wish to claim the incentives under the Industrial Development (Income Tax Relief) Act or the Petroleum Profit Tax Act in respect of the same qualifying capital expenditure.</p>
<p>Tax waiver on Bonds [Companies Income Tax (Exemption of Bonds and Short-Term Government Securities) Order 2011]</p>	<p>The following are exempt from Companies Income Tax:</p> <ol style="list-style-type: none"> 1. Short term Federal Government securities such as Treasury Bills and Promissory Notes. 2. Bonds and Promissory Notes. 3. Bonds issued by corporate and supra-nationals and 4. Interest earned by holders of bonds and securities listed above. <p>Apart from FG securities in (1) above, the other categories are only exempt from CIT for 10 years up until 1 January 2022. It is unclear if the exemption will be extended.</p>
<p>Capital Allowance</p>	<p>These are granted on tangible non-current assets in lieu of accounting depreciation., The amortisation of most intangible assets over their useful lives is tax deductible (with the exception of internally generated intangible assets and intangible assets with indefinite lives).</p> <p>Qualifying assets and applicable rates are stated below:</p>

Item	Comment / Description																																													
	<table border="1"> <thead> <tr> <th>Qualifying Expenditure</th> <th>Initial Allowance</th> <th>Annual Allowance</th> </tr> </thead> <tbody> <tr> <td>Building (Industrial & Non-Industrial)</td> <td>15%</td> <td>10%</td> </tr> <tr> <td>Mining</td> <td>95%</td> <td>Nil</td> </tr> <tr> <td>Plant:</td> <td></td> <td></td> </tr> <tr> <td>• Agriculture Production</td> <td>95%</td> <td>Nil</td> </tr> <tr> <td>• Others</td> <td>50%</td> <td>25%</td> </tr> <tr> <td>Furniture and Fittings</td> <td>25%</td> <td>20%</td> </tr> <tr> <td>Motor Vehicles:</td> <td></td> <td></td> </tr> <tr> <td>• Public transportation</td> <td>95%</td> <td>Nil</td> </tr> <tr> <td>• Others</td> <td>50%</td> <td>25%</td> </tr> <tr> <td>Plantation Equipment</td> <td>95%</td> <td>Nil</td> </tr> <tr> <td>Housing Estate</td> <td>50%</td> <td>25%</td> </tr> <tr> <td>Ranching and Plantation</td> <td>30%</td> <td>50%</td> </tr> <tr> <td>Research and Development</td> <td>95%</td> <td>Nil</td> </tr> <tr> <td>Software*</td> <td>Unspecified</td> <td>Unspecified</td> </tr> </tbody> </table> <p><i>(IA = Initial Allowance, AA = Annual Allowance)</i></p> <p>*Capital expenditure incurred on the development or acquisition of software and capital outlays on electronic applications are now recognised as qualifying expenditure for the claim of capital allowances.</p>	Qualifying Expenditure	Initial Allowance	Annual Allowance	Building (Industrial & Non-Industrial)	15%	10%	Mining	95%	Nil	Plant:			• Agriculture Production	95%	Nil	• Others	50%	25%	Furniture and Fittings	25%	20%	Motor Vehicles:			• Public transportation	95%	Nil	• Others	50%	25%	Plantation Equipment	95%	Nil	Housing Estate	50%	25%	Ranching and Plantation	30%	50%	Research and Development	95%	Nil	Software*	Unspecified	Unspecified
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Investment Allowance	<p>This is an additional allowance granted at the rate of 10%, to companies that incur expenditure on plant and equipment. It is an uplift to the tax depreciation available in respect of plant and equipment (resulting in a 110% allowance). It is not considered in determining the tax written down value of the asset. It is calculated on cost and granted in the year of assessment in which the asset is first put into use.</p> <p>Rural investment tax relief is available to businesses on infrastructure costs incurred if located not less than 20km away from the following facilities at the rates below:</p> <table border="1"> <tbody> <tr> <td>No facilities at all</td> <td>100%</td> </tr> <tr> <td>No electricity</td> <td>50%</td> </tr> <tr> <td>No water</td> <td>30%</td> </tr> <tr> <td>No tarred (paved) road</td> <td>15%</td> </tr> </tbody> </table>	No facilities at all	100%	No electricity	50%	No water	30%	No tarred (paved) road	15%																																					
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Transfer Pricing Regulations [TP Regulation /S 22 (CITA)]	<p>The Income Tax (Transfer Pricing) Regulations, 2018 (“TP Regulations”) was published in August 2018 to replace the Income Tax (Transfer Pricing) Regulations 2012. The TP Regulations are applicable to accounting periods commencing after 19 March 2018.</p> <p>The TP Regulations require companies to file TP declaration and TP disclosure forms along with the income tax returns every year. While the TP declaration form requires companies to provide information about its business, its parent company, its directors and its related parties; the TP disclosure form requires companies to report the values of related party transactions engaged in during the reporting period. After the first filing, updated TP declaration forms need to be filed where there are changes to the information provided.</p>																																													

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	<p>TP documentation (containing a master file and a local file) is required to demonstrate that pricing of related party transactions comply with the arm's length principle. This documentation must be in place when filing the income tax and transfer pricing returns with the FIRS. Companies with annual related party transactions under N300 million are exempted.</p> <p>The Nigeria TP Regulations are to be applied in a manner consistent with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, and the UN Practical Manual on Transfer Pricing for Developing Countries.</p>														
<p>Interest deductibility rules (Schedule 7)</p>	<p>Tax deduction for interest on foreign related-party loans is restricted to 30% of a company's Earnings Before Interest Tax Dividend and Amortisation (EBITDA). Annual interest expenses above this cap can be carried forward for a maximum of 5 years, after which they will be deemed to have lapsed.</p>														
<p>Offences and penalties</p>	<p>The TP Regulations introduced penalties for different offences/acts of non-compliance as summarised below:</p> <table border="1" data-bbox="453 719 1434 1491"> <thead> <tr> <th data-bbox="453 719 863 779">Type of offence</th> <th data-bbox="863 719 1434 779">Penalty</th> </tr> </thead> <tbody> <tr> <td data-bbox="453 779 863 875">Failure to file TP declaration</td> <td data-bbox="863 779 1434 875">₦10million in the first instance and ₦10,000 for every day failure continues.</td> </tr> <tr> <td data-bbox="453 875 863 987">Failure to file updated TP declaration/provide notification about directors</td> <td data-bbox="863 875 1434 987">₦25,000 for every day in which the default continues.</td> </tr> <tr> <td data-bbox="453 987 863 1144">Failure to file TP disclosure</td> <td data-bbox="863 987 1434 1144">higher of: ₦10million or 1% of the value of related party transactions not disclosed; and ₦10,000 for every day in which the default continues.</td> </tr> <tr> <td data-bbox="453 1144 863 1227">Incorrect disclosure of transactions</td> <td data-bbox="863 1144 1434 1227">higher of: ₦10million or 1% of the value of related party transactions incorrectly disclosed.</td> </tr> <tr> <td data-bbox="453 1227 863 1346">Failure to provide TP documentation within the time specified under the Regulations</td> <td data-bbox="863 1227 1434 1346">higher of: ₦10million or 1% of the total value of all controlled transactions; and ₦10,000 for every day in which the default continues.</td> </tr> <tr> <td data-bbox="453 1346 863 1491">Failure to furnish information or documents within the time specified by FIRS</td> <td data-bbox="863 1346 1434 1491">1% of the value of each related party transaction for which information or document for which information relates; and ₦10,000 for every day in which the default continues.</td> </tr> </tbody> </table>	Type of offence	Penalty	Failure to file TP declaration	₦10million in the first instance and ₦10,000 for every day failure continues.	Failure to file updated TP declaration/provide notification about directors	₦25,000 for every day in which the default continues.	Failure to file TP disclosure	higher of: ₦10million or 1% of the value of related party transactions not disclosed; and ₦10,000 for every day in which the default continues.	Incorrect disclosure of transactions	higher of: ₦10million or 1% of the value of related party transactions incorrectly disclosed.	Failure to provide TP documentation within the time specified under the Regulations	higher of: ₦10million or 1% of the total value of all controlled transactions; and ₦10,000 for every day in which the default continues.	Failure to furnish information or documents within the time specified by FIRS	1% of the value of each related party transaction for which information or document for which information relates; and ₦10,000 for every day in which the default continues.
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Failure to furnish information or documents within the time specified by FIRS	1% of the value of each related party transaction for which information or document for which information relates; and ₦10,000 for every day in which the default continues.														
<p>Country by Country Reporting</p>	<p>The Income Tax (Country by Country Reporting) Regulations, 2018 ("CbC Regulations) was issued in June 2018.</p> <p>Scope: This is applicable to:</p> <ul style="list-style-type: none"> Accounting years commencing 1 January 2018. Multinational enterprises (MNEs) with consolidated group revenues of ₦160 billion (US\$ 522 million) and above. <p>MNEs headquartered in Nigeria are to prepare and submit annual CbC reports, no later than 12 months after the last day of the MNE group's accounting year end.</p> <p>Prior to the submission of the CbC reports, Nigeria headquartered MNEs will be required to notify the FIRS (in the format provided) that they are the party with the responsibility for filing the CbC reports on or before the last day of the group's accounting year end.</p> <p>Subsidiaries of MNEs (who meet the threshold) with headquarters outside or in Nigeria are to notify the FIRS of the identity and tax residence of the entity within the group who has the responsibility to file the CbC report on behalf of the group. This notification (in the format provided) must be made on or before the last day of the group's accounting year end.</p> <p>Groups that operate solely in Nigeria are not affected by the Regulations.</p>														

Item	Comment / Description
Offences and penalties	<p>Failure to file a CbC report attracts a penalty of ₦10 million in the first instance and additional ₦1 million for every month in which the failure continues.</p> <p>False declaration or filing incorrect information attracts a penalty of ₦10 million.</p> <p>Failure to provide notification attracts a penalty of ₦5 million in the first instance and additional ₦10,000 for every day of default.</p>
Common Reporting Standards (CRS) Regulations	<p>The CRS Regulations became effective on 1 July 2019 and requires Reportable Financial Institutions (RFIs) to submit an electronic information return (i.e., a return that reports specified financial account information of certain persons) to the FIRS on an annual basis.</p> <p>Reportable Financial institutions include:</p> <ol style="list-style-type: none"> 1. Depository Institutions – entities that accept deposits in the ordinary course of business. i.e. commercial banks etc 2. Custodial institutions – businesses that hold financial assets such as equity and debt instruments and other similar financial investments for customers. i.e., custodian banks/asset management companies and brokers. 3. Investment entities – businesses that trade in money markets, provide portfolio management or other investment services, or manage financial assets or cash, on behalf of clients. i.e. asset/portfolio management companies etc 4. Insurance companies that issue or are obligated to make payments with respect to cash value insurance or annuity contracts. This category will generally include life insurance companies. <p>The deadline for compliance with the regulation is 31 May of the year following the calendar year to which the returns relate. The administrative penalties for non-compliance are:</p> <ul style="list-style-type: none"> • Failure to comply with the CRS obligations, attracts a penalty of ₦10 million and ₦1 million every month the failure continues; • Failure to file information return: ₦10 million in the first month and ₦1 million every month the failure continues; • Filing false or incorrect information returns: ₦5 million and any other penalty prescribed in the Act.

