

# THE LEGAL FRAMEWORKS FOR THE TAXATION OF A LIMITED LIABILITY COMPANY IN NIGERIA: A TRIPARTITE TAX RATE REGIME

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## Abstract

*In Nigeria, there are various business organisations that one can venture into for the purposes of trading and benevolent activities. Basically, all limited liability companies are liable to Companies income tax (CIT). While the Companies Income Tax Act (CITA) 2007 provides for a single tax rate regime of 30 per cent, the Finance Acts 2019 to 2023 make provision for a tripartite tax rate regime with additional provisions to other elements necessary for the determination of tax liability of a limited liability company. This paper seeks to examine the legal frameworks set up for the taxation of limited liability companies in Nigeria as provided for under the new tripartite tax rate regime. In the course of doing this, doctrinal research methodology is adopted. The paper found out that, prior the enactment of the Finance Acts 2019 to 2023, Nigeria had a uniform company income tax rate, imposed on limited liability companies under CITA 2007. However, the Finance Act 2019 creates a tripartite CIT rate. In addition, the paper noted that prior the imposition of tax on the profit of a limited liability company, certain deductions are made from its gross profits in accordance with the provisions of the law, in order to arrive at the assessable profit of the company. Also, the paper noted that there are some companies that are liable to CIT, but pay no tax at all, or pay as low as 0.25 per cent while some profits and incomes are not liable to tax at all. The paper makes recommendations with the conclusion that, the tripartite CIT tax regime created under the Finance Acts is a welcome idea which will probably lessen tax evasion and increment of Government's revenues and will aid the growth of companies and invariably aid the growth of Nigeria economy.*

**Key Words:** Legal Framework, taxation, company, Nigeria, Tripartite, Finance Acts

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## 1.0 Introduction

There are many business organisations that one can venture into in Nigeria. Some of these business organisations include the sole proprietorship, partnership, cooperative society, unit trust and incorporated companies.<sup>1</sup> Although, one has a right to choose and register for any of these business association, however, any member of a business association that are more than twenty (20) persons must be registered as an incorporated company,<sup>2</sup> save for some exceptions.<sup>3</sup>

Incorporated companies are those that are registered in accordance with the provisions of Part B of the *Companies and Allied Matters Act* (CAMA) 2020,<sup>4</sup> by the Corporate Affairs Commission (CAC),<sup>5</sup> acting under Part A of CAMA 2020, and in accordance with section 8 of the Act. By virtue of CAMA, any two or more persons may form and incorporate a company by complying with the requirements as stipulated under the Act,<sup>6</sup> An incorporated company is divided into three under Nigerian Law, and these are, first, a company limited by shares,<sup>7</sup> second, a company limited by guarantee,<sup>8</sup> and third, an unlimited liability company.<sup>9</sup> Any of these three incorporated companies may either be a private or a public company.<sup>10</sup>

According to the Act, '*[a] company limited by guarantee shall not be incorporated with the object of carrying on business for the purpose of making profits for distribution to members*'<sup>11</sup> and thus has neither share capital nor liable to pay tax. However, both the unlimited company and limited liability companies have share

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<sup>1</sup> A company means, '*any company or corporation (other than a corporation sole) established by or under any law in force in Nigeria or elsewhere*'. See, Companies Income Tax Act No. 56, 2007 (as amended), s 105(1).

<sup>2</sup> See *ibid*, s 19(1). See also *Akinlose v AIT Co. Ltd.* (1951) WNLR 213.

<sup>3</sup> See, *Ibid*, s 19(2).

<sup>4</sup> Companies and Allied Matters Act No. 3, 2020. Hereafter referred to as CAMA 2020.

<sup>5</sup> Hereafter referred to as CAC.

<sup>6</sup> See, CAMA (n 4), s 18(1) See also, JO Orojo, *Company Law and Practice in Nigeria* (5th edn, LexisNexis 2008).

<sup>7</sup> This type of company has the liability of its members limited by the Memorandum of Association to the amount if any, unpaid on the shares respectively held by them. See *ibid*, s 21(1)(a).

<sup>8</sup> This type of incorporated company has the liability of its members limited by the Memorandum of Association to such amount as the members may respectively undertake to contribute to the assets of the company in the event of the company being wound up. See *ibid*, s 21(1)(b). See generally, section 26 for the features of a limited by guarantee company.

<sup>9</sup> This type of incorporated company, the liability of its members is unlimited. See *ibid*, ss 21(1)(c) & 25.

