

FINANCE ACT (AMENDMENT) BILL, 2020

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**A BILL**

**EXECUTIVE**

**FOR**

AN ACT TO AMEND THE FINANCE ACT, 2019 AND OTHER RELEVANT TAX STATUTES TO PROVIDE CLARIFICATIONS REGARDING THE TAX INCENTIVES FOR AGRICULTURAL PRODUCTION; THE ADMINISTRATIVE EFFECTIVE DATE FOR THE COMMENCEMENT OF THE INCREASE IN VALUE ADDED TAX TO 7.5% AND CERTAIN BASIC FOOD ITEMS EXEMPT FROM VALUE ADDED TAX AND FOR RELATED MATTERS.

Commencement

ENACTED by the National Assembly of the Federal Republic of Nigeria as follows:

**PART I - DIRECT TAXES**

*Companies Income Tax Act*

1. Section 23 of the Companies Income Tax Act (CITA) is amended by deleting the following insertions in Section 23(1C) of CITA, pursuant to Section 9 of the Finance Act, 2019, providing as follows:

“(1C) Any company engaged in agricultural production shall be granted the following incentives in addition to other incentives in this Act-

(a) an initial tax free period of five years which may be subject to satisfactory performance of agricultural production, be renewed for an additional maximum period of three years, and

(b) such company cannot be granted similar incentive under any other Act in Nigeria.”

**PART II - INDIRECT TAX**

*Value Added Tax Act*

2. Section 4 of the Value Added Tax Act (VATA), as amended by Section 34 of the Finance Act, 2019 is further amended by inserting the words “with effect from the 1st of February 2020” after the words “7.5 per cent”.

Interpretation  
(VAT)

1 3. Section 46 of the VAT Act, as amended by Section 46 of the  
2 Finance Act, 2019 is further amended by inserting, in alphabetical order, in the  
3 definition for "basic food items", the following definition:

4 "Animal Feed" means raw, semi-processed processed and otherwise  
5 enhanced animal feed that is fed to domesticated and other animals raised and  
6 slaughtered for human consumption to provide beef, goat, lamb, pork, chicken,  
7 fish and other kinds of meat, as well as other animals cultivated and raised for  
8 the production of milk, eggs as well as other sources of protein and nutrients  
9 edible by humans."

10 PART III - TAX INCENTIVES

11 *Industrial Development (Income Tax Relief) Act*

Publication of  
list of Pioneer  
Industries and  
Products and  
issuing of Pioneer  
Certificates

12 4. Section 1 of the Industrial Development (Income Tax Relief) Act  
13 (IDITRA) is amended by inserting a new sub-section (7) as follows:

14 "(7) Any Small or Medium Sized Company engaged in Primary  
15 Agricultural Production shall be granted, pursuant to an application, to the  
16 President, through the Nigerian Investment Promotion Commission, the  
17 following incentive:

18 (a) an initial tax-free period of five years which may be extended,  
19 subject to the satisfactory performance of such Primary Agricultural  
20 Production, for an additional maximum period of three years;

21 (b) such company cannot be granted similar tax holiday incentive  
22 under any other Act in force in Nigeria; and

23 (c) this and other pioneer status tax incentives provided for in this Act  
24 shall be administered by the Nigerian Investment Promotion Commission, in  
25 accordance with the relevant provisions of this Act."

Interpretation  
(IDITRA)

26 5. Section 25 of the IDITRA is amended by inserting, in alphabetical  
27 order, the following definitions:

28 "Medium Sized Company" means a company that earns gross  
29 turnover greater than N25,000,000 but less than N100,000,000 per annum, or  
30 as otherwise defined by the Companies Income Tax Act, as amended."

1 "Primary Agricultural Production" means:

2 (a) Primary Crop Production comprising the production of raw and  
3 semi-processed crops of all kinds: but excluding any intermediate or final  
4 processing of crops or any other associated manufactured or derivative crop  
5 products:

6 (b) Primary Livestock Production comprising the production of  
7 live animals and their direct produce such as live or raw meat, live or raw  
8 poultry, fresh eggs and milk of all kinds, but excluding any other associated  
9 manufactured or derivative livestock products:

10 (c) Primary Forestry Production comprising the production of  
11 timbers of various kinds such as firewood, charcoal, uncultivated materials  
12 gathered and other forestry products of all kinds, including seeds and  
13 saplings; but excluding the intermediate and final processing of timber and  
14 any other manufactured or derivative timber products; and

15 (d) Primary Fishing Production comprising the production of fish  
16 of all kinds, including ornamental fish, but excluding any intermediate or  
17 final processing of any other manufactured or derivative fish products."

18 "Small Sized Company" means a company that earns gross  
19 turnover of N25,000,000 or less per annum, or as otherwise defined by the  
20 Companies Income Tax Act, as amended."

21 6. This Bill may be cited as the Finance Act (Amendment) Bill, Citation  
22 2020.

## 1 EXPLANATORY MEMORANDUM

2 An Act to amend the Finance Act, 2019 and other relevant tax statutes to  
3 provide clarifications regarding: the tax incentives for Agricultural  
4 Production; the administrative effective date for the commencement of the  
5 increase in Value Added Tax to 7.5%; and certain Basic Food items exempt  
6 from Value Added Tax.

7 This Bill is to, amongst other things, amend certain tax provisions of the  
8 Finance Act, 2019 and other relevant tax statutes to make them more  
9 responsive to the tax reform policies of the Federal Government, to enhance  
10 their implementation and effectiveness:

11 (a) Finance Act, 2019 and Companies Income Tax Act, Cap. C21,  
12 Laws of the Federation of Nigeria (LFN), 2004 (as amended):

13 This Bill seeks to further amend the recent amendments to Section 23 of the  
14 Companies Income Tax Act, pursuant to the Section 9 of the Finance Act, 2019  
15 to make certain clarifications regarding the newly introduced tax incentives for  
16 Agricultural Production, which for administrative convenience, may be better  
17 provided for under the Industrial Development (Income Tax Relief) Act.

18 (b) Value Added Tax Act, Cap VI, LFN 2007 (as amended):

19 This Bill seeks to provide clarifications regarding the administrative effective  
20 date for the commencement of the increase in Value Added Tax from 5% to  
21 7.5%, as provided in Section 34 of the Finance Act, 2019 amending Section 4  
22 of the Value Added Tax Act (as amended). This Bill also provides greater  
23 clarity regarding the definition of Basic Food Items exempt from Value Added  
24 Tax as contained in Section 46 of the Value Added Tax Act (as amended).

25 (c) Industrial Development (Income Tax Relief) Act, Cap 17, LFN  
26 2007 (as amended):

27 This Bill seeks to further amend Sections 1 and 25 of the Industrial  
28 Development (Income Tax Relief) Act to make certain clarifications regarding  
29 the newly introduced tax incentives for Agricultural Production.