INFORMATION TECHNOLOGY TAX

IT Tax is payable by specified companies with turnover of ₦100 million and above. The tax when paid is tax deductible for company income tax purposes. The tax is governed by the National Information Technology Development Act (NITDA) 2007.

Item	Comment / Description
Rate [S 12 (2) (a)]	1% of profit before tax.
Taxable companies NITDA Schedule 111	<ul style="list-style-type: none"> • GSM service providers and all telecommunications companies • Cyber companies and internet providers • Pension managers and pension related companies • Banks and other financial institutions* • Insurance companies <p>*While there is no definition of "Other Financial Institutions" (OFIs) in the NITDA Act, the Banks and Other Financial Institutions Act 2020 (New BOFIA) extends the meaning of "Other Financial Institutions" to include Credit Bureaus, International Money Transfer Services, Mortgage Refinance, Mortgage Guarantee, Credit Guarantee, Credit Guarantee, Financial Holding Companies or Payment Service Providers, and Businesses whose Principal objects include Factoring (regardless of whether such businesses are conducted digitally, virtually or electronically only)</p>
Filing requirements and due date [S 16 (2) (3)]	IT Tax is assessed by the FIRS and is payable within 60 days of service of a notice of assessment. In practice companies self-assess the tax along with CIT returns.

Item	Comment / Description								
Offences and Penalties [S 16(4)]	<table border="1"> <thead> <tr> <th>Offence</th> <th>Penalty</th> </tr> </thead> <tbody> <tr> <td>S 16 (4): Nonpayment within specified time</td> <td>Unpaid tax plus 2% of the tax payable.</td> </tr> <tr> <td>S 18 (1) (a): First offence when penalties are not stated</td> <td>₦200,000 or one year imprisonment or both.</td> </tr> <tr> <td>S 18 (1) (b): Second and subsequent offence</td> <td>₦500,000 or three year imprisonment or both.</td> </tr> </tbody> </table>	Offence	Penalty	S 16 (4): Nonpayment within specified time	Unpaid tax plus 2% of the tax payable.	S 18 (1) (a): First offence when penalties are not stated	₦200,000 or one year imprisonment or both.	S 18 (1) (b): Second and subsequent offence	₦500,000 or three year imprisonment or both.
	Offence	Penalty							
	S 16 (4): Nonpayment within specified time	Unpaid tax plus 2% of the tax payable.							
	S 18 (1) (a): First offence when penalties are not stated	₦200,000 or one year imprisonment or both.							
S 18 (1) (b): Second and subsequent offence	₦500,000 or three year imprisonment or both.								

PERSONAL INCOME TAX

Personal Income Tax (PIT) is a tax levied on individuals including employees, partners in a partnership, unincorporated trust, joint ventures, families and communities. It is imposed based on source and residency rules.

Item	Comment / Description														
Rates [Schedule 6]	<p>PIT rate is applied on a graduated scale and taxable income bands as set out below:</p> <table border="1"> <thead> <tr> <th>Tax Band (₦)</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>First 300,000</td> <td>7</td> </tr> <tr> <td>Next 300,000</td> <td>11</td> </tr> <tr> <td>Next 500,000</td> <td>15</td> </tr> <tr> <td>Next 500,000</td> <td>19</td> </tr> <tr> <td>Next 1,600,000</td> <td>21</td> </tr> <tr> <td>Above 3,200,000</td> <td>24</td> </tr> </tbody> </table> <p>Those earning minimum wage or less from employment are exempt from PIT.</p> <p>Note: As a result of the consolidated relief allowance of at most 21% of gross income, the top marginal tax rate is 18.96% for income above ₦20 million as only 79% of income is taxed at 24%, while for income below ₦20 million the top marginal rate is 19.2%. (See reliefs and allowances below).</p>	Tax Band (₦)	Rate (%)	First 300,000	7	Next 300,000	11	Next 500,000	15	Next 500,000	19	Next 1,600,000	21	Above 3,200,000	24
Tax Band (₦)	Rate (%)														
First 300,000	7														
Next 300,000	11														
Next 500,000	15														
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Next 1,600,000	21														
Above 3,200,000	24														
Minimum tax [S 37, Schedule 6]	<p>Every taxable person (excluding persons who earn the minimum wage or below) is liable to a minimum income tax of 1% of their gross income. This is triggered where actual tax payable after all reliefs and allowances is less than 1% of gross income.</p> <p>Minimum tax will not apply to a person in any year of assessment where such person earns the National Minimum Wage or less from an employment.</p>														
Treatment of Benefits in Kind [S 4, 5]	<p>Benefits in Kind (BIK) provided to an employee by the employer such as official cars, accommodation, etc. are deemed to be part of the employee's gross emoluments. For items other than accommodation, the deemed annual benefit is 5% of the cost where the asset is owned by the employer or the actual rent paid where the asset is leased by the employer.</p> <p>BIK on accommodation is taxable based on the annual value of the premises as determined for purposes of local rates or as determined by the relevant tax authority.</p>														
Taxable Income/Significant Economic Presence Rules [S 6, 6A, 10]	<p><u>Business income</u></p> <p>PIT is applicable on the business income earned by individuals, partnerships, trusts and other unincorporated entities which generally have an identifiable place of operation in Nigeria.</p> <p>In addition, the FA 2020 amends PITA to provide that income earned by non-resident individuals, executors and trustees from technical, professional, management, or</p>														

Item	Comment / Description														
	<p>consultancy (TPMC) services remotely provided to a person resident in Nigeria shall be subject to a final 10% WHT in Nigeria, if the non-resident individual has a significant economic presence (SEP) in Nigeria. The Act does not specify what constitutes a SEP but empowers the Minister of Finance to do so through an Order.</p> <p>Other conditions that create PIT obligation include:</p> <ul style="list-style-type: none"> the individual, executor or trustee habitually operates a trade or business through a person in Nigeria authorised to conclude contracts on his behalf; the trade or business in Nigeria involves a single contract for surveys, deliveries, installations or construction; or the trade or business is carried out in a manner which in the opinion of the relevant tax authority is deemed to be artificial. <p>The PIT so determined will be payable to the relevant state tax authority where the individuals, partners, trustees are resident.</p> <p><u>Employment income</u></p> <p>In the case of employment income, a person is liable to tax under two criteria:</p> <ol style="list-style-type: none"> If the duties of employment are wholly or partly performed in Nigeria, unless: <ul style="list-style-type: none"> the duties are performed on behalf of an employer who is in a country other than Nigeria, and the remuneration of the employee is not borne by a fixed base of the employer in Nigeria; and the employee is not in Nigeria for a period or periods amounting to an aggregate of 183 days or more, inclusive of annual leave or temporary period of absence in any period; and the remuneration of the individual is liable to tax in that other country under the provisions of the avoidance of double taxation treaty with that other country. If the employer is in Nigeria unless the employment duties are wholly performed, and the remuneration paid outside Nigeria. 														
<p>Reliefs/ Deductions [S 33, 20, Schedule 6]</p>	<table border="1"> <tbody> <tr> <td data-bbox="483 1088 740 1193">Consolidated relief allowance</td> <td data-bbox="745 1088 1445 1193">Higher of ₦200,000 and 1% of gross income, plus 20% of gross income*</td> </tr> <tr> <td data-bbox="483 1200 740 1397">Deductions allowed</td> <td data-bbox="745 1200 1445 1397">NHF contribution, National Health Insurance Scheme, Life Assurance Premium, Pension Scheme and Gratuities. Only pension contributions to schemes recognised under the Pension Reform Act are allowable as a deduction for tax purposes. Contributions to foreign pension funds are not deductible for tax purposes.</td> </tr> <tr> <td data-bbox="483 1404 740 1509">Reimbursements</td> <td data-bbox="745 1404 1445 1509">Expenses incurred in the performance of employment duties from which it is not intended that the employee should make any gain or profit.</td> </tr> <tr> <td data-bbox="483 1516 740 1621">Interest and dividend</td> <td data-bbox="745 1516 1445 1621">Interest earned from treasury bills, government and corporate bonds are exempt while withholding tax at 10% is the final tax on other interests and dividends.</td> </tr> <tr> <td data-bbox="483 1628 740 1733">Interest on mortgage</td> <td data-bbox="745 1628 1445 1733">Interest paid on mortgage loan for owner's occupied property in any year is granted as a relief in the following year.</td> </tr> <tr> <td data-bbox="483 1740 740 1845">Life assurance premium</td> <td data-bbox="745 1740 1445 1845">Life assurance premium paid in the prior year is granted as a relief in the current year. Only policy on the life of the individual and spouse is eligible.</td> </tr> <tr> <td data-bbox="483 1852 740 1993">Disability allowance</td> <td data-bbox="745 1852 1445 1993">A deduction of ₦3000 or 20% of earned income, whichever is higher, in the case of a disabled person who uses special equipment or the services of an attendant in the course of a paid employment.</td> </tr> </tbody> </table>	Consolidated relief allowance	Higher of ₦200,000 and 1% of gross income, plus 20% of gross income*	Deductions allowed	NHF contribution, National Health Insurance Scheme, Life Assurance Premium, Pension Scheme and Gratuities. Only pension contributions to schemes recognised under the Pension Reform Act are allowable as a deduction for tax purposes. Contributions to foreign pension funds are not deductible for tax purposes.	Reimbursements	Expenses incurred in the performance of employment duties from which it is not intended that the employee should make any gain or profit.	Interest and dividend	Interest earned from treasury bills, government and corporate bonds are exempt while withholding tax at 10% is the final tax on other interests and dividends.	Interest on mortgage	Interest paid on mortgage loan for owner's occupied property in any year is granted as a relief in the following year.	Life assurance premium	Life assurance premium paid in the prior year is granted as a relief in the current year. Only policy on the life of the individual and spouse is eligible.	Disability allowance	A deduction of ₦3000 or 20% of earned income, whichever is higher, in the case of a disabled person who uses special equipment or the services of an attendant in the course of a paid employment.
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Item	Comment / Description		
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Relocation allowances	Reasonable removal expenses which may include a temporary subsistence allowance incurred by the employer by reason of a change of the employee's employment which requires such employee to change his place of residence.		
Information to be provided by bankers [S 49]	Individuals intending to open a bank account for the purpose of the person's business operations shall provide a Tax Identification Number (TIN) as a condition for opening or operating such bank account		
Filing and due dates [S 41(3)]	Individuals are to file returns not later than 31 March annually in respect of the preceding year. Employers are required to file the following documents: <ul style="list-style-type: none"> • Employers' Declaration Form (Form H1): showing the income of the employees, taxes deducted and remitted in the preceding year. This is due by 31 January. • Employers' Remittance Card (Form G): showing the monthly remittances and reference number on the receipt. Copies of the receipt are to accompany the form G. • Declaration of estimated income and application for tax reliefs (Form A). 		
Due date for payment [S 41(3), 81]	PAYE must be remitted on or before the 10th day of the month following the payment of salary (e.g., PAYE tax deducted from January salary should be remitted by 10th of February). For individuals under direct assessment, payment must be made along with returns within 90 days of the fiscal year i.e., not later than 31 March.		
Correspondence - Notice of Assessment and Objections [S 58]	Courier service, email and other electronic means are validly recognised as means of correspondence for issuance of assessment and raising valid objections.		
Penalty for non- payment of tax [S 76, 77]	10% per annum of the amount plus interest on an annual basis at bank lending rate (in practice a one-off interest rate of 15% to 21% is applied). Late filing attracts a fine of ₦500,000 in the case of corporate bodies, and ₦50,000 in the case of individuals		
Statute of Limitation [S 55]	6 years except in the event of a fraud, willful default or neglect by the taxable person in which case there is no limitation.		