<sup>10</sup> See *ibid*, s 21(2). For the requirements, features and restrictions of either being a private or public incorporated company, see *ibid*, ss 22 & 24. However, one key feature is that any incorporated company whose members are more than fifty (50) members to the exclusion of those in its employment can not qualify as private company, but a public company. See *ibid*, s 22(5).

<sup>11</sup> *Ibid*, s 20(3).

capital, the minimum issued share capital which shall not be less than one hundred thousand naira (₦100,000.00) in the case of a private company, and two million naira (₦2,000,000.00) in the case of a public company.<sup>12</sup> In *Best Children International Schools Ltd.*, the Court of Appeal held amongst others that, ‘[u]nder the Companies and Allied Matters Act, ... any two or more persons can form and incorporate company by complying with the law (Section 18 CAMA). Under the law, companies formed and registered are allowed to carry on business, make profits and distribute the profits except a Company Limited by Guarantee’.<sup>13</sup>

Taxation is the process of levying and collection of tax from taxable persons.<sup>14</sup> The *Black’s Law Dictionary* defines it as, ‘[t]he imposition or assessment of a tax, the means by which the state obtains the revenue required for its activities’.<sup>15</sup> According to Abiola Sanni, taxation is the oldest and perhaps the most invaluable tool used by government or State authorities in raising revenue to provide welfare services for its people.<sup>16</sup>

On the other hand, ‘tax’, according to the *Black’s Law Dictionary* means, ‘[a] charge, usually monetary, imposed by the government on persons, entities, transactions, or property to yield public revenue....’<sup>17</sup> In *Matthews v. Chicory Marketing Board*,<sup>18</sup> Chief Justice Latham of the Australian Supreme Court defined tax as ‘a compulsory exaction of money by a public authority for public purposes, enforceable by law, and is not a payment for services rendered’.<sup>19</sup> Also, the Nigeria Federal Inland Revenue Service (Establishment) Act 2007<sup>20</sup> described tax to include ‘any duty, levy, or revenue accruable to the government in full or in part under this Act, the laws listed in the First Schedule to this Act or any other enactment or law’.<sup>21</sup> Among the laws that are listed under the First Schedule<sup>22</sup> include the Companies Income Tax Act,<sup>23</sup> and others.<sup>24</sup>

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<sup>12</sup> See *ibid*, s 27(2). See also, Seeds Attorney, ‘Share Capital Requirement for Companies in Nigeria’ <<https://ng.linkedin.com/company/seedsattorneys>>, accessed 10 October, 2024.

<sup>13</sup> [2019] 40 TLRN 33 at 49.

<sup>14</sup> See, *Concise Oxford English Dictionary* (11th edn, Oxford University Press 2006) at 1476. See also, Lekan Soyode & Sunday O. Kajola, *Taxation: Principles and Practice in Nigeria* (Silicon publishing Company 2006) at 4.

<sup>15</sup> *Black’s Law Dictionary* (10th edn, Thomson Reuters 2014) at 1688. The *Osborn’s Concise Law Dictionary* has a similar definition, as it defines taxation as, ‘[t]he imposition of duties for the raising of revenue....’ See, *Osborne’s Concise Law Dictionary* (9th edn, Sweet & Maxwell 2001) at 372-373.

<sup>16</sup> Abiola O. Sanni, ‘An Examination of the Significance and Objectives of Taxation in Nigeria’ in *The Advocate*, [18] [1997] Journal of Obafemi Awolowo University, Ile Ife, 31.

<sup>17</sup> *Black’s Law Dictionary* (n 15) at 1685.

<sup>18</sup> (1938) 60 CLR 263 at 276.

<sup>19</sup> *Ibid* at 279. See also, *Lower Mainland Dairy Products Sales Adjustment Committee v. Crystal Dairy Ltd* (1933) AC 168 at 175.

<sup>20</sup> Federal Inland Revenue Service (Establishment) Act No. 13, 2007, Cap. F36, Laws of the Federation of Nigeria 2010, hereafter referred as FIRSEA 2007.

<sup>21</sup> *Ibid* s 69.

