



HIGHLIGHT ON THE LAGOS STATE VALUE ADDED TAX LAW 2021.

INTRODUCTION.

On the 21st September, 2021, the Lagos State House of Assembly passed a VAT law following the Court of Appeal judgement in the case of Federal Inland Revenue Service V. Attorney General of Rivers State & Attorney General of the Federation (CA/PA/282/2021). The case was bothered on the State Government's constitutional power to administer, assess, charge and collect VAT in such derivative state rather than the Federal Inland Revenue Service (FIRS).

In this article, we shall focus on key provisions introduced under the VAT Law of Lagos State.

VAT RATE PAYABLE:

VATable Goods and services are assessed and charged at 6% opposed to 7.5% rate in the Value Added Tax Act LFN charged by the FIRS. **Section 4 VAT Law of Lagos State 2021**

TAX AUTHORITY

The Lagos State Inland Revenue Services is saddled to charge, collect and administer VAT accrued and payable on every VATable goods and services rendered to VATable person within Lagos State. **Section 7 VAT Law of Lagos State 2021**

REQUIREMENT OF REGISTRATION WITH LIRS

Resident companies in Lagos are required to register with LIRS within 6 (Six) months from the date the VAT Law is passed. Penalty for any default is ₦50,000 for the first month, ₦100,000 for the subsequent month. If the default continues after the third month, the business premises shall be sealed up. **Section 8 VAT Law of Lagos State 2021.**

A non-resident company that carries on business in the State is required to register for the tax with the LIRS, using the address of the person with whom it has a subsisting contract, as its address for purposes of correspondence relating to the tax.

VATABLE PERSON

The following persons are required to register, charge, collect and remit output VAT accruing from VATable goods and services rendered.

- a. an individual or body of individuals;
- b. family;
- c. corporation sole;
- d. trustee or executor;
- e. a person who independently carries out in a place an economic activity, as a producer, wholesale trader, supplier of goods, supplier of services etc, and includes a person and an agency of government acting in that capacity; or
- f. a person exploiting tangible or intangible property for the purpose of obtaining income by way of trade or business, or a person or agency of Government acting in that capacity.

SMALL COMPANIES TO PAY VAT

Small companies otherwise known as companies with less than 25 million turnover are required to register and charge VAT under the VAT Law.

RECORD AND ACCOUNT

All VATable persons registered under the VAT law is required to keep records and books of every transaction, operation, import and any other activity relating to taxable goods and services.

The penalty for not keeping a records and accounts stated above attracts penalty of ₦250,000.00 upon conviction.

ESTABLISHMENT OF VAT APPEAL TRIBUNAL

The VAT Law sets up a VAT Appeal Tribunal to handle appeals arising from disputed assessment. **Section 21 VAT Law of Lagos State**. The VAT Appeal Tribunal is equivalent to Tax Appeal Tribunal.

EXEMPTED GOODS

The following goods are exempted for VAT under the VAT LAW;

- Medical and pharmaceutical products,
- Basic food items,
- Books and educational materials,
- Baby products,
- Fertilizer,
- Locally produced agricultural and veterinary medicine,
- Farming machinery and farming transportation equipment;

- All exports,
- Plant, machinery and goods imported for use in the export processing zone or free trade zone,
- Machinery and equipment purchased for utilization of gas in down-stream petroleum operations,
- Tractors, ploughs and agricultural equipment and implements purchased for agricultural purposes, and
- Items covered under the Hotel Occupancy and Restaurant Consumption Law of Lagos State. **Part I of the Schedule, VAT Law of Lagos State 2021**

EXEMPTED SERVICES

The following services are exempted under the VAT Law;

- Medical services,
- Services rendered by Community Banks,
- Micro Finance Banks and Mortgage Institutions;
- Plays and performance conducted by educational institutions as part of learning
- All exported services. **Part II of the Schedule, VAT Law of Lagos State 2021**

ZERO-RATED GOODS AND SERVICES

The following are zero-rated under the VAT Law;

- Non-oil exports,
- Goods and services purchased by diplomats; and
- Goods purchased for use in humanitarian donor funded projects. **Part III of the Schedule, VAT Law of Lagos State 2021**

DISTRIBUTION OF REVENUE.

The revenue generated from VAT under the VAT Law will be shared between the State and Local Governments in Lagos at the ratio of 75:25 % sharing formula. The State Government is allocated 75% of the revenue generated while the remaining 25% is distributed in equal formula to the various Local Government Area across Lagos State.

COMMENTARY

The Court of Appeal in ***Federal Inland Revenue Service V. Attorney General of Rivers State & Attorney General of the Federation (CA/PA/282/2021)*** Held that the status quo in respect of VAT administration and Implementation of VAT ACT LFN 2004 as amended be maintained pending the hearing and determination of appeal before the Supreme Court.

The implication of this judgement is that FIRS remains the Tax Authority saddled to charge, collect, administer and implement VAT across all states in Nigeria pending the determination of the appeal. Hence, State Governments in Nigeria do not charge or administer VAT at the moment.

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