PETROLEUM INDUSTRY ACT (PIA)

The PIA was enacted into law on 16 August 2021. The PIA provides the fiscal framework for regulating the Nigerian Petroleum Industry. It is expected that the existing fiscal laws will continue to exist till when all Oil Prospecting Licences and Oil Mining Licences convert to the fiscal framework in the PIA.

Items	Comments
Rate [S 261, 267,302 of PIA] [S 40 of CITA]	<p>Companies that carry out upstream petroleum operations will be subject to both Companies Income Tax (CIT) at 30%, and Hydrocarbon Tax (HCT). HCT rates are as follows:</p> <ul style="list-style-type: none"> • Converted/renewed Onshore and Shallow Offshore (PML)- 30%; or • Onshore and Shallow Onshore (Prospecting Petroleum Licence & Marginal Fields) - 15% • Deep offshore are exempt from HCT <p>This means that the highest headline tax rate for companies in the upstream oil and gas industry will be 60%.</p> <p>Current OML and OPL holders will continue to be taxed in line with the Petroleum Profits Tax Act (PPTA) unless a conversion contract is executed in line with the provisions of the PIA.</p>

Items	Comments
Tertiary Education Tax (TET)	Tertiary Education Tax (TET) is computed at 2% of assessable profit. TET is not tax deductible for HCT purposes.
Conversion Contracts [S 92 (1 -7) of PIA]	<p>Existing Oil Prospecting Licence (OPL) or Oil Mining Licence (OML) holders can opt into the fiscal terms of the PIA by executing a Conversion Contract within 18 months from the effective date of the PIA.</p> <p>The Conversion Contract will include the following clauses:</p> <ul style="list-style-type: none"> ● Termination of all court and arbitration cases; ● Termination of all stability provisions provided by the Nigerian National Petroleum Corporation (NNPC); ● A requirement to relinquish up to 60% of the total acreage; and ● Forfeiture of available investment tax allowances and investment tax credits.
Royalties [Schedule VII (6-11) of PIA]	<p>Royalty rates will be based on production and price.</p> <p>The applicable royalty rates for production of crude oil:</p> <ul style="list-style-type: none"> ● Onshore areas - 15% ● Shallow waters - 12.5% ● Deep offshore (greater than 200m water depth) - 7.5% ● frontier basins - 7.5% <p>Additional royalties based on price for crude oil and condensates to be remitted to the Nigerian Sovereign Investment Authority as stated below:</p> <ul style="list-style-type: none"> ● Below USD50 per barrel - 0% ● At USD100 per barrel - 5% ● Above USD150 per barrel - 10% ● Between USD50 and USD100 per barrel or USD100 and USD150 per barrel, the royalty by price is to be determined based on linear interpolation. <p>Royalty for gas:</p> <p>5% royalty will apply to the production of natural gas and natural gas liquids. This is reduced to 2.5% where the natural gas is produced and utilised in Nigeria.</p>
Cost Price Ratio for deductible expenses [S 266, Schedule VI of PIA]	Deductible costs under HCT will be capped at 65% of Gross Revenue. This includes capital allowances and all operating expenses. Where costs exceed 65%, the excess will be carried forward to subsequent years of assessment. The costs exempted from this restriction are production rent, royalty, amounts contributed to Niger Delta Development Commission, Host Communities Development Trust, Environmental Remediation Fund and other similar contributions and Production allowance.
Production Allowances [Schedule VI (1 & 2) of PIA]	<p>This allowance will be computed based on production.</p> <p>The rates for production allowance are:</p> <ul style="list-style-type: none"> ● New acreages - the lower of 20% of the fiscal oil price and USD 8 per barrel volume (this reduces to \$4 per barrel) where cumulative maximum production arrives at 50 million barrels for Onshore areas, 100 million barrels for Shallow areas and 500 million barrels for Deep offshore areas and Frontier Basins. ● Converted acreages - the lower of 20% of the fiscal oil price and USD 2.50 per barrel for production. <p>Additional regulation will be published in relation to the calculation of this allowance.</p>
Licences and Leases [S 70, 71, 72]	<p>The tenure for licenses to be issued for upstream operations are:</p> <ul style="list-style-type: none"> ● Petroleum Exploration License - 3 years ● Petroleum Prospecting License - 6 years (onshore and shallow waters) and 10 years (deep offshore and frontier) ● Petroleum Mining Lease - 20 years
Taxable companies [S 2 of PIA]	Depending on the relevance of the tax to the specific stream, the provisions of the Act are applicable to companies engaged in upstream, midstream and downstream operations

Items	Comments
Incentives [S 260, 302 of PIA, S 39 of CITA]	<ul style="list-style-type: none"> Price royalties do not apply to gas and production from Frontier acreages. HCT will not apply to deep offshore areas and profits derived from certain gas operations Gas Utilisation incentives as included in CITA, apply to Midstream and Downstream Gas operations. This includes Large scale gas utilisation industries such as Petrochemicals, Fertilizer, Liquefied Natural Gas etc. The incentives include: <ul style="list-style-type: none"> tax free period of up to 5 years, or 35% additional tax depreciation (investment allowance) in respect of gas infrastructure Investment allowance of 15% after the tax-free period. Tax free dividend during the tax -free period under certain conditions. Accelerated capital allowance after the tax-free period. An additional 5-years tax holiday will be granted to investors in gas pipelines in addition to the Gas Utilisation incentives highlighted above.
Payment due dates [S 291]	For upstream petroleum operations, tax is payable on an actual year basis in 12 equal monthly installments with a final 13th instalment (if there is an underpayment). The first instalment for the year is due by the end of March of the fiscal year.
Filing requirements [S 277]	<ul style="list-style-type: none"> Companies engaged in upstream petroleum operations shall submit returns, in a form prescribed by the FIRS, of its estimated tax for such accounting period. Estimated tax returns (ETR) must be filed within two months of the fiscal year (which runs from 1 January to 31 December). If there is a change in parameters for determining the estimated tax (e.g., volume, price, etc) that would lead to an upward adjustment in the ETR, the company is supposed to file a revised ETR within 1 month. Actual tax returns must be filed within five months after the end of the accounting period, that is, not later than 31 May. Companies engaged in upstream petroleum operations will also be taxed under CIT and are required to settle their CIT liability on an actual year basis
Offences and Penalties [S 292, 297 - 300]	<ul style="list-style-type: none"> Late submission of returns for HT and CIT - initial penalty of ₦10,000,000 and ₦2,000,000 for each day such failure continues Late payment of tax or failure to recompute and file a revised ETR where there are changes in the prices, costs or volumes attracts a penalty of interest at LIBOR + 10% on additional tax that would have been payable if revised return had been submitted.
Other taxes	<ul style="list-style-type: none"> Midstream and Downstream Gas Infrastructure Fund (0.5% of the wholesale price of petroleum products and natural gas sold in Nigeria and collected from wholesale customers) 0.5% of the wholesale price of petroleum products sold in Nigeria and collected from wholesale customers to fund the Nigeria Midstream and Downstream Petroleum Regulatory Authority Host Community Trust Fund (3% of annual operating expenditure in prior year) Environmental Remediation Fund (based on the size of operations and the level of environmental risk). This will be determined by the regulatory authorities.

PETROLEUM PROFITS TAX (PPT)

PPT is levied on the income of companies engaged in the upstream petroleum operations, that have not executed a conversion contract in line with the Petroleum Industry Act.

Items	Comments
Rate [S 21(1) (2) of PPTA, S 3 of the Deep Offshore & Inland Basin Production Sharing Contracts (PSC) Act (2019)]	<ul style="list-style-type: none"> 85% for petroleum operations carried out under a Joint Venture (JV) arrangement with the Nigerian National Petroleum Corporation (NNPC) or any traditional oil concession after 5 years. 65.75% for non-PSC operation in its first 5 years during which the company has not fully amortised all pre-production capitalised expenditure 50% for petroleum operations under Production Sharing Contracts (PSC).

