

VAT Reloaded: What Changed, What Moved, and What It Means



Nigeria has given Value Added Tax (VAT) a full makeover. The Nigeria Tax Act 2025 and the Nigeria Tax Administration Act 2025 have reshaped how VAT works, who must register, when VAT kicks in, how returns are filed, and what counts as exempt or zero-rated.

Some of these updates look cleaner on paper, but the real story depends on how well businesses and consumers adjust. Let us break it down.

What VAT Really Is

VAT is the 7.5 percent tax added to goods and services. Businesses collect it on behalf of the government, while the Nigeria Revenue Service (the Service) tracks compliance and collects the revenue.

Who Needs to Register and Comply

Big and medium businesses must register, charge VAT on their taxable supplies, and file monthly VAT returns.

Small businesses (with annual turnover of ₦50 million or less) are exempt from VAT obligations. They do not need to:

- register,
- charge VAT,
- file monthly VAT returns, or
- self-account for VAT.

Optional registration: Small businesses can choose to opt in by writing to the Service. Once they opt in, they must register, charge VAT, and file returns like bigger businesses.

What Counts as “Small”

1. A small business has annual gross turnover of ₦50 million or less and total fixed assets not above ₦250 million.
2. Once a business crosses that threshold, it moves into full VAT compliance and must file monthly returns.
3. When checking if the threshold is exceeded, ignore:
 - the value of any capital assets sold, and
 - a one-off sale due to business closure or transfer.

These do not push a business over the limit.

Professional service providers are excluded from this exemption. Even if turnover is small, they must register and charge VAT.



Non-Resident Suppliers (Foreign Sellers)

- If you make taxable supplies to Nigeria, you must register for VAT in Nigeria or appoint a Nigerian representative.
- Where the supply is made from outside Nigeria to a Nigerian customer, the Nigerian recipient withholds and remits the VAT to the Service.
- The Service may also appoint any person (including non-residents) to collect and remit VAT on its behalf.
- For imports through online platforms, once VAT has been collected by the Service or an appointed person, the goods are not charged again at the border if proof of VAT payment is shown.



VAT Invoices and Fiscalisation

A valid VAT invoice must:

1. Use sequential invoice numbering, and include
 - supplier Tax ID,
 - invoice number and date,
 - supplier and purchaser details,
 - gross transaction amount, and
 - VAT charged and the rate.
2. It must be issued at the time of supply.

E-Invoicing Is Here

The Merchant Buyer Solution (MBS) is Nigeria's national e-invoicing platform. It has already gone live. The Service directed large businesses to connect from July and August this year.

How it works:

- Taxpayers do not connect directly to the Service. They connect through licensed System Integrators and Access Point Providers who link organizations' systems to MBS.
- All VAT invoices are validated electronically through the Access Point Provider before being issued to customers.
- No validation = no valid invoice.
- The Service sees transactions in real time, making late or retroactive reporting difficult.



Penalties are strict:

- Refusing or delaying connection after notice attracts a ₦1 million penalty plus daily fines.
- Failing to process transactions through the system attracts further penalties, including 100 percent of the tax due plus interest.

Cashflow implications: Real-time invoicing forces businesses to align accounting entries with actual tax events. VAT is triggered at supply, invoicing, or payment. The rollout began with big businesses, but more taxpayers will be added over time. E-invoicing is no longer optional.

When VAT Enters the Chat: Time of Supply

VAT applies at the earliest of the following events (the "time of supply"):

1. When goods are supplied or the service is performed.
2. When payment is due or received.
3. When the invoice is issued.

For long-term contracts such as construction or rentals, VAT is treated as supplied progressively as work continues.



At the time of supply, the business must charge VAT to the buyer and record the transaction. This does not mean paying the VAT out of pocket immediately. Instead:

- The VAT is collected from the buyer.
- It is recorded as output VAT in the business's books.
- It is included in the monthly VAT return and remitted by the due date (following month).

In short: time of supply = time to charge and account, not necessarily the time of remittance.



Filing Deadlines and VAT Return Content

- General VAT returns (under the Tax Administration Act) are due on or before the 21st of the following month.
- A special 14-day rule in the Tax Act applies to VAT withheld or collected by appointed bodies, and to self-accounted VAT. These must be remitted on or before the 14th of the month following the transaction.

Each VAT return must show:

- Input Tax (Input VAT) paid in the preceding month.
- Output Tax (Output VAT) collected in the preceding month.
- VAT payable on all taxable supplies in that period.

Technical and Cashflow Impacts

- Input VAT can only be claimed once it is paid, not just invoiced.
- Output VAT must be declared once it is collected, not merely billed.
- Businesses must align their credit sales, purchases, and payment cycles to manage VAT efficiently. Treasury teams need proper documentation to support input VAT claims.

Self-Accounting

When a business receives taxable supplies without a VAT invoice, or from a non-registered supplier, it must self-account and remit the VAT directly to the Service.

Small businesses are exempt from this rule - they neither charge VAT nor self-account.

The Big Change: Input Tax Credits

Under the old regime, businesses could only claim input Tax (Input VAT) on goods for resale. VAT on services and fixed assets was not claimable.

Under the new law, input VAT on services and fixed assets is claimable if used for taxable or zero-rated activities.

