

EXAMINATION OF THE VALUE ADDED TAX PROVISIONS UNDER THE NIGERIA TAX ACT, 2025

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Introduction

On 26th of June 2025, a new tax regime was introduced in Nigeria after President Bola Ahmed Tinubu signed four bills into law, namely: Nigeria Tax Administration Act, 2025, Nigeria Revenue Service (Establishment) Act, 2025, Joint Revenue Board (Establishment) Act, 2025 and Nigeria Tax Act, 2025.

The Nigeria Tax Act, 2025 (NTA or the Act) repealed principal taxation legislations such as the Companies Income Tax Act, Personal Income Tax Act, Capital Gain Tax Act, Stamp Duties Act and the Value Added Tax Act, amended fiscal provisions in other legislation and provide a unified fiscal legislation governing taxation in Nigeria.

This article examines the Value Added Tax (VAT) provisions under the NTA, highlighting the compliance obligations key provisions under the new regime, including benefits to taxable persons¹ and compliance obligations

Definition of Taxable supplies

The NTA provides for the imposition of VAT² which is a form of consumption tax. The VAT is an indirect tax that is levied on the supply of taxable goods and services; it is imposed on money spent rather than what a person earns. The category of goods and services that qualify as taxable supplies for the imposition of VAT are:

- Goods that are produced in, imported into, assembled or installed in Nigeria at the time of supply, or
- Where the beneficial owner of the rights in or over the goods is a taxable person in Nigeria and the goods or right is situated, registered or exercisable in Nigeria.
- Service provided to and consumed by a person in Nigeria, regardless of whether the service is rendered within or outside Nigeria or whether or not the legal or contractual obligation to render such service rests on a person within or outside Nigeria, or
- The service is connected with existing immovable property, including the services of agents, experts, engineers, architects, valuers, etc.
- Incorporeal, such as transfer of intellectual property, license, shares, software, when the exploitation of the right is made by a person in Nigeria or whose place of usual residence is Nigeria,
- The right is registered in Nigeria, assigned to or acquired by, a person in Nigeria, regardless of whether the payment for its exploitation is made within or outside Nigeria, or
- The incorporeal is connected with a tangible or immovable asset located in Nigeria.

¹ Taxable person is an individual or entity required to comply with specific tax obligations.

² Section 146 of the Nigeria Tax Act, 2025

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Goods and Services Exempted from VAT

Under the Act, certain goods and services enjoy VAT exemption; these supplies are outside the VAT net.

Consequently, input VAT on the production// manufacturing of these supplies cannot be reclaimed.³
The exempted items are:⁴

- (a) oil and gas exports;
- (b) crude petroleum oil and feed gas for all processed gas;
- (c) goods purchased for use in humanitarian donor-funded projects;
- (d) baby products;
- (e) locally manufactured sanitary towels, pads or tampons;
- (f) military hardware, arms, ammunition, and locally manufactured uniforms supplied to armed forces, para-military and other security agencies of the Nigerian government;
- (g) shared passenger road-transport service;
- (h) purchase, hire, rental or lease of tractors, ploughs and other equipment used for agricultural purposes;
- (i) supplies consumed by an approved entity in the export processing or free trade zones, provided that the supplies are consumed on its approved activity;
- (j) goods or services supplied to a diplomatic mission, diplomat or person recognized under the Diplomatic Immunities and Privileges Act whose activity is in public interest, and not for profit;
- (k) plays and performances conducted by educational institutions as part of learning;

- (l) land or building, including interest in land or building;
- (m) money or securities, including interest in money or securities;
- (n) Government licenses; and
- (o) Assistive devices and disability-related products, including hearing aids, wheelchairs, and braille materials.

The Act further exempts petroleum products, renewable energy equipment, Compressed Natural Gas (CNG), Liquefied Petroleum Gas (LPG) and other gaseous hydrocarbons from VAT except otherwise directed by Minister of Finance.⁵

Zero-Rated Items

Goods and services with zero-rated VAT are goods and services taxable at 0%. This simply means that the customer pays no VAT, while the supplier on the other hand can claim input VAT on the goods and services used in the manufacturing or production process. In essence, the good or service is within the VAT net as a taxable supply. The taxable supplies chargeable at zero per cent are⁶:

- (a) basic food items;
- (b) all medical and pharmaceutical products, including medicinal herbal products;
- (c) educational books and materials;
- (d) fertilizers;
- (e) locally produced agricultural chemicals;
- (f) locally produced veterinary medicine;
- (g) locally produced animal feeds;
- (h) live cattle, goats, sheep and poultry;
- (i) agricultural seeds and seedlings;

³ Input VAT, refers to the VAT a business pays for the goods and services that it uses for the purpose of the business. Output VAT on the other hand refers to the VAT charged to the final consumer when the goods or service is

sold or rendered.

⁴ Section 186 of the Nigeria Tax Act, 2025.

