

MARKET BULLETIN

4 February 2022

Amendment of Section 30 of the Capital Gains Tax Act by the Finance Act, 2021

Following legislative developments in Q4 2021, Nigerian Exchange Limited (NGX) wishes to draw the attention of the public to the new approach to capital gains tax on disposal of securities.

On 31 December 2021, the President of the Federal Republic of Nigeria signed the Finance Act 2021 into law with an effective date of 1 January 2022. Section 2 of the Finance Act 2021 amends the Capital Gains Tax (CGT) Act, Cap C1, Laws of Federal Republic of Nigeria (LFN) 2004, by replacing section 30 of the CGT Act with a new section 30.

The new amendment requires a CGT of 10% to be charged on gains made from the disposal of securities, except where:

- 1) The gains was accrued from a disposal of Nigerian government securities;¹ or
- 2) The gains/proceeds from the disposal of securities in a Nigerian company are reinvested in the purchase of shares of the same or other Nigerian companies, during the tax assessment year; or
- 3) The cumulative disposal proceeds is less than One hundred million naira (N100,000,000.00) in any twelve (12) consecutive months, provided that the person makes appropriate annual returns to the FIRS; or
- 4) The share disposal is done as part of a regulated Securities Lending Transaction².

Thus, tax on any disposal of securities not exempted above are to be paid for:

- a. By individuals, to the tax authority in line with the Personal Income Tax Act³; and
- b. By companies, to the Federal Inland Revenue Service (FIRS).

The investing public is advised to note the foregoing and act accordingly.

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¹ The new Section 30 (5) defined Nigerian government securities to include “Nigerian treasury bonds, savings certificates, premium bonds issued under the Savings bonds and Certificates Act or any other long-term security issued by the Nigerian government);

² Regulated Securities Lending Transaction means any securities lending transaction conducted pursuant to rules made by the Securities and Exchange Commission – Section 22 (c), Finance Act 2019;

³ This means the relevant tax authority in a State, i.e the State Internal Revenue Service.