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THE FINANCE ACT2019; AN AMENDEMENT TO EXISTING TAX LAWS

The Finance Act recently signed into law by President Muhammadu Buhari is a game changer with the overall objective of not only raising government revenue through various fiscal policies but also, reforming domestic tax laws to align with global best practice.

With the new Act, major amendments were made to already existing tax laws such as the Companies Income Tax Act, Value Added Tax Act, Customs and Excise Tariff Act, Personal Income Tax Act, Capital Gains Tax Act, Stamp Duties Act and the Petroleum Profit Tax Act.

The changes in each of these laws have been highlighted below.

COMPANY INCOME TAX ACT

i. Corporate bodies are now required to display their TIN-Tax Identification Number on all company documents and correspondence with revenue authorities.

ii. Corporate bodies are required to provide the TIN when opening an account and for existing accounts, companies are to within three months regularize their position.

iii. A company is deemed to have significant economic presence in Nigeria for the purpose of determining tax liability if its business involves providing services outside Nigeria to a Nigerian resident.

iv. The minimum tax rate for an insurance company for any year of assessment is 0.5%.

v. Franked investment income is exempted.

vi. Rental income and dividend income of real estate investment have been exempted from being taxable same exemption also applies to dividends paid out of retained earnings of a company.

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vii. Small companies with profit below tax paying threshold for a year of assessment shall nevertheless comply with tax registration and returns filing stipulations.

viii. Export companies are exempt provided the proceeds are used as stipulated and the portion unused is taxable.

ix. Compensation
payments that qualify as dividends received by a lender from a borrower /agent in a Regulated Securities Lending Transaction are exempted.

x. Compensation payments that qualify as dividends/interest received by an approved agent from a borrower /lender on behalf of a lender or borrower in a Regulated Securities Lending Transaction are exempted.

xi. Expenses incurred within or outside Nigeria involving related parties except to the extent that it is consistent with the Transfer Pricing Regulations are not deductible.

xii.Expenses incurred in deriving tax exempt income, losses of a capital nature and any expense allowable under the Capital Gain Tax are not deductible.

xiii.Compensating payment made by a borrower that qualifies as dividend to an approved agent or a lender Regulated Securities Lending Transaction are not deductible.

xiv.Penalty prescribed by any Act of the National Assembly for violation of any statute are not deductible.

xv. No deduction shall be allowed for the purpose of ascertaining the profits of any company in respect of tax or penalty borne by a company on behalf of another person.

xvi. Ascertainment of taxable profits for the first year shall be from the date of commencement of business to the end of the
first accounting period.

xvii. Ascertainment of taxable profits for the second year shall be profits from the first day after the first accounting period to the end of its second accounting period.

xviii. Ascertainment of taxable profits for the third and subsequent years shall be profits from the day after the accounting period just ended.

xix. For a company in cessation of business, its taxable profit shall be the amount of profits from the beginning of the accounting period to the date of cessation. The tax is payable within six months from the date of cessation.

xx. Minimum tax to be levied and paid is 0.5% of the gross turnover of the company less its franked investment income.

