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Government Notice No. 11

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## FINANCE ACT, 2019

### Act No. 1

AN ACT TO AMEND THE COMPANIES INCOME TAX ACT, CAP C21, VALUE ADDED TAX ACT, CAP. VI, CUSTOMS AND EXCISE TARIFF, ETC. (CONSOLIDATION) ACT, CAP. C49, PERSONAL INCOME TAX ACT, CAP. P8, CAPITAL GAINS TAX ACT, CAP. C1, STAMP DUTIES ACT, CAP. S8, PETROLEUM PROFIT TAX ACT, CAP. P13, LAWS OF THE FEDERATION OF NIGERIA, 2004 TO PROVIDE FOR THE REVIEW OF TAX PROVISIONS AND MAKE THEM MORE RESPONSIVE TO TAX REFORM ; AND FOR RELATED MATTERS.

[13th Day of January, 2020]

Commence-  
ment.

ENACTED by the National Assembly of the Federal Republic of Nigeria—

1. The Companies Income Tax Act, Cap C21, Value Added Tax Act, Cap. VI, Customs and Excise Tariff, Etc. (Consolidation) Act, Cap. C49, Personal Income Tax Act, Cap. P8, Capital Gains Tax Act, Cap. C1, Stamp Duties Act, Cap. S8, Petroleum Profit Tax Act, Cap. P13, Laws of the Federation of Nigeria, 2004 are amended as set out in this Act.

Amendment  
of Cap. C21,  
Cap. VI,  
Cap. C49,  
Cap. P8,  
Cap. C1,  
Cap. S8 and  
Cap. P13.  
LFN. 2004.

#### PART I—COMPANIES INCOME TAX ACT

2. Section 9 of the Companies Income Tax Act (CITA) is amended—

Amendment  
of section 9.

(a) in subsection (1)—

(i) by deleting after the word, “Nigeria”, in line 3, the words, “in respect” and inserting the words, “that are not subject to tax under the Capital Gains Tax Act, Petroleum Profits Tax Act and Personal Income Tax Act, such profits shall include”,

(ii) by inserting after paragraph (c), a new paragraph “(d)”—

“(d) for the purposes of this Act—

(i) interest includes compensating payments received by a borrower from its approved agent or a lender in a Regulated Securities Lending Transaction provided that the underlying transaction giving rise to the compensating payment is a receipt of interest by a lender on the collateral it received from its approved agent or a borrower in a Regulated Securities Exchange Transaction,

(ii) dividend includes compensating payments received by a lender from its approved agent or borrower in a Regulated Securities Lending Transaction if the underlying transaction giving rise to the compensating payment is a receipt of dividends by a borrower on any shares or securities received from its approved agent or a lender in a Regulated Securities Lending Transaction”;

(b) in paragraph (g), by inserting a “proviso” after the word, “bonds”, in line 4—

“Provided that for the purpose of this section, securities or shares shall not be deemed to be disposed of by a lender, borrower or approved agent

or acquired by a borrower, approved agent or lender if such securities or shares are transferred from a lender and subsequently returned by a borrower in a Regulated Securities Lending Transaction” ;

(c) by inserting after paragraph (g), a new paragraph “(h)”—

“(h) profits from securities lending other than compensating payments to the lender or borrower.”

Substitution  
for section  
10.

3. Substitute for section 10 of CITA, a new section “10”—

10.—(1) Every company shall have a tax identification number (TIN), which shall be displayed by the company on all business transactions with other companies and individuals and on every document, statement, returns, audited account and correspondence with revenue authorities, including the Federal Inland Revenue Service, Ministries and all Government Agencies.

(2) Every person engaged in banking or other financial services in Nigeria shall require all companies to provide their TIN as a precondition for opening a bank account or, in the case of an account already opened within three months of the passage of this Act, the bank shall require such TIN to be provided by all companies as a precondition for the continued operation of their bank accounts.”

Amendment  
of section  
13.

4. Section 13 of CITA is amended—

(a) in subsection (2)—

(i) by inserting after the word, “from”, in line 2, the words, “or taxable in”,

(ii) by inserting after paragraph (b), a new paragraph “(c)”, and renumbering the subsection appropriately—

“(c) if it transmits, emits or receives signals, sounds, messages, images or data of any kind by cable, radio, electromagnetic systems or any other electronic or wireless apparatus to Nigeria in respect of any activity, including electronic commerce, application store, high frequency trading, electronic data storage, online adverts, participative network platform, online payments and so on, to the extent that the company has significant economic presence in Nigeria and profit can be attributable to such activity”;

(b) by inserting after paragraph (d), a new paragraph “(e)”—

“(e) if the trade or business comprises the furnishing of technical, management, consultancy or professional services outside of Nigeria to a person resident in Nigeria to the extent that the company has significant economic presence in Nigeria :

Provided that the withholding tax applicable to income under this paragraph shall be the final tax on the income of a non-resident recipient who does not otherwise fall within the scope of subsection (2) (a)-(e).” ;

(c) by inserting a new subsection "(4)"—

"(4) For the purpose of subsection (2) (c) and (e), the Minister may by order, determine what constitutes the significant economic presence of a company other than a Nigerian company".

5. Section 16 of CITA is amended by inserting after subsection (5), a new subsection "(6)"—

Amendment  
of section  
16.

"(6) Investment income for the purpose of taxation of a life insurance company under this section means income derived from investment of shareholders' funds."

6. Section 16 of CITA is further amended—

Amendment  
of Act No.  
11. 2007.

