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TEMPLARS Transcripts: Tax Digest

Policy and Tax Administration

- **The International Monetary Fund (IMF) Recommends Tax Increase to Nigeria**

The IMF has recommended that Nigeria should broaden its tax net, increase taxes and improve tax compliance to address Nigeria's rising debt profile and fiscal deficit caused by borrowings and fuel subsidy. This proposal comes on the heels of the recommendation of Minister of Finance to the incoming administration to increase the existing Value Added Tax rate to boost Nigeria's tax revenue. It is however yet to be seen whether Nigeria will take onboard these recommendations.

- **Federal Ministry of Health Suggests Possible Hike in Tobacco Tax in Nigeria**

The Head of the Tobacco Control Unit, Non-Communicable Disease Division at the Federal Ministry of Health mentioned on Tuesday April 18, at the National Tobacco Budget Advocates Meeting that a 50% increase on the tobacco tax may be imposed in due course. This announcement has not been confirmed by the Ministry of Finance.

- **The Organisation for Economic Co-operation and Development ("OECD") recommends the multilateral agreement on taxation of the digital economy to Nigeria.**

The Federal Inland Revenue Services ("FIRS") and the OECD held a two-day workshop in April 2023 to sensitize Nigeria on the Two-Pillar Solution (the "Solution") and how to maximize the benefits for Nigeria. In October 2021, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting ("OECD/G20 IF") reached a multilateral agreement on the taxation of the digital economy. The Two-Pillar Solution is a proposal by the OECD/G20 IF endorsed by 138 countries as a means of addressing the tax challenges

of the digitalised economy as well as Base Erosion and Profit Shifting. Although Nigeria participated in the rule development process that culminated in the Agreement, Nigeria declined to sign up to the Agreement as most MNEs in Nigeria do not meet the criteria for paying taxes under the Agreement and thus will not be taxed in Nigeria. Read our newsletter on the Two-Pillar Solution and Nigeria's refusal to endorse same [here](#).

The workshop had in attendance stakeholders from the FIRS, Nigeria Export Processing Zone Authority (NEPZA), Oil and Gas Free Trade Zone Authority (OGFZA), Nigeria Export Promotion Council (NEPC, Joint Tax Board (JTB), the Ministry of Justice and Ministry of Finance. The OECD/G20 IF made the following recommendations to Nigeria:

- Nigeria should as a matter of urgency commence engagements by stakeholders to draw up a national strategy for the immediate streamlining of its tax incentives, to avoid ceding its tax base to other jurisdictions, owing to the implementation of Pillar 2.
- Nigeria should immediately commence implementation of the Rules which may include changing its income tax rule to bring up its effective tax rate to a minimum of 15% or introducing a Qualified Domestic Minimum Top-up Tax ("QDMTT").
- That there is a need for Nigeria's continued participation in the Rules development as a member of the Inclusive Framework, to ensure that its interest and that of Africa are factored in the development of the Rules.
- Nigeria should explore the effective implementation of Pillar 2 rules for increased tax revenue generation to fund government programme, boost the economy and keep Nigeria as an attractive investment location.

Legislative Advancements

- **President Muhammadu Buhari inaugurated the National Council for Digital Innovation and Entrepreneurship**

On April 12, 2023, President Muhammadu Buhari inaugurated the National Council for Digital Innovation and Entrepreneurship (the "Council") to guide the implementation of the Nigeria Startup Act ("NSA" or the "Act") 2022. The 14-member Council will be chaired by the President and directed by the National Information Technology Development Agency ("NITDA") to ensure the faithful implementation of the Act, which provides incentives and support for start-ups, including tax breaks and access to funding. Following the inauguration of the Council, the NSA will be implemented nationally, and the tax incentives under the Act will be available to qualifying startups.