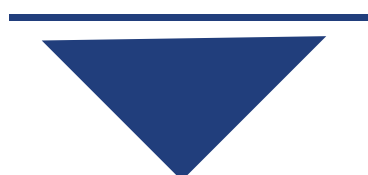




S.O Oloruntimehin & Co.



# KEY CHANGES IN THE FINANCE ACT 2021

In this article, we shall be looking at some of the key changes introduced by the 2021 Finance Act. The Finance Bill 2021 was signed into law by President Buhari on the 31st of December, 2021.

The Finance Act 2021 amends relevant tax, excise and duties statutes in accordance with macro-economic policies reform of the Federal Government, to amend and make further provisions in specific laws for revenue mobilization and public funds financial management of the federation.

The Finance Act 2021 amends some of the existing tax laws to wit, the Stamp Duties Act, Capital Gains Act, Personal Income Tax Act, Companies Income Tax Act, amongst others.

### ***Some of the key changes include:***

1. **Contracts for deferred annuity excluded as a Personal Income Tax deductible:**

The deductible life assurance premium for personal income tax purposes now excludes contracts for deferred annuity as an allowable deduction for tax computation purposes.

2. **Value Added Tax inapplicable to Small Companies except Companies in the Upstream Sector:**

As with the 2020 Finance Act, small companies/businesses in Nigeria are still excluded from paying value added tax. Companies with less than N25m turnover are excluded from VAT compliance/registration. However, companies in the upstream sector are mandated to comply regardless of turnover. Section 32 of the Finance Act 2021.

### 3. **Tax Registration for non-resident Persons:**

A non-resident person that makes a taxable supply to Nigeria must register for tax with the Federal Inland Revenue Service and obtain a tax identification number. Section 30 of the Finance Act 2021. The Federal Inland Revenue Service also has the authority to assess non-resident companies (with a significant economic presence in Nigeria) for company income tax based on a deemed profit basis. This is based on a fair and reasonable percentage of the turnover attributable to their Nigerian operations.

### 4. **Capital Gains Tax:**

A Capital Gains Tax rate of 5% is applicable where shares are disposed of in a Nigerian company worth at least NGN500 Million in any consecutive 12 months, with exemptions including; Section 2 of the 2021 Finance Act.

- i. where the proceeds of the sale are re-invested in the shares of another Nigerian company in that year of assessment (rate applies proportionately on proceeds not invested).
- ii. where the transfer of shares is done under the Regulated Securities Lending Transaction

5. Capital gains tax at 10% is chargeable on the disposal of shares worth NGN100 Million or above in any 12 consecutive months except to the extent that such proceeds are reinvested in the shares of any Nigerian company.

### 6. **Tax Bonus for Tax Compliant Companies:**

Where a company pays its tax 90 days before the due date, such company shall be entitled to a bonus of:

- i. 2% if such a company is a medium sized company
- ii. 1% for other companies (Section 13(5) of the Finance Act 2021).

7. **Taxation of Lottery and Gaming Companies:**

The Finance Act 2021 abolishes the taxation of lottery and gaming companies under the National Lottery Act. Lottery and gaming operations including, betting, gambling, poker, roulette, bingo, craps, wagering and related affairs, are now specifically taxable under the Company Incomes Tax Act.

8. **Education Tax:**

The new 2021 Finance Act also reduces the number of days on Education Tax assessment. Education tax assessment must now be paid or contested within 30 days of assessment. The tertiary education tax rate has also been increased from 2% to 2.5% of assessable profits.

9. **Corporate Income Tax for the Education Sector:**

Corporate income tax is now applicable and chargeable to companies engaged in educational activities regardless of whether such activities are of a public nature.

10. **Science and Engineering Levy (0.25%):**

Companies engaged in banking, mobile telecommunication, ICT, aviation, maritime, oil and gas with turnover of NGN100 Million and above are now liable to pay a science and engineering levy of 0.25%

11. **Electronic Money Transfer Levy:**

The Finance Act 2021 granted the Minister of Finance the power to make regulations for the administration, collection and enforcement of the Electronic Money Transfer Levy (EMTL); The Minister of Finance was also granted the authority to issue regulations subject to the approval of the National Assembly, for auditing, accounting, allocation and distribution of stamp tax and EMTL levies collected between 2015 and 2019 fiscal years.

12. **Excise duty on non-alcoholic, carbonated and sweetened beverages:**

The Finance Act 2021 introduces the imposition of a fixed excise duty rate at NGN10 per litre on non-alcoholic, carbonated and sweetened beverages.

13. **Authority of the FIRS:**

The FIRS has the sole responsibility to administer, assess, collect, audit and enforce taxes and levies due to the Federation, the Federal Government and any of its agencies except otherwise authorized. All revenues collected must be paid to the federation account or the consolidated revenue fund as provided by the relevant laws. Violation is punishable by imprisonment, fine or both.

As gathered from our analysis above, the **new Finance Act 2021** introduces significant changes to the extant tax regime in Nigeria. Do you have any tax enquiries, why not **contact us** today?