- If input VAT paid is greater than output VAT collected, the excess is carried forward as credit into future months.
- A business may also apply for a refund by submitting the required documentation.
- Zero rated suppliers are entitled to refunds rather than rolling over credits.
- Input VAT must be claimed within five years
- Input VAT cannot be claimed on exempt activities



Reality Check for Consumers

Even when an item is zero-rated or exempt, prices can still rise if refunds are delayed or compliance costs are high. Businesses often pass these costs forward.

Exempt and Zero-Rated Lists

Below is a short but complete guide drawn from the new Act.

Exempt supplies

No VAT is charged, and input VAT cannot be recovered on these items:

- Oil and gas exports
- Crude petroleum oil and feed gas for all processed gas
- Goods purchased for use in humanitarian donor funded projects
- Baby products
- Locally manufactured sanitary towels, pads or tampons
- Military hardware, arms, ammunitions and locally manufactured uniforms supplied to armed forces, para-military and other security agencies of a Nigerian government
- Shared passenger and road transport service
- Purchase, hire, rental or lease of tractors, ploughs and similar equipment used for agricultural purposes
- Supplies consumed by an approved entity in export processing or free trade zones, limited to the approved activity



Exempt supplies cont'd

- Goods or services supplied to diplomatic missions, diplomats and other recognised persons where activity is in the public interest and not for profit
- Plays and performances conducted by educational institutions as part of learning
- Land or building, including interest in land or building
- Money or securities, including any interest in money or securities
- Government licences
- Assistive devices and disability-related products, for example hearing aids, wheelchairs and braille materials



Zero rated supplies

VAT applies at a 0 percent rate, and input VAT is recoverable. This includes:

- Basic food items
- Medical and pharmaceutical products, including medicinal herbal products
- Educational books and materials
- Fertilisers
- Locally produced agricultural chemicals
- Locally produced veterinary medicine
- Locally produced animal feeds
- Live cattle, goats, sheep and poultry
- Agricultural seeds and seedlings

Zero rated supplies cont'd

- Electricity generated by GENCOs and supplied to National Grid or NBET
- Electricity transmitted by TCN to DISCOs
- Medical services
- Tuition for nursery, primary, secondary or tertiary education
- Exported goods excluding oil and gas
- Exported services
- Exported incorporeal property
- Medical equipment
- Electric vehicles
- Parts and semi knock down units for the assembly of electric vehicles

The zero-rated supplies list is subject to the Thirteenth Schedule to the Tax Act. The Thirteenth Schedule distinguishes between agricultural activities (exempt) and agricultural products (zero-rated). The difference matters for VAT recovery, classification, and documentation.

Old Lists vs New Lists: What Moved

- Previously zero-rated items included non-oil exports, diplomatic supplies, and humanitarian projects.
- The latter two are now exempt, not zero-rated.
- Zero-rated list coverage expanded to include several items that were previously exempt



- Exempt list is expanded, and no longer split into goods and services.
- VAT is back on airline tickets. The old removal under the Finance Act is not included in the new law
- Services of Microfinance Banks, Mortgage and People's Banks also no longer exempt under the new law.

Impact of reclassification:

- Moving from zero-rated to exempt removes the right to input VAT recovery.
- Moving from exempt to zero-rated allows refunds and eases costs.
- Donor-funded projects may face higher costs under exemption.
- Government may retain more revenue through fewer refunds, but costs may pass to consumers

Business Restructuring

VAT does not apply to business restructurings carried out in line with the Act.

When a business or part of a business is transferred as a going concern and the purchaser uses the assets in the same kind of business, the transfer is not treated as a supply for VAT purposes, provided the purchaser is registered or becomes registrable because of the transfer.

This provides relief for qualifying reorganisations, such as mergers or transfers, and helps businesses restructure without VAT becoming an extra cost.



Ministerial Powers

The Minister can pause or resume VAT on key energy items (petroleum products, renewable energy, CNG, LPG) by Gazette notice. VAT on these items is currently suspended, meaning they are temporarily not subject to VAT.

The Minister can also classify certain CNG and LPG equipment or services as exempt or zero-rated through Gazette orders. These are currently in a "to be classified" zone.

Refunds and Administration

Refunds are available where input VAT exceeds output VAT. Exporters and zero-rated suppliers can apply directly.

But delays are common. When refunds drag, businesses either absorb the cost or pass it to consumers, reducing the benefit of zero-rating.

Penalties

The new penalty regime is tough:

- Late filing: 10 percent per annum plus CBN interest rate.
- Non-compliance with e-invoicing/fiscalisation: ₦1 million, daily fines, 100% of tax due plus interest.
- Serious offences may result in fines or imprisonment.

So, VAT: Problem or Simplicity?

The law simplifies some areas but shifts costs in others.

- E-invoicing and real-time reporting make compliance more structured but less flexible.
- Input VAT on services and fixed assets is a major simplification.
- Shifts between zero-rated and exempt significantly affect cash flow.
- Small businesses are spared heavy compliance.
- Refund speed will determine how much consumers benefit.
- Government revenue may rise through reduced refunds and tighter collection.
- Ministerial powers add flexibility but also uncertainty.

In summary, VAT has been reloaded. The rules are clearer, technology is stricter, and classifications have shifted. Whether it feels like a challenge or simplicity depends on where you sit - government, business, or consumer.

