As businesses and individuals prepare for the Nigeria Tax Bill 2024, understanding its key proposals is vital to staying ahead. Here’s an overview of the major changes to VAT under the Bill:

**1. VAT Rates: A Gradual Increase**

The Bill proposes a gradual increase in VAT rates over the next decade:

10% from January 1, 2025, to December 31, 2025

12.5% from January 1, 2026, to December 31, 2029

15% from January 1, 2030, and beyond

**2. Introduction of Zero-Rated Items**

While VAT will not apply to certain goods and services, entities dealing in zero-rated supplies can now claim input VAT. This includes:

Basic food items

Educational books and materials

Medical products

Exported services

Additionally, rent and public transportation will now be totally exempt from VAT.

**3. VAT Collection & Administration**

The Federal Inland Revenue Service (FIRS) remains the primary body responsible for VAT collection. The Bill broadens the scope of entities who can collect, withhold, and remit VAT, including Federal, State, and Local Governments.

**4. New VAT Sharing Formula**

The proposed Bill introduces a new revenue-sharing structure:

10% to the Federal Government

55% to State Governments

35% to Local Governments

A significant change lies in the 60% derivation principle for revenue shared between States and Local Governments, emphasizing the importance of where VAT is collected.

**Implications for Businesses**

Increased VAT Rates: Businesses must account for the rising VAT rates in their pricing and operations.

Zero-Rated Supplies: The shift from total exemption to zero-rated allows organizations to claim input VAT, creating potential savings.

Revenue Focus: States with high consumption activities may gain a significant advantage under the new derivation formula.

The Nigeria Tax Bill 2024 introduces transformative changes, and businesses need to strategize accordingly to maintain compliance and optimize operations.

Staying informed is key to staying compliant!