⁵ Section 186(2) of the NTA

⁶ Section 187 of the NTA

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- (j) electricity generated by generation companies (GENCOs) and supplied to National Grid or Nigeria Bulk Electricity Trading Company (NBET);
- (k) electricity transmitted by Transmission Company of Nigeria (TCN) to Electricity Distribution (DISCOs);
- (l) medical services;
- (m) tuition relating to nursery, primary, secondary or tertiary education;
- (n) exported goods excluding oil and gas;
- (o) exported services;
- (p) exported incorporeal property;
- (q) medical equipment;
- (r) electric vehicles;
- (s) parts, semi-knockdown units for the assembly of Electricity Vehicles.

chargeable at time the goods are supplied or physically moved. Where there is no physical movement of good, VAT becomes chargeable at the time the goods are available to the recipient. For services, VAT becomes chargeable as soon as the services starts, while for supply of incorporeal property, VAT becomes chargeable when such incorporeal becomes available for the use of the recipient. These provisions are important as they ensure a clear and definite determination of when VAT becomes chargeable, and ensures certainty as to the applicable reporting and remittance period.

In instances where goods are supplied under a rental agreement or for progressive or periodic supplies where payment is spread over a period, the Act will deem such supply to occur in stages. And for the purpose of reporting and remittance of VAT, each stage will be deemed to have occurred when the payment for that period becomes due or when payment is received, whichever happens first. Thus, each stage of the payment is treated as separate taxable supply.

VAT is charged on a service, whether the legal or contractual obligation to render the service rest on a person within or outside Nigeria. The Act provides that where the taxable supply is by a non- resident person to a person in Nigeria, such a non- resident must register for VAT in Nigeria and include VAT in its invoice for all taxable supplies. The VAT charged on the taxable supply made by a non- resident supplier is withheld and remitted to the Nigeria Revenue Service (the Service) by the Nigerian customer. The Act also empowers the Service to appoint any person including non-resident suppliers as VAT collectors, to collect and remit VAT on behalf of the Service. This provision aligns with the decision of the Tax Appeal

Computation of VAT on Imported Taxable Supply

The Act provides that VAT is not charged on the value of the purchase price of the imported item but charged on a broader value made of the price of the imported taxable supply, taxes and other charges like custom duties, and related cost up to the point of entry, such as insurance, parking etc.⁷ In essence, VAT will be charged on the value of the landing cost of the goods and not the purchase price.

Compliance Obligation

VAT according to NTA is to be charged when the invoice is being issued for service rendered or receipt is being issued for goods supplied or at the point of payment, whichever occurs first at the rate of rate of 7.5%.

For related or connected companies where invoices are not issued, where there is physical movement of goods or goods are supplied, VAT becomes

⁷ Section 150 of the NTA

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Tribunal, where the Tribunal held that the FIRS had the statutory powers to appoint any person as an agent for the collection of tax.⁸

This provision of the NTA brings non- resident suppliers under the Nigerian VAT bracket. The Act provides that the Service will issue guidelines on the form, time and procedure for filing and remittance by non- resident suppliers appointed as VAT collectors.

Remittance and Recovery

A person or business that provides taxable supplies is expected under to furnish his or her customers with a VAT invoice which contains the following:⁹

- Suppliers Tax Identification Number.
- Company incorporation or registration number, invoice number.
- Name and address of supplier.
- Date of supply
- Name of purchaser or client
- Gross amount of transaction and
- VAT charged and the rate.

Federal, State and Local Government and their respective Ministries, Departments or Agencies; or any other person appointed by the Service is empowered by the Act to collect or withhold VAT.¹⁰The Service is also empowered to direct a taxable person to whom taxable supplies is made in Nigeria and issued an invoice on which VAT is not included, to self-account for the VAT payable and remit it to the Service.¹¹ Thus, it is important to review

any invoice received for taxable supplied and ensure that the correct VAT has been charged and paid to avoid potential future liability.

All VAT collected, withheld, remitted or self-accounted for is to be remitted to the Service on or before 14th day of the succeeding month.

The Nigeria Tax Administration Act (NTAA) mandates every taxable person to submit a return to the Service in the prescribed form, on or before the 21st day of the following month, whether or not economic activities has taken place or not.¹²

Key benefits for businesses:

Some of the benefits for a taxable person under the NTA are:

- Recovery of Input VAT: Nigerian businesses can now reclaim input VAT, where the input VAT incurred by the business exceeds the output VAT charged to and paid by the customers at the point of sale. Taxable persons are only obligated to remit the excess, where the output VAT exceeds the input VAT.¹³ This will reduce the overall tax obligation of the business.
- Suppliers of goods chargeable to VAT at zero percent are entitled to a refund of the VAT paid on the taxable supplies used in the production of the supplies.
- VAT at zero rate on essential goods and services.

⁸ Bolt Operations O.U v FIRS. APPEAL NO. TAT/LZ/VAT/074/2022

⁹ Section 153 of the NTA

¹⁰ Section 155(a) of the NTA

¹¹ Section 155(2) of the NTA

¹² Section 22 of the Nigeria Tax Administration Act

¹³ Section 156 (1) of the NTA

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Conclusion

The VAT regime under the NTA contains an enhanced compliance obligations for taxable persons and taxpayers. It behooves on the taxpayers to be fully abreast with the items listed as taxable supply under the act and their corresponding obligation to ensure that they are charged to tax when they are recipients of a taxable supply. Taxable persons, on the other hand, are obligated to ensure that they charge the applicable tax as and when due.

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