

# Significant changes to the Stamp Duties Act underway



**The Stamp Duties Act (Amendment) Bill, 2017 was recently introduced to the House of Representatives and undergoing legislative process. The Bill seeks to expand the scope of the Stamp Duties Act and address the current ambiguities in the law.**

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## Overview

The Bill contains a total of 23 amendments to the existing provisions of the Stamp Duties Act (“SDA”), Cap S8, Laws of the Federation of Nigeria 2004. Some of the major changes are highlighted below.

**Definition and scope of a “stamp”:** The definition and scope of a “stamp” under the Bill has been expanded to include electronic, internet and Point of Sale (POS) transactions.

**Compulsory use of postage stamp instead of adhesive stamp:** The Bill seeks to make mandatory the use of postage stamps for all transactions required to be denoted by adhesive stamps. For this purpose, only postage stamps obtained from the Nigerian Postal Service (NIPOST) can be used. However, the definition of adhesive stamp includes electronically generated or online stamp.

**Legalising stamp duty collection on bank deposits:** If passed into law, the Bill will legalise the current practice as directed by the Central Bank of Nigeria whereby banks charge stamp duties on deposits. The Bill however does not specify the amount of stamp duties to be charged on such deposits.

**Imposition of stamp duty on all forms of agreements:** The Bill provides that “all forms of agreements shall be denoted by adhesive postage stamps”. Under the SDA, the requirement to stamp an agreement was optional as the word “may” was used. If the Bill is passed into law, all

contractual documents regardless of the nature or consideration between parties, must be stamped.

**Increase in threshold for receipts:** The current threshold for receipts chargeable with stamp duty under the SDA is ₦4 and above. The Bill seeks to increase this threshold to ₦1,000 and above, and the duty is to be denoted by adhesive postage stamps.

**Substantial increase in applicable penalties under the Bill:** There will be a significant upward review of penalties (fines and terms of imprisonment) for defaults. The nominal fines under the SDA will be replaced with higher rates.

## Takeaway

It is clear that government is seeking to legalise the current practice of charging stamp duties on bank deposit as well as expand the scope of the SDA to cover electronic and other transactions. It has been estimated in some quarters that the SDA could generate over ₦2 trillion annually for the government.

If and when the Bill is passed, it will have significant impact on individuals and businesses in terms of higher financial and administrative cost of doing business.

In any case, if the Bill is passed into law, it cannot be enforced retrospectively to reverse the court judgment that makes it illegal for banks to charge ₦50 but will take effect from the date of enactment.