THE Nigerian STOCK EXCHANGE

APPLICABLE TAXES FOR ISSUERS & INVESTORS IN CAPITAL MARKET TRANSACTIONS

For Investors:

I. **Are dividends taxable in Nigeria?**

There is a withholding tax (WHT) of 10% which is applicable to dividend payments in Nigeria. The tax is deducted by the investee company before remittance of dividends to shareholders. This is in line with Section 80 of the Companies Income Tax Act (CITA).

ii. **Am I expected to file an additional tax return after receipt of dividends?**

Dividend is a Franked Investment Income in Nigeria. This means that no additional tax is due other than the WHT deducted at source by the investee company. An investor is not required to file a tax return in Nigeria, if the only source of income from Nigeria is dividend. See Section 80 of CITA.

iii. **What about interest earned from bond investments – are they also taxable?**

Interest earned from bond investments are also liable to a WHT at 10% and the WHT is also the final tax, if the only source of income from Nigeria is interest.

However, there is currently an exemption from income tax on all bond interest via the Exemption of Bonds and Short Term Government Securities Order of 2011. The exemption is for a period of 10 years, ending in the year 2021.

All issuers paying bond interest during this period will therefore not deduct any WHT.

iv. **What about double taxation; what relief is available for my Nigerian dividend and interest?**

Nigeria's double taxation avoidance treaties reduces the WHT payable on dividends and interest to 7.5% for investors from treaty nations. Countries with which Nigeria has executed double tax avoidance treaties currently includes:

a) Belgium
b) Canada
c) China
d) France
e) Italy (transport only)
f) Netherlands
g) Pakistan
h) Philippines
i) Romania
j) South Africa
k) United Kingdom

v. Additional tax treaties have been signed with Mauritius and the United Arab Emirates (UAE), but are still in the process of ratification by the National Assembly.

vi. **Will I be liable to pay tax if the value of my shares increase on the stock market?**
Income taxes are payable on taxable profit. Such increase in share value does not qualify as taxable profit. Therefore, no additional tax is payable on increase of share value.

vii. **Is there any tax incentive or exposure for investing in foreign equities listed on the Exchange?**
Dividend from such foreign entities are tax free in Nigeria.

viii. **Are taxes payable on returns I receive from funds and unit trusts?**
Dividend received from unit trusts and funds are tax free and do not suffer any withholding tax in line with Section 23(f) of CITA.

For Issuers

I. **Are there additional tax implications for listing on the Nigerian Stock Exchange?**
No additional taxes are payable for listing on the stock exchange. Levies like stamp duties may arise on specific transactions but generally, listing does not lead to additional taxes.

ii. **Would stamp duty be payable on listing of additional shares on the stock exchange?**
If the listing requires an increase of share capital, stamp duties will be payable. Currently, the rate of stamp duty payable is N3 on every N200 increase. If the additional shares listed are accommodated by the current authorised share capital, no additional stamp duty will be paid on listing.

iii. **Would additional tax arise on an initial public offer by a company listing on the exchange for the first time?**
Similar to (i) above, taxes will not arise due to such IPOs.

iv. **Would additional tax arise on offer for sale of shares by an entity seeking listing on the exchange?**
No additional taxes will arise. Moreover, Schedule 1 of the Stamp Duties Act exempts transfer of shares from stamp duties.

v **Would value added tax be payable on transfer of shares (buy or sale)?**
No VAT on purchase or sale of shares.

vi. **Are regulatory fees paid for listing tax deductible?**
Yes such fees are deductible. They are necessarily incurred to further the activities of the business and therefore allowable by Section 24 of CITA