(a) in subsection (7) by deleting after the word, "business", in line 6, the words, "and in all cases, the period of carrying forward of a loss shall be limited to four years of assessment" ;

(b) substituting for paragraphs (a) and (b), new paragraphs " (a)" and "(b)"—

"(a) reserve for unexpired risks, calculated on a time apportionment basis of the risks accepted in the year ;

(b) for outstanding claims and outgoings, an amount equal to the total estimated amount of all outstanding claims and outgoings, provided that any amount not utilised towards settlement of claims and outgoings shall be added to the total profits of the following year";

(c) in subsection (9)(c), by deleting after the word, "outgoing", in line 1, the expression, "except that after allowing for all the outgoing and allowance under the Second Schedule to this Act as may be restricted under the provisions of this Act for any year of assessment, not less than an amount equal to 20 percent of the gross incomes shall be available as total profit of the company for tax purposes."

(d) inserting after subsection (11), a new subsection "(12)"—

"(12) For the purpose of this section, the tax payable by any insurance company for any year of assessment shall not be less than :

(a) 0.5% of the gross premium for non-life insurance businesses ;  
or

(b) 0.5% of gross income for life assurance businesses."

7. Section 19 of CITA is amended by—

Amendment  
of section  
19.

(a) inserting a new subsection "(2)"—

"(2) The provisions of subsection (1) shall not apply to—

(a) dividends paid out of the retained earnings of a company, provided that the dividends are paid out of profits that have been subjected to tax under this Act, the Petroleum Profits Tax Act, or the Capital Gains Tax Act ;

Cap. P13.  
LFN. 2004.  
Cap. C1.  
LFN. 2004.

Cap. 17.  
LFN. 2004.

(b) dividends paid out of profits that are exempted from income tax by any provision of this Act, the Industrial Development (Income Tax Relief) Act, the Petroleum Profits Tax Act, or the Capital Gains Tax Act or any other legislation ;

(c) profits or income of a company that are regarded as franked investment income under this Act ; and

(d) distributions made by a real estate investment company to its shareholders from rental income and dividend income received on behalf of those shareholders,

whether such dividends are paid out of profits of the year in which the dividend is declared or out of profits of previous reporting periods” ; and

(b) renumbering the section appropriately.

Amendment  
of section  
20.

8. Section 20 of CITA is amended by deleting paragraph (b).

Amendment  
of section  
23.

9. Section 23(1) of CITA is amended—

(a) in subsection (1),—

(i) by deleting paragraph (n),

(ii) by substituting for paragraphs (o) and (q), new paragraphs “(o)” and “(q)”—

“(o) the profits of a small company in a relevant year of assessment :

Provided that—

(i) such company shall, without prejudice to this exemption, comply with the tax registration and tax return filing stipulations of this Act and be subject to the provisions as regards time of filing, penalties for breach of statutory duties and all other provisions of this Act in all respects during the period which its profits are below the tax paying threshold, or

(ii) they are dividends received from small companies in the manufacturing sector in the first five years of their operations ;

(q) the profits of any Nigerian company in respect of goods exported from Nigeria, if the proceeds of such exports are used for the purchase of raw materials, plant equipment and spare parts :

Provided that tax shall accrue proportionately on the portion of such proceeds which are not utilised in the manner prescribed.”

(iii) by inserting after paragraph (r), new paragraphs “(s)”-“(u)”—

“(s) the dividend and rental income received by a real estate investment company on behalf of its shareholders provided that—

(i) a minimum of 75% of dividend and rental income is distributed, and

(ii) such distribution is made within 12 months of the end of the financial year in which the dividend or rental income was earned” ;

(r) the compensating payments, which qualify as dividends under section 9(1)(c) of this Act, received by a lender from its approved agent or a borrower in a Regulated Securities Lending Transaction, such payments are deemed to be franked investment income and shall not be subjected to further tax in the hands of the Lender ;

(u) the compensating payments, which qualify as dividends or interest under section 9(1)(c) of this Act, received by an approved agent from a borrower or lender on behalf of a lender or borrower in a Regulated Securities Lending Transaction” ;

(b) by inserting after subsection (1), new subsections “(1A)”–“(1C)”–

“(1A) Nothing in this section shall be construed to exempt from deduction at source, the tax which a company making payments is to deduct under sections 78, 79 or 80 of this Act, such that the provisions of sections 78, 79 and 80 of this Act shall apply to a dividend, interest, rent or royalty paid by a company exempted from tax under subsection (1) (a) to (e), (h) to (l), (o), (q), (r) and (t).

(1B) Nothing in this section shall be construed to exempt—

(a) shareholders from tax on the dividend or rental income received from a real estate investment company,

(b) a real estate investment company from tax on management fee, profits or any other income earned for and on its own account, and

(c) a real estate investment company from tax on dividend and rental income that is not distributed after 12 months from the end of the financial year in which the dividend or rental income was earned ;

(1C) Any company engaged in agricultural production shall be granted the following incentives in addition to other incentives in this Act—

(a) an initial tax free period of five years which may be subject to satisfactory performance of agricultural production, be renewed for an additional maximum period of three years, and

(b) such company cannot be granted similar incentive under any other Act in Nigeria.”

10. Section 24 of CITA is amended—

(a) by inserting after the word, “profits”, in line 5, the words, “chargeable to tax” ;

(b) by substituting for paragraph (a), a new paragraph “(a)”–

“(a) subject to the provisions of the Seventh Schedule to this Act, any sum payable by way of interest on debt borrowed and employed as capital in acquiring the profits of a company” ; and

Amendment  
of section  
24.

(c) by inserting after paragraph (j), new paragraphs “(k)” and “(l)” —

“(k) dividends or mandatory distributions made by a real estate investment company duly approved by the Securities and Exchange Commission, to its shareholders ; and

(l) compensating payments, which qualify as interest under section 9(1)(c) of this Act, made by a lender to its approved agent or a borrower in a Regulated Securities Lending Transaction.”

Amendment  
of section  
27.

