

CLIENT ALERT: VALUE ADDED TAX (MODIFICATION) ORDER 2024

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INTRODUCTION

The Value Added Tax (VAT) Act, Cap. V1 LFN 2004 (the Act), provides that VAT shall be charged and payable on the supply of all goods and services except those exempted under the First Schedule to the Act¹.

Section 38 of the Act grants the Minister of Finance the authority to vary this schedule by an order published in the Gazette. This power includes the ability to: (a) amend the rate of tax chargeable; and (b) amend, vary, or modify the list set out in the First Schedule to the Act.

In exercise of this power, the Ministry of Finance has issued the Value Added Tax (Modification) Order 2024 (“the Order”), which has modified the First Schedule to the Act. The commencement date of the Order is 1st of September 2024

NOTABLE INNOVATIONS OF THE VALUE ADDED TAX (MODIFICATION) ORDER, 2024



1. The Order has expanded the First Schedule to the Act which provides a list of items exempted from payment of VAT. By virtue of Section 2 of the Value Added Tax (Modification) Order 2024, the following items have now been included under Part I to the First Schedule of the Act and exempted from the payment of VAT:

- 1. Equipment and infrastructure related to the expansion of Compressed Natural Gas (CNG) including conversion kits;*

¹ Section 2 of the Value Added Tax Act

- II. Equipment and infrastructure related to the expansion of Liquefied Petroleum Gas (LPG) equipment including conversion kits;**
- III. Domestic Liquefied Natural Gas (LNG) Processing Facilities and Equipment;**
- IV. Electric Vehicles;**
- V. Parts, semi-knock-down units for the assembly of Electric Vehicles;**
- VI. Biogas and biofuel equipment and accessories for clean cooking and transportation**

- 2. The extended list of items exempted from payment of VAT under Part I to the First Schedule of the Act.
- 3. The list of exempted services under Part II of the First Schedule to the Act has also been extended to include:
 - I. CNG conversion and installation services;**
 - II. LPG conversion and installation services; and**
 - III. Manufacturing, assemblage and sale of electric vehicles.**

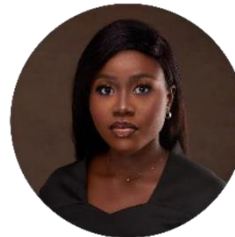
CONCLUSION

The Order has expanded the list of items exempt from VAT in Nigeria. The inclusion of equipment and infrastructure related to CNG and LPG expansion, domestic LNG facilities, electric vehicles and their components, biogas and biofuel equipment, and certain conversion and installation services to the list shows the government's commitment to promote cleaner energy sources and support economic growth. Businesses in these sectors can benefit from reduced tax burdens, potentially leading to lower costs for consumers and increased investments these sectors.

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