

# Financial Bill 2019

The bill addresses some sections of the relevant tax laws as follows:

- Company Income Tax Act
- Value Added Tax Act
- Customs and Excise Tariff (consolidation) Act
- Personal Income Tax Act (as amended)
- Capital Gain Tax Act
- Stamp Duties Act and
- Petroleum Profit Tax Act

## Impact, Expectation, Questions and Summary of VALUE ADDED TAX ACT

1. VAT rate will be 7.5% as against 5%
2. The six (6) months window for VAT registration has been removed, registration is now immediate.

**Immediately after CAC incorporation**

3. Failure to register attracts penalty at =N=50,000 for the first month of default and =N=25,000 for subsequent months as against =N=10,000 for the first month and =N=5,000 subsequently.
4. In the event of trade or business cessation, tax payer must notify the tax office within 90days.

**Failure to notify will simply attracts penalty for not filing**

5. Non-resident company doing business in Nigeria will have to pay VAT through the product beneficiary in Nigeria. The Nigerian company will invariably suffer the VAT consequence. **This has always been in the law but what is changing is that local company must withhold the VAT and remit on behalf of the foreign company.**

**Observation: I see problem with remittance since foreign firm is not registered for tax in Nigeria (we need to see how this play out)**

**Observation: It will only increase the price of such service.**

6. Company with annual turnover that is less than 25m will be exempted to charge VAT

**Question: Will this not lead to some sharp practices?**

**Observation: How will a company determine expected turnover in the year except preceding year turnover will be the yardstick? We will wait to see.**

7. Disposal of asset and sale of whole or part of business is now exempted from VAT.

**This is a welcome development, at least clarifying ambiguities within the law.**

8. Tax credit against subsequent months

**This is a welcome development, at least clarifying ambiguities within the law. This has been the case in practice anyway but its good having it clearly stated in the law.**

9. Penalty of non-remittance has increased to 10% as against 5% per annum plus interest at CBN minimum re-discount rate plus a spread to be determined by the minister.

**This is putting additional knife in the neck of defaulters.**

10. Failure to notify the tax office of change in address now attract fine of =N=50,000 in the first month of default and =N=25,000 subsequently.

**This hiding window has been blocked with penalty, interesting!!**

11. Failure to file VAT returns is now =N=50,000 for first month and =N=25,000 subsequently as against the controversial cumulative or straight line monthly penalty of =N=5,000

**This controversial position of the law has been changed but still to the detriment of defaulting tax payer. I think a smart tax payer should think more of compliance now than wait to be slam penalty for not filing.**

12. In the event of sales or transfer of business to a Nigerian company any asset in such trade is not VATable to the extent that one company has control over the other or both are controlled by some other person or are member of a recognized group of companies and have been so far a consecutive period of at least 365 days prior to the date of reorganization. But this waiver will revert if acquiring company make subsequent disposal of the assets acquired within the succeeding 365days after the date of initial transaction. In this case any concession earlier will be rescinded.

13. Goods has been defined as

“All forms of tangible properties that are moveable at the point of supply, **but does not include money or securities**”

“Any intangible product, asset or property over which a person has ownership or right or from which he derives benefits and which can be transferred from one person to another **excluding interest in land**”

14. Services has been defined as

“Anything **other than goods, money or securities** which is supplied **excluding services provided under a contract of employment**”

15. Commencement of Business has been defined as

“the date that an entity carries out its first transaction which shall be the earliest of the date it begins to market or first advertises its products or services for sales or the date it obtains an operating license from a regulatory authority in Nigeria, or the date of its first sales or purchase or the date it executes its first trading contract after incorporation or the date it issues or receives its first invoice or the date it delivers or receives its first consignment of goods or the date its first renders services to its customers”

### **SUMMARY**

**In a simple term, immediately you receive certificate of incorporation from CAC you must register for tax and start filing else you face sanctions.**

16. The following items has been included as VAT exempt in the First Schedule of the VAT Act

- **Locally manufactured** sanitary towels, pads or tampons
- Tuition relating **to nursery, primary, secondary and tertiary education.**
- Services rendered by Microfinance banks and repealing community banks

### **PROFESSIONAL ADVICE**

**Do you have a registered business name?**

**Are you currently using the registered company for business and/or you intend to use it later in the future?**

**The proposed amendments to VAT Act will no longer allow you to register business name for keep else you pay the price in penalty. Compliance start from day one of registration.**

**You like to talk to someone on your exposure?**



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