11. Section 27(1) of CITA is amended by—

(a) substituting for paragraphs (g)–(i), new paragraphs “(g)”–“(i)” —

“(g) any expense whatsoever incurred within or outside Nigeria involving related parties as defined under the Transfer Pricing Regulations, except to the extent that it is consistent with the Transfer Pricing Regulations ;

(h) any expense incurred in deriving tax exempt income, losses of a capital nature and any expense allowable as a deduction under the Capital Gains Tax Act for the purpose of determining chargeable gains ;

(i) any compensating payment made by a borrower, which qualifies as dividends under section 9(1)(c) of this Act, to its approved agent or to a Lender in a Regulated Securities Exchange Transaction” ; and

(b) inserting new paragraphs “(j)”–“(l)” —

“(j) any compensating payment made by an approved agent, which qualifies as interest or dividends under section 9(1)(c) of this Act, to a borrower or lender in a Regulated Securities Exchange Transaction ;

(k) any penalty prescribed by any Act of the National Assembly for violation of any statute ; and

(l) any tax or penalty borne by a company on behalf of another person.”

Cap. C1.  
LFN. 2004.

Amendment  
of section  
29.

12. Section 29 of CITA is amended—

(a) in subsection (1), by substituting for the word, “year”, before the word, “immediately”, in line 3, the words, “accounting period” ;

(b) by substituting for subsections (3) and (4), new subsections “(3)” and “(4)” :

“(3)The assessable profits of any company from any trade or business (or in the case of a company other than a Nigerian company) for its first year of assessment and the two following years of assessment (which years are in this subsection respectively referred to as “the first year”, “the second year” and “the third year”) shall be ascertained in accordance with the following provisions :

(a) for the first year, the assessable profits shall be the profits from the date in which it commenced to carry on such trade or business in Nigeria to the end of its first accounting period ;



(b) for the second year, the assessable profits shall be the profits from the first day after its first accounting period to the end of its second accounting period ; and

(c) for the third year and for each subsequent year, the assessable profits shall be the profits from the day after the accounting period just ended.”

(4) Where a company permanently ceases to carry on a trade or business (or in the case of a company other than a Nigerian company, permanently ceases to carry on a trade or business in Nigeria) in an accounting period, its assessable profits therefrom shall be the amount of the profits from the beginning of the accounting period to the date of cessation and the tax thereof shall be payable within six months from the date of cessation.” ; and

(c) in subsection (9)—

(i) by inserting after the word, “companies”, in line 6, the words, “and have been so for a consecutive period of at least 365 days prior to the date of reorganisation”, and

(ii) by inserting in the concluding paragraph after the word, “thereof”, in line 5, a new “proviso”—

“Provided also that if the acquiring company were to make a subsequent disposal of the assets thereby acquired within the succeeding 365 days after the date of transaction, any concessions enjoyed under this subsection shall be rescinded and the companies shall be treated as if they did not qualify for the concessions stipulated in this subsection as at the date of initial reorganisation.”

**13.** Section 31(2)(a)(ii) of CITA is amended by deleting after the word, “on”, in line 8, the words, “but such deductions shall not be made against the profit of the company after the fourth year from the year of commencement of such business”.

Amendment  
of section  
31.

**14.** Section 33 of CITA is amended—

Amendment  
of section  
33.

(a) by substituting for subsection (2), a new subsection “(2)” —

“(2) For the purposes of subsection (1) of this section, the minimum tax to be levied and paid shall be 0.5% of gross turnover of the company, less franked investment income.” ; and

(b) in subsection (3), by substituting for paragraph (b), a new paragraph “(b)” —

“(b) a company that earns gross turnover of less than ₦25,000,000 in the relevant year of assessment.”

**15.** Section 39 of CITA is amended—

Amendment  
of section  
39.

(a) in subsection (1), by deleting paragraph (e) ; and

(b) by inserting after subsection (2), a new subsection “(3)” and renumbering the section appropriately—

- Cap. 17.  
LFN, 2004.
- “(3) This section shall not apply with respect to any company that has claimed or wishes to claim the incentives under the Industrial Development (Income Tax Relief) Act in respect of the same qualifying capital expenditure.”
- Substitution  
for section  
40.
- “Rates of  
Tax
16. Substitute for section 40 of CITA, a new section “40”—
- “40. There shall be levied and paid for each year of assessment in respect of total profits of every company, tax as follows, in the case of a—
- (a) small company, tax as provided under section 23 (1)(o) of this Act ;
- (b) medium-sized company, tax at the rate of 20 Kobo for every Naira ; and
- (c) large company, tax at the rate of 30 Kobo for every Naira.”
- Deletion of  
sections 41  
and 43.
17. Sections 41 and 43 of CITA are deleted.
- Amendment  
of section  
77.
18. Section 77 of CITA is amended by—
- (a) deleting subsection (1) ;
- (b) substituting for subsection (5), a new subsection “(5)”—
- “(5) Every Company shall make payment of tax due on or before the due date of filing, in one lump sum or in installments :
- Provided that, where the taxpayer pays in installments—
- (a) the taxpayer shall first write, with evidence of payment of the first installment, and obtain the approval of the Service to pay in such number of installments as may be approved by the Service ; and
- (b) the final installment must be paid on or before the due date of filing.” ;
- (c) by inserting after subsection (5), new subsections “(5A)” and “(5B)”—
- “(5A) Where a company pays its tax 90 days before the due date as provided under Section 55 of this Act, such company shall be entitled to a bonus of—
- (a) 2%, if such company is a medium-sized company ; and
- (b) 1% for any other company ;
- on the amount of tax paid, which shall be available as a credit against of its future taxes.
- (5B) Any balance of taxes unpaid as at the due date shall attract interest and penalties as provided in this Act or any other relevant law for failure to pay on the due date in accordance.” ; and
- (d) renumbering the section appropriately.

19. Section 78 of CITA is amended by inserting after subsection (5), a new subsection "(6)"—

Amendment  
of section  
78.

"(6) The provisions contained in subsection (1) - (5) shall not apply to a lender when making compensating payments, which qualify as interest under section 9(1)(c) of this Act, to an approved agent that is due to a borrower in a Regulated Securities Lending Transaction :

Provided that nothing in this subsection, shall be construed as exempting the approved agent from the provisions of subsection (1)-(5) when making the same payments to the borrower or as exempting the lender from deducting tax when making the payments directly to the borrower."

