

The Minister Of Finance issues Value Added Tax (Modification) Order 2020

TAX ALERT

The Federal Government of Nigeria through the office of the Minister of Finance, Budget and National Planning has recently modified certain provisions of the Value Added Tax Act 2004 as amended (VATA or “the Act”) vide an order titled the Value Added Tax (Modification) Order 2020 (“the Order”) published on 04 February 2020; Its commencement date set to 03 February 2020 though recently released to the public sometime in May 2020. The Order focuses on the First Schedule to the Act, providing an expanded and more detailed list of goods and services exempt from Value Added Tax (VAT).

Suffixed to the Order is an explanatory note that explains its purport as an order that “modifies the First Schedule to the Value Added Tax Act by defining and expanding the goods and services listed in the first schedule to the act in order to provide clarity in the interpretation of the Act”.

The Order outlines VAT exempt goods and services; these include basic food items, baby products, downstream gas utilisation, educational books and materials, farming machinery, pharmaceutical products, medical products and equipment, among others. The Order also defines the scope of each item. The items of the Order are summarised below;

Basic Food Items

This is defined by the Order as agro and aqua based staple food and includes food products such as;

- a. Additives i.e. honey, raw or semi-processed;
- b. White and brown bread;
- c. Cereals i.e. wheat, maize, rice etc., raw or semi-processed;
- d. Cooking Oil (suitable culinary purposes) and

- e. Culinary herbs;
- e. Fish other than ornamental;
- f. Flour and Starch;
- g. Water, natural and table except sparkling or flavoured

The list also includes Milk, Nuts, Roots, Pulses, vegetables, Salt etc.

This provision however, excludes food sold in restaurants, hotels, and lounges, among others or sold by contractors or caterers from VAT exemption.

Baby Products

This category deals with products made for the use of children between birth and 36 months (3 years) of age. This includes baby carriages, grooming activity and entertainment products, clothing, feeding products, sanitary wares. among others.

Downstream Gas Utilisation

The Order defines “Downstream Gas Utilisation” as “the marketing and distribution of natural gas for commercial purposes and includes power plant, liquefied natural gas, gas to liquid plant, fertilizer plant, gas transmission and distribution pipelines” and grants VAT exemption on all equipment and material purchased for the utilisation of Gas in downstream petroleum operations.

Educational Books and Materials

These are defined as physical or electronic books



meant for the facilitation of learning in any educational institution. Educational material, useful for instructional purposes, active learning, assessment and administration, are also VAT exempt

Medical and Pharmaceutical equipment, products and services.

The Order makes VAT exempt medicine, medical services and equipment for humans and animals alike; but excludes cosmetology, fitness equipment and similar devices.

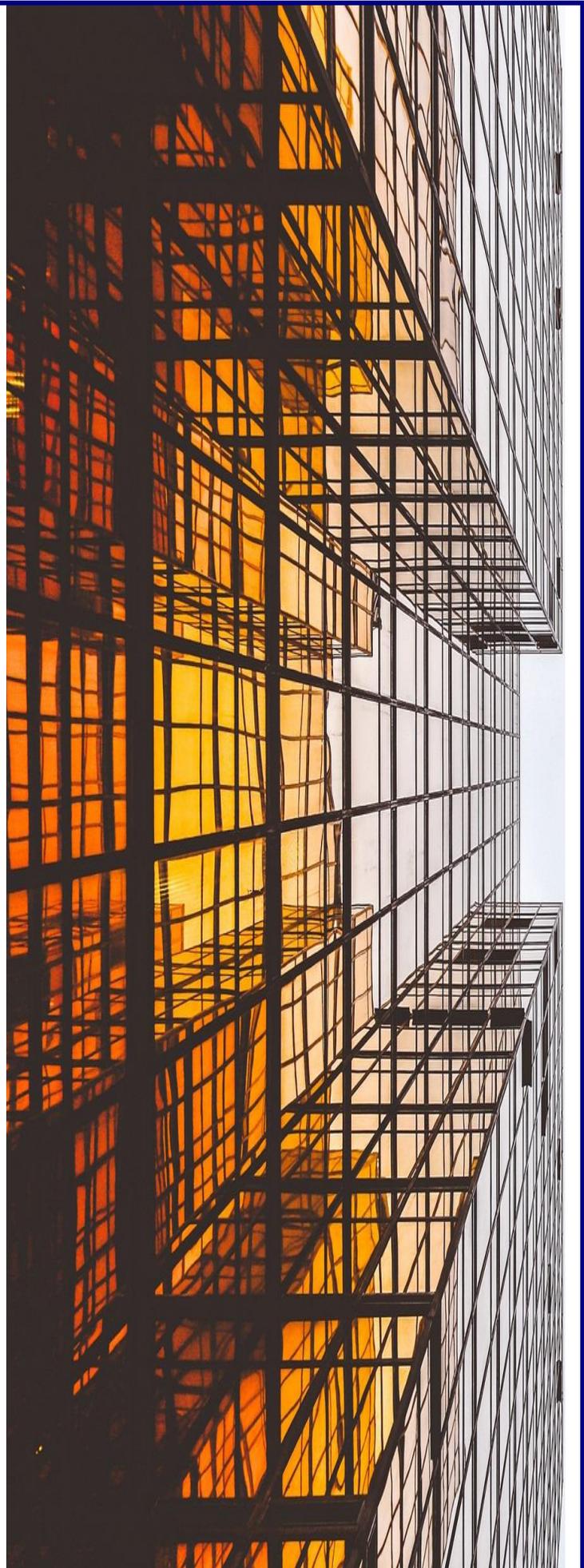
Farming Machinery and Fertiliser

Farming machinery is defined as equipment used exclusively for farming or any other agricultural purposes, e.g. tractors, ploughs etc.

The Order goes on to exempt from VAT;

- i. Transportation i.e. shared passenger road transport services
- i. Lease and rental of residential premises by persons other than corporate entities
- i. Aviation and Motor Spirit, Kerosene, Natural gas and such other liquefied petroleum products.
- v. Machinery and other equipment geared towards the generation of Renewable Energy.

Stakeholders are advised to stay abreast of this update to the VAT administration regime and take due advantage thereof.



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