



Nigeria Fiscal Guide 2023

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Glossary

- AEOI** – Automatic Exchange of Financial Information
- CbCR** – Country-by-Country Reporting
- CBN** – Central Bank of Nigeria
- CCI** – Certificate of Capital Importation
- CGT** – Capital Gains Tax
- CIT** – Companies Income Tax
- CRS** – Common Reporting Standards
- EMT** – Electronic Money Transfer
- FA** – Finance Act
- FG** – Federal Government
- FIRS** – Federal Inland Revenue Service
- FMI** – Federal Ministry of Interior
- FX** – Foreign Exchange
- HT** – Hydrocarbon Tax
- ITC** – International Transport Companies
- LIRS** – Lagos State Internal Revenue Service
- MAP** – Mutual Agreement Procedure
- NIPC** – Nigeria Investment Promotion Council
- NPTFL** – Nigerian Police Trust Fund Levy
- NRC** – Non-Resident Company
- NRI** – Non-Resident Individual
- OECD** – Organization for Economic Co-operation and Development
- OML** – Oil Mining Lease
- OPL** – Oil Prospecting License
- PML** – Petroleum Mining License
- PPL** – Petroleum Prospecting License
- PIT** – Personal Income Tax
- REIC** – Real Estate Investment Company
- RTA** – Relevant Tax Authority
- SDA** – Stamp Duty Act
- SEP** – Significant Economic Presence
- TET** – Tertiary Education Fund
- TP** – Transfer Pricing
- TWP** – Temporary Work Permit
- UPE** – Ultimate Parent Entity
- VAT** – Value Added Tax
- WHT** – Withholding Tax
- YOA** – Year of Assessment



Economic statistics

Economic statistics (2023)

| | |
|--|--------------------------------|
| Prime lending interest rate as at June 2023 | 13.85% |
| CBN MPR as at June 2023 | 18.5% |
| US\$ exchange rate (new midpoint of official window) | 786.68 |
| Inflation rate as at June 2023 | 22.79% |
| GDP 2023 (Q1) | ₦17.75 trillion (real) – 2.31% |
| Crude oil production per barrel as at June 2023 | 1.248mb/d |
| Power generation 2022 (Q4) | 9,445.52GWh |
| Gas production (April 2023) | 159,003 MMSCF |



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Income Tax

The profits of all companies (other than those specifically exempted and the profits from the sale or disposal of crude oil for upstream petroleum companies that are not converting under the terms of the Petroleum Industry Act) are subject to companies income tax (CIT). Nigerian companies are assessed to tax on their worldwide income, whilst Non-Resident Companies (NRCs) are subject to tax only on profits *accrued in or derived from* Nigeria, to the extent that the profits are attributable to operations in Nigeria. For NRCs whose activities constitute a Significant Economic Presence (SEP)¹ in Nigeria, CIT is charged on only the portion of the profit attributable to such activities in Nigeria. Every company carrying on trade or business in the country or whose activity constitutes SEP is expected to prepare audited financial statements and file CIT returns within 6 months from the end of their financial year. However, withholding tax (WHT) will be the final tax for a NRC that derives profit from the provision of technical, management, consultancy, or professional services to persons resident in Nigeria, provided that the NRC does not have a fixed base or engage in other trade or business as defined by the CIT Act.

There are currently three (3) CIT rates applicable to companies in Nigeria depending on their turnover, viz, 30% for large companies with over ₦100 million turnover, 20% for medium companies with ₦25 million to ₦100 million turnover, and 0% for small companies with less than ₦25 million turnover.

Nigerian companies and NRCs are liable to a minimum tax where: the total assessable profit for any year of assessment (YOA) results in a loss; or the computed total profits results in no tax payable; or tax payable is less than the minimum tax, unless they meet the criteria for minimum tax exemption. Finance Act, 2019 amended the base and rate of minimum tax to 0.5% of a company's turnover less franked investment income.

International Transport Companies (ITC) are subject to CIT on their profits from outbound transportation of passengers and cargos by sea from Nigeria subject to treaty provisions. The CIT

Act provides four (4) different approaches for the taxation of outbound freight income of such ITC as follows:

- i. Based on actual profit as provided under Sections 14(1) and 55 of the CIT Act – This requires the ITC to prepare financial statements for its Nigerian operations which will be certified or attested by a Nigerian accounting firm.
- ii. Based on adjusted profit under Section 14(2) of the CIT Act – This approach is adopted where the tax authority in the home country of the ITC assesses tax on shipping companies on a basis not materially different from Nigeria. In this instance, the taxable profit of the ITC will be computed by determining certain ratios (namely *“Adjusted Profit Ratio”* and *“Depreciation Ratio”*) from the ITC's global audited accounts.
- iii. Deemed profit basis under Section 14(3) of the CIT Act – This approach is adopted where Sections 14(1) and (2) above cannot be satisfactorily applied. In this case, the ITC's would be taxed on a fair percentage of its Nigerian outbound freight income. While the basis for determining this fair percentage is not specified in CIT Act, it is expected to reflect the business realities of the ITC.
- iv. Minimum tax under Section 14(4) of the CIT Act - This subsection provides that the income tax payable by an ITC for any year of assessment shall not be less than two percent (2%) of its Nigerian outbound freight income, regardless of which of the above three approaches is applied.

