

# VAT SIMPLIFIED



## What is VAT?

Value Added Tax often shortened as “VAT” is an indirect consumption or transaction tax payable by consumers of certain goods and services in Nigeria. It is usually charged on the value added to goods and services and paid by the final consumer but collected and remitted to the government by businesses.



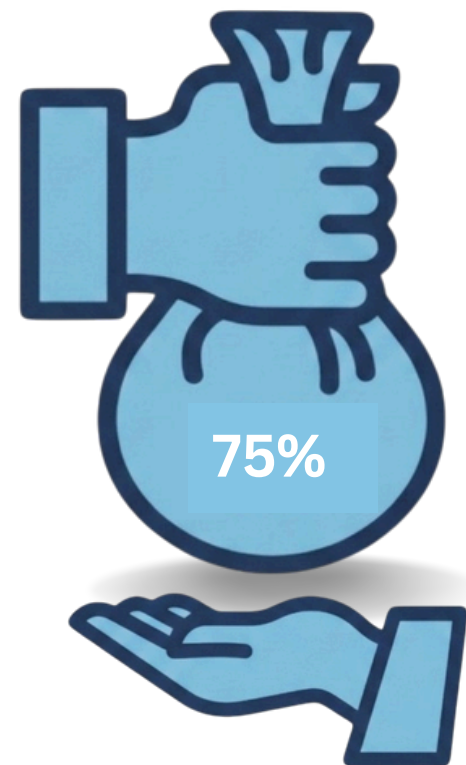
## Who Pays?

“  
Every consumer of goods  
and services in Nigeria,  
whether individual or body  
corporate.  
”



## How Much is to be Collected?

7.5% of the transaction sum or fee charged for goods and services.



## Who Collects?

Every business that supplies goods or services. They are obligated to collect as agents of the government represented by the Nigeria Revenue Service (NRS). Even non-resident persons who make taxable supplies to Nigeria are under an obligation to collect VAT. However, the person in Nigeria to whom the supply is made, may withhold the VAT and remit to the NRS.



## Who are the persons exempt from collecting VAT?

Any business whose gross turnover is below N100M or whose total fixed asset is below N250M is exempt but they may voluntarily choose to register as VAT collectors. However, businesses that provide professional services do not fall within this exemption even where their gross turnover is below N100M or their total fixed asset is below N250M. The exemption also does not apply to companies engaged in petroleum operations.



## Which items are subject to VAT?



**All taxable supplies of goods and services made in Nigeria except those exempt or zero-rated.**



## Which items are exempt from VAT?

The following items and services are exempt from VAT:



