ICAN

The Institute Of Chartered Accountants Of Nigeria

(Established by Act of Parliament No. 15 of 1965)

ILUPEJU/GBAGADA & DISTRICT SOCIETY

Presents

TECHNICAL SESSION

DECEMBER 2021 EDITION

TOPICS

1. Contemporary Issues In **Accounting**
2. Finance Bill **2021**
3. eNaira and Its Implementation Strategies

SUNDAY 19TH DEC., 2021

4:00pm

IGDS ZOOM MEETING ROOM

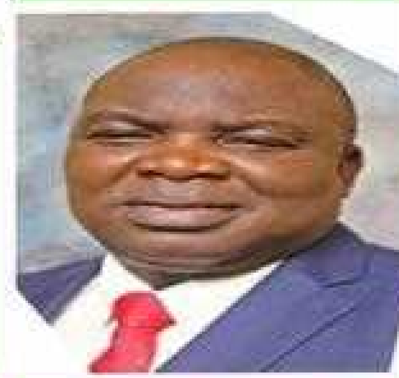
https://us02web.zoom.us/j/81540149120

Meeting ID: 815 4014 9120 | Passcode: 12345

PANELIST:
DR MONDAY EMEKE NWABUZOR, FCA
Managing Partner, Emeke Nwabuzor & Co (Chartered Accountants)

PANELIST:
DR. TITILAYO FOWOKAN, FCA,
Head, Strategic Tax Unit, Dangote Industries Ltd

MODERATOR:
PROF. GODWIN .E. OYEDOKUN, FCA,
Principal Partner, Oyedokun Godwin Emmanuel & Co (Chartered accountants)



'GBENGA OMIDIJI, FCA
Chairman, Ilupeju/ Gbagada & District Society

ENQUIRIES

For Further Information regarding the session, please reach out to:

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NO PRE-REGISTRATION IS NEEDED. ATTENDANCE IS FREE!

The Institute of Chartered Accountant of Nigeria
ILUPEJU/GBAGADA & DISTRICT SOCIETY

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TECHNICAL SESSION

DECEMBER 2021 EDITION

2021 FINANCE BILL

Dr. Nwabuzor M. Emeke (FCTI,FCA,FFAR)

Managing Partner

Emeke Nwabuzor & Co

(Chartered Tax Practitioners & Accountants)

December 19th 2021

We already have in operational 2019 and 2020 finance act with the following strategic objectives:

Promoting fiscal equity;
Reforming domestic tax laws to align with global best practices;
Introducing tax incentives for investments in infrastructure and capital markets;
Supporting MSMEs; and
Raising revenues for government

On 7th of December 2021, President Muhammadu Buhari presented the Finance Bill 2021 for consideration and approval of the Senate.

Quite significantly, the Finance Bill seeks to introduce sweeping changes to the laws covering seven different tax laws and examines the implications of the proposed changes on various sectors.

The Finance Bill, 2021, seeks to support the implementation of the 2022 budget by proposing key reforms to specific taxation, customs, excise, fiscal and other relevant laws.

The bill provides for enhanced Domestic Revenue Mobilization efforts to increase tax and non-tax revenues; and ensure Tax Administration and Legislative Drafting Reforms, particularly to support the ongoing automation reforms by the Federal Inland Revenue Service.

The bill is also expected to accelerate international tax reforms to enhance the taxation of non-resident individuals and companies that nevertheless derive profit from Nigeria; and implement financial sector reforms to support ongoing capital market reforms relating to securities lending transactions, real estate investment trusts, and the recapitalization of insurance companies.

Lastly the finance bill when passed is expected to priorities Critical Public Financial Management Reforms regarding the FIRS' vital role in coordinating tax administration as well as the enforcement of key fiscal rules under the 1999 Constitution, Finance (Control and Management) Act and other relevant laws.

Main Changes in the 2021 Finance Bill

1. Capital gains tax at the rate of 5% to be applicable on disposal of shares in a Nigerian company worth N500m or more in any 12 consecutive months except where the proceed is reinvested in the shares of any Nigerian company within the same year of assessment. Partial re-investment will attract tax proportionately. Transfer of shares under the regulated Security Lending Transaction is exempted.

2. Lottery and Gaming business to be specifically taxable under CITA including betting, game of chance, promotional competition, gambling, wagering, video poker, roulette, craps, bingo, slot or gaming machines and the likes.