CIT is also applicable on profits of upstream petroleum companies with Petroleum Mining Licences (PMLs) and Petroleum Prospecting Licences (PPL). This is in addition to Hydrocarbon Tax (HT) payable at the following rates:

- i. 30% on profits from crude oil for PML holders for both onshore and shallow water operations; and

¹ The SEP Order, 2020 provides that a foreign company shall have a SEP in Nigeria in any accounting year, where it derives ₦25 million annual gross turnover or its equivalent in other currencies from (a) any or combination of the digital activities (such as streaming and downloading of digital contents, transmission of data collected about Nigerian users, intermediation services that link suppliers to Nigerian customers), (b) uses a Nigerian domain name or registers web-site address in Nigeria; or (c) has a purposeful and sustained interaction with persons in Nigeria by customizing its digital page or platform to target Nigerian customers, including reflecting the prices of its products or services in Nigerian currency or providing options for billing or payment in Nigerian currency.

- ii. 15% for PPL holders operating in the onshore and shallow water areas respectively.

However, upstream petroleum companies operating under the old Oil Prospecting Licences (OPLs) and Oil Mining Leases (OMLs) will continue to be liable to Petroleum Profits Tax (PPT) on their crude oil income until the expiration, conversion, or termination of the licences/ leases.

Individuals are subject to tax under the Personal Income Tax (PIT) Act (as amended). Resident individuals are subject to tax on all personal income, including income derived from outside Nigeria (except those specifically exempted from tax). The PIT is administered based on the “residency rule” and is collected by the relevant tax authority where the individual resides.

However, the taxes due from specified categories² of individuals are payable to the Federal Inland Revenue Service.

Non-Resident Individuals (NRIs) are liable to tax on Nigerian-sourced income. The income of an NRI from an employment, profession, vocation, or business in Nigeria is generally taxed in the same manner as that of a resident, irrespective of where the income is paid. However, investment income derived from Nigeria by a person resident outside the country is only liable to withholding tax. Further, an NRI who derives income from technical, management, consultancy or professional services provided to a person resident in Nigeria is liable to only WHT as the final tax on such income, where the NRI has SEP in Nigeria.

Rates

| Resident companies | |
|---|---|
| Companies Income Tax (CIT): | |
| • Large Companies (over ₦100 million turnover) | 30% |
| • Medium Companies (₦25 million to ₦100 million turnover) | 20% |
| • Small Companies (less than ₦25 million turnover) | 0% |
| • Minimum tax | 0.5% |
| Tertiary Education Tax (TET) | 3% ² |
| Petroleum Profits Tax (for petroleum companies with onshore and shallow waters but are not converting under the PIA) | 85% ⁴ (standard rate) |
| Hydrocarbon Tax (HT): | |
| • Petroleum Mining Licenses | 30% (for onshore and shallow water areas) |
| • Petroleum Prospecting License | 15% (for onshore and shallow water areas) |
| • Deep Offshore Operations | 0% |
| Nigerian Police Trust Fund Levy (NPTFL) ⁵ | 0.005% |
| Capital Gains Tax (CGT) | 10% |
| Value Added Tax (VAT) | 7.5% |
| Dividend, Interest, Royalty and Rent | 10% |
| Consultancy fees, Management fees and fees for Technical Services | 10% |

² These include persons employed in the Nigerian Army, the Nigerian Navy, the Nigerian Air Force, the Nigerian Police Force other than in a civilian capacity, officers of the Nigerian Foreign Service and a non-resident person that derives income or profit from Nigeria.

³ The Finance Act, 2023 revised the TET rate from 2.5% to 3% which will become effective from 1 September 2023

⁴ For a company with OPL or OML, in its first five years of petroleum operations the applicable rate is 65.75%. The petroleum profits tax rate for companies operating in the deep offshore and inland basin areas under Production Sharing Contracts with the Nigerian National Petroleum Corporation Limited not converting under the PIA is 50% flat for the contract area.

⁵ Section 2(2) of the NPTF Act provides that the Trust Fund will be operational for six (6) years from the commencement of the Act and shall, at the expiration of that period, cease to exist unless extended by an Act of the National Assembly.

Companies may be liable to the following levies based on their business activities:

- National Information Technology Development Act (NITDA) levy – This is charged at 1% of profit before tax payable by the following companies with turnover of ₦100 million and above: GSM service providers and all telecommunications companies; Cyber companies and internet providers; Pension managers and pension related companies; Banks and other financial institutions; and insurance companies.
- National Agency for Science and Engineering Infrastructure (NASENI) levy – This is computed at 0.25% of the profits before tax of companies with annual turnover of at least ₦100 million and operating in the banking, mobile telecommunications, information and communications technology, aviation, maritime and oil and gas sectors.

| Resident individuals | |
|---|-----------------------|
| Personal Income Tax (PIT) | 7 to 24% ⁶ |
| CGT | 10% |
| Dividend, Interest and Rent | 10% ⁷ |
| Royalties | 5% ⁷ |
| Consultancy fees, Management fees and fees for Technical Services | 5% ⁷ |
| Directors' fees | 10% ⁷ |

| Non-Resident companies and individuals | |
|--|---|
| CIT | Non-resident companies are taxed at the same tax rate as resident companies. However, they are only taxed on Nigerian-sourced income ⁸ . TET does not apply. |
| NPTFL | Taxed at the same rate as residents |
| PIT | Non-resident individuals are taxed at the same tax rate as resident individuals. |
| CGT | Taxed at the same rate as residents |
| VAT | Taxed at the same rate as residents |
| Dividend, Interest, Royalty and Rent | Taxed at the same rate as residents ⁹ |
| Directors' fees | Taxed at the same rate as residents |

6. The current PIT table for individuals and joint venturers or partners in unincorporated entities is shown below:

| Taxable income (₦) | Rate of tax (%) |
|--------------------|-----------------|
| First 300 000 | 7 |
| Next 300 000 | 11 |
| Next 500 000 | 15 |
| Next 500 000 | 19 |
| Next 1,600 000 | 21 |
| Above 3,200 000 | 24 |

7. This relates to WHT deducted at source. Dividend received after deduction of WHT is regarded as franked investment income and is not liable to further income tax.

