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Nigeria Tax Data Card 2012/2013

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TAX DATA CARD – 2012/2013

Introduction

This publication is a summary of the major tax laws in Nigeria prepared for general purpose only. It is not a replacement for circumstance specific advice. We accept no liability for any action taken or not taken based on the contents of the publication.

Except otherwise indicated, references to tax laws in this publication are from the Laws of the Federation of Nigeria (LFN) 2004 as amended.

The average exchange rate used is US$1 = N155

1. Companies' Income Tax (CIT)

CIT is levied on profits accruing in, derived from, brought into or received in Nigeria.

Company liable	Any company doing business in Nigeria, whether resident (registered in Nigeria) or non resident (foreign company registered outside Nigeria)
Taxable income	A resident company is liable to tax on its worldwide income being its profits accruing in, derived from, brought into or received in Nigeria. A non resident company is liable to tax on its income derived from Nigeria, that is, income attributable to its Nigerian operation.
Basis of assessment	The basis of assessment for both resident and non resident companies is preceding year basis. This means tax is charged on profits for the accounting year ending in the preceding year of assessment. For example, if a company makes up its accounts to 31 December each year, in 2012 tax year, it will be assessed to tax on the profits computed for the accounting year ended 31 December 2011. Different rules apply during commencement of business, change of accounting date and cessation.

Due date for filing income tax returns	Within 6 months of the company's accounting year end. A new company must file its returns within 18 months from the date of incorporation or 6 months after its first accounting period, whichever is earlier. In practice, tax returns may be delayed until the first working day of the following calendar year for companies with financial year end between January and 30 June. This is to align the tax returns with the relevant fiscal year.
Due date for payment of CIT	2 months from the filing due date in case of a lump sum payment or in such instalments as may be approved by the FIRS, not exceeding three instalments. In the case of instalments, evidence of payment of the first instalment must be submitted along with the tax returns. Payment may be delayed until the first working day of the following calendar year for companies with financial year end date between January and 30 June.
Company income tax rate	30%
Small company tax rate	20%. Applicable to manufacturing companies and companies engaged wholly in exports, within the first five years of operation, and where the turnover does not exceed N1 million (circa US$ 6,450).
Minimum tax	**Minimum tax** is imposed where a company has no taxable profit or the tax payable is less than the minimum tax computed as follows: The highest of: • 0.5% of gross profit • 0.5% of net asset

Minimum tax (continued)	• 0.25% of paid up share capital • 0.25% of turnover up to N500,000 **Plus** • 0.125% of turnover in excess of N500,000.
Exemption from minimum tax	A company is exempted from minimum tax if it meets any of the following conditions: • It is still within its first four calendar years of business • It has at least 25% of its paid up capital as imported equity • It carries on agricultural trade or business
Excess dividend tax	Where a company pays dividend from profit on which tax is not payable because: • It has no taxable profit; or • Its taxable profit is less than the dividend paid; The company would be charged to tax on the dividend declared or paid as if the dividend is the total taxable profit of the company for the relevant year of assessment.
Non-resident companies and deemed profit tax	Non-resident companies are liable to tax on the profit or income derived from Nigeria. Generally, the tax authority applies a deemed profit rate of 20% on turnover derived from Nigeria. This is then taxed at the corporation tax rate of 30%, resulting in an effective tax of 6% of turnover.
Statute of limitation	The tax authority may carry out tax audits and issue additional assessments within six years from the relevant tax year. However, the limitation does not apply in the event of a fraud, willful default or neglect by the company.
Tax Treaties	Nigeria currently has in-force double tax treaty for taxes on income and capital gains with Belgium, Canada, China, Czech Republic, France, Netherlands, Pakistan, Philippines, Romania,