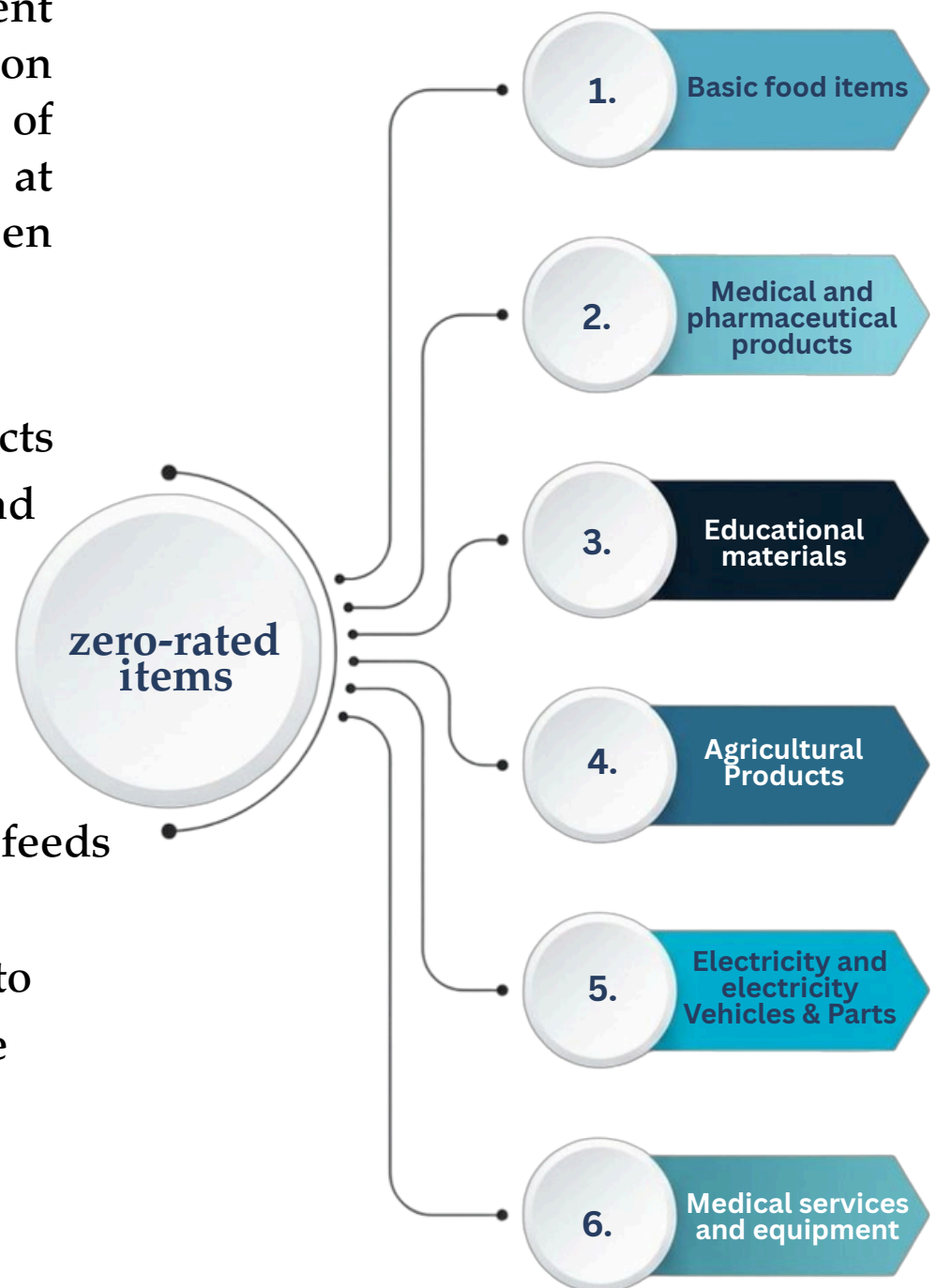
- (a) oil and gas exports;
- (b) crude petroleum oil and feed gas for all processed gas;
- (c) goods purchased for use in humanitarian donor funded projects provided that the humanitarian donor shall first pay the VAT and request a refund from the Service;
- (d) baby products;
- (e) locally manufactured sanitary towels, pads or tampons;
- (f) military hardware, arms, ammunitions and locally manufactured uniforms supplied to armed forces, para-military and other security agencies of a Nigerian government;
- (g) shared passenger road-transport service;
- (h) purchase, hire, rental or lease of tractors, ploughs and other equipment used for agricultural purposes;
- (i) supplies consumed by an approved entity in the export processing or free trade zones, provided that the supplies are consumed on its approved activity;
- (j) goods or services supplied to a diplomatic mission, diplomat or person recognised under the Diplomatic Immunities and Privileges Act whose activity is in public interest, and not for profit;
- (k) plays and performances conducted by educational institutions as part of learning;
- (l) land or building including interest in land or building;
- (m) money, stakes or securities including interest in money or securities;
- (n) Government licences; and
- (o) Assistive devices and disability-related products including hearing aids, wheelchairs, and braille materials.



## Which Items are zero-rated?

Items zero-rated are those items that are subject to VAT but the government has decided to suspend the collection of VAT on them. It means the value of such goods and services are taxed at zero percent. The items that have been zero-rated by the Tax Act include:

- Basic food items
- Medical and pharmaceutical products
- Educational books and materials and tuition on all levels of education
- Fertilizer, agricultural seeds and seedlings and locally-produced agricultural chemicals
- Livestock, locally-produced animal feeds and veterinary medicine
- Electricity generated and supplied to national grid and transmitted to the distribution companies
- Medical services and equipment
- Exported goods minus oil and gas
- Exported services
- Exported incorporeal property
- Electricity vehicles and parts



## What are the types of VAT?

There are two types of VAT:

- Output VAT – Collectable by a supplier of taxable goods and services
- Input VAT – Payable to a supplier of taxable goods and services.

Under the new tax laws, input VAT is recoverable and can be offset using output VAT.



## When to remit VAT collected?

Any VAT collected, withheld or self-accounted shall be remitted to the NRS on or before the 14th day of the month immediately following the month of the transaction or as may be prescribed by the NRS.



## When to file VAT returns?

Every business apart from those exempt, shall, with or without a notice, submit a VAT return to the NRS in the prescribed form, on or before the 21st day of the following month. This obligation subsists whether or not any supply transaction has taken place within the month.



## Is there any penalty for failure to file VAT returns?

Any person who fails or refuses to file returns or knowingly files incomplete or inaccurate returns is liable to pay an administrative penalty of —

- a) N100,000.00 in the first month in which the failure occurs; and
- b) N50,000.00 for each subsequent month in which the failure continues.



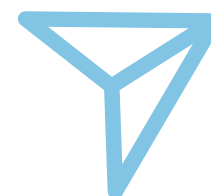
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