8. The Federal Inland Revenue Service (FIRS) has the discretion to assess Nigerian companies and NRCs to CIT on a fair and reasonable percentage of their profit where they are of the opinion that the assessable profit reported is less than should be expected. For NRCs, this is usually the higher of actual profit (determined based on audited accounts) and deemed profit (currently 20% of revenue). Until 2015, it was the practice of the FIRS to assess NRCs to CIT on deemed profit basis only. However, the FIRS in that year issued a public notice on the filing of Tax Returns by NRCs under the CIT Act, Cap C21, Laws of the Federation of Nigeria (LFN) 2004 (as amended) requiring NRCs to file their tax returns on actual profit basis, in compliance with Section 55 of the CIT Act. The tax returns

would comprise the signed audited financial statements and income tax computations, showing the taxable income, tax-deductible expenses, and capital allowances of the NRC.

The notice issued by the FIRS specifies the commencement date as 2015 year of assessment, covering the basis period of an accounting period ending in 2014.

Finance Act, 2021 has amended Section 30 of the CIT Act to empower the FIRS to assess non-resident digital service providers with significant economic presence in Nigeria to tax on a fair percentage of their income derived from Nigeria.

- 9. WHT deducted at source is the final income tax due on the income.



Transfer pricing (TP) and thin capitalisation rules

On 12 March 2018, the FIRS issued a revised Income Tax (Transfer Pricing) Regulations, 2018 (the Regulations) to replace the erstwhile Income Tax (Transfer Pricing) Regulations, 2012. The new Regulations, which commenced on the same date, is applicable to basis periods of taxpayers beginning after that date. The Regulations requires that the pricing for transactions between related parties are at arm's length. Therefore, taxpayers are required to provide documentation sufficient to verify that the pricing of controlled transactions is consistent with the arm's length principle. In addition, taxpayers are obligated to complete and file TP declaration and disclosure forms with the FIRS in respect of their related-party transactions, along with their income tax returns. TP policies and contemporaneous documentation are to be submitted to the FIRS upon request.

Though the new Regulations retained the scope of the defunct 2012 Regulations, it introduced some notable changes including provisions on procurement arrangements, safe harbour, connected persons, capital-rich-low-function companies, intragroup services and intangibles, transfer pricing documentation and administrative penalties for non-compliance.

Nigeria has no specific thin capitalisation rules. Thus, there are no ratios which may limit the amount of debt that may be applied to fund a company. However, Finance Act, 2019 introduced a new deductibility rule which limits the amount of interest expense a Nigerian company can claim as tax deduction on interest incurred on debts issued by a foreign connected person, in any tax year, to 30% of Earnings Before Interest, Tax, Depreciation and Amortization. Any excess above the limit can be carried forward up till 5 years.



Country-by-Country Reporting Regulations

The FIRS published the Income Tax [Country-by-Country Reporting (CbCR)] Regulations, 2018 (CbCR Regulations) on 19 June 2018, with the commencement date of 1 January 2018. The CbCR Regulations requires Multinational Enterprises (MNE) Groups headquartered in Nigeria with a consolidated revenue of ₦160 billion or above to file CbC report with the FIRS annually.

Nigerian resident members of MNE Groups, headquartered outside Nigeria, are required to notify the FIRS of the identity and tax jurisdiction of the entity that will be responsible for filing the CbC report, where the Group has a consolidated revenue of EUR750 million or near equivalent in the domestic currency of the jurisdiction of the Ultimate Parent Entity (UPE) or surrogate parent entity. However, where the CbCR Regulations have not been implemented in the jurisdiction where the UPE is tax resident, the Nigerian entity is required to file the CbC report.

The due date for filing the CbC report is not later than one year after the end of the accounting period to which the report relates. The CbCR Regulations also impose stiff penalties for non-compliance.

Income Tax (Common Reporting Standard) Regulations

The FIRS issued the Income Tax [Common Reporting Standard (CRS)] Regulations, 2019 ("the CRS Regulations"), which commenced on 1 July 2019. The FIRS further published the Income Tax (Common Reporting Standard) Implementation and Compliance Guidelines, 2019 ("the CRS Guidelines") to supplement the CRS Regulations.

The CRS Regulations gives effect to the:

Multilateral Convention on Mutual Administrative Assistance in Tax Matters and the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Information (AEOI) signed by the Federal Republic of Nigeria on 17 August 2017; and

Common Reporting Standards (CRS) and its Commentaries contained in the Standard for AEOI in Tax Matters approved by the Organization for Economic Co-operation and Development (OECD) on 15 July 2014.

The CRS Regulations aims to improve international tax transparency and reduce tax evasion among taxable Nigeria residents with income from other jurisdictions. In accordance with the CRS Regulations, Nigerian Financial Institutions are required to submit certain information on reportable accounts to the FIRS annually.