Tax Treaties (continued)	Slovakia, South Africa, and the United Kingdom. There is a shipping and air transport double taxation agreement with Italy. Nigeria has pending double tax treaties with Mauritius, Poland, South Korea, Spain and Sweden which are yet to be concluded or ratified. Unilateral tax relief is available by way of deduction for income tax suffered on foreign profits. Nigeria is a party to the following multilateral treaties: • 1975 ECOWAS Treaty • 1931 League of Nations Motor Vehicle Convention and Final Protocol • 1961 Vienna Convention on Diplomatic Relations • 1969 Vienna Convention on the Law of Treaties • 1997 Draft Protocol on the ECOWAS Value Added Tax (pending) • 1997 Draft Protocol on the ECOWAS Community Levy (pending)
Commonwealth tax relief	Available in respect of profits earned from a commonwealth country which is also liable to tax in Nigeria provided that the Commonwealth country has a similar tax relief in place. In respect of a Nigerian company, the relief to be granted is 50% of the *commonwealth tax rate subject to a limit of 50% of the Nigerian tax rate. In respect of a nonresident company, the relief is 50% of the commonwealth tax rate provided it is not more than 50% of the Nigerian tax rate otherwise the relief is the rate by which the Nigerian tax rate exceeds 50% of the

Commonwealth tax relief (continued)	commonwealth tax rate. **Commonwealth tax rate means the income tax rate applicable in the relevant commonwealth country to which the tax relief relates.*

Capital allowances

Capital allowances are granted on tangible non-current assets in lieu of accounting depreciation. Other than research and development, intangible non-current assets are not regarded as qualifying capital expenditures for capital allowance purpose. The applicable rates on qualifying assets are stated below:

Qualifying Expenditure	*Initial rate (%)*	*Initial rate (%)*
Buildings (Industrial & Non-Industrial)	15	10
Mining	95	Nil
Plant: • Agricultural Production • Others	 95 50	 Nil 25
Furniture and Fittings	25	20
Mining	95	Nil
Motor Vehicles • Public transportation • Others	 95 50	 Nil 25
Plantation Equipment	95	Nil
Housing Estate	50	25
Ranching and Plantation	30	50
Research and Development	95	Nil

Investment allowances

This is granted at the rate of 10% to companies that incur expenditure on plant and equipment. Investment allowance is calculated on cost and is granted in the year of assessment in which the asset is first put into use. It is not taken into account in determining the tax written down value of the asset.

Separate investment tax relief is available to businesses which are located not less than 20km away from the following facilities on infrastructure costs at the rates shown below:

No facilities at all	100%
No electricity	50%
No water	30%
No tarred (paved) road	15%

Note: *A bill to amend the infrastructure investment relief above is underway.*

Gas Utilization incentives

Companies engaged in gas utilization (downstream operations) are granted the following incentives:

- Tax free period of 3 years which may be renewed for a further 2 years or 35% investment allowance.
- Additional investment allowance of 15%.
- Accelerated capital allowance after the tax free period.
- Tax free dividend during the tax free period.
- Tax deduction for interest payable on any loan obtained with the prior approval of the finance minister for a gas project.

Tax Waiver on Bonds

Based on the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011, the following are exempt from companies income tax for 10 years effective from 2 January 2012:

1. Short term Federal Government securities such as Treasury Bills and Promissory Notes:
2. Bonds issued by Federal, State and Local governments and their agencies;
3. Bonds issued by corporate and supra-nationals; and
4. Interest earned by holders of bonds and securities listed above.

2. *Petroleum Profits Tax (PPT)*

PPT is levied on the income of companies engaged in upstream petroleum operations. A new tax regime will take effect upon the passage of the Petroleum Industry Bill.

Rates	85% for petroleum operations carried out under a Joint Venture (JV) arrangement with the Nigerian National Petroleum Corporation (NNPC) or any non Production Sharing Contract (PSC) over 5 years 65.75% for non PSC operation in its first 5 years during which the company has not fully amortised all pre-production capitalised expenditure 50% for petroleum operations under Production Sharing Contracts (PSC) with the NNPC
Returns	• Tax is payable on actual year basis • Estimated tax returns must be filed within two months of the fiscal year (which runs from January 1st to December 31st) • Actual tax returns must be filed within five months after the end of the accounting period, that is, not later than 31 May
Due date for payment of PPT	Payable in 12 equal monthly installments with a final 13th installment (if there is an underpayment). The first installment for the year is due by the end of March
Penalties	*Late submission of returns:* Initial penalty of N10,000 and N2,000 for each day such failure continues *Late payment of tax:* 5% of the tax payable