20. Section 80 of CITA is amended by—

Amendment  
of section  
80.

(a) substituting for subsection (5), a new subsection "(5)"—

"(5) The provisions contained in subsection (1)-(5) of this section shall not apply to—

(a) a company or person making any distribution or dividend payment to a real estate investment company ;

(b) a borrower making compensating payments to its approved agent or to a lender, provided that such payments qualify as dividends under section 9(1)(c) of this Act ; and

(c) an approved agent making compensating payments received from a Borrower, which qualify as dividends under section 9(1)(c) of this Act, to a lender"; and

(b) inserting after subsection (5), a new subsection "(6)"—

"(6) Nothing in this section shall be construed to exempt a real estate investment company from deducting tax at source from the dividend it distributes to its own shareholders."

21. Section 81 of CITA is amended—

Amendment  
of section  
81.

(a) in subsection (2), by inserting a "proviso" after the word, "tax", in line 3 :

Provided that in the case of road, bridges, building and power plant construction contract, the rate shall not exceed two and a half percent" ; and

(b) by inserting after subsection (7), a new subsection "(8)"—

"(8) The provisions of this section shall not apply to compensating payments made under a Registered Securities Lending Transaction".

22. Section 105 (1) of CITA is amended by—

Amendment  
of section  
105.

(a) substituting for the word, "Board", the word, "Service" and defining, the word, "Service"—

"Service" means the Federal Inland Revenue Service as defined in the Federal Inland Revenue Service (Establishment) Act, 2007" ;

(b) substituting for the word, "Board", wherever it appears in CITA, the word, "Service" ; and

(c) defining the terms—

"*approved agent*" means any person approved by the Securities and Exchange Commission to function as an intermediary for the conduct of a Regulated Securities Lending Transaction ;

"*bank*" means an establishment authorized by the government to accept deposits, pay interest, clear checks, make loans, act as an intermediary in financial transactions, and provide other financial services to its customers or any other such institution as defined under the Banking and Other Financial Institutions Act, Cap. B3, Laws of the Federation of Nigeria, 2004 ;

"*banking*" means business conducted or services offered by a bank ;

"*borrower*" means an approved borrower in a Regulated Securities Lending Transaction ;

"*compensating payments*" means any payments made in lieu of interest or dividend pursuant to a Regulated Securities Lending Transaction ;

"*financial institutions*" includes depository institutions, custodial institutions, investment institutions and insurance companies ;

"*financial services*" includes depository services, custodial services, investment services and insurance services ;

"*gross turnover*" means the gross inflow of economic benefits (cash, revenues, receivables, other assets) arising from the operating activities of a company, including sales of goods, supply of services, receipt of interest, rents, royalties or dividends ;

"*large company*" means any company which is not a small or medium-sized company ;

"*lender*" means an approved lender in a Regulated Securities Lending Transaction ;

"*medium-sized company*" means a company that earns gross turnover greater than ₦25,000,000 but less than ₦100,000,000 ;

"*real estate investment company*" means for the purpose of this Act, a company duly approved by the Securities and Exchange Commission to operate as a real estate investment scheme in Nigeria ;

"*recognised group of companies*" means a group of companies as prescribed under the relevant accounting standard ;

"*Regulated Securities Lending transaction*" means any securities lending transaction conducted pursuant to rules made by the Securities and Exchange Commission ;

"*small company*" means a company that earns gross turnover of ₦25,000,000 or less.

23. The Schedules to CITA are amended—

Amendment  
of the  
Schedules.

(a) in the Third Schedule—

(i) by updating the table of tax exemption on interest on foreign loans as follows—

<i>Repayment period</i>	<i>Grace period including 'Moratorium'</i>	<i>Tax exemption allowed</i>
Above 7 years.....	Not less than 2 years	70%
5-7 years.....	Not less than 18 months	40%
2-4 years.....	Not less than 12 months	10%
Below 2 years.....	Nil	Nil,

(ii) by inserting a new paragraph "2"—

"(2) For the purpose of this Schedule—

(a) "*moratorium*" means a period at the beginning of a loan term during which the borrower is not expected to make any principal or interest repayments, provided that where any principal or interest repayments are made during the period, the tax exemptions provided under this Schedule shall be adjusted by the Service in a proportionate manner ; and

(b) "*repayment period*" means the agreed tenor of the loan facility, provided that where the loan is repaid before expiration of this period, the tax exemptions provided under this Schedule shall be adjusted by the Service in a proportionate manner" ; and

(b) by inserting after the Sixth Schedule, a new "Seventh Schedule"—

#### "SEVENTH SCHEDULE

##### *Deductible Interest*

1. Notwithstanding any provisions of this Act, where a Nigerian company, or a fixed base of a foreign company in Nigeria, incurs any expenditure by way of interest or of similar nature in respect of debt issued by a foreign connected person, the excess interest thereon shall be a disallowable deduction for the purpose of this Act.

2. For the purposes of paragraph 1, the excess interest shall mean an amount of total interest paid or payable in excess of thirty per cent of earnings before interest, taxes, depreciation and amortisation of the Nigerian company in that accounting period.

3. Nothing contained in paragraph 1 shall apply to a Nigerian subsidiary of a foreign company which is engaged in the business of banking or insurance.

4. Where for any assessment year, the interest expenditure is not wholly deducted against income, so much of the interest expenditure as has not been deducted, shall be carried forward to the following assessment year or

assessment years, and it shall be allowed as a deduction against the profits, if any, of any business carried on by it and assessable for that assessment year to the extent permitted in accordance with paragraph 2:

Provided that no interest expenditure shall be carried forward under this paragraph for more than five assessment years immediately succeeding the assessment year for which the excess interest expenditure was first computed.

5. Any person who violates the provisions of this Schedule shall be liable to a penalty at ten per cent and interest at the Central Bank of Nigeria monetary policy rate plus a spread to be determined by the Minister on any adjustments made by the Service relating to excess interest charged in any year.