According to the working definition of the Organisation for Economic Co-operation and Development (OECD), tax on corporate profits is defined ‘*as taxes levied on the net profits (gross income minus allowable tax reliefs) of enterprises. It also covers taxes levied on the capital gains of enterprises.*’<sup>25</sup>

The Court in *Best Children International Schools Ltd.* held amongst others that,

Every registered company in business ought to pay taxes except if exempted. Every business set up is among other things intended to yield income. Often times, it is the income of the company that is taxed. There is no business that is averse to profit making. The success or failure of a company is majorly determined by its profit margin.<sup>26</sup>

Stemming from the above therefore, in Nigeria, a limited liability company is subject to company income tax (CIT)<sup>27</sup> as determined by the *Companies Income Tax Act* (CITA) 2007,<sup>28</sup> and the tax liability is based on the profits from the previous accounting year,<sup>29</sup> and not on current year basis. The issue is, what is the tax rate that a limited liability company in Nigeria is subjected to? This is the crux of this paper as it examines the tripartite tax regime established in the post-CITA 2007 legislations. The paper analyses the different tax liability applicable to limited liability companies in accordance with their status, as well as determinants for the classifications. It considers the profits and incomes exempted from tax liability, the conditions to qualify for the payment of minimum tax as well as consideration of allowable deductions necessary for the determination of the CIT liability, having met the wholly, exclusively, necessarily and reasonably (WENR) test.<sup>30</sup>

This paper is divided into eight parts. Part 1 is the introduction. Parts 2 and 3 examine the body that is responsible for the administration of CIT, and the person on whom CIT is chargeable respectively. In part 4, the ascertainment of profits is considered. In this part, the prerequisites to determine the tax liability of a limited liability company are considered. To this effect, various expenses allowable to be

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<sup>22</sup> See, *ibid*, First sch.

<sup>23</sup> Companies Income Tax Act No. 56, 2007, hereafter referred to as CITA 2007.

<sup>24</sup> Sabitiyu Abosede Lawal, *Legal Analysis of the Taxation of the Petroleum Upstream Sector in Nigeria* (Unpublished, Ph.D Thesis submitted to the Faculty of Law, Lagos State University, Ojo, Lagos State, Nigeria, 2020).

<sup>25</sup> OECD Data, ‘Tax on Corporate Profits’ <<https://data.oecd.org/tax/tax-on-corporate-profits.htm#indicator-chart>>, accessed 13 September 2024.

<sup>26</sup> [2019] 40 *TLRN* 33 at 51-52.

<sup>27</sup> Hereafter referred to as CIT.

<sup>28</sup> Companies Income Tax Act No. 56, 2007, hereafter referred to as CITA 2007, (as amended by the Finance Acts, 2019, 2020, 2021 and 2023, hereafter referred to as FAs 2019, 2020, 2021 & 2023 as applicable).

<sup>29</sup> See also, Workpay, ‘How to Calculate Company Income Tax in Nigeria’ <<https://www.myworkpay.com/blogs/how-to-calculate-company-income-tax-in-nigeria>> (6 June, 2024), accessed 28 October, 2024.

<sup>30</sup> Hereafter referred to as the WENR Test.

deducted from the gross profits of a company prior determination of its CIT liability are critically examined. The part assesses the provision of the law excluding the Nigerian Police Force from the donations to public institutions or fund that may be established, or maintained for the comfort, recreation or welfare of members of the Nigerian armed forces.

Also, part 4 discusses the expenses that a limited liability company can make which are not allowed for deductions from its gross profits prior determining its tax liability, and part 5 evaluates the profits and incomes that are exempted from tax liability. In part 6, the tripartite tax rate regime of a limited liability company is examined, and this part reflects that there is a recent development in the tax regime which is different from the one under the CITA 2007.<sup>31</sup> Part 7 appraises the payment of minimum tax, and part 8 is the conclusion.

## **2.0 Administration of Companies Income Tax in Nigeria**

Basically, in Nigeria, there are five (5) relevant tax authorities (RTA),<sup>32</sup> and these are the Federal Inland Revenue Service (FIRS),<sup>33</sup> the Technical Committee of the Federal Inland Revenue Service,<sup>34</sup> the States Internal Revenue Service (SIRS),<sup>35</sup> the Technical Committee of the States Internal Revenue Service,<sup>36</sup> the Local Government Revenue Committee,<sup>37</sup> and the Joint Tax Board (JTB).<sup>38</sup> Nevertheless, the FIRS, various SIRS and the Local Government Revenue Committee are responsible for the assessment and collection of taxes in the Federal, States and Local Government in accordance with the provisions of section 163 of the *Constitution of the Federal Republic of Nigeria* (CFRN) 1999.<sup>39</sup>

Nevertheless, the FIRS is the only body that administers CIT wherever such company is situated, for and on behalf of the Federal Government, and provided the company is incorporated under CAMA 2020 by the CAC. The key object of the FIRS is to control and administer the different taxes and laws as specified under the First Schedule to the FIRSEA 2007 or other laws ‘*made or to be made, from time to time, by the National Assembly or other regulations made thereunder by the Government of the Federation and to account for all taxes collected*’.<sup>40</sup> Section 25 of the Act states that, ‘*the Service shall have power to administer all the enactments listed in the First Schedule to [the] Act and any other enactment or law on taxation*

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<sup>31</sup> CITA 2007 (n 28).