Royalties	The holder of an Oil Prospecting License (OPL) or an Oil Mining Lease (OML) is required to pay royalties to the Federal Government as soon as production begins. This is usually in form of monthly cash payments at the prescribed rate or by way of royalty oil. The rates are: • *In respect of JV Operations*

Area	Rate (%)
Onshore production	20
Offshore production up to 100 metres water depth	18.50
Offshore production beyond 100 metres water depth	16.66

- *In respect of PSCs*

The royalty rates applicable are graduated according to the depth of water from which the oil is mined. These are:

Area	Rate (%)
From 201 to 500 metres water depth	12
From 501 to 800 metres water depth	8
From 801 to 1,000 metres water depth	4
In excess of 1,000 metres water depth	0

Investment allowance	Petroleum Investment Allowance (PIA) is granted to a petroleum company in the first year a Qualifying Capital Expenditure (QCE) is incurred. The following PIA rates are applicable to companies in JV operation:

QCE for	Rate (%)
Onshore operations	5

Investment allowance (continued)	<table><tr><td>Offshore operations: • Up to and including 100m of water depth • Between 100m and 200m water depth • Beyond 200m water depth</td><td> 10 15 20</td></tr></table> PSC operators are entitled to Investment Tax Credit (ITC) at 50% of QCE for PSC executed prior to July 1998 and PIA of 50% for PSC executed with effect from July 1998.
Annual allowance	Annual Allowance is granted in addition to PIA, in lieu of depreciation. The current rates are 20% for all categories of QCE in the first four years and 19% in the fifth year. The balance of 1% is retained in the books until the QCE is disposed.
Tax Incentives	In addition to investment allowances, the following incentives are available to E&P companies • Dividends paid by E&P companies are exempted from withholding tax. • Graduated royalty rates and lower PSC tax rates to encourage offshore production • Education tax is treated as a tax deductible expense for E&P companies
Statute of Limitation	The tax authority may carry out tax audit and issue additional assessment within six years from the relevant tax year. However, the limitation does not apply in the event of a fraud, willful default or neglect by the company.
Petroleum Industry Legislation	Legislative process is ongoing to combine 16 different petroleum laws into a single document called the Petroleum Industry Bill. When passed, the law will replace the current PPT regime with Hydrocarbon Tax and Company Income Tax.

Local Content Act	The Nigerian Oil and Gas Industry Content Development Act 2010 otherwise known as the Local Content Act, was enacted to provide for the development of Nigeria Content in the oil and gas industry. The Act imposes a levy of 1% on every contract awarded to any operator, contractor, subcontractor, alliance partner or any other entity involved in any project, operation, activity or transaction in the upstream sector of the Nigeria oil and gas industry.

3. *Education Tax*

Education Tax is payable by all Nigerian companies and is levied on assessable profit, that is, tax adjusted profit before capital allowances.

Rate	2%
Exemption	Non resident companies and all unincorporated entities are exempted from education tax.
Due date for filing Education Tax Returns	There is no specific filing requirement. However, in practice, the tax is self assessed and filed together with company income tax.
Due date for payment of Education Tax	Based on the Education Tax Act, the FIRS is required to issue assessments for the tax which must be paid within 60 days of the service of notice of assessment. In practice, the tax is self assessed and paid 6 months after the accounting year end date.
Penalty for non compliance	5% of the tax, in addition to the principal tax, for failure to pay after 2 months of service of assessment notice. If after 2 months of service of assessment notice for the unpaid tax plus the 5% penalty on the company, the failure to pay still continues, the

Penalty for non compliance (continued)	following additional penalties shall apply: • First offenders – N10,000 or imprisonment for a term of 3 years; • Second or subsequent offenders – N20,000 or imprisonment for a term of 5 years or both.
Statute of Limitation	The FIRS may raise additional assessment within six years from the relevant year of assessment. However, in the event of a fraud, willful default or neglect by the company, the statute of limitation will not apply.

4. Information technology (IT) Tax

Payable by specified companies with turnover of N100 million and above. The tax when paid is tax deductible for company income tax purposes.