6. For the purposes of this section, the expressions—

(a) “*connected persons*” means—

(i) any person controlled by or under common control, ownership or management,

(ii) any person who is not connected but receives an implicit or explicit guarantee or deposit for the provision of corresponding or matching debt, or

(iii) any related party as described under the Nigerian Transfer Pricing Regulations 2018.

(b) “*debt*” means any loan, financial instrument, finance lease, financial derivative, or any arrangement that gives rise to interest, discounts or other finance charges that are deductible in the computation of income chargeable under the head “Profits and gains of business or profession”.

#### PART II—PETROLEUM PROFIT TAX ACT

Deletion of section 60.

24. Section 60 of the Petroleum Profit Tax Act is deleted.

#### PART III—PERSONAL INCOME TAX ACT

Amendment of sections 2, 49, 86, 102 and 108. Cap. P8. LFN, 2004.

25. Sections 2 (2), 49(1), 86(2)(a) and (8), 102(1), and 108 (f) of Personal Income Tax Act (PITA) are amended by substituting for the words, “the Federal Board of Inland Revenue”, the words, “the Federal Inland Revenue Service” and wherever they appear in the Act.

Amendment of section 20. Cap. P8. LFN, 2004.

26. Section 20(1) of PITA is amended by substituting for paragraph (g), a new paragraph “(g)”—

“(g) a contribution to a pension, provided or other retirement benefits fund, society or scheme.”

Amendment of section 33. Cap. P8. LFN, 2004.

27. Section 33 of PITA is amended by deleting subsections (4), (5) and (6).

Amendment of section 49. Cap. P8. LFN, 2004.

28. Section 49 of PITA is amended by—

(a) inserting before subsection (1), a new subsection (1)—

“(1) A person engaged in banking shall require that a person intending to open a bank account for the purposes of the person’s business operations shall provide a tax identification number as a precondition for opening or continue operating of such bank account.” ; and

(b) renumbering the section appropriately.

29. Section 58 (1) of PITA is amended by inserting after the word “writing”, in line 2, the words “delivered in person, by courier service or via electronic mail”.

Amendment  
of section 58.  
Cap. P8.  
LFN. 2004.

30. Section 74 of PITA is amended by—

(a) deleting the word, “or” after the figure, “71”, in line 1 ; and

(b) inserting after the figure, “72”, in line 1, the expression, “or 73”.

Amendment  
of section 74.  
Cap. P8.  
LFN. 2004.

31. The Third Schedule to PITA is amended—

(a) in paragraph 6 (1) (b), line 3, by deleting the words, “under the authority of the Railway Loan (International Bank) Act ;

(b) in paragraph 7, line 1, by deleting the words, “on or after January 1997” ;

(c) by deleting paragraphs 10, 15, 19, 20 and 24 ; and

(d) in paragraph 18, by deleting the proviso to the paragraph.

Amendment  
of the Third  
Schedule.  
Cap. P8.  
LFN. 2004.

32. Section 108 of PITA is amended by—

(a) deleting the definition of the word, “Board” ;

(b) inserting in alphabetical order a new definition of the word, “Service—

“Service” means the “Federal Inland Revenue Service as defined in the Federal Inland Revenue Service (Establishment) Act, 2007”; and

(c) substituting for the word, “Board”, the word, “Service” wherever it appears in the Act.

Amendment  
of section  
108.

Cap. P8.  
LFN. 2004.

#### PART IV—VALUE ADDED TAX ACT

33. Substitute for section 2 of the Value Added Tax Act, a new section

“2” —  
“Taxable  
goods and  
services.

2.—(1) The tax shall be charged and payable on the supply of all goods and services in Nigeria other than those listed in the First Schedule to this Act.”

(2) For the purpose of this Act, goods and services shall be deemed to be supplied in Nigeria if—

(a) in respect of goods—

(i) the goods are physically present in Nigeria at the time of supply, imported into Nigeria for use by a person, assembled in Nigeria, or installed in Nigeria, or

Substitution  
for section 2.”

First  
Schedule.

(ii) the beneficial owner of the rights in or over the goods is a taxable person in Nigeria and the goods or right is situated, registered or exercisable in Nigeria ;

(b) in respect of services—

(i) the services are rendered in Nigeria by a person physically present in Nigeria at the time of service provision, or

(ii) the services are provided to a person in Nigeria, regardless of whether the services are rendered within or outside Nigeria.”

Amendment  
of section 4.

34. Section 4 of the Value Added Tax Act is amended in line 1, by substituting for the expression, “5%”, the expression, “7.5%”.

Substitution  
for section 8.

35. Substitute for section 8 of the Value Added Tax Act, a new section “8”—

“Registration and deregistration requirements. 8.—(1) A taxable person shall upon commencement of business, register with the service for the purpose of the tax.

(2) A taxable person who fails or refuses to register with the service within the time specified in subsection (1) is liable to pay as penalty an amount of—

(a) ₦50,000 for the first month in which the failure occurs ; and

(b) ₦25,000 for each subsequent month in which the failure continues.

(3) Where a taxable person permanently ceases to carry on a trade or business in Nigeria, the taxable person shall notify the service of its intention to deregister for tax purposes within 90 days of such cessation of the trade or business.”

Substitution  
for section  
10.

36. Substitute for section 10 of the Value Added Tax Act, a new section “10”—

“Registration by non-resident companies. 10.—(1) For the purpose of this Act, a non-resident company that carries on business in Nigeria shall register for the tax with the Service, using the address of the person with whom it has a subsisting contract, as its address for the purposes of correspondence relating to the tax.

(2) The Service may, by notice, determine and direct the companies operating in the oil and gas sector which shall deduct vat at source and remit same to the service.

(3) A non-resident company shall include the tax on its invoice for the supply of taxable services.