Items	Comments																		
<p>Applicable royalties</p> <p>[Petroleum Drilling & Production Regulations – S61 (1)(a)]</p>	<p>Rates: The holder of an Oil Prospecting License (OPL) or an Oil Mining Lease (OML) is required to pay royalties to the Federal Government as soon as production begins. This is usually in the form of monthly cash payments at the prescribed rate or by way of royalty oil.</p> <p>In respect of JV Operations, the rates are:</p> <table border="1" data-bbox="472 324 1423 521"> <thead> <tr> <th>Area</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Onshore production</td> <td>20</td> </tr> <tr> <td>Offshore production up to 100 metres water depth</td> <td>18.50</td> </tr> <tr> <td>Offshore production beyond 100 metres water depth</td> <td>16.66</td> </tr> </tbody> </table>	Area	Rate (%)	Onshore production	20	Offshore production up to 100 metres water depth	18.50	Offshore production beyond 100 metres water depth	16.66										
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<p>[Deep Offshore & Inland BasinPSC Act (2019) – S 5]</p>	<p>In respect of PSCs the royalty rates are calculated on a field basis. That is, the chargeable volume of crude and condensates produced per field. depth of water from which the oil is produced. These are:</p> <table border="1" data-bbox="459 696 1423 817"> <thead> <tr> <th>Area</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Fields greater than 200m water depth</td> <td>10</td> </tr> <tr> <td>Frontier or inland basin</td> <td>7.5</td> </tr> </tbody> </table> <p>An additional royalty rate is imposed to account for an increase in price of crude in excess of \$20 per barrel.</p> <table border="1" data-bbox="459 927 1423 1178"> <thead> <tr> <th>Price per barrel</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>\$0 to \$20</td> <td>0</td> </tr> <tr> <td>>\$20 to \$60</td> <td>2.5</td> </tr> <tr> <td>>\$60 to \$100</td> <td>4</td> </tr> <tr> <td>>\$100 to \$150</td> <td>8</td> </tr> <tr> <td>Above \$150</td> <td>10</td> </tr> </tbody> </table>	Area	Rate (%)	Fields greater than 200m water depth	10	Frontier or inland basin	7.5	Price per barrel	Rate (%)	\$0 to \$20	0	>\$20 to \$60	2.5	>\$60 to \$100	4	>\$100 to \$150	8	Above \$150	10
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<p>[Marginal Field Operations (Fiscal Regime) Regulations S.I. No. 8 2006 paragraph 2]</p>	<p>The Marginal field operations royalty rates are:</p> <table border="1" data-bbox="472 1308 1433 1559"> <thead> <tr> <th>Area</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Production below 5,000 bpd</td> <td>2.5%</td> </tr> <tr> <td>Production between 5,000 and 10,000 bpd</td> <td>7.5%</td> </tr> <tr> <td>Production between 10,000 and 15,000 bpd</td> <td>12.5%</td> </tr> <tr> <td>Production between 15,000 and 25,000 bpd</td> <td>18.5%</td> </tr> </tbody> </table>	Area	Rate (%)	Production below 5,000 bpd	2.5%	Production between 5,000 and 10,000 bpd	7.5%	Production between 10,000 and 15,000 bpd	12.5%	Production between 15,000 and 25,000 bpd	18.5%								
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<p>[Petroleum Act Section 61(b)]</p>	<p>The gas royalty rates are:</p> <table border="1" data-bbox="472 1650 932 1803"> <thead> <tr> <th>Area</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Onshore</td> <td>7%</td> </tr> <tr> <td>Offshore</td> <td>5%</td> </tr> </tbody> </table>	Area	Rate (%)	Onshore	7%	Offshore	5%												
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<p>[Taxable companies S 8(1), 2(1)]</p>	<p>PPT is levied on upstream income of companies engaged in petroleum operations that have not executed a conversion contract in line with the Petroleum Industry Act.</p> <p>Petroleum operations is defined as the winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of a business carried on by the company engaged in such operations, and all operations incidental thereto and any sale of or any disposal of chargeable oil by or on behalf of the company.</p>																		

Items	Comments												
Exemptions/Incentives [S 60 (1) S 10 (1) and 11(1, 2) of PPTA, the Deep Offshore PSC Act S 5]	<p>In addition to investment allowances, the following incentives are available to upstream companies:</p> <ul style="list-style-type: none"> • Graduated royalty rates and lower PSC tax rates to encourage offshore production • Tertiary Education Tax is treated as a tax-deductible expense for petroleum companies • Gas income is taxable at CIT rate of 30% while capital investment costs for gas are deductible as capital allowances against crude oil income at the higher PPT rate. <p><i>Section 24 of the FA 2019 deleted the PPTA provision that exempted dividends paid out of Petroleum Profits from further taxes. Therefore, WHT at 10% applies on payment of dividends, subject to treaty relief (if any).</i></p>												
[Schedule II (paragraph 5) of PPTA]	<p>Investment Allowance Petroleum Investment Allowance (PIA) is granted to a petroleum company in the first year a Qualifying Capital is incurred. The following PIA rates are applicable to companies in JV operations:</p> <table border="1"> <thead> <tr> <th>QCE for</th> <th>Rate %</th> </tr> </thead> <tbody> <tr> <td>Onshore operations</td> <td>5</td> </tr> <tr> <td>Offshore operations</td> <td></td> </tr> <tr> <td>- Up to and including 100m of water depth</td> <td>10</td> </tr> <tr> <td>- Between 100m and 200m water depth</td> <td>15</td> </tr> <tr> <td>- Beyond 200m water depth</td> <td>20</td> </tr> </tbody> </table> <p>PSC Operations are entitled to Investment Tax Credit (ITC) at 50% of QCE for PSC executed prior to July 1998 and investment tax allowance (ITA) of 50% for PSC executed with effect from July 1998.</p>	QCE for	Rate %	Onshore operations	5	Offshore operations		- Up to and including 100m of water depth	10	- Between 100m and 200m water depth	15	- Beyond 200m water depth	20
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[Schedule II (paragraph 6) of PPTA]	<p>Annual Allowance</p> <p>This is granted in addition to PIA, ITC, and ITA in lieu of depreciation. The rate is 20% for all categories of QCE in the first four years and 19% in the fifth year. The balance of 1% is retained in the books until the QCE is disposed of.</p>												
Filing requirements [S 30(2), 33]	<ul style="list-style-type: none"> • Companies engaged in petroleum operations shall submit returns, in a form prescribed by the FIRS, of its estimated tax for such accounting period. • Estimated tax returns must be filed within two months of the fiscal year (which runs from 1 January to 31 December). • Actual tax returns must be filed within five months after the end of the accounting period, that is, not later than 31 May. 												
Due dates [S 45, 30(2), 33]	<p>Tax is payable on an actual year basis in 12 equal monthly installments with a final 13th instalment (if there is an underpayment). The first instalment for the year is due by the end of March.</p>												
Offences and Penalties S 46(1)a, S 51	<ul style="list-style-type: none"> • Late submission of returns: Initial penalty of ₦10,000 and • ₦2,000 for each day such failure continues • Late payment of tax: 5% of the tax payable 												
Statute of limitations [S 36]	<p>The tax authority may carry out tax audits and issue additional assessments within six years from the relevant tax year. However, the limitation does not apply in the event of a fraud, willful default or neglect by the company.</p>												
NDDC Levy [S 14, NDDC Act 2000]	<p>The Act requires every oil and gas company operating onshore and offshore the Niger Delta to pay 3% of its annual budget to the Fund established by the Act.</p>												

TERTIARY EDUCATION TAX (TET)

TET is payable by all Nigerian companies on assessable profits, that is, tax-adjusted profits before deducting capital allowances and prior year tax losses. The relevant law is the Tertiary Education Trust Fund (Establishment etc.) Act 2011, as amended.

Item	Comments / Description
Rate [S 1 (2)]	2%
Taxable persons [S 1(2)]	All companies registered in Nigeria.
Exemptions [S 1(2)]	Non-Resident Companies (NRCs) and all unincorporated entities are exempted from Tertiary Education Tax. Small companies (with annual turnovers of 25 million and below) are exempted from Tertiary Education Tax.
Filing requirements	There is no specific filing requirement. However, in practice, the tax is self- assessed by filling form 4D-EDT together with CIT.
Due dates [S 2(2)]	Based on the Tertiary Education Tax Act, the FIRS is required to issue assessments for the tax which must be paid within 60 days of the service of notice of assessment. In practice, the tax is self-assessed and paid 6 months after the accounting year end date.
Statute of limitation [S 36 of CITA]	The FIRS may raise additional assessment within six years from the relevant year of assessment. However, in the event of a fraud, willful default or neglect by the company, the statute of limitation will not apply.

WITHHOLDING TAX

Withholding TAX (WHT) is an advance payment of income tax deductible at source on specified transactions. It can be applied as a tax credit against income tax liability in most instances. The relevant provisions are in the CITA, PITA, PPTA, and WHT Regulations.

Items	Comments / Description		
Rates CITA S 78 - S 81, PITA S 68 - S 72, and WHT Regulations	Transactions	Companies	Individual
	Dividends, Interest and Rent	10%	10%
	Royalties	10%	5%
	Hire of Equipment, Motor Vehicles, Plants and Machinery	10%	10%
	Commission, Consultancy, Technical and management fees, legal fees, audit fees and other professional fees	10%	5%
	Construction of road bridges, building and power plant / Other types of construction	2.5% / 5%	5%
	All types of contracts and agency arrangements, other than sales in the ordinary course of business	5%	5%
	Directors' fees	N/A	10%
<p>The rate of WHT on dividend, interest and royalty is reduced to 7.5% when paid to a corporate recipient resident in a treaty country. In the case of individuals, 7.5% is applied on dividend and interest and 5% on royalty. The FIRS has introduced administrative requirements for relevant parties to take advantage of treaty benefits.</p>			

Items	Comments / Description
	WHT will not apply to distributions to a Real Estate Investment Company (REIC), and on compensating payments under a Registered Securities Lending Transaction.
Filing requirements	Withholding tax returns should include a schedule showing vendor Tax Identification Number, name and address, type of contract, rate applied, amounts, and evidence of payment.
Due date for payment [CITA S 82, PITA S 74]	<p>In the case of WHT deducted from companies, remittance is due to the FIRS within 21 days after the duty to deduct WHT arose.</p> <p>In the case of WHT deducted from individuals and unincorporated entities, remittance is due to the relevant State tax authority within 30 days after the duty to deduct WHT arose.</p> <p>For FIRS WHT, the schedule of WHT deducted must be submitted in electronic form and must contain specific information such as the Tax Identification Number (TIN) of the various suppliers from whom the tax has been deducted.</p>
Offences and Penalties [CITA S 85, PITA S 74 FIRS Act S 40]	<ul style="list-style-type: none"> • Failure to remit WHT due to the FIRS: a penalty of 10% per annum and interest at CBN's lending rate. • Failure to remit WHT due to SIRS: 10% of tax due, in addition to the principal tax and interest at the CBN monetary policy rate (14%).
Statute of limitations [CITA S 66]	The tax authority may issue additional assessment within six years from the relevant tax year. However, the limitation does not apply in the event of a fraud, willful default or neglect by the company.
Obligation to deduct WHT [CITA S 78- S 81, PITA S 68 – S 72, and WHT Regulations]	Persons required to deduct WHT are all companies, and organisations or establishments that operate the Pay-As-You-Earn Scheme.

DOUBLE TAX TREATY AGREEMENTS

TAX TREATIES [S 45 (CITA)]

Nigeria has entered into several treaties for the avoidance of double taxation on income and capital gains. Efforts are ongoing to expand Nigeria's treaty network while some signed agreements are currently undergoing the ratification process at the legislature.