Rates	1% of Profit Before Tax
Entities liable	• GSM service providers and all telecommunications companies; • Cyber companies and internet providers; • Pension managers and pension related companies; • Banks and other financial institutions; and • Insurance companies.
Returns and Payment	IT Tax is assessed by the FIRS and is payable within 60 days of service of a notice of assessment.
Penalty for non compliance	2% of the tax payable.

5. *Capital Gains Tax (CGT)*

CGT is tax on capital gains accruing to any person (company or individual) making a chargeable disposal of assets

Rates	10%
Chargeable assets	• Options, debts and incorporeal property generally • Any currency other than Nigeria currency • Any form of property created by the person disposing of it , or otherwise coming to be owned without being acquired • Goodwill • Copyrights • Buildings • Chattels etc
Exempt assets and gains	These include gains from disposal of shares and stocks, Nigerian government securities, life assurance policies, main residence or dwelling-house of an individual, compensation for wrong or injuries suffered by an individual, mechanically propelled road vehicle not suitable for private use and decorations awarded for valour or gallant conduct.
Allowable deductions	• Initial cost of the asset; • Stamp duties; • Cost of enhancing the value of the asset; • Expenditure incurred in establishing, preserving or defending the title to, or right over the asset; • Incidental expenses for the purpose of acquiring or disposing of the assets, such as fees, commission or remuneration paid for professional services of any surveyor, or valuer, or auctioneer, or accountant, or

Allowable deductions (continued)	agent, or legal adviser and cost of transfer or conveyance; and • Cost of advertisement to find a seller during acquisition and advertisement cost to find a buyer during disposal.
Non Allowable deductions	• Premiums paid under a policy of insurance taken against any risk, or damage to, or injury to, or depreciation of or loss of an asset. • Expenses that are deductible under Companies Income Tax Act or Personal Income Tax Act
Relief	Rollover relief can be claimed where proceeds of disposal are used to purchase a new asset of the same class as the disposed asset. The new asset must be acquired (or an unconditional contract for its acquisition formed) within twelve months before or twelve months after the disposal of the old asset. The classes of the assets eligible for relief are as follows: Class 1: 1A - (i) Building (ii) Land 1B - Plant or Machinery which does not form part of the building Class 2: Ships Class 3: Aircraft Class 4: Goodwill
Statute of Limitation	6 years except where an act of fraud, willful default or neglect has been committed by the taxpayer.

6. *Withholding Tax (WHT)*

WHT is an advance payment of income tax deductible at source on specified transactions. It can be applied as tax credit against income tax liability.

Rates

Transactions	Companies	Individuals
Dividend, interest & rent	10%	10%
Royalties	10%	5%
Hire of equipment, motor vehicles, plants, and machinery	10%	10%
Commission, consultancy, technical and management fees, legal fees, audit fees, and other professional fees	10%	5%
Construction	5%	5%
All types of contracts and agency arrangements, other than sales in the ordinary course of business	5%	5%
Directors' fees	N/A	10%

The rate of WHT on dividend, interest and royalty is reduced to 7.5% when paid to a recipient resident in a treaty country.

Due date for filing WHT Returns

In the case of WHT deducted from companies, remittance is due to the Federal Inland Revenue Service (FIRS) within 21 days after the duty to deduct WHT arose.

In the case of WHT deducted from individuals and unincorporated entities, remittance is due to the State Internal Revenue Service (SIRS), within 30 days after the duty to deduct WHT arose.

Due date for filing WHT Returns	*For FIRS WHT, the schedule of WHT deducted must be submitted in electronic form and must contain specific information such as the Tax Identification Number (TIN) of the various suppliers from whom the tax has been deducted.*
Penalties	*Failure to remit WHT due to the FIRS:* a penalty of 10% of tax due and interest at commercial rate (currently up to 21%). *Failure to remit WHT due to SIRS:* a fine of N5,000 or 10% of tax due, whichever is higher, in addition to the principal tax due and interest at the bank lending rate (currently up to 21%).

7. Value Added Tax (VAT)

VAT is chargeable on the supply of taxable goods and services except items specifically stated as exempt or zero-rated.