3. Companies engaged in petroleum operations including Midstream and Downstream operations will not be eligible for exemption on profits in respect of goods exported from Nigeria. Downstream companies were previously eligible under the old Upstream and Downstream classification.

4. FIRS to be empowered to assess CIT on the turnover of a foreign digital company involved in transmitting, emitting, or receiving signals, sounds, messages, images or data of any kind including e-commerce, app stores, and online adverts.

5. Capital allowance claimable on an asset is limited to the portion used for generating taxable profits. Assets partially used to generate taxable income will be eligible for pro-rata capital allowance except where the proportion of non-taxable income does not exceed 20% of the total income of the company.

6. Any capital allowance or unabsorbed allowances brought forward by a small or medium company, other than a company under pioneer status, to be treated as having been claimed and consumed in each such year of assessment.

7. The reduction of minimum tax rate from 0.5% to 0.25% of turnover (less franked investment income) is to be applicable to any two accounting periods between 1 Jan 2019 and 31 Dec 2021 as may be chosen by the taxpayer.

8. Disputed tax assessment to be in abeyance until determination while undisputed tax assessment is to be paid within 30 days after service of the notice of assessment on the company except otherwise extended by the FIRS. Reference to provisional tax has been deleted in recognition of the well-established self-assessment tax regime.

9. Withholding tax on interest earned from a unit trust to be treated as final tax. Only WHT on dividend is currently treated as final tax for local companies.

10 The deployment of technology to automate tax administration including assessment and information gathering by FIRS to now include third party technology (previously only proprietary technology may be deployed). A penalty of N50,000 to be applicable where a company fails to grant access to FIRS in addition to N25,000 for each day the failure continues.

11. FIRS to be the primary agency of the Federal Government responsible for the administration, assessment, collection, accounting and enforcement of taxes and levies due to the Federation, the Federal Government and any of its agencies except otherwise authorized by the Finance Minister.

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12. Any person or agency of the Federal Government must refer matters requiring tax investigation, enforcement and compliance to the FIRS. Relevant officers who violate the rule to be liable to a penalty of N10m and/or 5 years imprisonment on conviction.

13 Deductible life assurance premium for personal income tax purposes to exclude a contract for deferred annuity.

14. The Finance Minister, subject to the approval of the National Assembly, shall make regulations for the imposition, administration, collection, remittance, including distribution of arrears of stamp duty and Electronic Money Transfer levies collected between 2015 and 2019 fiscal years.

15. Tertiary Education Tax to be payable within 30 days of service of assessment (currently 60 days).

16. Non-residents making taxable supplies to recipients in Nigeria to have the primary obligation to charge, collect and remit VAT to FIRS. The VAT withholding obligation of Nigerian recipients now limited to where the non-resident or its appointed agent fails to collect the VAT.

17. The exemption from VAT registration and compliance obligation applicable to small companies with annual turnover less than N25m to exclude companies engaged in upstream petroleum operations regardless of turnover.

18. Appointment of the FIRS to assess, collect and enforce the payment of Nigerian Police Trust Fund levy. The Act enacted in 2019 imposed a tax of 0.005% on the net profit of companies operating in Nigeria.

19. Amendment of the National Agency for Science and Engineering Infrastructure Act to remove the requirement for commercial companies to pay a levy of 0.25% of turnover annually to the Fund. Primary sources of fund to be limited to 1% of the Federation Account.

20. Mandatory payment of gross revenue collected by federal ministries, departments or agencies to the federation account or consolidated revenue fund as the case may be except otherwise authorized by law. Any officer who violates this requirement may be liable on conviction to imprisonment of up to 5 years or a fine of N5m or both.

21. Amendment of the Fiscal Responsibility Act to enable government borrow for "critical reforms of significant national impact". Currently, government at all tiers are only empowered to borrow for capital expenditure and human development. Capital expenditure is defined as spending on an asset that lasts for more than one financial year. Human development and critical reforms are not defined.

Conclusion

The bill subject to amendments from professionals and public opinion in the recently held public hearing by the Senate will deepen tax culture and encourage good governance in Nigeria.

It will certainly assist in the clarification of identified ambiguities in the extant tax legislation to improve the administration of taxes in the country.

THANK YOU