

Summary of Provision of the Significant Economic Order and Compliance Steps

- ◆ According to the Finance Act 2019, foreign companies providing digital services as well as technical, management consultancy or professional services to the extent that they have significant economic presence in Nigeria, are subject to remitting Companies Income Tax.
- ◆ In February 2020, the honorable Minister of Finance, Budget and National Planning made the Companies Income Tax (Significant Economic Presence) Order 2020 “the Order” to determine what constitutes significant economic presence of foreign companies in Nigeria.

Qualification for Significant Economic Presence

The provision of the Order is as follows:

1. A foreign company has significant economic presence where in respect of providing digital or other related services:
 - i. It derives a gross turnover of income more than N25million from any or a combination of streaming or downloading services of digital content; transmission of data collected about Nigerian users, generated from such user activities on a digital interface, and provision of goods or services directly or indirectly through a digital platform.

- ii. It uses the Nigerian domain name or registers a website address in Nigeria.
 - iii. It has a sustained interaction with persons in Nigeria by customizing its digital page to target persons in Nigeria including reflecting the prices of its products or services in Nigerian currency or providing options for billing or payment in Nigerian currency.
2. A foreign company will also be said to have significant economic presence in Nigeria where in respect of provision of technical, professional or consultancy services, it earns income or receives payment from a person resident in Nigeria or a fixed base or agent of a company other than a Nigerian company in Nigeria.


Exempted Foreign entities

In the following situations, significant economic presence will not be used as a criterion for taxation:

1. A company which makes payment to an employee under a contract of employment.
2. Foreign companies which have separate multilateral or consensus agreement with Nigeria which address the tax challenges arising from the digitalization of the economy.

Highlight of Companies affected by and may be taxed under the SEP Order are:

1.	Foreign companies which carry on digital or related activities and derive a gross turnover of N25,000,000 from streaming or downloading digital content
2.	Companies that use the Nigerian domain name “.ng” or registers a website address in Nigeria
3.	Any entity that has sustained interaction with persons in Nigeria by customizing its digital page to target persons in Nigeria including reflecting the prices of its products or services in Nigerian currency or providing options for billing or payment in Nigerian currency
4.	Foreign companies which provide management, technical, professional or consultancy services and receive payment from a person resident in Nigeria
5.	Foreign companies which provide management, technical, professional or consultancy services and receive payment from an agent of a non-Nigerian company in Nigeria



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