

TIT-BITS

Vol. 35

TOUCHING BASE WITH THE FINANCE ACT 2021

TOLG

For more articles from TOLG
Visit - www.tolegalgroup.com/resources/

The Finance Act, 2021 (the “Act”) which was recently signed into law by President Muhammadu Buhari, introduced significant changes to a number of tax and regulatory laws in Nigeria including the Capital Gains Tax Act, Companies Income Tax Act, Personal Income Tax Act, Tertiary Education Trust Fund Act among others.

Highlighted below are some of the key changes introduced by the Act:

1. The minimum tax rate which was reduced from 0.5% to 0.25% of turnover by the previous Finance Act, 2020 will only be applicable to tax returns prepared and filed for any two accounting periods between 1st of January, 2019 and 31st of December, 2021 as decided by the taxpayer.
2. Non-resident companies which provide digital services in Nigeria are now subject to income tax based on a fair and reasonable percentage of the turnover attributable to their presence. However, the Minister of Finance on the 5th of January, 2022 announced an income tax rate of 6% of turnover.
3. Any gains accruing to a person from the disposal of shares in any Nigerian company shall be chargeable to capital gains tax at 10%, except where the proceeds from the disposal are reinvested to acquire shares in the same or other Nigerian company within the same year of assessment, total disposal proceeds are below N100,000,000 in any 12 consecutive months, or such transfer of shares is done in a Securities and Exchange Commission regulated securities lending transaction.
4. The education tax rate has been increased from 2% to 2.5% of assessable profits.
5. Companies engaged in educational activities are now subject to company income tax whether or not such activities are of a public character.
6. The Act introduces a Sugar Tax, which is an excise duty on non-alcoholic, carbonated, and sweetened beverages at the rate of N10 per litre.

The above are few of the novel changes made by the Act. It is hoped that these amendments would help the government in achieving its financial goals for the year.
