Finance Act 2021

Implications for the Digital Economy

Wednesday 26 January, 2022

Session starts

3:00 pm – 4:00 pm (WAT)
9:00 am – 10:00 am (EST)

Virtual
Finance Act 2021

Implications for the Digital Economy
Agenda

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### Background and context

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<th>Year</th>
<th>Event</th>
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<tr>
<td>2019</td>
<td>Introduction of Significant Economic Presence (&quot;SEP&quot;) rules</td>
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<td>Introduction of VAT reverse charge on imported services</td>
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<td>2020</td>
<td>Requirements for filing, Extension of SEP rules to non-resident</td>
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<td>individuals, Use of technology to gather information.</td>
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<td>Mandatory VAT registrations for non-residents, requirement to charge VAT</td>
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<td>2021</td>
<td>Inclusion of framework to tax SEPs on deemed basis</td>
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<td>Non residents have primary responsibility to collect and remit VAT</td>
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The introduction of a “deemed profits” tax regime for nonresident companies that create a Digital Significant Economic Presence (SEP) in Nigeria.

In practice, a 20% margin is deemed on turnover and subjected to CIT at 30% (effective 6% on turnover)

Non-resident companies who supply taxable goods and services are required to register for VAT

Non-residents are now primarily responsible for the collection and remittance of VAT on transactions with Nigerian customers.
Other Practical Matters

01. Basis for determining the right percentage for calculating deemed tax

02. Still no clear guidance on attribution of profits

03. $25K threshold introduced in the FIRS Circular

04. Increased focus on Digital Taxes and Potential deployment of the Digital Economic Compliance (DEC) Tool.

05. Practical challenges with the NRC
In conclusion ...

The Finance Act 2021, seeks to provide a better business environment for Non-Resident Companies.

However, there are some challenges arising from the changes in the Act.

It is important to ensure that measures are put in place to manage these challenges and maximise the positive outcomes arising from the Act.
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