Items	Comment / Description
In-force bilateral treaties	<p>Nigeria currently has in-force double tax treaties for taxes on income and capital gains with Belgium, Canada, China, Czech Republic, France, Netherlands, Pakistan, Philippines, Romania, Slovakia, Spain, Singapore*, South Africa and the United Kingdom. There is a shipping and air transport double taxation avoidance agreement with Italy.</p> <p><i>*Although the treaty with Singapore is technically not completely ratified, it is communicated as such by the FIRS and adopted as being in force.</i></p>
Pending treaties	Nigeria has pending double tax treaties with Mauritius, Kenya, Kuwait, Sweden, South Korea, Poland, Qatar and the UAE which are yet to be ratified.
Multilateral treaties	<p>Nigeria is a party to the following multilateral treaties:</p> <ul style="list-style-type: none"> • 1975 ECOWAS Treaty • 1931 League of Nations Motor Vehicle Convention and Final Protocol • 1961 Vienna Convention on Diplomatic Relations • 1969 Vienna Convention on the Law of Treaties • 1997 Draft Protocol on the ECOWAS Value Added Tax (pending)

Items	Comment / Description
	<ul style="list-style-type: none"> • 1997 Draft Protocol on the ECOWAS Community Levy (pending) • 2015 OECD's Mutual Administrative Assistance in Tax Matters • 2016 Multilateral Competent Authority Agreement for the automatic exchange of Country-by-Country Reports. • 2020 Africa Continental Free Trade Area Agreement
Unilateral relief	Unilateral tax relief is available by way of deduction for tax suffered on income earned abroad and taxable in Nigeria.
Nigeria's Model Tax Treaty 2013	Nigeria has a model tax treaty to guide the negotiation of double taxation avoidance agreements with other countries. The model treaty is similar to the OECD Model Convention except in certain areas such as taxation of Royalty and Technical Service Fees.
Commonwealth tax relief [S 44 CITA]	<p>Available in respect of profits earned from a commonwealth country which is also liable to tax in Nigeria provided that the commonwealth country has a similar tax relief in place.</p> <p>In respect of a Nigerian Company, the relief granted is 50% of the *commonwealth tax rate subject to a limit of 50% of the Nigerian tax rate. In respect of a nonresident company, the relief is 50% of the commonwealth tax rate provided it is not more than 50% of the Nigerian tax rate otherwise the relief is the rate by which the Nigerian tax rate exceeds 50% of the commonwealth tax rate.</p> <p><i>*Commonwealth tax rate means the income tax rate applicable in the relevant commonwealth country to which the tax relief relates*</i></p>
Procedures for claiming double tax treaty benefits	<p>The FIRS has introduced administrative requirements for relevant parties to take advantage of treaty benefits. This generally includes:</p> <ul style="list-style-type: none"> • Completion of certificates of residence. • Submission of a formal application, the completed certificate of residence, evidence of foreign tax paid (for Nigerian residents) or evidence of income on which WHT treaty rate is being sought (for non-residents) to the FIRS.

OTHER INCOME TAXES

NATIONAL AGENCY FOR SCIENCE AND ENGINEERING INFRASTRUCTURE (NASENI) ACT

NASENI was established in 1992 by the Federal Government of Nigeria. The Agency's mandate is to create an enabling, knowledge-driven environment for local mass-production of standard parts, goods and services required for the nation's science and technology advancement. The enabling legislation for the Agency is the NASENI Act.

Items	Comments
NASENI Levy [S 20]	<p>In line with the NASENI Act, companies that generate N4m and above are to be subject to "NASENI levy" at 0.25% on their annual turnover. The revenue threshold was recently increased by the NASENI Governing Board to ₦100million.</p> <p>There is currently no framework for the administration and collection of this tax/levy and the FIRS has historically not implemented it.</p>

NIGERIA POLICE TRUST FUND (NPTF) (ESTABLISHMENT) ACT

The Nigerian Police Trust Fund Act (NPTF Act) was passed by the National Assembly and signed into law on 24 June 2019. It establishes a fund; proceeds from which will be used to train police personnel and procure security machinery and equipment.

Items	Comments
NPTF Levy [S 4]	The NPTF levy is charged at 0.005% on the net profit of companies operating in Nigeria. There is currently no framework for the administration and collection of this tax/levy and the FIRS has historically not implemented it.

2. INDIRECT TAXES AND DUTIES

CUSTOMS AND EXCISE DUTIES

Customs duties are taxes payable on goods imported into or exported from Nigeria. Excise duties are payable on the manufacture, sale or use of specified locally manufactured goods. The tax may also be levied on services, consumption and imported goods.

The various duties are governed by the Custom and Excise Management Act (CEMA) and several other Acts and Regulations relating to customs and excise matters

Item	Comment / Description																									
Rates	<p>Import duties apply on various goods based on Harmonised System (HS) Codes at rates ranging between 5% to 35%.</p> <p>Excise Duties are charged on applicable products either on ad-valorem basis, fixed charge per unit, or both. Excise Duties are also applicable on the importation of the relevant products.</p>																									
Excisable goods	<p style="text-align: center;">RATES</p> <table border="1"> <thead> <tr> <th>Products</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Tobacco</td> <td>0.2</td> <td>20% + 1</td> <td>20% + 2</td> <td>20% + 2.9</td> </tr> <tr> <td>Beer & Stout</td> <td>0.2</td> <td>0.3</td> <td>0.35</td> <td>0.35</td> </tr> <tr> <td>Wines</td> <td>0.2</td> <td>1.25</td> <td>1.5</td> <td>1.5</td> </tr> <tr> <td>Spirit</td> <td>0.2</td> <td>1.5</td> <td>1.75</td> <td>2</td> </tr> </tbody> </table> <p><i>Tobacco - the fixed duties are charged per stick</i> <i>Other items - the duties are charged per cl.</i></p> <p>Telecommunication services provided in Nigeria are chargeable to excise duty at a rate which the President may by an Order, prescribe.</p>	Products	2017	2018	2019	2020	Tobacco	0.2	20% + 1	20% + 2	20% + 2.9	Beer & Stout	0.2	0.3	0.35	0.35	Wines	0.2	1.25	1.5	1.5	Spirit	0.2	1.5	1.75	2
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Spirit	0.2	1.5	1.75	2																						
Recent exemptions	Based on amendments introduced by FA 2020, importation of aircrafts, engines, spare parts and components whether purchased or leased by commercial airlines registered in Nigeria are exempt from Import duty.																									
ECOWAS Common External Tariff	<p>The 15 Member States of the Economic Community of the West African States on 25th October 2013 adopted the ECOWAS Common External Tariff (CET). The ECOWAS CET was designed to set the same customs duties, import quotas, preferences or other non-tariff barriers to trade applicable to all goods entering the territory of any of the countries within the region.</p> <p>Structure of the CET</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Type of Goods</th> <th>Duty Rate</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>Basic Social Goods</td> <td>0%</td> </tr> <tr> <td>1</td> <td>Basic Goods, Raw Goods, Capital Goods</td> <td>5%</td> </tr> <tr> <td>2</td> <td>Inputs and Semi-Finished Goods</td> <td>10%</td> </tr> <tr> <td>3</td> <td>Finished Goods</td> <td>20%</td> </tr> <tr> <td>4</td> <td>Specific Goods for Economic Development</td> <td>35%</td> </tr> </tbody> </table>	Category	Type of Goods	Duty Rate	0	Basic Social Goods	0%	1	Basic Goods, Raw Goods, Capital Goods	5%	2	Inputs and Semi-Finished Goods	10%	3	Finished Goods	20%	4	Specific Goods for Economic Development	35%							
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Filing requirements [S 125]	<p>Excise Duties</p> <p>Unit Cost Analyses (UCA) are agreed periodically with the Nigeria Customs Service.</p> <p>There are no filing requirements; however, manufacturers are required to keep the following records of manufacture and return (a) Material Register (b) Operation Register (c) Finished Product Register</p>																									
Due date for payment	Import duties: This is payable upon importation prior to or at the port of entry.																									

Item	Comment / Description
[S 17b General Excise Regulations, CEMA]	Excise Duty: This is due and payable immediately on manufacture of excisable goods. The Board may however at its discretion deem the duty to become due and payable at a stage not later than the delivery of the goods from the products store.
Exports Expansion Grant (EEG)	<p>The Export Expansion Grant (EEG) is a post-shipment incentive designed to improve the competitiveness of Nigerian products and commodities and expand the country's volume and value of non-oil exports. The incentives were introduced by the Federal Government through the Export (Incentives and Miscellaneous Provisions) Act, No. 18 of 1986 as amended by the Export (Incentives and Miscellaneous Provisions) Act, No. 65 of 1992, Cap. E19, Laws of the Federation of Nigeria (LFN).</p> <ul style="list-style-type: none"> • Exporters are divided into 4 categories with applicable EEG rate between 5% and 15% depending • Proceeds of qualifying export transactions must be fully repatriated within 300 days calculated from export date and as approved by the EEG implementation committee • Exporters are required to present an Export Expansion Plan as a prerequisite for participating in the EEG • The negotiable duty credit certificate (NDCC) has been replaced with the export credit certificate (ECC). • The ECC can be used to settle all Federal Government taxes such as value added tax (VAT), companies income tax (CIT), withholding tax (WHT) etc. • The ECC is valid for only two years and may be negotiated and transferred once to final beneficiaries • In order to fund the administration of the scheme, EEG beneficiaries are to pay 2% of the value of the ECC upon collection of the certificate and 4% cost of collection when utilised
Offences and Penalties [S 101 - 114 of CEMA]	<p>With respect to Excise Duties, offences include but are not limited to:</p> <ol style="list-style-type: none"> 1. Unlawful manufacture of product liable to excise duty 2. Excess or deficiency in the product stock 3. Concealing product liable to excise duty 4. Manufacturing of product without an excise license 5. Improper record keeping. <p>Penalties vary depending on the type of product liable to excise duty. Common penalties include fines, forfeiture of product, forfeiture of equipment and materials used in the manufacture of product, imprisonment etc.</p>
African Continental Free Trade Area (AfCFTA) Agreement	Nigeria has ratified the AfCFTA. Under this arrangement, various goods traded between African member states will enjoy preferential tariffs. The goal of AfCFTA is to reduce and eventually eliminate tariff and non-tariff barriers to trade within member African countries. The target is for 90% of products to enjoy zero duty across the continent over the next 10 years. However, this is yet to take effect in Nigeria because the changes in the duties have not been gazetted. Also, the custom processes like the procedures for presentation, identification and clearance of goods have not been completed.