The due date for filing the CRS returns is 31 May of the year following the calendar year to which the returns relate. The CRS Regulations also impose stiff penalties for non-compliance.





Mutual Agreement Procedure

The FIRS recently issued *Information Circular No.: 2023/04* which provides guidelines to taxpayers on procedures for accessing Mutual Agreement Procedure (MAP) for resolution of tax disputes under the Double Taxation Agreements (DTA). The FIRS clarified that the purpose of the Circular is to provide guidance to a taxpayer whose tax case falls within the scope of a tax treaty between Nigeria and another contracting State on how to obtain assistance from the Nigerian Competent Authority in order to resolve tax disputes involving double taxation and inconsistencies in the interpretation or application of the provisions of a Tax Treaty. The guidelines also address the application for corresponding adjustments that may be required due to the application of the Article on associated enterprises in a tax treaty.

The Circular provides examples of scenarios where MAP assistance may be requested, including transfer pricing issues, dual tax residency, withholding tax disputes, permanent establishment concerns, characterisation or classification of income disputes. However, the FIRS clarified that the MAP cases must be presented within the time limit specified by the DTAs. Where no time limit is specified, a 3-year time limit will be applicable from the first notification of taxation not in accordance with the DTA.

Formal requests for MAP should be made in writing, and must include relevant information such as taxpayer details, tax authority names, relevant Tax Treaty articles, assessment years, summaries of facts and issues, and supporting documentation.

Transaction Taxes

These include value added tax, capital gains tax, withholding tax, stamp duties and electronic money levy.

Value Added Tax

VAT is a consumption tax levied on the supply of all goods and services supplied in or imported into Nigeria, except those specifically exempted from the tax by the VAT Act and Executive Orders.

The VAT Act defines **goods** as “all forms of tangible properties, moveable or immovable, but does not include land and building, money or securities”, and **services** as “anything other than goods, or services provided under a contract of employment, and includes any intangible or incorporeal (product, asset or property) over which a person has ownership or rights, or from which he derives benefits, and which can be transferred from one person to another, excluding interest in land and building, money or security”.

VAT is charged at a flat rate of 7.5%, except when it is charged on “zero-rated” goods or services at 0%.

VAT on goods and services payable to the following persons is required to be deducted at source by the recipient and remitted to the FIRS:

- (i) NRCs who do not fulfil their obligation to charge VAT on their invoices
- (ii) Persons supplying goods and services to companies operating in the oil and gas industry
- (iii) Persons supplying goods and services to government ministries and parastatals.



The VAT Act empowers the FIRS to appoint VAT collection agents to withhold the VAT on transactions with their customers. Such agents are required to remit and file the VAT withheld to the FIRS on or before the 14th of each month. The FIRS recently exercised this right by appointing MTN, Airtel, and all money deposit banks (as defined by the Central Bank of Nigeria (CBN) guidelines) as VAT Collection Agents. In a recent case, the TAT also upheld FIRS appointment of Bolt, a non-resident supplier (NRS), as agent of collection of VAT from both the activities of the food vendors and drivers that use the Company’s platform to provide services to customers

Capital Gains Tax

CGT is imposed at a rate of 10% on capital gains accruing from the disposal of any asset, corporeal or not (including digital assets such as cryptocurrencies), irrespective of where it is situated, and whether it is owned by an individual or corporate entity. Persons who dispose of a chargeable asset are required to self-assess, pay, and file a return of the chargeable gain by 30 June and 31 December of the same year. In computing chargeable gains, losses on disposal of chargeable assets will be deductible where such losses are attributable to the same asset. Unabsorbed losses can be carried forward for a maximum of 5 years.

Transactions that are subject to income tax are usually excluded from the scope of CGT, as are gains of exempt organisations and institutions. Gains on transfer of Nigerian Government securities are exempted from CGT. However, CGT is applicable on gains arising from disposal

of shares in any Nigerian company where the aggregate proceeds from such disposal exceeds ₦100 million in any 12 consecutive months. The two exceptions to this are: (a) where the whole or part of the disposal proceeds are reinvested within the same year of assessment (YOA) in acquiring shares in the same or other Nigerian companies; and (b) transfer of shares between an approved Borrower and Lender in a regulated securities lending transaction.

Where a qualifying asset located outside Nigeria (as defined in the CGT Act) is disposed of by a non-Nigerian company, CGT will only be payable on the portion of the gain which is *brought into* or *received* in Nigeria. However, ships and aircraft owned by NRCs will be deemed to be located outside Nigeria only when they are “*used in international traffic*” based on the provisions of Finance Act, 2020.

Withholding Tax

Generally, WHT is an advance payment of income tax, deducted at source on qualifying transactions. However, it may also represent the final tax liability on certain passive and franked investment incomes.

Where WHT is deemed to be an advance payment of income tax, it can be utilised as a credit against the beneficiary’s income tax liability for the relevant year(s) of assessment. Any unutilised WHT credit can be carry-forward to subsequent tax years indefinitely.