Standard rate	5%
Registration	*Residents:* Immediately on commencement of business
	Non-Residents: A non-resident company that carries on business in Nigeria is required to register for VAT before issuing its first invoice, using the address of the Nigerian customer with whom it has a subsisting contract.
Due date for filing VAT Returns	21st day of the month following the month of transaction
VAT deduction at source	The following are required to deduct VAT on their incoming invoices and remit to the FIRS: • Oil and gas companies including oil service companies

VAT deduction at source (continued)	• Government, government agencies and departments • Resident entities in respect of transactions with non residents
Zero Rated Goods & Services	• Non-oil exports • Goods and services purchased by diplomats • Goods purchased for humanitarian donor-funded projects
Exempted Goods	• Oil exports • Medical and pharmaceutical products • Basic food items • Books and educational materials • Baby products • Plant, machinery and goods imported for use in the export processing zone or free trade zones • Plant, machinery and equipment purchased for utilization of gas in downstream petroleum operations • Transactions, ploughs and agricultural implements purchased for agricultural purposes
Exempt Services	• All export services • Medical services • Services rendered by community banks and mortgage institutions • Plays and performances by educational institutions as part of learning
Exemption by Policy	Additional exemption granted by the Minister of Finance through Fiscal Policy Measures in line with section 34 (b) of the VAT Act: • Locally manufactured biscuits • Plant, machinery and equipment (including steel structures) for the manufacture of cement and allied products

Exemption by Policy (continued)	• Vegetable oil • Motorcycle (CKD)/Bicycle (SKDs) and their spare parts • Corporate bonds and government securities (10 years from 2 January 2012)
Recoverable Input VAT	Allowable input tax is restricted to goods purchased or imported directly for resale and goods which form the stock-in-trade used for the direct production of any new product on which the output VAT is charged. *VAT on fixed assets/capital items, overhead, service and general administration expenses are not claimable as input VAT. Rather they should be capitalised or expensed as the case may be.*
VAT refund/ carry forward	Excess input VAT may be carried forward as credit against future VAT payable. Alternatively, the FIRS Establishment Act provides for a cash refund on application within 90 days of FIRS decision subject to appropriate tax audit.
Penalties	• *Failure to register for VAT:* N10,000 for the first month and N5,000 for every subsequent month in which the default continues. • *Failure to issue tax invoice:* Fine of 50% of the cost of the goods or services for which tax invoice was not issued. • *Failure to collect VAT:* penalty of 150% of the amount not collected plus 5% interest above the Central Bank of Nigeria Monetary Policy Rate. • *Failure to submit returns:* Fine of N5,000 for every month in which the failure continues. • *Failure to remit VAT:* 5% per annum of the amount of tax not remitted plus interest at bank lending rate. • *Failure to keep proper records:* N2,000 for every month in which the failure continues.

8. *Personal Income Tax (PIT)*

Individuals including employees, Partnerships and Unincorporated Trusts are liable to tax under the PIT Act

Basis of liability	The principal basis of liability to tax under the PIT Act is residency. A person is considered resident if he is physically in Nigeria for at least 183 days (including leave and temporary absence) in any 12-month period or serves as a diplomat or diplomatic agent of Nigeria abroad. Resident persons are liable to tax on their worldwide income. In the case of employment, a non resident person is liable to tax in Nigeria if the duties of his employment are wholly or partly performed in Nigeria, unless: • the duties are performed on behalf of an employer who is in a country other than Nigeria; • the remuneration of the employee in not borne by a fixed base of the employer in Nigeria; and • the remuneration of the employee is liable to tax in that other country under the provisions of the avoidance of double taxation treaty with that other country.
Rate	PIT rate is applied on a graduated scale on taxable annual income as set out below: First N300,000 — 7% Next N300,000 — 11% Next N500,000 — 15% Next N500,000 — 19% Next N1,600,000 — 21% Above N 3,200,000 — 24% **Note:** *Earners of above N20m, will be subject to top marginal tax rate of 18.96% for non-routine payments*

<table>
<tr><td>Rate (continued)</td><td>(e.g. bonus and 13th-month) as only 79% of income is taxed at 24% while the top marginal tax rate for non-routine payments for earners of less than N20m is 19.2% (see reliefs and allowances below).</td></tr>
<tr><td>Due date for filing Returns</td><td>Every employer is required to file a return of all emoluments paid to his employees not later than 31st January of every year in respect of all employees in his employment in the preceding year.

