

The effects of Finance Act 2020 on Capital Gain Tax and Tertiary Education Trust Fund.

“Tax is not a four letter word; rather, it’s the price we pay for country we want.”

Alex Himelfarb

Introduction

On the 31st of December 2020, the President signed a new Finance Bill into law. This Act amends various extant tax legislations and introduced new practices in the administration of tax in Nigeria. This briefing is the first of many part series aimed at sensitizing the public on the impact of the latest legislative intervention in the administration of tax in Nigeria. It considers the changes introduced into the **Capital Gain Tax Act** and **Tertiary Education Trust-fund (Establishment) Act**.

Capital Gain Tax Act

The provisions of the Finance Act 2020 introduced some major changes to the administration and applicability of capital gains tax.

1. The Act introduces for the first time, a timeframe; 30th of June and 31st of December of the period of disposal in which capital gains tax and returns are to be filed and paid by taxpayers. With this introduction, the provisions of CITA on assessment and filing returns no longer applies to the CGTA. This is supported by the repeal of Parts X and XI of the Schedule to the CGTA (assessment and returns)
2. The Act now gives clarity that for the purpose of subjecting assets to CGTA, ships or aircrafts **used in international traffic** are deemed to be situated in Nigeria if the assets or its owners are resident in Nigeria.
3. Compensation paid to persons for loss of office or employment up to the sum of ₦10million is not



capital gains tax

chargeable to CGT but any excess thereon is not so exempt and is subject to CGT treatment. The CGT payable on the excess amount is to be deducted at source and paid to the relevant authority. This is similar to the PAYE arrangement. The former amount so exempted was N1,000.00

Tertiary Education Trust Fund (Establishment, Etc) Act

1. This amendment introduces a waiver for small Companies (as recognized under CITA) from the payment of education tax thereby harmonizing the provisions of the TET Fund amendments introduced by Act with CITA Finance Act and the TET Fund amendments introduced by 2019.



Conclusion

The Finance Act 2020 further changes the operational dynamics of tax administration in Nigeria. Stakeholders can expect these changes to affect their businesses and compliance obligations.

For further discussions and clarifications:



Oza Enwonode
 Head – Regulatory & Compliance
oza.enwonode@goldwyns-ng.com



Kunle Agoro
 Head – Corporate Tax Service
kunle.agoro@goldwyns-ng.com

www.goldwyns-ng.com