(4) The person to whom the services are supplied in Nigeria shall withhold and remit the tax directly to the service in the currency of payment.

Amendment  
of section  
14.

37. Section 14 (3) of the Value Added Tax Act is amended by inserting after subsection (2), new subsections “(3)” and “(4)”—

“(3) A non-resident company shall include the tax in its invoice and the person to whom the goods or services are supplied in Nigeria shall remit the tax in the currency of the transaction.



(4) Where a person to whom taxable supplies is made in Nigeria is issued an invoice on which no tax is charged, such a person shall, self-account for the tax payable and remit the output tax to the service within the timeline prescribed under section 15 of this Act.”

38. Substitute for section 15 of the Value Added Tax Act, a new section “15”—

Substitution  
for section  
15.

“Taxable  
person to  
render  
returns.

15.—(1) A taxable person who, in the course of a business, has made taxable supplies or expects to make taxable supplies, the value of which, either singularly or cumulatively in any calendar year, is ₦25,000,000 or more shall, render to the Service, on or before the 21st day of every month in which this threshold is achieved and on or before the same day in successive months thereafter, a return of the input tax paid and output tax collected by him in the preceding month in such a manner as the Service may prescribe.

(2) In determining whether a person meets the threshold in subsection (1)(b), the value of the following taxable supplies shall be excluded—

(a) a taxable supply of a capital asset of the person ; and

(b) a taxable supply made solely as a consequence of the person selling the whole or a part of its business or permanently ceasing to carry on business :

Provided that any person that does not fall within the threshold in subsection (1) is exempt from the provisions of section 8(2), 13, 29, 34 and 35 of this Act.”

39. Section 16 of the Value Added Tax Act is amended in subsection (1), by substituting for subsection (1), a new subsection “(1)”—

Amendment  
of section  
16.

“(1) A taxable person shall, on rendering a return under section 15 (1) of this Act—

(a) if the output tax collected exceeds the input tax paid, remit the excess to the Service ;

(b) if the input tax paid exceeds the output tax collected, be entitled to utilise the excess tax as a credit against subsequent months :

Provided that the taxable person would be entitled to a refund from the Service, of excess tax not utilised as a credit, upon provision of such documents as the Service may require.”

40. Substitute for section 19 of the Value Added Tax Act, a new section “19”—

Substitution  
for section  
19.

“Effect of  
non-  
remittance.

19.—(1) If a taxable person does not remit the tax within the time specified in section 15 of this Act, a sum equal to 10% of the tax not remitted and interest at the prevailing Central Bank of Nigeria minimum re-discount rate, shall, be added to the tax not remitted and the

provisions of this Act relating to collection and recovery of unremitted tax, penalty and interest shall apply.

(2) The Service shall notify the taxable person or his agent, of the tax due together with the penalty and interest and if payment is not made within 30 days of such notification, the Service may proceed to enforce payment as provided in section 15 of this Act."

41. Part IV (sections 21 to 24) of the Value Added Tax Act is deleted.

Deletion of sections 21-24.

Substitution for section 28.

42. Substitute for section 28 of the Value Added Tax Act, a new section "28"—

"Failure to notify of change of address or permanent cessation of trade or business.

28. A taxable person who fails to notify the Service of any change of address within 30 days of such change, or who fails to comply with the requirement for notification of permanent cessation of trade or business under section 8 of this Act, is liable to pay—

(a) ₦50,000 for the first month in which the failure occurs ; and

(b) ₦25,000 for each subsequent month in which the failure continues."

43. Section 32 of the Value Added Tax Act is deleted.

Deletion of section 32.

Substitution for section 35.

44. Substitute for section 35 of the Value Added Tax Act, a new section "35"—

"Failure to submit returns.

35. A taxable person who fails to submit returns to the Service, is liable to a fine of ₦50,000 in the month of default and ₦25,000 for every month in which the default continues."

Substitution for section 42.

45. Substitute for section 42 of the Value Added Tax Act, a new section "42"—

"Business sold or transferred.

42. Where a trade or business carried on by a company is sold or transferred to a Nigerian company for the purpose of better organisation of that trade or business or the transfer of its management to Nigeria, and any asset employed in such trade or business is sold or transferred, no tax shall apply under this Act to the sale or transfer of the assets to the extent that one company has control over the other or both are controlled by some other person or are members of a recognised group of companies and have been so for a consecutive period of at least 365 days prior to the date of reorganisation :

Provided that if the acquiring company were to make a subsequent disposal of the assets thereby acquired within the succeeding 365 days after the date of transaction, any concessions enjoyed under this subsection shall be rescinded and the companies shall be treated

as if they did not qualify for the concessions stipulated in this subsection as at the date of initial re-organisation.

46. Section 46 of the Value Added Tax Act is amended by—

Amendment  
of section  
46.

- (a) deleting the definition of "Board" ;
- (b) substituting for the word, "Board", the word, "Service" anywhere it appears in the Act ;
- (c) inserting in alphabetical order the definitions—

"commencement of business"—

business shall be deemed to commence in Nigeria on the date that an entity carries out its first transaction which shall be the earliest of the date it—

(a) begins to market or first advertises its products or services for sale ;

(b) obtains an operating licence from a regulatory authority in Nigeria ;

(c) first sale or purchase ;

(d) executes its first trading contract after incorporation ;

(e) issues or receives its first invoice ;

(f) delivers or receives its first consignment of goods ; or

(g) first renders services to its customers ;

"basic food items" means agro and aqua based staple food described as—

additives *i.e.* honey whether raw or semi-processed,

bread (white and brown),

cereals *e.g.* maize, rice, wheat, millet, barley, sorghum, oats, fonio, finer millet and others of the same kind, however supplied in such form as grain, flour, crop, bulk or retail, raw or semi-processed,

cooking oils *e.g.* vegetable oil, soya oil, palm oil, groundnut oil, shea butter, beniseed oil, olive oil, coconut oil and others of the same kind :