In addition, a return in respect of the current year must be filed within 90 days of the fiscal year i.e. not later than 31 March</td></tr>
<tr><td>Employers' Obligations</td><td>• Employers are required to deduct and account for personal income tax on the employment income of their employees through the Pay-As-You-Earn (PAYE) system.
• PAYE tax must be remitted on or before the 10th day of the month following the payment of salary (e.g. PAYE tax deducted from January salary should be remitted by 10th of February).</td></tr>
<tr><td>Reliefs & Deductions</td><td><table>
<tr><td>Consolidated relief allowance</td><td>Higher of N200,000 or 1% of gross income plus 20% of gross income*</td></tr>
<tr><td>Child allowance</td><td>N2,500 for each child up to a maximum of four children, provided that none is above 16 yrs or married. However, a relief can be granted for a child over 16 years if the child is in a recognized school, under artisanship or learning a trade.</td></tr>
<tr><td>Dependent relative</td><td>N2,000 for each dependent relative up to a maximum of two relatives who are widowed or infirm.</td></tr>
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Reliefs & Deductions (continued)	Deductions allowed	NHF contribution, National Health Insurance Scheme, Life Assurance Premium, National Pension Scheme and Gratuities.
	Reimbursements	Expenses incurred in the performance of employment duties from which it is not intended that the employee should make any gain or profit.
	Interest and dividend	Interest income earned from debt instruments including treasury bills and corporate bonds now fully exempt while withholding tax at 10% is the final tax on dividend.
	** "gross emoluments" means wages salaries allowances (including benefits in kind), gratuities, superannuation, and any other income derived solely by reason of employment*	
Benefits in kind (BIK)	• BIK provided to an employee by the employer such as official cars, accommodation, etc are deemed to be part of the employee's gross emoluments. The taxable benefit is 5% per annum of the cost where the asset is owned by the employer or the actual rent paid where the asset is leased by the employer. • BIK on accommodation is taxable based on the annual value of the premises as determined for purposes of local rates or as determined by the relevant tax authority rather than the cost or actual rent paid.	

Penalty for non payment of tax	10% per annum of the amount plus interest on annual basis at bank lending rate (previously a one-off rate of 21% is applied).
Statute of Limitation	6 years except in the event of a fraud, willful default or neglect by the taxable person in which case there is no limitation.

9. Pension Contribution

Employers that have 5 or more employees are required, under the Pension Reform Act 2004, to participate in a contributory pension scheme in favour of their employees. Employers with less than 5 employees may voluntarily elect to participate.

Rate of Contribution	15% of monthly emolument* (with a minimum contribution of 7.5% by the employer and up to 7.5% by the employee). The employer and/ or the employee may make additional voluntary contribution.
Employers' Obligation	The employer is obliged to make monthly deductions at source from the employee's emoluments and remit to the Pension Fund Custodian (PFC) specified by the employee's Pension Fund Administrator (PFA) not later than 7 working days after the payment of the employee's salary.
Expatriates	Expatriate employees are not expressly exempted from pension contribution under the Act. However, the Guidelines on Cross Border Arrangements issued by the Pension Commission specifically states that it is not compulsory for expatriates to join the Nigerian pension scheme but such employees may join at their discretion and with the agreement of their employers.

Penalty	Failure by an employer to remit contributions within the stipulated time attracts a penalty of 2% of the total contribution outstanding.
Life Insurance	The Pension Reform Act requires every employer to take out life insurance cover for its employees. The sum assured should be three times each employee's annual remuneration. The insurance cost is to be borne solely by the employer.