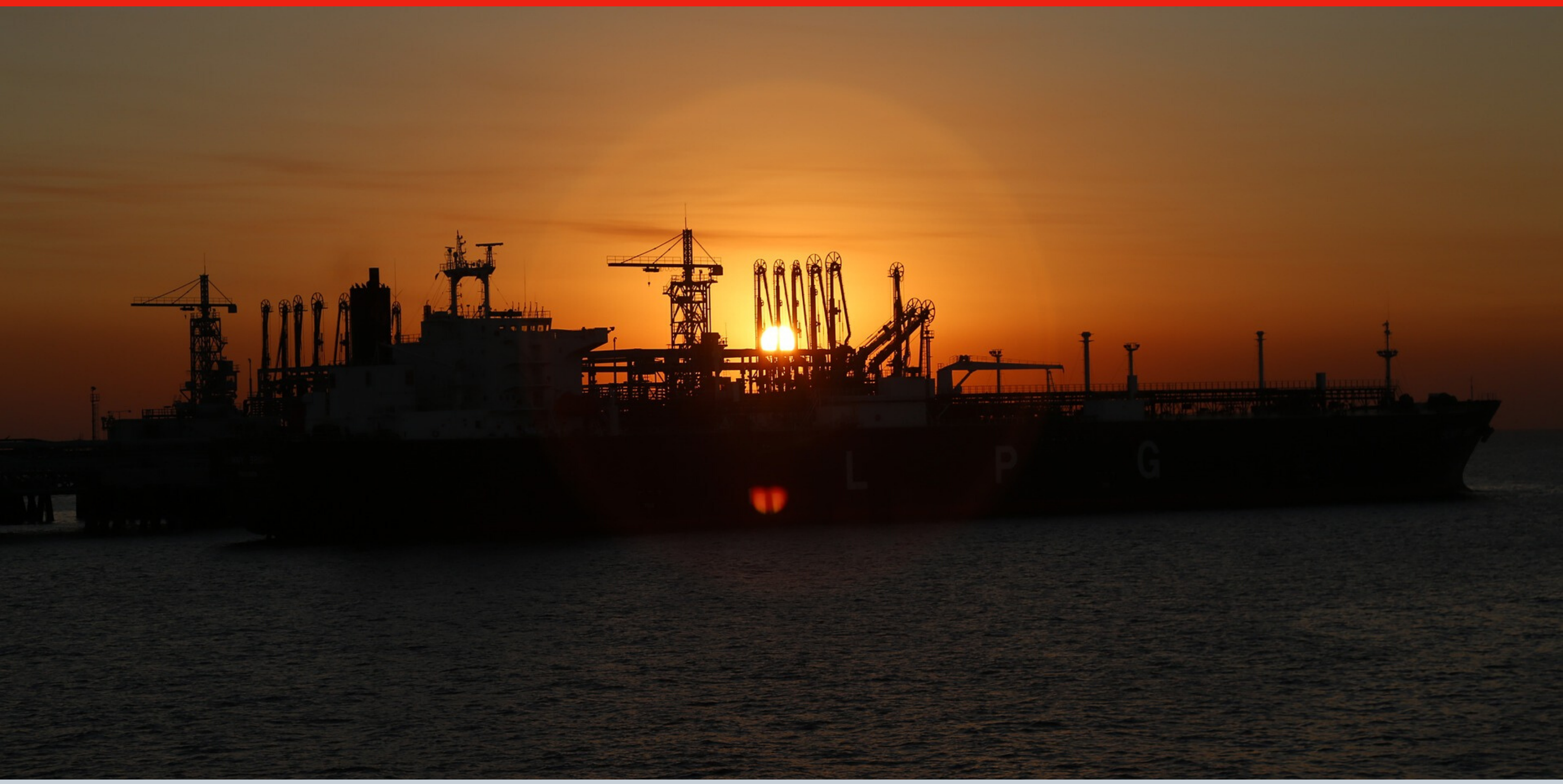
xxi. A company that earns a gross turnover of less than N 25, 000,000.00 is exempted from paying Company Income Tax.

xxii. Tax rate in medium sized companies is now 20 kobo for every N1 (One Naira).

xxiii. Payment of provisional tax removed.

xxiv. Tax payments not to be made later than date of filing and there are bonuses for early payment and penalty for late payment.