Provided that they are of a type and grade suitable for culinary purposes and do not contain any substance such as perfume that will make them unsuitable for culinary use,

culinary herbs *e.g.* curry, thyme, onions, ginger, mint and others of the same kind, raw and unprocessed for human consumption,

fish of all kinds other than ornamental whether live, fresh, frozen, smoked or dried,

flour and starch *e.g.* corn flour, plantain flour, cassava flour, beans flour, wheat flour, rice flour, yam flour, garri and others of the same kind, bleached or unbleached, refined or unrefined provided that it is suitable for culinary purposes,

fruits *e.g.* pineapples, oranges, mangoes, guavas, grapes fruit, banana, pawpaw and others of the same kind, whether it is fresh or dried,

live or raw meat and poultry *e.g.* beef, goat, lamb, pork, chicken, and others of the same kind, whether live, butchered, complete, in parts, fresh, frozen, eggs and others of the same kind,

milk, whether fresh, liquid and powdered milk,

nuts *e.g.* groundnut, walnut, cashew nut, hazelnut, kolanut, tigernuts, coconut and others of the same kind, if raw and unprocessed for human consumption, also roasted, fried, boiled, salted or in their shells,

pulses *e.g.* beans, lentils, peas, chickpeas, tamarind and others of the same kind, if raw and unprocessed for human consumption, also roasted, fried, boiled, salted or in their shells,

roots *e.g.* yam, cocoyam, sweet and irish potatoes, water-yam, cassava and others of the same kind, in raw and unprocessed form, also, in form of flakes or flour for human consumption,

salt for culinary use only including fine salt and in retail packs but excluding industrial salt,

vegetables *e.g.* pepper, melons, lettuce, okro, cabbage, carrots and others of the same kind, whether fresh, dried or ground,

water *i.e.* natural water and table water *e.g.* spring water, rain water, pipe borne water, well water and all-natural water of the same kind, all table water other than sparkling or flavoured water ;

“*recognised group of companies*” means a group of companies as prescribed under the relevant accounting standard” ;

“*exported service*” means a service rendered within or outside Nigeria by a person resident in Nigeria, to a non-resident outside Nigeria :

Provided that a service provided to the fixed base or permanent establishment of a non-resident person shall not qualify as exported services ;

“*goods*” means—

(a) “all forms of tangible properties that are movable at the point of supply, but does not include money or securities ; and

(b) any intangible product, asset or property over which a person has ownership or rights, or from which he derives benefits, and which can be transferred from one person to another excluding interest in land” ;

“*Service*” means the “Federal Inland Revenue Service as defined in the Federal Inland Revenue Service (Establishment) Act, 2007” ;

“*Services*” means “anything other than goods, money or securities which is supplied excluding services provided under a contract of employment” ; and

“*taxable supplies*” means “any transaction for sale of goods or the performances of a service, for a consideration in money or money’s worth” ; and

(d) deleting the definition of “imported services”.

47. The First Schedule of the Value Added Tax Act is amended by—

Amendment  
of First  
Schedule.

(a) inserting after paragraph 9, under Part I of the First Schedule to the Value Added Tax Act, a new paragraph "10"—

"10. Locally manufactured sanitary towels, pads or tampons";

(b) substituting for paragraph 2, Part II, a new paragraph "2"—

"2. Services rendered by microfinance banks, people's banks and mortgage institutions." ; and

(c) inserting after paragraph 4, Part II, of the First Schedule to the Value Added Tax Act, a new paragraph "5"—

"5. Tuition relating to nursery, primary, secondary and tertiary education."

#### PART V—CUSTOMS AND EXCISE TARIFF ETC. (CONSOLIDATION) ACT

48. Part III, section 21 of the Customs and Excise Tariff Etc. (Consolidation) Act, (in this Act referred to as "CET Act") is amended by substituting for subsection (1), a new subsection "(1)"—

Amendment  
of CET.  
Cap. C49.  
LFN. 2004.

"(1) Goods imported and those manufactured in Nigeria and specified in the Fifth Schedule to this Act shall be charged with duties of excise at the rates specified under the duty column in the Schedule—

Provided that this subsection shall not apply to—

- (a) goods that are not locally produced in Nigeria ; and
- (b) raw materials that are not locally available in Nigeria.

#### PART VI—CAPITAL GAINS TAX ACT

49. Substitute for section 32 of the Capital Gains Tax Act (CGT) Act, a new section "32"—

Substitution  
for section  
32.

"Business  
re-organisa-  
tion.

32. Where a trade or business carried on by a company is sold or transferred to a Nigerian company for the purposes of better organisation of that trade or business or the transfer of its management to Nigeria, and any asset employed in such trade or business is sold or transferred, no tax shall apply under this Act to the sale or transfer of the assets to the extent that one company has control over the other or both are controlled by some other person or are members of a recognised group of companies and have been so for a consecutive period of at least 365 days prior to the date of re-organisation :

Provided that if the acquiring company were to make a subsequent disposal of the assets acquired within the succeeding 365 days after the date of transaction, any concession enjoyed under this subsection shall be rescinded and the companies shall be treated as if they did not qualify for the concessions stipulated in this subsection as at the date of initial re-organisation."

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Amendment  
of section  
36.

50. Section 36(2) of the CGT Act is amended by—

- (a) substituting for the expression, “N10,000” in line 3, the expression, “N10,000,000”; and
- (b) deleting the phrase, “in any year of assessment” in line 3.

Amendment  
of section  
46.

51. Section 46(1) of the CGT Act is amended by—

- (a) deleting the definition of “Board”; and
- (b) inserting in alphabetical order definition of—

“recognised group of companies” means a group of companies as prescribed under the relevant accounting standard ;

“Service”—

“Service” means the Federal Inland Revenue Service as defined in the Federal Inland Revenue Service (Establishment) Act, 2007 ; and

- (c) substituting for the word, “Board”, the word, “Service”, anywhere it appears in the Act.

