



The Chartered Institute of Taxation of Nigeria Workshop

Policy Implications of Finance Act,
2020 –Towards Tax Policy Reforms
and Economic Recovery

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INTRODUCTION

IMPERATIVES OF FINANCE ACT 2020

- ❖ Enactment of Finance Act 2020
- ❖ Tax is a product of statute and as such legal dynamism was the impetus to Finance Act 2020
- ❖ The Federal Government of Nigeria is committed to the economic growth and development of the country

Introduction Continued

- ❖ To make this happen, Federal Government introduced changes into the fiscal framework
- ❖ To make it consistent with the government fiscal plans and current economic realities.

OBJECTIVES OF FINANCE ACT 2020 AND AMENDMENTS THERETO

❖ Finance Act 2020 therefore introduced changes to the following Acts of Parliament

1. Personal Income Tax Act
2. Companies' Income Tax Act
3. Capital Gains Tax Act
4. TETFUND (ESTABLISHMENT) ACT
5. Industrial Development (Income Tax Relief) Act

OBJECTIVES OF FINANCE ACT 2020 AND AMENDMENTS THERETO

Continued

6. Stamp Duties Act
7. Value Added Tax Act
8. Companies and Allied Matters Act
9. FIRS (Establishment) Act
10. Customs, Excise Tariff
11. Nigeria Export Processing Zones Authority Act

OBJECTIVES OF FINANCE ACT 2020 AND AMENDMENTS THERETO

Continued

12. Oil and Gas Free Zone Act
13. Fiscal Responsibility Act
14. Public Procurement Act

Finance Act 2020 Focuses Principally on:

- ▶ Introducing fiscal Strategy that is in tandem with the direction of the economic or business cycles (to ensure economic stability)
- ▶ Producing fiscal relief and enhancing fiscal responsibility

SOME AMENDMENTS INTRODUCED BY FINANCE ACT 2020

- Section 1 of TETFUND Act was amended to give legal backing to exemption of small companies from payment of both CIT and TET
- Section 2 of SDA is amended by introducing a new definition of stamp to identify the role of NIPOST in the production of stamps for the purpose of FIRS Utilization of adhesive stamps.

SOME AMENDEMENTS INTRODUCED BY FINANCE ACT 2020 Continued

- Introduction of new section 89A for the purpose of electronic Money Transfer Levy (EMTL) and section 89(3) to address the agitations of the state government on collection of #50 transaction between individual and banks.

SOME AMENDEMENTS INTRODUCED BY FINANCE ACT 2020 Continued

- A new section 25 is introduced to PITA on cessation of trades to eliminate the risk of domestic double taxation.
- A new paragraph 'g' is introduced to section 20(10 of PITA on deductions allowed for contribution to pension. By the new paragraph, only Pension Reform Act 2014 qualify as tax deductible for individual.

TAX IMPLICATIONS OF FINANCE ACT 2020

1. Small Companies:- one of the government policies in Nigeria that affect small companies is tax concession. Amendment of section 1 TETFUND Act brought about Tax policy that reduces cost of doing business.
2. Tax exemption for minimum wage earners .Any person earning national minimum wage or less from employment is exempted from personal income tax. It therefore means employees earning not more than minimum wage are no longer liable to tax (section 37 and paragraph 33 of the third schedule of PITA amended)

TAX IMPLICATIONS OF FINANCE ACT 2020

Continued

3. Tax exemption for compensation for loss of employment. The sums obtained by way of compensation for loss of office up to maximum of #10m is not chargeable gains subject to CGTA. This implies that any payment to an employee as compensation for loss of employment up to #10m is exempted from tax (section 36(2) CGTA).

TAX IMPLICATIONS OF FINANCE ACT 2020

Continued

4. Pension contribution for tax deduction section 20 (1)(a) PITA has been amended to the effect that any pension contribution made into a scheme not recognized under the PRA 2014 will not qualify for tax deductions.

The End
THANKS FOR LISTENING