**monthly emoluments is defined as the aggregate of basic salary, housing and transport.*

10. Industrial Training Fund (ITF) Contribution

Applicable to employers with minimum of 5 *employees or annual turnover of N50 million

Rate	1% of annual *payroll cost
Due date for Payment	Not later than 1st April of the following year
Refund	An employer could get up to 50% refund of contributions made if adequate (documented) training courses were provided to the **employees
Penalty for non compliance	5% of the unpaid amount to be added for each month or part of a month after the date on which payment should have been made.
Statute of limitation	The contribution is recoverable at any time within 6 years from the due date.

***Payroll** is defined as the sum total of all basic pay allowances and other entitlements payable within and outside Nigeria to any employee in an establishment, public or private.*
*****Employees** mean all persons whether or not they are Nigerians employed in any establishment in return for salary, wages or other consideration, and whether employed full-time or part-time and includes temporary employees who work for periods of not less than 30 days in a year.*

11. Employee Compensation Scheme

Repeals the workmen's compensation Act and provides compensation for employees for any death, injury, disease or disability arising from or in the course of employment.

Scope	All employers, including individuals, are required to register with the Nigeria Social Insurance Trust Fund (NSITF) and contribute to the scheme.
Contributions	Employers are required to make monthly contributions to the NSITF not later than the last day of the month.
Rate	1% of total monthly payroll or amount assessed by the NSITF. Where the claim cost in respect of an employer exceeds 105% of the ordinary assessment of that employer, the NSITF Board may within 4 years levy a super assessment on the employer not exceeding 133% of the ordinary assessment for the year.
Returns	Employers are required to file statements of actual earnings of their employees for the preceding year and budgeted earnings for the current year not later than 28 February of every year. An employer who has just commenced a business, recommences or ceases to be an employer is required to provide the statements within 30 days of commencement, recommencement or cessation as the case may be.
Penalty	Penalty and interest for default are to be charged at a rate to be determined by the NSITF Board.

**__Employee__ - means a person employed by an employer under oral or written contract of employment whether continuous, part-time, temporary, apprenticeship or casual basis and includes a domestic servant who is not a member of the family of the employer.*

12. National Housing Fund Contribution

Applicable to Nigerian employees earning a minimum of N3,000 per annum

Rate	2.5% of basic salary
Employers' Obligations	The employer is required to deduct the contribution from the salary of its employees and remit it to the Federal Mortgage Bank of Nigeria within one month of the deduction.
Penalty for non compliance	Penalty ranges from N5,000 to N50,000 and 5 years imprisonment.

13. Customs and Excise Duties

Custom duties are levied on Cost, Insurance and Freight (CIF).

Rates	Rates vary for different items, and are assessed with reference to the prevailing Harmonized Commodity and Coding System (HS code).
Some Goods exempted from Customs duty	• Aircrafts or airlines registered in Nigeria and providing commercial services in Nigeria; • Films, film-strips, microfilms, newsreel, slides and similar visual and auditory material of educational, scientific or cultural character imported by the United Nations, any of its specialized agencies or an approved education or science organization; • Fuel, lubricants and similar products, which the Minister is satisfied are necessary for and will be used solely in the operation of an aircraft of the armed forces of a foreign power; or an aircraft registered in any recognized country; • Goods Imported for the head of state, Commander-in-Chief of the Armed Forces;

Some Goods exempted from Customs duty (continued)	• Goods Imported for the consular Officers; • Diplomatic privileged importations; • Goods obtained free as technical assistance from international donors; • Passengers baggage; • Life saving Appliances; • Military Hardware and Uniforms; and • Arms and Ammunition imported by the Nigeria Police Force.
Other rates & charges	• 7% surcharge (Port development levy) calculated on the customs duty • 0.5% trade liberalization scheme levy, calculated on customs duty (where import is from countries outside the ECOWAS region); • 1% Comprehensive Import Suspension Scheme (CISS) administrative charge for destination inspection based on the FOB value of goods • Value Added Tax (VAT) calculated at the rate of 5% on the CIF value of the import, customs duty and the charges stated above.
Some goods prohibited from importation	• Beef & beef products • Fresh or dried fruits, fruit juice in retail packs • Detergent • Toothpaste • Vegetable oil (excluding linseed and castor oils, hydrogenated vegetable fats used as industrial raw materials and olive oil in bottles) • All sort of foot wears, bags of leather and plastics and briefcase (excluding safety and sports wears) • Sugar confectionaries • Telephone recharge cards • Used motor vehicles above 15 years from the year of manufacture

