VAT/GST Rates & Thresholds - Nigeria

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# VAT / GST

## Rates

**Reduced VAT / GST rate**

Not applicable

**Standard VAT / GST rate**

7.5[[1][2]](https://resourcehub.bakermckenzie.com/en#ftn1)

**High VAT / GST rate**

Not applicable

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0% applies on goods and services purchased by diplomats and goods purchased for humanitarian donor funded projects.

[[1]](https://resourcehub.bakermckenzie.com/en#ftnref1) VAT rate is 7.5% of the value of the goods or services and payable on supply of all goods and services except those exempted from VAT under the VAT Act. 1 February 2020 as the effective date for the 7.5% VAT has been statutorily authorised in the Finance Act recently enacted on 31 December 2020 (“the 2020 Act”). VAT applies on the supply of intangibles (excluding interest in land, building, money or securities). The tax authority clarified in the Circular that this would include rights in goods or property (e.g. rights in mineral resources, copyrights, trademarks). All supplies of taxable goods and services to a person in Nigeria, whether or not the supplies were made from within or outside Nigeria will be subject to VAT. The 2020 Act provides that a non-resident who makes taxable supplies to Nigeria is required to register with the tax authority obtain a Tax Identification Number and may also appoint a representative for the purpose of its tax obligations. The VAT is, however, to be withheld and remitted to the tax authority by the recipient of the goods or services from the non-resident person, or such other person appointed by the tax authority. A threshold of NGN 25,000,000 (approximately USD 70,000) turnover triggers VAT registration obligation. Under the subsisting VAT Act, there are zero rated goods and services which attract VAT at 0% and they are as follows:

Goods and services purchased by diplomats.

Goods purchased for use in humanitarian donor funded projects. Humanitarian donor funded project includes projects undertaken by Non-Governmental Organizations and Religious and Social Clubs or Societies recognized by law whose activity is not for profit and in the public interest.

VAT exempt items include services by Unit Microfinance Banks and Mortgage Institutions, locally manufactured sanitary towels, pads, tampons and basic food items. The basic food items are: additives, bread, cereal, cooking oils, culinary herbs, fish, flour & starch, fruits, live or raw meat & poultry, milk, nuts, pulses, roots, salt (excluding industrial salt), vegetables and water. The Minister recently issued the Value Added Tax Modification Order) 2020 to clarify the scope of the VAT exempt items. For example, the scope of medical services which are VAT exempt excludes cosmetology, spa, gymnasium and similar services. The 2020 Act further adds the following to the list of VAT exempt items: commercial aircrafts, commercial aircraft engines and spare parts, airline transportation tickets issued by commercial airlines in Nigeria, and the hire, rental or lease of tractors, ploughs and other equipment for agricultural purposes from VAT. The Minister also issued the Value Added Tax (Modification) Order 2021 (2021 Order) which further clarifies the scope of VAT exempt items and is stated to supersede the 2020 Order. Pursuant to the 2021 Order, the exemption granted to air tickets sold by commercial airlines excludes hired or rented aircrafts or private jets. Also, services rendered by public road transport businesses are now exempted from VAT. The Order however specifically excludes leased, hired or rented motor vehicles and ride hailing services from enjoying this exemption.

Other VAT exempt items introduced by the 2021 Order include renewable energy equipment, locally produced animal feed, locally manufactured military hardware, ammunition and arms, gas supplied by gas producing companies to electricity generating companies and supplied to the National Grid or Nigeria Bulk Electricity Trading Company, electricity transmitted by the Transmission Company of Nigeria to electricity distribution companies and locally produced Liquefied Petroleum Gas (LPG). It bears mentioning that Rivers State (a State in Nigeria) recently challenged the power of the Federal Government to administer and collect VAT within its State on constitutional grounds. The resulting judgment of the Court upheld the position of Rivers State and in consequence, the Rivers State Government has enacted its VAT Law. However, the decision of the Court is currently being appealed. In an interlocutory ruling, the Court of Appeal directed the parties to maintain status quo ante bellum (i.e to revert to the situation which existed before the dispute) and avoid taking any actions that would give effect to the judgment of the Federal High Court until the Court of Appeal delivers its judgment. The effect of the ruling is that the Federal Government would continue to administer and collect VAT pending the determination of the appeal by the Court of Appeal. It is important to note that the Nigerian Court of Appeal recently confirmed that the VAT Act applies to Hotels, event centers & restaurants. FIRS has appointed MTN Nigeria, Aitel Networks Limited them

[2] From 1 October 2023, the 7.5% VAT rate on diesel is waived for a period of six months.

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