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# KEY CHANGES IN THE FINANCE ACT 2021

## Introduction

On 8 December, the National Assembly received the 2021 Finance Bill (the Bill) for consideration and eventual passage. As a build-on of the 2020 version, the Bill seeks to amend multiple laws such as the; the Capital Gains Act; Stamp Duties Act, Personal Income Tax Act; Companies Income Tax Act; Tertiary Education Trust Fund (Establishment Act) etc. An update will be provided when the Act is finally passed by the National Assembly. We have highlighted some of the changes proposed by the Act and set them below;

## Capital Gains Tax

- A Capital Gains Tax at the rate of 5% is applicable where shares are disposed in a Nigerian company worth at least N500m in any consecutive 12 months, with exemptions including;
  - 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

## Personal Income Tax

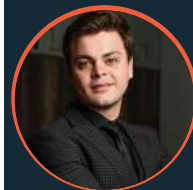
- Deductible life assurance premium for PIT purposes now excludes contracts for deferred annuity

## Companies Income Tax

- Lottery and gaming operations including; betting, gambling, poker, roulette, bingo, craps, wagering and related affairs, are now specifically taxable under CITA. This implies that the National Lottery Act would no longer apply.
- Formerly 0.5%, minimum tax is now applicable at 0.25% of annual turnover. But this is only applicable for two accounting periods: 1 January 2019 – 31 December 2020 or 1 January 2020 – 31 December 2021.



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- Formerly, companies with downstream operations were eligible for exemption of profits where the qualifying goods are exported from Nigeria. Currently, companies operating in both midstream and downstream sectors are no longer eligible for such exemptions. The incentive for gas utilization is now to be claimed once by an entity. Restructured entities that already claimed this credit before restructuring can no longer claim.
- Capital allowance to be claimed on an asset is limited to the portion of that set used to generate taxable profit. A pro-rata allowance rate is applicable except the proportion of non-taxable income does not exceed 20% of the total income of the company.
- Capital allowance brought forward by an SME is now treated as having been claimed and consumed in each such year of assessment. An exemption is granted where the company has a pioneer status.
- Capital allowance to be claimed on an asset is limited to the portion of that set used to generate taxable profit. A pro-rata allowance rate is applicable except the proportion of non-taxable income does not exceed 20% of the total income of the company.

## 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.
- Non-Resident Entities (NREs) supplying VATable goods/services to Nigeria must charge, collect and remit VAT. This obligation only shifts to the Nigerian counterpart where the NRE fails.

## Education Tax

- Education Tax assessment must now be paid or contested within 30 days of assessment as opposed to the former 60 days.
- Electronic Money Transfer Levy (EMTL)
- The Minister of Finance shall make regulations for the administration, collection and enforcement of the Electronic Money Transfer Levy (EMTL); and further provisions affecting the stamp duties and EMTL collected from 2015 - 2019.

## National Agency for Science and Engineering Infrastructure Act (NASENI)

- Commercial companies are no longer required to pay 0.25% of their turnovers to the NASENI fund. Commercial companies are not defined, hopefully a circular is issued to this effect after passage.

## Administration

- 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.
- The FIRS is to administer, collect and enforce the payment of the police levy.



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- The withholding tax received on a unit trust shall be the final tax on that interest.
- The FIRS has power to assess digital companies (involved in e-commerce, mobile application stores, online adverts, sound/signal reception, messages, images or data of any kind) to CIT.

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## **CENTURION LAW GROUP'S TAX SERVICES**

Our Centurion tax team comprises tax experts, lawyers, accountants and business professionals who advise on a range of complex tax and regulatory compliance issues across Africa.

The Centurion Tax Desk provides the following services in all African Countries:

- Transaction advisory, planning and structuring
- Business reorganisations, mergers, disposals, etc. advisory and support
- Direct and indirect tax compliance
- Dispute resolution and controversy management
- Audit and investigation support
- Transfer Pricing
- Tax insights
- Tax reporting



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