

FIRS ANNOUNCES EFFECTIVE DATE FOR FINANCE ACT 2023

In a recent update, the Federal Inland Revenue Service (“FIRS”) officially communicated the revised effective date for the implementation of the Finance Act 2023 (“the Act”). This update by the FIRS follows the deferment of the commencement of the Act by the Finance Act (Effective Date Variation Order) 2023. The Act, which was enacted on 28 May 2023 with an initial effective date of 1 May 2023, takes effect from 1 September 2023 as stated in the Effective Date Variation Order.

Significant amendments that will be implemented from 1 September 2023 include:

- 1. Withholding and Collection of Value Added Tax (“VAT”)**
Persons appointed to withhold or collect VAT are required to remit VAT withheld or collected to the FIRS on or before the 14th day of the month following the month in which the VAT was withheld or collected. According to the FIRS, VAT withheld or collected in August 2023 by the appointed persons should be remitted no later than 14 September 2023.
- 2. New Definition of “Building”**
The Act amended the definition of “building” under Section 46 of the Value Added Tax Act (“VAT Act”) to exclude fixtures or structures that are easily removable from the land, e.g., radio and television masts, transmission lines, cell towers, caravans, trailers, etc. Consequently, these previously exempted items are now subject to VAT from 1 September 2023.
- 3. Increase in Tertiary Education Tax (TET) Rate**
The rate of TET under Section 1(2) of the TET Act has been increased from 2.5% to 3% of a company’s assessable profits. According to the FIRS, the new rate is applicable to accounting periods ending on 1 September 2023 and accounting periods ending after 1 September 2023.
- 4. Investment Allowance and Convertible Currencies**
The Act repeals Sections 32, 34, and 37 of the Companies Income Tax Act (“CITA”), which relate to reconstruction investment allowance, rural investment allowance for capital expenditure incurred in certain circumstances, and the tax exemption on income earned in convertible currencies by hotels from tourists, respectively. These benefits will no longer be in force from 1 September 2023.

For further information on the amendments introduced by the Finance Act 2023, please see our analysis [here](#).