STAMP DUTIES ACT (SDA)

Stamp duties are a tax on physical and electronic instruments/documents evidencing transactions between persons

Item	Comment / Description
Rate [S 8]	<p>Stamp duty is chargeable either at fixed rates or ad valorem (i.e., in proportion to the value of the consideration) depending on the class of instrument.</p> <p>An "Electronic Money Transfer" levy is applicable on electronic receipts or electronic transfer for money deposited in a financial institution, on any type of account. The applicable levy is ₦50 on any transfer of ₦10,000 or more. The levy is to be accounted for by the person to whom the transfer or deposit is made.</p>
Instruments liable to Stamp Duty [Section 3(1), S 89]	All instruments (written and electronic documents) relating to an act to be performed in Nigeria must be stamped, except such instrument is specifically exempted

Item	Comment / Description
Exemptions/Incentives [S 104] Central Bank of Nigeria Circular (15 January 2016) Schedule to the Stamp Duties Act	<ul style="list-style-type: none"> • Instruments in connection with a scheme for the reconstruction or amalgamation of companies may enjoy relief from stamp duties subject to specified condition – S.104 (1) • Transfer from self to self, whether inter or intra bank i.e., transfers between accounts held by the same person • Receipts given by any person in a Regulated Securities Lending Transaction carried out under regulation issued by the Securities and Exchange Commission. • shares, stocks or securities transferred by a Lender to its approved agent or a Borrower in furtherance of a Regulated Securities Lending Transaction • Shares, stocks or securities returned to a lender or its approved agent by a borrower in pursuant to a Regulated Securities Lending Transactions • All documents relating to a Regulated Securities Lending Transaction carried out pursuant to regulations issued by the Securities and Exchange Commission
Parties responsible for stamping	The SDA does not expressly state the party that is obliged to ensure that a dutiable instrument is stamped in all cases. In practice, the party paying the consideration usually pays the duty, and where this party does not pay, the duty is borne by whomever seeks to rely on the instrument/agreement in judicial proceedings.
Due date to stamp [S 12, 23(1)]	<ul style="list-style-type: none"> • Instruments first executed in Nigeria which, by law should be stamped by adhesive stamps, are to be stamped on or before first execution. • Unstamped or insufficiently stamped instruments may be stamped with impressed stamps, except reduced or extended, within 40 days from date of execution. • Where such instruments are subject to ad valorem duty, they are required to be stamped within 30 days from first execution or first receipt in Nigeria (if executed outside Nigeria).
Offences and Penalties [Section 23(1)]	<p>Late stamping: ₦20;</p> <p>Where the unpaid duty exceeds ₦20: a further penalty in the form of interest on the stamp duty payable at the rate of 10% per annum subject to a maximum of the unpaid duty.</p> <p>The FIRS may choose to apply penalties under the FIRS Establishment Act which can be as high as 10% penalty plus interest at CBN MPR and imprisonment of up to 3 years. Also, in civil proceedings unstamped documents are not admissible as evidence.</p>

VALUE ADDED TAX (VAT)

VAT is chargeable on the supply of all goods and services in Nigeria other than those listed in the First Schedule of the Act. The relevant law is the VAT Act LFN 2004 as amended.

Item	Comment / Description
Rate [S 4]	Standard rate of 7.5% of the value of goods and services
Taxable Supply [S 2]	<p>A taxable supply is deemed to have taken place where</p> <ul style="list-style-type: none"> A. goods are physically present in Nigeria B. the beneficial owner is a taxable person in Nigeria, and the right over the goods is exercisable in Nigeria C. services are rendered in Nigeria by a person physically present in Nigeria D. services are provided to and consumed by a person in Nigeria E. the services are connected with an immovable property located in Nigeria F. the exploitation of the right is made by a person in Nigeria G. the right is registered in or acquired by a person in Nigeria or H. the right is connected to an immovable asset in Nigeria.
Taxable Persons [S 46]	A taxable person means an individual or body of individuals, family, corporations sole, trustee or executor or a person who carries out in a place an economic activity, a person exploiting tangible or intangible property for the purpose of obtaining income therefrom by way of trade or business or a person or agency of government acting in that capacity.

Item	Comment / Description
Definitions [S 46]	<p>The definition of goods has been updated to include all forms of tangible properties excluding - land, building, money or securities.</p> <p>Services means anything other than goods, or services provided under a contract of employment, but includes any intangible or incorporeal property over which a person has rights which can be transferred. This excludes - interest in land and building, money or securities.</p>
Registration [S 8, 10]	<p>Residents: immediately on commencement of business</p> <p>Non-residents: registration is required by a non-resident company that makes taxable supplies to Nigeria.</p> <p>Companies with taxable supplies below N25m in any calendar year are exempt from the penalties for not registering for VAT and are not required to - file VAT returns or include VAT on their invoices.</p>
Non-residents [S 10]	<p>Non resident persons making taxable supplies in Nigeria are required to -</p> <p>a) Register for tax and obtain a Taxpayers' Identification Number (TIN) and</p> <p>b) Include VAT on invoices issued.</p> <p>The Nigerian recipient of the supply is required to withhold and remit the VAT.</p> <p>Non resident persons may appoint a representative for purposes of their tax obligations. The FIRS may also appoint a representative to withhold and remit the VAT due on transactions with non residents.</p>
Self-Charging VAT [S 14]	<p>Where a taxable supply is made and no VAT is included on the invoice. The recipient of the service/invoice is required to self account for the VAT and remit the same to the FIRS.</p>
Cash basis for accounting for VAT	<p>VAT is to be accounted for on a cash basis. Output VAT will be based on VAT collected, and input VAT will be based on VAT paid. The excess of output over input VAT is to be paid to the FIRS. Any shortfalls are to be treated as future credit or claimed as refunds.</p>
<p>Exemptions [S 46]</p> <p>[S 3, Schedule I]</p> <p>Fiscal Policy Measures (2007),</p> <p>VAT Exemption Order (2011),</p> <p>VAT (Exemption of Commission on Stock Exchange Transactions) Order,2014</p> <p>VAT Modification Order (2020),</p>	<ul style="list-style-type: none"> ● Oil exports (wrongly written as "All exports") ● Medical and pharmaceutical products ● Agro and aqua based staple food ● Books and educational materials ● Baby products ● Plants, machinery and good imported for use in the export processing zones or free trade zones ● Plant, machinery and equipment purchased for utilization of gas in downstream operations ● Tractors, plough and agricultural implements purchased for agricultural purposes ● Locally manufactured sanitary towels, pads or tampons ● All exported services ● Medical products and services ● Services rendered by microfinance banks, people's banks and mortgage institutions ● Plays and performances by educational institutions as part of learning ● Tuition relating to nursery, primary, secondary and tertiary education. ● Plant, machinery and equipment (including steel structures) for the manufacture of cement and allied products ● Vegetable oil ● Motorcycle (CKD)/Bicycle (SKDs) and their spare parts ● Residential Rent* ● Petroleum products, including aviation and motor spirit, kerosene, natural gas, other liquefied petroleum gases and gaseous hydrocarbons. ● Renewable energy ● Corporate bonds and government securities ● Commercial Aircrafts, Commercial Aircraft Engines & Spare Parts ● Airline transportation tickets issued and sold by registered commercial airlines in Nigeria ● Hire, rental or lease of agricultural equipments for agricultural purposes ● Interest in land and building, money, and securities

Item	Comment / Description
	* All rent is now considered exempt from VAT based on the FA 2020 provision that exempts interest in land and buildings.
Zero rated Goods and Services [Schedule I, Part 111] [VAT Amendment Act 2007]	<ul style="list-style-type: none"> ● Non-oil exports ● Goods and services purchased by diplomats ● Goods purchased for humanitarian donor-funded projects
Filing requirements [S 12, 13A]	<p>The following should be submitted to the tax authority.</p> <ul style="list-style-type: none"> ● Completed VAT returns form ● VAT schedule showing Tax Identification number (TIN), name and address, date of transaction, invoice number, contract sum, rate applied, tax paid and month of return
Due date S 15	21st day of the month following the month of transaction
Offences and Penalties [S 8, 19, 29, 32 – 35]	<ul style="list-style-type: none"> ● Failure to register for VAT: ₦50,000 for the first month and ₦25,000 for every subsequent month ● Failure to remit VAT: 10% per annum of the amount of tax not remitted plus interest at CBN minimum re-discount rate. ● Failure to issue tax invoice: Fine of 50% of the cost of the goods or services for which tax invoice was not issued. ● Failure to keep proper records: Fine of ₦2,000 for every month in which failure continues. ● Failure to collect VAT: penalty of 150% of the amount not collected plus 5% interest above the CBN Monetary Policy Rate. ● Failure to submit returns: Fine of ₦50,000 for the first month and ₦25,000 in which the failure continues ● Failure to notify change of address: Fine of ₦50,000 for the first month in which the failure occurs; and ₦25,000 for each subsequent month in which the failure continues
VAT Deduction at Source [S 13]	<p>The following are required to deduct VAT on their incoming invoices and remit directly to the FIRS:</p> <ul style="list-style-type: none"> ● Oil and gas companies including oil service companies ● Governments, ministries, departments, and agencies ● Resident entities in respect of transactions with non- residents ● Large and medium entities (taxable persons) in respect of transactions with small entities as defined by the FA ● Taxable persons in respect of transactions with non-compliant vendors or suppliers
Recoverable input VAT [S 17]	<ul style="list-style-type: none"> ● Recoverable input VAT is restricted to goods purchased or imported directly for resale and goods which form the stock- in-trade used for the direct production of any new product on which the output VAT is charged. ● VAT on overhead, service and general administration expenses are not allowed as deduction from output VAT ● VAT on fixed assets (capital items) which is to be capitalised along with the cost of the capital item are not allowed as deduction from output VAT.
VAT refund and carry forward [S 16, FIRSEA S 23]	<p>Excess input VAT may be carried forward as credit against future VAT payable in subsequent months. Although, a taxable person can elect to request for refund if the excess tax has not been or will not be utilised as a credit, provided the documents requested by the FIRS is tendered.</p> <p>Alternatively, the FIRS Establishment Act (FIRSEA) provides for a cash refund on application within 90 days of FIRS decision subject to a tax audit.</p>

3. SOCIAL SECURITY CONTRIBUTIONS

EMPLOYEE COMPENSATION SCHEME (ECS)

The ECS is a social insurance scheme that provides guaranteed compensation to employees for any death, injury, disease or disability arising out of or in the course of employment. All employers of labor are obligated to contribute at least 1% of their monthly payroll to the Fund managed by the Nigeria Social Insurance Trust Fund (NSITF)