The WHT rates applicable to various transactions are as follows:

| Payment | Individual Beneficiary | Corporate Beneficiaries |
|---|------------------------|-------------------------|
| Rent | 10 | 10 |
| Dividend | 10 | 10 |
| Interest | 10 | 10 |
| Royalty | 5 | 10 |
| Commissions, Consultancy, Technical and Management fees | 5 | 10 |
| Contracts for construction of roads, bridges, buildings, and power plants | 5 | 2.5 |
| Contracts and Agency Arrangements* | 5 | 5 |
| Directors Fees | 10 | N/A |

*Covers all forms of supplies, deliverables or the like through competitive bidding, tenders, local purchase orders, agency, or other similar arrangements, whether oral or written. It does not, however, extend to contract for the outright sale and purchase of goods and property in the ordinary course of business.

Double Tax Treaties and reduced tax rates

| Country ¹⁰ | Dividends ¹¹ (%) | Interest ¹¹ (%) | Royalties ¹¹ (%) |
|--------------------------|-----------------------------|----------------------------|-----------------------------|
| Belgium | 10 | 10 | 10 |
| Canada | 10 | 10 | 10 |
| China | 10 | 10 | 10 |
| France | 10 | 10 | 10 |
| Pakistan | 10 | 10 | 10 |
| Romania | 10 | 10 | 10 |
| South Africa | 7.5 | 7.5 | 7.5 |
| The Netherlands | 10 | 10 | 10 |
| United Kingdom | 10 | 10 | 10 |
| Italy (Air and Shipping) | N/A | N/A | N/A |
| Philippines | 10 | 10 | 10 |
| Czech | 10 | 10 | 10 |
| Slovakia | 10 | 10 | 10 |
| Singapore | 7.5 | 7.5 | 7.5 |
| Spain | 7.5 | 7.5 | 7.5 |
| Sweden | 7.5 | 7.5 | 7.5 |



Stamp Duty

The Stamp Duties Act (SDA), Cap S8, LFN, 2004, as amended by Finance Acts 2019, 2020 and 2021, is the legal basis for the imposition of stamp duties in Nigeria. The SDA provides that dutiable instruments specified in the Schedule to the SDA must be stamped at the applicable rates and the duty remitted to the relevant tax authorities. Dutiable instruments include most legal instruments such as contracts, notes, agreements, leases, insurance policies, receipts, mortgages, stock certificates, licences, bills of exchange, deeds, letters of allotment, letters of credit, marketable securities, notarized documents, share warrant/stock certificates, warrants for goods, etc. The stamp duty

applicable to an instrument may be a fixed sum (typically less than ₦50) or ad valorem, which is a percentage of the consideration on the instrument (typically ranging from 0.075% - 1.5%).

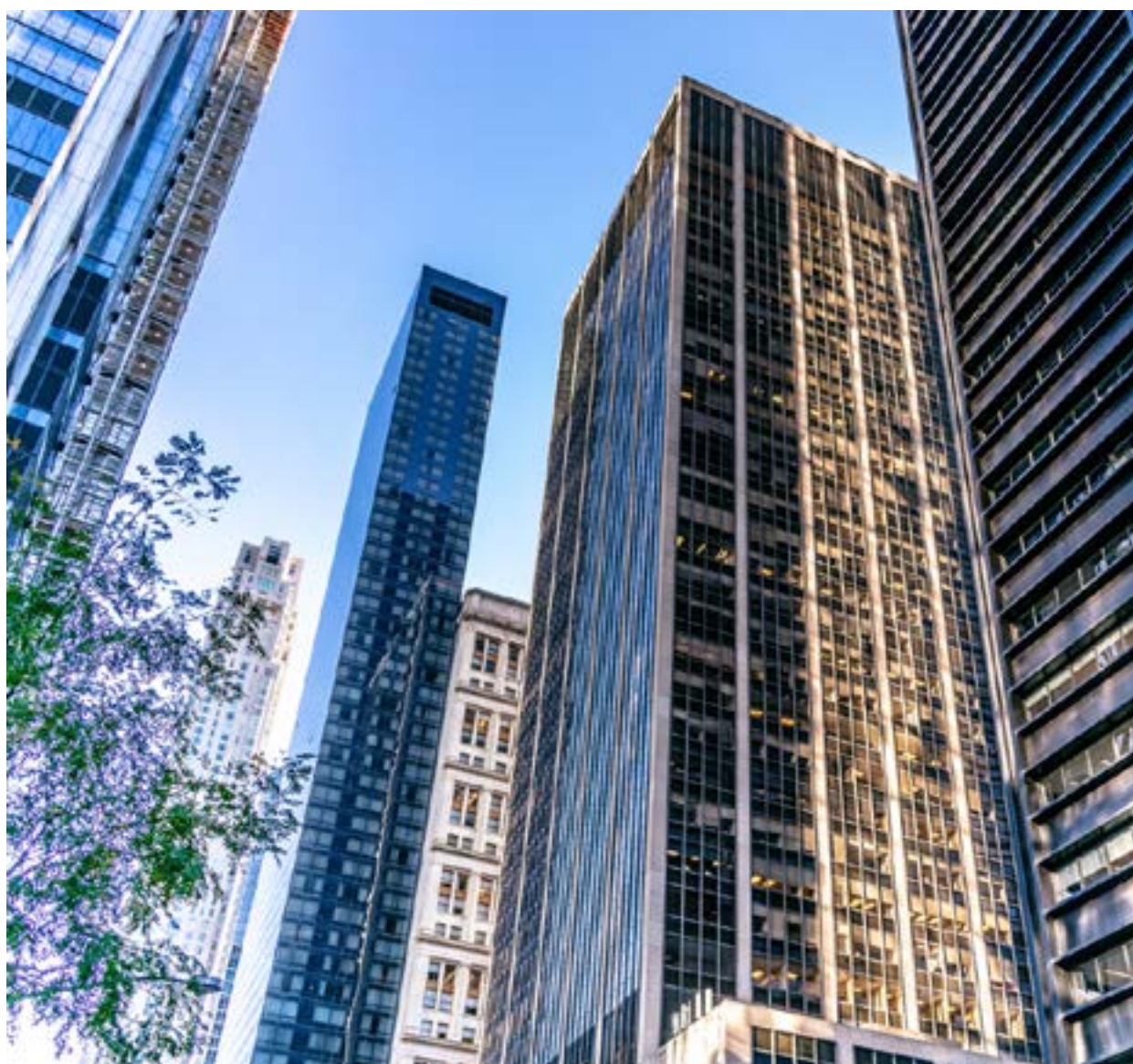
Stamp duty is payable at the rate of 0.75% on a company's authorised share capital and any increase thereon. Documents relating to the transfer of stocks and shares and instruments on which duty would be payable by the government are exempt from stamp duties. However, for transactions executed through brokers or agents, an *ad valorem* stamp duty applies on the contract note.

