KEY PROVISIONS OF THE FINANCE BILL 2021

Introduction

In line with the tradition of the current administration, the Finance Bill 2021 (the "Bill") was recently presented before the legislature for passage into law. Similar to its predecessors, the Bill proposes to amend twelve federal statutes in furtherance of the government's objectives to foster the growth of the economy, stimulate investment into Nigeria, and boost revenue generation. In this article, we highlighted some key provisions of the Bill.

Proposed Amendment to Companies Income Tax (CIT)

i. The Bill specifically introduces taxation for lotteries and betting companies. These companies will be under obligation to pay income tax on the profit earned from the business of lottery and gaming. To determine their profits, prizes of customers, contribution to the lottery trust fund, agent commissions, and regulatory levies among others will be considered as allowable deductions.

ii. The Bill also confers powers on the Federal Inland Revenue Service (FIRS) to assess foreign digital and technology-driven companies with significant economic presence in Nigeria and charge income tax based on their turnover attributable to their presence in Nigeria.

iii. Income accrued from exports of companies engaging in the upstream, midstream or downstream petroleum operations are no longer exempt from CIT. Therefore, such income is now classified as taxable under the CITA.

iv. Unit trusts are no longer required to pay the usual CIT. Rather, the withholding tax deducted from income generated by the unit trust shall be full and final tax liability due to the unit trust.

v. The minimum CIT of 0.25% (as opposed to 0.5%) for companies that have recorded a loss or no profit has been extended to the period between 1st January 2019 to 31st December 2021. However, the application is only available for two accounting periods (2019-2020 or 2020-2021).

Proposed Amendment to Companies Income Tax (CIT)

vi. The Bill proposes a 5% Capital Gains Tax (CGT) on the proceeds from the disposal of shares in a Nigerian company exceeding 500 million Naira. Nevertheless, where the proceeds (or a portion of the proceeds) are reinvested into any Nigerian company within the same year, the proceeds (or the portion of the proceeds) will be exempted from taxation.

Other Taxation

vii. The Bill proposes the removal of the 0.25% National Agency for Science and Engineering Infrastructure Levy paid by commercial companies annually.

viii. The FIRS has also been charged with the task of implementing the provisions of the Nigeria Police Trust Fund (Establishment) Act, 2019. Consequently, the FIRS will be required to assess and collect 0.005% of the net profit of companies operating in Nigeria to be paid into the Nigeria Police Trust Fund.

Conclusion

In addition, the provisions of the Bill attempts to remedy some loopholes in the tax laws (such as appointing the FIRS as the collecting agency of the Nigeria Police Trust Fund) as well as providing obtainable advantages to doing business in Nigeria.

Nevertheless, the annual amendment to the tax laws has made the tax regulations complex by creating a labyrinth of provisions. This will create a herculean task for the FIRS as the agency required to implement these changes. These annual amendments also create confusion among taxpayers on what applies every financial year.