Item	Comment / Description
Rate [S 33]	A minimum monthly contribution of 1% of total monthly payroll into the Fund.
Scope and Application [S 2]	All employers and employees in the public and private sectors in Nigeria.
Exemptions [S 3]	Members of the armed forces of the Federal Republic of Nigeria other than a person employed in civilian capacity.
Prohibition [S 14]	Employers are prohibited from deducting ECS contributions from employees' remuneration. Also, employees must not be allowed to contribute towards indemnifying the employer against a liability which may be incurred under the Employee Compensation Act (ECA).
Filing requirements and due dates [S 40]	File on or before the last day of February of every year a statement: <ul style="list-style-type: none"> of the total amount of all earnings paid to employees in the preceding year; estimating the earnings that will be paid to its employees in the current year or any part of it as directed by the Board, and of the nature of the work activities
Offences and Penalties [S 14, 46, 65, 71]	<p>Penalty for deducting from employee remuneration:</p> <ul style="list-style-type: none"> On conviction, imprisonment for a term not exceeding one year or to a fine of not less than ₦100,000, or to both; as well as repay the deduction. For a body corporate, a fine of not less than ₦1,000,000 upon conviction, and repayment of the deduction. <p>Penalty for unpaid Assessment: 10% of the unpaid sum.</p> <p>Penalty for false or misleading information:</p> <ul style="list-style-type: none"> first conviction - imprisonment for a term not exceeding six months or a fine not exceeding ₦200,000, or to both; or each subsequent conviction - imprisonment for a term not exceeding one year or to a fine not exceeding ₦500,000 or to both. <p>Penalty for unspecified offences:</p> <p>a fine of ₦20,000 for the first case of non-compliance or imprisonment for a term not exceeding one year or ₦100,000 for every subsequent case of non-compliance, or to both</p>
<p><i>"Employee" means a person employed by an employer under oral or written contract of employment whether on a continuous, part-time, temporary, apprenticeship or casual basis and includes a domestic servant who is not a member of the family of the employer including any person employed in the Federal, State and Local Governments, and any of the government agencies and in the formal and informal sectors of the economy.</i></p> <p><i>"Employer" includes any individual, body-corporate, Federal, State or Local Government or any of the government agencies who has entered into a contract of employment to employ any other person as an employee or apprentice.</i></p> <p><i>"Remuneration" means basic wages, salaries or earnings designated or calculated, capable of being expressed in terms of money and fixed by mutual agreement or by law which are payable by an employer to an employee for work done or to be done or services rendered or to be rendered; and allowances which include rental, transport, meals and utility or other allowances as may be determined by the Board, from time to time.</i></p>	

INDUSTRIAL TRAINING FUND (ITF) CONTRIBUTIONS

The ITF was established by Decree 47 of 1971 and amended in 2011. The main objective of the Fund is to generate a pool of indigenous trained manpower to meet the needs of the Nigeria economy.

Item	Comment / Description
Rate [S 6(1)]	1% of annual payroll cost
Obligated persons [S 6 (1)]	All employers with a minimum of 25 employees or annual turnover of ₦50 million.
Incentive [S 7(1)]	An employer is entitled to a refund of 50% of contributions made if adequate (documented) training courses are provided as prescribed by the ITF.
Filing requirements and due dates [S 6(2)b]	ITF Form 5 with evidence of payment annually not later than 1 April of the following year.
Offences and Penalties [S 9(1)]	5% of the unpaid amount to be added for each month or part of a month after the date on which payment should have been made.
Statute of limitations [S 11]	The contribution is recoverable at any time within 6 years from the due date.
<p><i>“Payroll” is defined as the sum total of all basic pay allowances and other entitlements payable within and outside Nigeria to any employee in an establishment, public or private.</i></p> <p><i>“Employees” mean all persons whether or not they are Nigerians employed in any establishment in return for salary, wages or other consideration, and whether employed full -time or part-time and includes temporary employees who work for periods of not less than 30 days in a year.</i></p>	

NATIONAL HOUSING FUND (NHF)

The aims and objectives of the NHF is to provide loans to Nigerians for developing, purchasing or renovating houses and encourage housing finance among low- and medium-income earners. The Fund provides long term loans to Mortgage Institutions for lending to contributors of the Fund.

Items	Comments
Rate [S 4]	2.5% of monthly basic salary.
Exemptions	Nigerians earning less than ₦3,000 per annum and all expatriates regardless of income level.
Filing requirements	A schedule of payment indicating the amount deducted from each employee and the period covered to be submitted to the Federal Mortgage Bank of Nigeria.
Penalty [S 20]	<ul style="list-style-type: none"> ● Failure to deduct or remit - Employers ₦50,000, self-employed person ₦5,000- or one-year imprisonment on conviction or both. ● Preventing or obstructing deduction or remittance: ₦5,000- or one-year imprisonment or to both (on conviction). ● Failure by authorised employee to make deduction on behalf of the employer: ₦20,000 or imprisonment for 5 years or both (on conviction)

PENSION

All employers in the public sector, and private employers that have 15 or more employees are required, under the Pension Reform Act (PRA) 2014, to participate in a contributory pension scheme in favour of their employees.

Item	Comment / Description
Rate [S 4]	<p>Not less than 18% of monthly emoluments* (with a minimum contribution of 10% by the employer and up to 8% by the employee). The employer and/or the employee may make additional voluntary contributions.</p> <p>Where an employer decides to solely contribute to the scheme, the contribution shall not be less than 20% of the employee's monthly emolument.</p>
Obligated persons [S 2 (1) (2) (3)]	All employers in the public sector, and private employers with 15 or more employees.
Exemptions/Incentives [S 5 (1), Guidelines on Cross Border Arrangements]	<ul style="list-style-type: none"> • Persons mentioned in Section 291 of the constitution of the Federal Republic of Nigeria, 1999 (as amended), members of the Armed Forces, the Intelligence, and Secret Services of the Federation. • Expatriate employees may join the scheme at their discretion and with the agreement of their employers.
Filing requirements [S 11(3)]	A monthly schedule showing details of employees' Retired Saving Account (RSA) PIN and their monthly contributions.
Voluntary Contribution	The LIRS and the Joint Tax Board issued Notices in 2017 on voluntary pension contributions to curb possible abuse. PENCOM also issued a directive to PFAs and PFCs to limit the frequency of withdrawals that can be made to once every 2 years and tax any amount withdrawn within 5 years.
Due dates [S 11(3)]	Not later than 7 working days after the payment of employees' salary
Offences and Penalties [S 99 - 104]	<p>A Pension Fund Administrator (PFA) or Pension Fund Custodian (PFC) that reimburses or pays a staff, officer or director for a fine imposed on such person, is liable to a minimum penalty of ₦5 million and will forfeit the amount paid or reimbursed.</p> <p>Misappropriation of pension: prison term of up to 10 years or a fine of 3 times the funds misappropriated, or both. Also, the convicted person is required to refund the diverted funds and forfeit any property or fund diverted, with accrued interest.</p> <p>For PFCs, the Act imposes a penalty of at least ₦10 million, upon conviction, where the PFC fails to hold the funds to the exclusive preserve of the PFA or where it applies the funds to meet its own financial obligations (in the case of a Director, ₦5 million or a term of 5 years imprisonment or both).</p> <p>Any person, PFC or PFA that refuses to produce required information or produces false or misleading information is liable on conviction to a fine of not less than ₦200,000 or prison term of not less than 3 years, or both. A fine of ₦100,000 may be imposed for every day the offence continues.</p> <p>For employers, failure to deduct or remit contributions to the PFC shall, in addition to the remittance already due, be liable to a penalty of not less than 2% of the total contribution</p> <p>Where no specific penalty is prescribed, a person who contravenes any provision of the Pensions Reform Act will be liable on conviction to a fine of not less than ₦250,000, or a term of not less than one year imprisonment, or both.</p>
<p><i>"monthly emoluments" means "total emolument as defined in the employee's contract of employment, provided it is not less than the total of the employee's basic salary, housing and transport allowance".</i></p>	

4. LOCAL CONTENT

CABOTAGE/VESSEL OPERATIONS

The Coastal and Inland Shipping (Cabotage) Act restricts the use of foreign vessels in domestic coastal trade with the purpose of promoting indigenous tonnage and to establish a cabotage vessel financing fund, and for related matters.

Items	Comments	
Scope and rate [S.43 Cabotage Act]	2% surcharge of the contract sums earned by vessels engaged in coastal trade in Nigeria.	
Offences and Penalties	Offence	Penalty
	Unauthorised vessels engaged in different activities in Nigerian waters (S3-6)	Not less than ₦10 million and/or forfeiture of vessel. (S 35a)
	Operating without license (S 21)	Not less than ₦15 million and/or forfeiture of vessel. (S 35b)
	Failure to register with the Special Register for Vessels and Ship Owning Companies (S 22)	Not less than N5 million (S 35c)
	Willful noncompliance with requirements in the Act (S 36)	<ul style="list-style-type: none"> • 100,000 for individuals. • 5 million for corporate body
	False or misleading information (S 37)	<ul style="list-style-type: none"> • ₦500,000 for individual • ₦15million for corporate bodies, and/or forfeiture of the vessel involved with the offence.
	Others	<p>An offence can be deemed to be committed by:</p> <ul style="list-style-type: none"> • A shipping company, if the offence is by a vessel. • Every director or officer of the company or body, if the offence is by the company. • Every partner or officer of the body, if the offence is by the partnership. <p>₦500,000 and above upon conviction where no penalty is prescribed.</p>

INFORMATION AND COMMUNICATIONS TECHNOLOGY SECTOR

The National Information Technology Development Agency (NITDA) issued Guidelines for local content requirements for all companies operating in the Nigerian ICT industry and referenced to the powers conferred on it by section 6 of the National Information Technology Development Agency Act of 2007. The Guidelines have a commencement date of 3 December 2013.

Items	Comments
Incentives [S 10.2 (2),11.1(5)]	<ul style="list-style-type: none"> • 5 years import duty waiver on computer components used locally for assembly of hardware. • Possibility for access to grants and seed capital for smaller software companies (potentially from the NITDA fund arising from the 1% of profit before tax being collected from certain companies).
Relief and allowances [S 15(2,3)]	<ul style="list-style-type: none"> • 120% tax deduction for R&D expenses incurred by ICT training companies • 140% tax deduction for long term R&D on local raw materials and expenses on patentable research.
Filing requirements [S 10.3]	Multinational companies are required to provide a local content development plan for the creation of jobs, recruitment of local engineers (not sales people), human capital development and value creation for the local ecosystem.

Items	Comments
Offences and Penalties [S 8]	Any breach of the Guidelines shall be construed as a breach of the provisions of the National Information Technology Development Agency Act of 2007.
Statute of limitations	Not Applicable
Others [S 10.1(d), S 10.2 (c) (e) S 10.1 (1) (3) (4) (5)]	<ul style="list-style-type: none"> • Minimum share capital for Original Equipment Manufacturers (“OEMs”) and Original Design Manufacturers (ODMs) of N2 billion and N5 billion respectively. • OEMs are expected to maintain at least 50% local content by value either directly or through outsourcing to local manufacturers engaged in any segment of the product value chain. • ODMs must conceptualise, design and produce all hardware within Nigeria. • Maintenance of active certification with NITDA by OEMs and ODMs, which are renewable every four years based on specified conditions.

OIL AND GAS SECTOR

The Nigerian Local Content Act was promulgated on 22 April 2010. It applies to all matters pertaining to Nigerian content in respect of all operations or activities carried out in or connected with the oil and gas industry. The levy is governed by the Nigerian Oil and Gas Industry Content Development Act (NOGICDA) 2010.