¹⁰ <https://www.firs.gov.ng/tax-treaties/>

¹¹ Although the Double Tax Treaties (DTTs) (except for the DTTs with South Africa, Spain, and China) were not formally amended to reflect the reduced rate of 7.5% specified in the 1999 FG Budget pronouncement, the tax authorities have been implementing it in Nigeria. However, the FIRS recently announced the termination of the reduced rate of 7.5% effective from 1 July 2022. Consequently, the applicable WHT rates on dividend, interest and royalty payments will be the rates specified in the relevant tax laws, except where such rates exceed the maximum rate provided in the relevant DTTs.

Electronic Money Transfer Levy

Finance Act, 2020 introduced the Electronic Money Transfer (EMT) Levy to replace the stamp duty on electronic transfers which was introduced by Finance Act, 2019. Consequently, an EMT levy of ₦50 is applicable on all electronic receipts/ transfers above ₦10,000. The SDA designates the FIRS and State Internal Revenue Service as the relevant competent authorities responsible for collecting EMT on behalf of the Federal Government and the State Governments for companies and individuals, respectively.



Investment Information

Investment rules

Investment in Nigeria is regulated by the Nigeria Investment Promotion Commission (NIPC) Act 1995, with limited restrictions on investors.

Foreigners and their Nigerian counterparts can invest and participate in any enterprise in Nigeria, except for those on the following “negative list”:

- (i) production of arms and ammunition
- (ii) production and dealing in narcotic drugs and psychotropic substances
- (iii) production of military and parliamentary wear and accoutrement

A foreign investor is required to apply to the FMI for a Business Permit at the time of applying for expatriate quota, which they will require to employ expatriates. Foreign investors are required to bring in equity capital into the country on the basis of which the receiving bank will issue a Certificate of Capital Importation (CCI) in respect of equity investment in a Nigerian company. The CCI is one of the documents required by the NIPC to register a foreign enterprise in Nigeria. It is also required for remittance of dividends and repatriation of capital and accretion thereto in the event of divestment.

Generally, there are no restrictions on repatriation of profits by foreign investors as long as the documentation requirements are met, and appropriate taxes are paid.



Investment incentives - General

- (i) Interest income earned and proceeds from disposal of Federal Government bonds are exempted from CIT, while interest earned, and proceeds from disposal of short-term Federal Government securities and bonds are exempted from PIT. Equally, coupons paid on bonds issued by the Federal, State and Local governments, and corporate bodies are exempted from PIT. However, income earned from short term Federal Government securities, bonds issued by State and Local Governments and their agencies, and bonds issued by corporate bodies are no longer exempted from CIT.
- (ii) Proceeds from the disposal of securities are exempted from VAT.
- (iii) Capital allowance of 95% in the first year in respect of plant and machinery purchased to replace old ones.
- (iv) Tax exemption of between 10% and 70% of the interest earned on foreign loans advanced to companies in any industry, where the terms and tenor of the loan satisfy the conditions specified in the law.
- (v) Exemption of small companies (with less than ₦25million turnover) from payment of CIT and TET.
- (vi) Donations made to the Government or its agencies during a pandemic, natural disaster or other exigency are allowable deductions for CIT purposes subject to a set threshold

Incentives for 'pioneer companies'

Under certain circumstances, pioneer status may be granted to companies (including foreign-owned companies registered in Nigeria) involved in designated industries. The fiscal incentives available to pioneer companies include:

- (i) Exemption from income tax for three years with a possible extension for another two years.
- (ii) Capital expenditure on qualifying assets

incurred during the tax relief period is treated as having been incurred on the first day following the tax relief period. Pioneer companies are therefore able to fully claim capital allowances on such assets after the pioneer period.

- (iii) Tax-free dividends during the holiday period.
- (iv) Losses in the relief period may be set off against profits after the end of the period.



Incentives for the agricultural sector

- (i) Companies engaged in agricultural trade or business are not liable to minimum tax.
- (ii) Exemption from restriction of capital allowance claimable by the companies to 66^{2/3}% of assessable profit.
- (iii) Tax exemption of the interest earned from primary agricultural production loans, provided the moratorium is not less than 12 months and the rate of interest is not more than the base lending rate at the time of the loan was granted or restructured.
- (iv) Exemption from income tax for an initial of four (4) years with a possible extension of two (2) years based on satisfactory performance of primary agricultural production.