PETROLEUM PROFIT TAX ACT

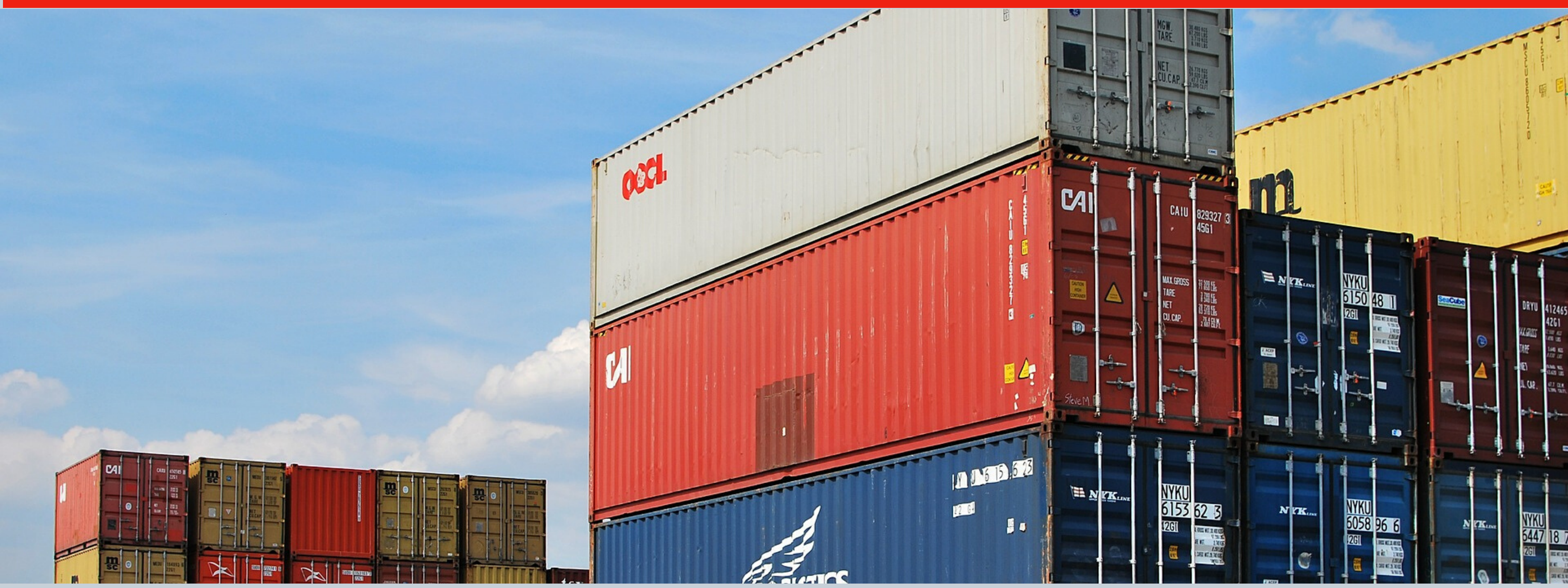


Chargeable profits under this Act are no longer exempt from other taxes.

PERSONAL INCOME TAX ACT

The requirement to provide details of customers to tax authorities has been replaced with the customers providing their Tax Identification Number (TIN).

CUSTOMS AND EXCISE TARIFF ACT



i. Exemption granted to businesses undergoing reorganization is now conditional.

ii. The threshold for tax compensation is now N10,000,000.00

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VALUE ADDED TAX ACT

i. Taxable goods are limited to those supplied in Nigeria

ii. The VAT Rate has been increased from 5% to 7.5%

iii. Registration for remission of VAT is now at commencement of the business and not within six months of registration of the business.

iv. The penalty for failure to register a business for the purpose of payment of VAT has increased.

v. There is a requirement to notify authorities of intention to de-register within 90 days of cessation of business.

vi. The recipient of taxable supplies is liable to self-account for tax payable and remittance where no tax is charged.

vii. The threshold to render returns of input tax paid and output tax collected is N25,000,000.00

viii Non remittance of VAT now attracts higher penalty

.ix. VAT technical committee has been dissolved

x. The provision for sealing of premises for failure to register for VAT has been deleted.

xi. Stiffer penalties now apply for failure to notify tax authorities of change of address and cessation of business.

xii. The list of basic food items exempted from VAT is now extensive and includes more basic food items.

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STAMP DUTIES ACT

Electronic receipts/transfers now under the ambit of Stamp Duties Act.

In conclusion, it is expected that the enactment of the Finance Act 2019 and the various amendments made to the above-mentioned Tax Laws, will bring about a stabilized economy which will attract investors and promote indigenous businesses.

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