Items	Comments
Rate of levy [S 104]	1% of contract sum. The levy is to be deducted at source
Taxable persons [S 104]	Operators, contractors, subcontractors, alliance partners or any entity awarding a contract to another entity for the execution of a project, operation, transaction or activity in the Nigerian oil and gas upstream sector.
Exemptions/Incentives [S 48]	The minister of petroleum is required to consult relevant arms of government on appropriate fiscal framework and tax incentives, for foreign and indigenous companies that establish facilities, factories, production units or other operations in Nigeria for the purpose of carrying out production, manufacturing or for providing services otherwise imported into Nigeria.
Filing requirements [S 17, 18, 24, 29, 39,44, 49, 51, 52, 60]	Returns and approval of the Nigerian Content Development and Monitoring Board (NCDMB) is required for contracts above USD 1 million. Specified returns are also required by operators regarding financial services, legal, contracts and procurement, insurance, technology transfer, employment and training, annual performance report.
Due dates	In practice payments are made on a periodic basis - monthly, quarterly etc.
Offences and Penalties [S 68]	Fine of 5% of contract sum or cancellation of project
Others	The NCDMB issues specific guidelines for the implementation of specific aspects of the Act e.g. Marine Vessel Utilization, ICT, Equipment Component Manufacturing, Expatriate Quotas, Fabrication and Welding etc.

POWER SECTOR

This is governed by Regulations issued by the Nigerian Electricity Regulatory Commission (NERC) in 2013. The Commission exercises its powers to make Regulations under Section 32(1) and 96 of the Electric Power Sector Reform Act 2005.

Items	Comments
Filing requirements [S 12]	Each licensee is required to prepare and submit to the Commission an annual technology transfer report.
Due dates	There is no specified due date for filing annual technology transfer report or for submitting Nigerian Content plan for projects. However, the practice is to submit local content plans before the issuance of invitation to tenders.
Incentives [S 10.2(2),11.1(5)]	The NERC may establish such penalties as it deems fit to ensure the effective discharge of duties and compliance under the Act and the Regulation.

Items	Comments
	Failure to prepare and submit an acceptable technology transfer report when due shall render a licensee liable to fines and other sanctions as may be determined by the Commission.
Others [S 8]	A Nigerian Content plan and Certification is required for contracts and purchase orders above ₦15 million, awarded in the Nigerian Power sector.

5. MAJOR TAX INCENTIVES AND EXEMPTION REGIMES

NIGERIA EXPORT PROCESSING ZONE ACT

The Nigeria Export Processing Zone Act (“NEPZA”) and subsidiary legislation under it regulate matters relating to free trade zones in Nigeria.

Items	Comments
Approved Enterprise [S 28]	An “approved enterprise” means any enterprise established within a Zone approved by NEPZA
Tax Status [S 8, 18(1)(a)]	Approved enterprises operating within the Zone are exempt from all federal, state and local government taxes, levies, duties and rates. Such enterprises are also exempt from foreign exchange regulations, subject to the provisions of the Bank and Other Financial Institutions Act, 2020
Incentives and special rules [S 8, 18(1),17, 12 (1)]	Available exemptions and incentives include: <ul style="list-style-type: none"> ● Exemption from all federal, state and local government taxes, levies and rates. ● Repatriation of capital investment including any capital appreciation. ● Remittance of profits and dividends earned by foreign investors. ● Exemption from import or export license requirements. ● Sale of up to 25% of production in the Customs Territory against a valid permit, and on payment of appropriate duties. ● Export to the Customs Territory shall be subject to the same customs and licensing requirements as apply to goods imported from other countries. ● Rent free land at construction stage and thereafter, rent as determined by the Zone Authority. ● Up to 100% foreign ownership of business. ● Employment of foreign managers and qualified personnel. Imports of any capital goods, consumer goods, raw materials, components or articles intended to be used in an approved activity, including for the construction, alteration, reconstruction, extension or repair of premises in the Zone or for equipping such premises are free of customs duties.
Filing requirements and other obligations [S 19, 18(1)(a)]	Approved enterprises are required to file income tax returns to the FIRS annually in line with CITA. Tax authorities often require approved enterprises to deduct and remit taxes such as PAYE and related contributions. Also, when dealing with a non-exempt counterparty, obligation to charge VAT at 7.5% and/or deduct withholding tax at the relevant rates may be applicable. This is on the basis that only the approved enterprises enjoy tax exemptions and not their employees or suppliers. Approved enterprises are required to submit to the Zone Authority at such intervals as may be prescribed, statistical data and such information and returns as regards the sales and purchases and other operations of the enterprise.
Offences and Penalties [S 25]	Non-compliance under the Act is punishable on conviction by a fine of ₦100,000 or imprisonment for a term of three months, or both fine and imprisonment. Where a body corporate is guilty of an offense committed with the consent or connivance of a director, manager, secretary, other similar officer, or any person purporting to act in any such capacity, they as well as the body corporate are guilty of the offence.

PIONEER STATUS EXEMPTIONS

The primary objective of the pioneer legislation is to grant income tax exemption to companies operating in approved industries on their approved products. This is governed by the Industrial Development (Income Tax Relief) Act (IDITRA)

Items	Comments
Criteria	<p>This is applicable to businesses that;</p> <ol style="list-style-type: none"> 1. Are not being carried on in Nigeria at all or not at a scale suitable to the economic requirements of the country; 2. Have favourable prospects of further development in Nigeria; 3. Are deemed to be beneficial for public interest.
Incentives	<p>The incentives granted under IDITRA are:</p> <ul style="list-style-type: none"> • Exemption from companies income tax during pioneer period. The tax-free period is for three years initially and can be extended for another two years subject to satisfactory performance of the business. • For small and medium size companies engaged in primary agricultural production, the tax free period is for an initial period of four years which may be extended for an additional maximum period of two years.. • Exemption of dividend distributed from pioneer profits from withholding tax; • Capital allowances and tax losses are suspended during the pioneer period and can be utilised after the expiration of the tax holiday. <p>Companies enjoying the pioneer status incentive cannot be granted similar tax holiday incentives under any other Act in force in Nigeria. The incentive is also restricted to the operations of the company and not the whole company.</p>
Approved list of industries [S 1, <i>Official Gazette No. 84 (2018)</i>]	<p>The list of pioneer industries has increased to 99 pioneer products and industries. Some of the new industries include electricity and gas supply, e-commerce, waste management/recycling; creative industries, oil refining and petrochemical; regional shared service centers, preservation of food crops, photography, and real estate investment trusts (REITs)..</p>
Considerations for obtaining pioneer status	<p>The following are the considerations for obtaining a pioneer status:</p> <ul style="list-style-type: none"> • Company must be engaged in an activity listed as a pioneer industry or product; • Application for an extension must be within the first year of production/service; • Non-current tangible asset of the company must be over N100 million; • Make full payment of fees when due; • All required legal and regulatory compliance documentation must be provided; <p>During the pioneer period, a performance report must be submitted to the NIPC annually for monitoring and evaluation purposes.</p>
Mode of Application [Reg. 2, <i>Pioneer Status Incentive Regulations 2014</i>]	<p>Application for pioneer status is addressed to the Minister of Industry through the Nigeria Investment Promotion Commission (NIPC) in such form as may be specified by the minister from time to time subject to the approval of the President of the Federal Republic of Nigeria.</p> <p>There is an application fee of ₦200,000 for new applicants, due diligence fee of ₦500,000, Service charge deposit of ₦2,500,000 and an annual service charge of 1% of actual tax savings payable to the NIPC no later than 30 June (for all applications received from 7 August 2017).</p>
Compliance requirements [S 15 & 55, CITA]	<p>Pioneer companies are mandated to file self-assessment returns to include audited financial statements, tax exempt profits, schedule of fixed assets and self-assessment forms.</p>
Tax memorandum account	<p>A pioneer company must keep a memorandum account (section 17 accounts) for the purpose of distributing tax free dividends from pioneer profits. The company may distribute profits credited into the account free of withholding tax to the extent of the amount in credit.</p>

ROAD INFRASTRUCTURE TAX CREDIT SCHEME

The Scheme was enforced by the Executive Order No. 007 on Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme (the Scheme and seeks to encourage private funding of the construction and refurbishment of major road projects in the country.

Items	Comments
Administration	The Road Infrastructure Refurbishment and Development Tax Credit Scheme Management Committee ("the Committee") will administer and implement the Scheme.
Eligibility	The Scheme is open to any company registered in Nigeria, a pool of companies or institutional investors.
Duration	The Scheme is valid until January 2029, being 10 years from the commencement date of the Order (January 2019).
Incentives	<p>The incentives granted under the Scheme are:</p> <ul style="list-style-type: none"> • Recoverability of the cost incurred by participants in the construction or refurbishment of eligible roads as credit against Companies Income Tax ("CIT") payable. • Participants are also entitled to a single uplift, equivalent to the CBN Monetary Policy Rate plus 2% of the project cost. This uplift will not be taxable in the hand of the participant; <p>The tax credit can be carried forward to subsequent years until it is fully utilised. A Participant may sell or transfer its tax credit to other companies, as a form of security or otherwise.</p>
Considerations to benefit from the Scheme	<p>The following are the considerations to benefit from the Scheme:</p> <ul style="list-style-type: none"> • Company must ensure that its certification by the Committee as a Participant or representative of Participant of the scheme is confirmed; • Company must be designated as a Beneficiary under the Scheme; • Evidence of certification of the Project Cost by the Committee must be provided; • Evidence of certification of the Project Cost by the Committee must be provided. <p>The Committee will issue tax credit certificates to participants annually, in proportion to the project costs incurred by them in that year. The project costs will be evidenced by a certification of work done issued by the relevant regulatory authority.</p>

Caveat

We have issued this Tax Data Card to provide a high-level insight into key areas of taxation in Nigeria. It covers various taxes including corporate and individual income tax, capital gains tax, withholding tax, social security contributions, VAT, Excise duty and Stamp duty.

There are a number of other taxes and levies payable to federal, state or local governments, which have not been included. Although we have taken all reasonable care in compiling the data card, we do not accept responsibility for any errors or inaccuracies contained in the document.

This data card is also available electronically. If you would like an electronic copy, please visit our website at www.pwc.com/ng



Contact:



Taiwo Oyedele
Partner & Africa Tax Leader
PricewaterhouseCoopers
E: taiwo.oyedele@pwc.com
Telephone: 27112700
Ext: 50002



Kenneth Erikume
Partner,
Tax Reporting & Strategy
PricewaterhouseCoopers Nigeria
E: kenneth.y.erikume@pwc.com
Telephone: 27112700
Ext: 50004



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