Export and mining enterprises incentives

- (i) A wholly-export-oriented company established outside an export processing zone (EPZ) is exempt from CIT for its first three tax years, provided the export proceeds constitute at least 75% of its turnover and it repatriates at least 75% of the export earnings to Nigeria.
- (ii) Plant, machinery, equipment, and accessories imported exclusively for mining operations in Nigeria are exempted from customs duties.
- (iii) A new company engaged in the mining of solid minerals will enjoy a tax holiday of three years while wholly-export companies with turnover of less than ₦1 million are subjected to CIT at 20% in the first five years. However, such companies will now be eligible for income tax exemption applicable to companies with less than ₦25 million turnover as introduced by Finance Act, 2019
- (iv) Free trade zones and EPZs are designated from time to time and enterprises operating in such designated zones enjoy tax exemption and liberalized exchange control measures. However, companies in these designated zones are required to submit their income tax returns with the FIRS in line with the filing requirements of Section 55 of CITA.
- (v) Any Nigerian company (other than companies engaged in the upstream, midstream, or downstream petroleum operations) with export proceeds used to purchase raw materials, plant, equipment, and spare parts, is exempted from CIT on such proceeds.

Incentives for the power sector

For companies engaged in downstream gas utilisation relating to power plant:

- (i)** A three (3) year income tax holiday, with possible renewal for additional two (2) years or an additional investment allowance of 35%. However, any company that claims the investment allowance will not be entitled to the additional investment allowance of 15% specified in (iii) below.
- (ii)** Accelerated capital allowances after the tax-free period in the form of a 90% annual allowance with 10% retention for investment in plant and machinery.
- (iii)** An additional investment allowance (uplift on the cost of the asset) of 15% which does not reduce the value of the asset.
- (iv)** Exemption from restriction of capital allowance claimable by the companies involved in upstream and midstream gas operations to 66^{2/3}% of assessable profit.
- (v)** Tax-free dividends during the tax-free period where the investment for the business was made in foreign currency.
- (vi)** Plant, machinery, and equipment purchased for utilisation of gas in downstream petroleum operations are VAT-exempt.
- (vii)** Exemption of renewable energy equipment from VAT.
- (viii)** The Customs, Excise Tariff, etc. (Consolidated) Act exempts from customs duties, *"any machinery, equipment or spare part imported into Nigeria by an industrial establishment engaged in the exploration, processing or power generation through the utilisation of Nigerian gas, for its operation."*
- (ix)** Zero duty on the importation of equipment and machinery.
- (x)** The List of Pioneer Industries and Products includes electricity power generation, transmission, and distribution as a pioneer industry. However, companies enjoying

gas utilization incentives in respect of their qualifying capital expenditure are ineligible for Pioneer Status Incentive on the same investment.

- (xi)** WHT on power plant construction contracts is reduced from 5% to 2.5%.

Incentives for Real Estate Investment Companies

Finance Act, 2019 introduced specialized rules for the taxation of real estate investment companies (REICs) in Nigeria. Prior to the Finance Act, real estate investment schemes were exposed to multiple levels of taxation, arising from receipt and subsequent redistribution of dividends, and rent to investors, making them less attractive to investors. To manage the double tax exposure, Finance Act, 2019 introduced the following incentives for REICs:

- (i)** Granting pass-through status to REICs.
- (ii)** Exemption of dividend and rental income received by REICs on behalf of their shareholders from CIT, provided that a minimum of 75% of the dividend or rental income earned is distributed within 12 months of the end of the financial year in which the income was earned. Any income earned by a REIC other than those collected on behalf of investors is liable to income tax.
- (iii)** Exemption of rental and dividend income distributed by a REIC to its shareholders from excess dividend tax.
- (iv)** Dividends or mandatory payments made by a REIC to its shareholders and are duly approved by the Securities and Exchange are deductible for income tax purposes.
- (v)** Exemption of dividends received by a REIC from WHT.

Finance Act, 2021 has expanded the definition of REICs to include a Real Estate Unit Trust (REUT). This means that REUTs may now enjoy the tax concessions available to REICs.



Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme

On 25 January 2019, the Federal Government established a ten-year Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme (“the Scheme”). The Scheme was set-up as a public-private intervention that enables the Federal Government to leverage private sector capital and efficiency for the construction, refurbishment, and maintenance of critical road infrastructure in key economic areas in Nigeria.

Participants under the Scheme will be entitled to utilize the project cost incurred in the construction or refurbishment of an eligible road as a tax credit against their income tax liability, until full cost recovery is achieved.

The Scheme grants additional incentive of a single non-taxable uplift on project cost, to participants. The uplift, which is a percentage (monetary policy rate (MPR)+2%) of the project cost, will be included in the total tax credit available to each participant.

Exchange controls

Exchange controls are regulated by the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 1995. The Act creates an autonomous market in which transactions may be conducted in any convertible currency through authorised dealers. Investments may be made in foreign currency or imported capital and the investor will be issued a CCI by the authorized dealer within 24 hours of receipt of the capital and appropriate returns must be filed by the dealer with the Central Bank of Nigeria (CBN).