<sup>32</sup> Hereafter referred to as RTA.

<sup>33</sup> Hereafter referred to as FIRS or the Service. See, FIRSEA 2007, ss 1 & 2.

<sup>34</sup> See *ibid*, ss 9 & 10.

<sup>35</sup> Hereafter referred to as SIRS. See, Personal Income Tax Act No. 20, 2011 (as amended by Act No. 3, 2020). Hereafter referred to as PITA 2020, s 87.

<sup>36</sup> *Ibid*, s 89.

<sup>37</sup> See, PITA 2020, s 90

<sup>38</sup> See *ibid*, s 86(1).

<sup>39</sup> Hereafter referred to as CFRN 1999.

<sup>40</sup> See, FIRSEA 2007 (n 20), s 2

*in respect of which the National Assembly may confer power on the Service.*<sup>41</sup> Furtherance to this provision, the First Schedule to the FIRSEA 2007 itemised CITA as part of the legislations to be administered by the FIRS amongst others.<sup>42</sup> Section 8 of the FIRSEA 2007 provides for the functions of the Service to the effect that, the Service shall:

- (a) assess persons including companies, enterprises chargeable with tax;
- (b) assess, collect, account and enforce payment of taxes as may be due to the Government or any of its agencies;
- (c) collect, recover and pay to the designated account any tax under any provision of [the] Act or any other enactment or law;<sup>43</sup> amongst others.

### **3.0 Chargeability to Tax**

A company is an artificial human being that is separate and distinct from its directors and members, and can sue and be sued.<sup>44</sup> So, a company is liable to tax, and thereby chargeable to tax. The question is, on whose name shall the tax liability of a company be chargeable? Section 47 of the CITA 2007 provides for this by stating that, a company is chargeable in its own name, or in the name of any principal officer, attorney, factor agent or representative of the company in Nigeria in the same manner and amount that the company is chargeable, or in the name of a receiver or liquidator, or of any attorney, agent or representative in Nigeria in the same manner and amount that the company would have been chargeable if no receiver or liquidator had been appointed.<sup>45</sup>

To this effect, the law recognises both the company, and its representatives as being chargeable for the tax liability of the company, and when the company is in the process of winding up, the receiver or liquidator is chargeable. However, the principal officer or manager who resides in Nigeria are answerable for doing all the acts, matters and things that are required to be done by the company for the assessment and payment of CIT.<sup>46</sup> Having determine the person chargeable for the tax liability of a limited liability company, the issue is, how does the company determine its tax liability on self-assessment, or how does the FIRS determines the tax liability of the company based on Best of Judgement (BOJ) assessment? The ascertainment of profits to determine the assessable profits of a limited liability company is hereinafter examined.

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<sup>41</sup> Ibid, s 25(1).

<sup>42</sup> Ibid, 2nd sch. item 1.

<sup>43</sup> See, FIRSEA 2007 (n 20), s 8(1)(a) – (c). See generally, section 8(1)(d) to (t) for the other functions of the FIRS.

<sup>44</sup> See, *Salomon v Salomon* (1897) AC 22.

<sup>45</sup> See, CITA 2007, s 47(a) – (c).

<sup>46</sup> Ibid, s 48.

## 4.0 Ascertainment of Profits

In ascertaining the profits of a company, for the purpose of calculating its CIT<sup>47</sup> liability, businesses review their financial statements for the accounting year. Under the law, certain expenses are allowed to be deducted to determine the tax liability of the company. So, allowable expenses and deductions are thereby subtracted from net income to determine the tax liability. These allowable deductions are provided for under sections 24 to 26 of the CITA (as amended).

It must be noted that prior the calculation of the assessable tax of any limited liability company, there are some expenses that are allowed to be deducted from the gross turnover, in accordance with the provisions of the law. While some are allowed to be deducted because they are expenses incurred in the course of producing the profits, others are allowed to be deducted because they are approved donations in accordance with the provisions of CITA. Sections 24 to 26 of the CITA (as amended) cover allowable deductions, deductible donations and deductions for research and development respectively. On the other hand, there are some expenses that may be incurred by the company which are not allowed to be deducted from the gross turnover prior the calculation of the assessable tax. These unallowed deductions are provided for under section 27 of the CITA. The allowable and non-allowable deductions are to be considered next.

