

## Introduction of New Value Added Tax (VAT) Modification Order 2024

October 2024



### Background

The Nigerian tax space has recently been undergoing changes following the President's commitment to focus on taxation as a source of revenue as well as a tool for economic recovery. It is on this backdrop that the 2024 VAT Modification

Order has been newly introduced, with the core aim of expanding exempt goods and services to include additional petroleum products and encourage the use of renewable energy sources.



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## Highlights of the VAT Modification Order 2024

1

**Expansion of Exempt Items:** The First Schedule to the VAT Act has been further expanded to include the following goods and services:

S/N	Additional Exempt Goods	Additional Exempt Services
1.	Equipment and infrastructure related to the expansion of Compressed Natural Gas (CNG) including conversion kits	Compressed Natural Gas (CNG) conversion and installation services
2.	Equipment and infrastructure related to the expansion of Liquefied Petroleum Gas (LPG) equipment including conversion kits	Liquefied Petroleum Gas (LPG) conversion and installation services
3.	Domestic Liquefied Natural Gas (LNG) Processing Facilities and Equipment	Manufacturing, assemblage and sale of electric vehicles
4.	Electric Vehicles	
5.	Parts, semi-knock-down units for the assembly of Electric Vehicles	
6.	Biogas and biofuel equipment and accessories for clean cooking and transportation	

2

**Redefinition of Petroleum Products:** These products now comprise feed gas for all processed gas, aviation turbine kerosene, premium motor spirit, automotive gas oil, household kerosene, locally produced liquefied petroleum gas, compressed natural gas, imported liquefied petroleum gas, and crude petroleum oils.

3

**Retrospective Exemption of Diesel from VAT: :** Automotive Gas Oil, commonly known as Diesel, is now clearly exempt from VAT, effective from 1st October 2023.



## Our Comments

The new VAT Modification Order is targeted at encouraging investment in renewable energy options to reduce the carbon footprints of companies. This does not only align with international best practices, but also a step in the right direction to attract foreign investment in the country. It is therefore laudable that the government is intensifying efforts using tax as a tool for economic recovery.

Notably, it is commendable that the erstwhile ambiguity on the applicability or otherwise of VAT on diesel has been settled by the express exemption in the 2024 Order. It will be recalled that a suspension of VAT on Diesel was announced in October 2023 for a 6-month period, primarily to cushion the impact of petroleum subsidy removal. This 'suspension' ought to have elapsed in March 2024, by effluxion of time, although there was no further communication as to the lifting of the suspension. Thus, it is expected that no VAT was charged from October 2023 to March 2024, further to the suspension.

Therefore, the retrospective application of the exemption may create undue uncertainty and

agitation. While a retrospective application of laws is generally not encouraged, and strictly prohibited in some instances, a law may be applied in retrospect where it is specifically stated in the law to have such effect, such as in the case of the exemption of Automotive Gas Oil (AGO), commonly known as Diesel, from VAT, in the 2024 VAT Modification Order.

This rare retrospective effect may create possible confusion amongst taxpayers who are players in the oil and gas sector, and raise questions such as: What will then be the effect of VAT charged and remitted between March 2024 (following the expiration of the suspension) and 30 September 2024? Would taxpayers be eligible for refund in respect of the VAT paid during this period?

It is important that these concerns are addressed timeously, to douse brewing uncertainties and agitations among taxpayers. We therefore expect that the Federal Inland Revenue Service makes clarifications as soon as possible in this regard.