On 16 June 2023, CBN issued a notice informing banks to engage in forex trading based on market-determined rates¹². This notice was in accordance with the inaugural speech of His Excellency, President Bola Ahmed Tinubu, GCFR, where he pledged to end the CBN's multiple exchange rate regime. The notice introduced the following new changes:

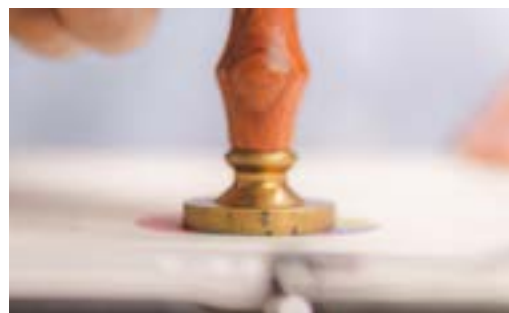
- Merging of the various market segments, such as the Investors and Exporters FX Window ("the I&E Window"), International Air Transport Association rate and Interbank Exchange Rate into the I&E window. However, deposit money banks will continue to handle applications for medical expenses, school fees, business/personal travel allowances, and small and medium enterprises.
- Reintroduction of the "Willing Buyer, Willing Seller" model for the I&E window. This means that all eligible transactions can access foreign exchange through this window.
- Calculation of operational exchange rate for government-related transactions as the weighted average rate of the previous day's transactions at the I&E window, rounded to two decimal places.
- Lifting of restrictions on oversold forex positions, and zeroising limits on overbought positions.
- Reintroduction of the order-based two-way quoting system, with bid-ask spread of 1%. Additionally, all transactions will be cleared by a Central Counter Party (CCP).
- Termination of the RT200 Rebate Scheme and the Naira4Dollar Remittance Scheme as from 30 June 2023.

It is expected that these measures will encourage foreign investors and attract inflows of foreign exchange, thereby alleviating pressure on the country's dwindling foreign reserves.



¹²-Operational Changes to FX Market.pdf (cbn.gov.ng)

Residence and work permits



All foreigners are required to obtain work permits, which are generally granted based on expatriate quota for long term employment approved for their employers, if it can be demonstrated that a Nigerian citizen does not have the required expertise to perform the job. A foreigner that intends to work in Nigeria on short-term basis needs to obtain a Temporary Work Permit (TWP) Visa.

On 4 February 2020, His Excellency, former President Muhammadu Buhari (GCFR), signed Nigeria's Visa Policy 2020 (NVP 2020), which details the new guidelines for entry and exit

of migrants. The policy provides for different categories of visa including TWP visa of up to six months. However, the NVP 2020 is not yet fully operational, and the Nigerian Immigration Service is yet to communicate the mode of obtaining the required pre-approval for the 6 months visa. Thus, the maximum duration for any issued TWP is still less than three (3) months. Where there are compelling reasons for the continued stay of a foreigner on TWP, due to extension of the project being executed, the TWP visa may be extended accordingly.



Annual budget announcement

The President presents the annual budget for the fiscal year commencing on 1 January to the joint session of the National Assembly. The appropriation bill is now accompanied by the Finance Act, which details how the government will raise revenue to finance the budget. Thereafter, the Minister of Finance, Budget and National Planning provides a detailed breakdown of the budget.

Trade and bilateral agreements

Membership: Africa, Caribbean and Pacific (ACP), European Union (EU) Partnership Agreement, Organisation of Petroleum Exporting Companies (OPEC), World Trade Organisation (WTO), African Union (AU) and Economic Community of West African States (ECOWAS), African Continental Free Trade Area (AfCTA).

Investment treaties are in force with France, Netherlands, Germany, Switzerland, Romania, Spain, China, Finland, Italy, Korea Republic, Singapore, South Africa, Sweden, Taiwan Province of China, and the UK. Nigeria has signed the 1965 Convention on the Settlement of Investment Disputes.

Travel Information



Visa requirements

Other than nationals of ECOWAS member states, visas are required by all foreign passport holders. Business travellers to Nigeria can now process their visa-on-arrival electronically by completing relevant application forms on the Nigeria Immigration Service website (www.immigration.gov.ng) using Mozilla Firefox and Google Chrome browsers, making payment (using MasterCard and Visa payment cards) and obtaining online visa approval.

Flights

Several international carriers fly into Nigeria. There are regular flights between major international hubs, daily regional flights with neighbouring countries and other hubs such as Addis Ababa, Nairobi and Johannesburg.

Inoculations

Standard requirements



Currency

The Nigerian currency is the Naira (₦ or NGN). It is divided into 100 kobo.

Languages

English is the official language. Hausa, Igbo, and Yoruba are the main languages of the North, South-East and South-West, respectively.

Official holidays (2023)

- New Year's Day (2 January)
- Good Friday (17 April)
- Easter Monday (10 April)
- Worker's Day (1 May)
- Id-el-Fitr* (21 - 24 May)
- Democracy Day** (12 June)
- Id-el-Kabir* (28 - 29 June)
- National Day (1 October)
- Id-el-Malud* (27 September)
- Christmas Day (25 December)
- Boxing Day (26 December)



*Movable holidays, subject to ratification by the Federal Government

**The National Assembly passed the Public Holiday Act (Amendment) Bill into law on 16 May 2019. The Act replaced 29 May with 12 June as the new official Democracy Day. However, 29 May will remain a public holiday to celebrate transition to a new national government following general elections every four years.

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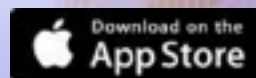
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