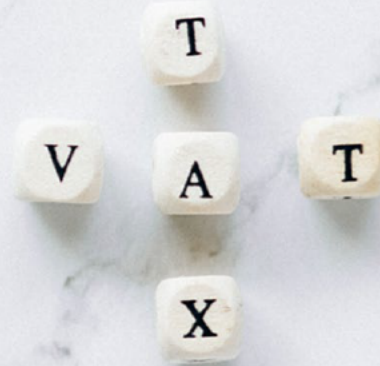




# Tax Alert

Issue No. 10.5 | October 2021



## Federal Government Issues VAT (Modification) Order, 2021

The Federal Government of Nigeria (FGN) has published the Value Added Tax (Modification) Order, 2021 (“the 2021 Order”) in its Official Gazette No. 167, Vol.108 of 21 September 2021. The 2021 Order, which has a commencement date of 30 July 2022, was issued by the Honourable Minister of Finance, Budget and National Planning (HMoFBNP), Mrs. Zainab Shamsuna Ahmed, pursuant to her powers under Section 38 of the Value Added Tax (VAT) Act, Cap. V1, Laws of the Federation of Nigeria, 2004 (as amended).

The 2021 Order, which replaces the erstwhile VAT (Modification) Order 2020, modifies the First Schedule to the VAT Act by expanding the list of exempt goods and services and updating the definition of some terms to ensure consistency with the amendments introduced to the VAT Act by the Finance Act, 2020.

Highlights of the 2021 Order Include:

1. Expansion of goods exempt in Part I of the First Schedule to include the following:

- Petroleum products
- Renewable energy equipment
- Raw materials for the production of baby diapers and sanitary towels
- Raw materials for the production of pharmaceutical products
- Locally produced animal feeds
- Military hardware, arms, ammunitions and locally manufactured uniforms used by the Armed forces, para-military and other security agencies of governments in Nigeria
- Gas supplied by gas producing companies to Electricity Generating Companies (GENCOs), Electricity generated by GENCOs and supplied to National Grid or Nigeria Bulk Electricity Trading Company (NBET) and Electricity transmitted by Transmission Company of Nigeria (TCN) to Electricity Distribution Companies (DISCOs); and

- Agricultural seeds and seedlings.
2. Inclusion and or Amendment of the definitions for the following terms in the expanded First Schedule:
- Airline transportation ticket
  - Basic food items
  - Baby products
  - Commercial aircrafts, commercial aircraft engines, commercial aircraft spare parts
  - Educational Books
  - Educational Materials
  - Equipment
  - Farming machinery and implements and farming transportation equipment
  - Fertilizers
  - Locally produced agricultural chemicals and locally produced veterinary medicines
  - Locally produced animal feeds
  - Machinery
  - Medical equipment
  - Medical products
  - Medical services
  - Pharmaceutical products
  - Plant
  - Purchase
  - Utilization of gas in downstream petroleum operations
  - Shared passenger road-transport service
  - Petroleum products
  - Unit micro-finance bank
3. Expansion of services exempt under Part II of the First Schedule to include “*shared passenger road-transport service*”.
4. Deletion of “*Non-oil Exports*” from the list of zero-rated products.
5. Extension of the list of items exempted from VAT with their Common External Tariff (CET) Codes.

We will issue a detailed newsletter to provide commentaries on the contents of the Order shortly.

In the meantime, taxpayers are advised to take steps to understand how the Order may impact their business and plan accordingly.

Please click [here](#) to download a copy of the Order

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