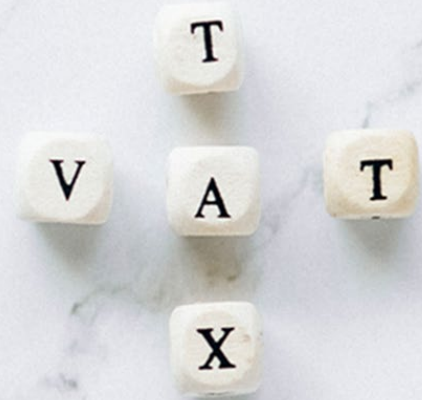




Tax Alert



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Lagos State Government presents State VAT Bill

The Lagos State Government, today, 8 September 2021 presented the State Value Added Tax (VAT) Bill, 2021 ("the Bill") at a stakeholders meeting organized by the House of Assembly ("the House") through its Committee on Finance. The presentation of the Bill follows the Federal Inland Revenue Service (FIRS)' failure to obtain a stay of execution of the judgment of the Federal High Court (FHC) nullifying the VAT Act Cap V1, LFN 2004 in *Attorney General for Rivers State and FIRS & Attorney General of the Federation*.

We have highlighted some key provisions of the Bill below:

- VAT to be charged at the rate of 6% on taxable supplies of goods and services, other than those expressly exempted or designated as zero rated in the Schedules to the Bill.
- The Lagos State Internal Revenue Service (LIRS) will be responsible for administration and implementation of the Bill.
- Companies resident in Lagos State are required to register with LIRS for VAT within 6 months of commencement of the Bill, or 6 months from commencement of business, whichever is earlier.
- Monthly VAT returns and remittances would be due by the 21st day of each month following the month of the transaction.
- Failure to submit VAT returns to the LIRS attracts a penalty of ₦500,000 for each month of default.
- Failure to remit VAT will attract a penalty of 5% per annum plus interest at the commercial rate of the amount of tax remittable, in addition to the outstanding tax.

- 75% of the collections will be allocated to State Government while 25% will be distributed to Local Governments based on derivation principle.
- Establishment of a VAT Appeal Tribunal to resolve disputes arising from additional tax assessment set out under the provisions of the Bill.

We understand that the House of Assembly is currently soliciting memoranda on the Bill from stakeholders before it is finalised for passage and assent by the Governor.

In the meantime, businesses and individuals resident in Lagos State are advised to continue to engage with relevant professionals to help them understand the implications of this development.

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