## PART VII—STAMP DUTIES ACT

Amendment  
of section 2.

52. Section 2 of the Stamp Duties Act is amended by substituting for the definition of the words, “stamp”, “stamped” and “instrument” the following new definitions—

“stamp” means an impressed pattern or mark by means of an engraved or inked block die as an adhesive stamp or an electronic stamp or an electronic acknowledgement for denoting any duty or fee ;

“stamped” with reference to instruments and material, applies to instruments and material impressed with stamps by means of an engraved or inked block die, adhesive stamps affixed thereto as well as to instruments and material digitally tagged with electronic stamp or notional stamp on an electronic receipt ; and

“instrument” includes every written document and electronic documents.

Amendment  
of section 4.

53. Section 4 of the Stamp Duties Act is amended—

- (a) in subsection (1), by substituting for the words, “the Federal Government”, in line 1, the words, “the Federal Inland Revenue Service” ; and

- (b) in subsection (2), by substituting for the words, “the State Government”, in line 1, the words, “the relevant tax authority in a State”.

Substitution  
for section  
89.

54. Substitute for section 89 of the Stamp Duties Act, a new section 89—

“Duty  
upon  
receipt.

89.—(1) For the purpose of this Act, the expression “receipt” includes any note, memorandum, writing or electronic inscription whereby any money, or any bill of exchange or promissory note for money is acknowledged or expressed to have been received or

deposited or paid, or whereby any debt or demand, or any part of a debt or demand is acknowledged to have been settled, satisfied, or discharged, or which signifies or imports any such acknowledgement, and whether the same is or is not signed with the name of any person.

(2) The duty upon a receipt may be denoted by an adhesive stamp which is to be cancelled by the person by whom the receipt is given before he delivers it out of his hands or by a digital tag with electronic stamp or any acknowledgement of duty charged on an electronic transaction.

(3) Notwithstanding the provisions of the Stamp Duties Act, electronic receipt or electronic transfer for money deposited in any bank or with any banker, on any type of account, to be accounted for and expressed to be received of the person to whom the same is to be accounted for of amounts from ₦10,000.00 upwards shall attract a singular and one-off duty of the sum of ₦50.00 :

Provided that money paid into one's own account or transferred electronically between accounts of the same owner by the owner within the same bank shall not be chargeable to duty.

(4) Any duty paid under subsections (1) to (3) shall be applied as a credit against any duty applicable on an instrument denoted with an adhesive stamp."

55. Section 90 of the Stamp Duties Act is deleted.

Deletion of section 90.

56. The Schedule to the Stamp Duties Act is amended by—

Amendment of Schedule.

(a) inserting under the category of exempt receipts, a new item—

"receipts given by any person in a Regulated Securities Lending Transaction carried out under regulation issued by the Securities and Exchange Commission" ; and

(b) inserting under the category of general exemption from stamp duty new items (14), (15), (16)—

"(14) Shares, stocks or securities transferred by a lender to its approved agent or a borrower in furtherance of a Regulated Securities Lending Transaction.

(15) Shares, stocks or securities returned to a lender or its approved agent by a borrower in pursuant to a Regulated Securities Lending Transaction.

(16) All documents relating to a regulated securities lending transactions carried out under regulations issued by the Securities and Exchange Commission."

57. This Act may be cited as the Finance Act, 2019.

Citation.

I certify, in accordance with Section 2 (1) of the Acts Authentication Act, Cap. A2, Laws of the Federation of Nigeria 2004, that this is a true copy of the Bill passed by both Houses of the National Assembly.

MOHAMMED ATABA SANI-OMOLORI  
*Clerk to the National Assembly*  
20th Day of December, 2019.

#### EXPLANATORY MEMORANDUM

This Act amends the Companies Income Tax Act, Cap C21, Value Added Tax Act, Cap. VI, Customs and Excise Tariff, Etc. (Consolidation) Act, Cap. C49, Personal Income Tax Act, Cap. P8, Capital Gains Tax Act, Cap. C1, Stamp Duties Act, Cap. S8, Petroleum Profit Tax Act, Cap. P13, Laws of the Federation of Nigeria, 2004 to provide for the review of tax provisions and make them more responsive to tax reform.



**SCHEDULE TO THE FINANCE ACT, 2019**

(i) Short Title of the Bill	(2) Long Title of the Bill	(3) Summary of the Contents of the Bill	(4) Date passed by the Senate	(5) Date passed by the House of Representatives
Finance Act, 2019.	An Act to Amend the Companies Income Tax Act, Cap C21, Value Added Tax Act, Cap. VI, Customs and Excise Tariff, etc. (Consolidation) Act, Cap. C49, Personal Income Tax Act, Cap. P8, Capital Gains Tax Act, Cap. C1, Stamp Duties Act, Cap. S8, Petroleum Profit Tax Act, Cap. P13, Laws of the Federation of Nigeria, 2004 to provide for the review of tax provisions and make them more responsive to tax reform; and for related matters.	This Act amends the Companies Income Tax Act, Cap C21, Value Added Tax Act, Cap. VI, Customs and Excise Tariff, etc. (Consolidation) Act, Cap. C49, Personal Income Tax Act, Cap. P8, Capital Gains Tax Act, Cap. C1, Stamp Duties Act, Cap. S8, Petroleum Profit Tax Act, Cap. P13, Laws of the Federation of Nigeria, 2004 to provide for the review of tax provisions and make them more responsive to tax reform.	11th December, 2019.	28th November, 2019.

I certify that this Bill has been carefully compared by me with the decision reached by the National Assembly and found by me to be true and correct decision of the Houses and is in accordance with the provisions of the Acts Authentication Act Cap. A2, Laws of the Federation of Nigeria, 2004.

I ASSENT.



MOHAMMED ATABA SANI-OMIYORI  
Clerk to the National Assembly  
20th day of December, 2019

MUHAMMADU BUIHARI, GCPR  
President of the Federal Republic of Nigeria  
13th Day of January, 2020.