Some goods prohibited from importation (continued)	• Maize & Wheat flour • Biscuits • Beer • Certain medicaments • Bagged cement • Live or dead birds including Frozen poultry • Bird eggs • Cocoa butter, powder and cake • Water, Mineral waters, Aerated waters • Mosquitoes repellent coils, • Sanitary ware of plastic • Ball point pen • Used compressors • Hollow glass bottles of capacities exceeding 150mls
Goods liable to Excise duty	• Beer & Stout • Wines • Spirits • Cigarettes and Tobacco Manufactured and sold in Nigeria
ECOWAS Trade Liberalisation Scheme (ETLS)	Approved products manufactured by beneficiaries of the ETLS are allowed free access to markets within the ECOWAS region without any import duties in the destination countries. Products approved for the scheme must satisfy the rules of origin which require at least 60% local raw materials content (volume) or 40% local raw materials value (monetary) or a minimum of 35% local value added. The cost, insurance and freight (CIF) value of imported raw material must not exceed 60% of the total cost of raw materials used. ETLS is not fully operational going by the low level of implementation by member countries.

2012 Budget – Fiscal Policies	• Review of the 2008 to 2012 Customs and Excise Tariffs to correct anomalies and introduce policies that will encourage industialisation. • Effective 31 January 2012, duty on machinery and specific equipment for use in the agricultural sector to attract zero import duty. • All equipment for processing of high quality cassava flour and composite flour blending to be duty free. • From 1 July 2012, wheat flour to attract import duty of 100%, wheat grain 20%, brown rice 30% and polished rice 50%. • Rice millers are encouraged to move towards domestic production and milling of rice. Import duty will thus be increased from 50% to 100% effective 31 December 2012. • No waivers or concessions will be granted for rice and wheat production. • Introduction of import prohibition for cassava flour. • Equipment and machinery in the power sector will attract zero duty. • Review of the Export Expansion Grant ("EEG") to streamline the scheme and make it more effective as an instrument for promotion of exports. • Review of Nigeria's position on the ECOWAS Trade Liberalisation Scheme ("ETLS") to avoid dumping.

**Note* - *The Ministry of Finance reviews Customs and Importation Guidelines & Policies from time to time. Sometimes, the practice is not consistent with the law and policies. It is therefore recommended that you keep abreast of developments in this area and seek professional advice where necessary.*

14. Stamp Duty

Stamp duty is tax on documents evidencing transactions between persons.

Instruments liable to Stamp Duty	All instruments relating to an act to be performed in Nigeria must be stamped, except such instrument is specifically exempted.
When to Stamp	Instruments which are required to be stamped under the Stamp Duties Act must be stamped within 40 days of first execution.
Rate	Stamp duty is chargeable either at fixed rates or ad valorem (i.e., in proportion to the value of the consideration) depending on the class of instrument.
Penalty	The penalty for late stamping of instruments is N20; but where the unpaid duty exceeds N20, there is a further penalty in the form of interest on the stamp duty payable at the rate of 10% per annum subject to a maximum of the unpaid duty. Also, unstamped documents are generally not admissible as evidence in civil proceedings.

PwC is a global market leader for tax services. We assist businesses, individuals and organisations with tax strategy, planning, and compliance, whilst also delivering a wide range of business advisory services with 23,000 dedicated tax professionals in over 140 countries. This means that we can support you both locally and globally, wherever you require our services.

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Caveat

We have issued this Tax Data Card to provide a high level insight into key areas of taxation in Nigeria. It covers corporate and individual income tax, Capital Gains Tax, withholding tax, social security contributions, VAT, Excise duty and Stamp duty. There are a number of other taxes and levies payable to federal, state or local governments, which have not been included. Although we have taken all reasonable care in compiling the data card, we do not accept responsibility for any errors or inaccuracies contained in the document. This data card is also available electronically. If you would like an electronic copy, please visit our website at **www.pwc.com/ng**

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