### 4.1 Allowable Deductions for Purposes of Tax Liability

Allowable deductions for purposes of tax liability may be classified under three types, and these are, first, the allowable trading deductions; second, deductible donations; and third, deductions for research and development.

#### 4.1.1 Allowable Trading Deductions

Allowable trading deductions are expenditures made in the realisation of the assessable profits. For expenses to qualify as an allowable trading deduction, such expenses must have been wholly, exclusively, necessarily, and reasonably (WENR) incurred in the course of producing those profits.<sup>48</sup> Where any expenditure failed to meet the WENR test, then such shall not be deductible for the purpose of calculating the assessable profits of such company to determine its tax liability. Section 24 provides that:

..., for the purpose of ascertaining the profits or loss of any company of any period from any source chargeable with tax under [the] Act, there shall be deducted all expenses for that period by that company wholly, exclusively, necessarily and reasonably incurred in the production of those profits chargeable to tax ....<sup>49</sup>

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<sup>47</sup> See (n 27).

<sup>48</sup> For the interpretation of the terms, see, *Shell Petroleum Development Company (Nigeria) Limited v Federal Inland Revenue Service*, [1996] 8 NWLR (pt 466) 256 & [3] All NTC 315. See also, the English case of *Bentley's Stokes and Lowless v Beason*, [1952] 33 TC 49

<sup>49</sup> See, CITA 2007, s 24(1) (as amended by the FA 2019, s 10(a).

The section goes on to list some of the expenses that meets the WENR test as *'including, but without otherwise expanding or limiting the generality of the foregoing'*.<sup>50</sup> Some of the expenses are, any sum that are payable by way of interest on debt borrowed and employed as capital in acquiring the profits of the company,<sup>51</sup> the rent for the assessment year, and premium, the liability which was incurred during the period in respect of land or building occupied for the purposes of acquiring the profits. If the premium is in respect of a residential accommodation, occupied by an employee of the company, the allowable deductions will be to a maximum of 100 per cent of the basic salary of such employee.<sup>52</sup> In addition to the deductions are, any outlay or expenses incurred during the year in respect of slavery, wages or other remuneration paid to the senior staff and executives, as well as cost to the company of any benefit or allowance which are provided for the senior staff and executives. However, such deduction will not exceed the limit of the amount prescribed by the collective agreement between the company, and the employees, and approved by the Federal Ministry for Labour matters, as the case may be.<sup>53</sup>

Other allowable expenses are, any expenses incurred for repair of premises, plant, machinery or fixtures employed in acquiring the profits, or for the renewals, repair or alteration of any implement, utensil or articles so employed,<sup>54</sup> and bad debts incurred in the course of the company's trading and have proved to become bad during the assessment period, as well as doubtful debts to the extent that they are respectively estimated to the satisfaction of the Board to have become bad during the said period, notwithstanding that such bad or doubtful debts were due and payable before the commencement of the assessment period. However, where such bad or doubtful debt is recovered after it has been written off, such recovered debt is deemed to be profits of the company for the assessment period when it was recovered.<sup>55</sup>

Furtherance to the above, dividends or mandatory distributions made by a real estate investment company<sup>56</sup> duly approved by the Securities and Exchange Commission (SEC),<sup>57</sup> to its shareholders; compensating payments,<sup>58</sup> which qualify as interest

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<sup>50</sup> See, *ibid.*

<sup>51</sup> *Ibid*, s 24(a) (as substituted by FA 2019, s 10(b)).

<sup>52</sup> *Ibid.*

<sup>53</sup> See *ibid*, s 24(d).

<sup>54</sup> *Ibid*, s 24(e).

<sup>55</sup> *Ibid*, s 24(f).

<sup>56</sup> This is a company (including a Real Estate Unit Trust) that is duly approved by the SEC to operate as a Real Estate Investment Scheme in Nigeria. See, *ibid*, s 105(1) (as amended by the FA 2021 (N 28), s 16).

<sup>57</sup> Hereafter referred to as SEC.

<sup>58</sup> Compensating payment is any payment that is made in place of interest or dividend pursuant to a Regulated Securities Lending Transaction.



under section 9(1)(c) of the CITA,<sup>59</sup> received by an approved agent<sup>60</sup> from a borrower or lender,<sup>61</sup> on behalf of a lender or borrower in a Regulated Lending Transaction; any contribution to a pension, provident or other retirement benefits fund, society, or scheme approved by the Joint Tax Board, and any contribution other than a penalty made under the provisions of any enactment establishing a national provident fund or other retirement benefits scheme for employees throughout Nigeria,<sup>62</sup> are allowable all deductions.<sup>63</sup> In *Nexen Petroleum Nigeria Limited v Lagos State Internal Revenue Service*,<sup>64</sup> the Tax Appeal Tribunal held amongst others that, pension contributions are allowable deductions to determine the income tax liability.<sup>65</sup> Although, this case relates to the pension contribution of an employee, same decision would have been held if the matter relates to a limited liability company and the FIRS.

To buttress the unexclusiveness of the deductions that may be allowed prior the ascertainment of a company's profits, the Act makes an omnibus provision by stipulating '*such other deduction as may be prescribed by the Minister by any rule*'.<sup>66</sup> This means that, the Minister of Finance may at any time make additional items as allowable deductions, and may as well remove any of the already specified items from the lists of allowable deductions. This writer opines that the Minister is conferred with unrestricted power to determine the allowable and non-allowable deductions.

#### 4.1.2 Deductible Donations

Section 25 of the CITA 2007 (as amended) makes provisions for limited number of donations that can be made by a limited liability company to qualify for deductions from its gross profits to arrive at its assessable profit. The section provides that, in order to ascertain the profits or loss of such company, deductions shall be made of any donations made by the company to any institution, body or fund in Nigeria.<sup>67</sup> The institution, body and fund referred to are, the public fund, statutory bodies and institutions, as well as the ecclesiastical, charitable, benevolent, educational and scientific institutions, that are established in Nigeria, and are specified in the Fifth

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<sup>59</sup> Section 9(1)(c) of CITA includes '*dividends, interests, royalties, discounts, charges or annuities*' as forming part of profits of a company to which company income tax applies.

<sup>60</sup> According to section 105(1) of the CITA (as amended), an "approved agent" means, '*any person approved by the Securities and Exchange Commission to function as an intermediary for the conduct of a Regulated Securities Lending Transactions*'. See, *ibid*, s 105(1) (as amended by the FA 2019 (n 28), s 22(c)).

<sup>61</sup> A borrower or lender is an approved borrower or lender in a Regulated Securities Lending Transaction.

<sup>62</sup> CITA 2007, s 24(g).

<sup>63</sup> *Ibid*, s 24(k) & (l) (as amended by the FA 2019, s 10(k) & (l)).

<sup>64</sup> [2019] 44 *TLRN*, 68.

<sup>65</sup> *Ibid*, at 75.

<sup>66</sup> See *ibid*, s 24(j), (as amended by the FA 2019, s 24(j)).

<sup>67</sup> *Ibid*, s 25(1).

Schedule to the CITA.<sup>68</sup> However, the deduction that may be allowed must not exceed 10 per cent of the total profits of the company for that year of assessment, and as ascertained before any deduction is made.<sup>69</sup> Also, such donations must not include any payments made by the company for valuable consideration.<sup>70</sup>

One of the fund or institution that a company may make donations to include a public institution or fund that are established or maintained for the comfort, recreation or welfare of members of the Nigerian Army, Navy or Air Force. This includes, the Armed Forces Comfort Fund.<sup>71</sup> When this type of donation is made, it will be subject to deduction under the company's gross profit for the purpose of calculating its tax liability. In Nigeria, there are basically four members of the armed forces, and these are the Nigerian Army, Police, Navy and Air Force. Their basic functions are for peace and security. However, looking at the item 19, the Nigerian Police Force is exempted from the fund or institution to which a company can make donations, and such donation be deducted from its gross profits. Also, looking through the other 41 items, there is no provision regarding fund or institution for the recreation or welfare of members of the Nigerian Police Force.

The question is, is the non-provision for the Nigerian Police Force an oversight on the part of the National Assembly, or an intentional act? Could this be the reason for the neglect of the Police Force by many organisations in providing welfare amenities, fund or institutions to the Police Force? This writer humbly recommends that provision be made for the Police Force, in line with item 19 because it will encourage the public, in particular, companies into donating to the Force to promote their welfare as the companies are aware that those donations would be deducted from their gross profits prior the calculation of their assessable profits, and imposition of company income tax on the chargeable tax. More so, it will boost the morale of the Nigerian Police Officers.

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<sup>68</sup> See *ibid*, s 25(5). Some of the funds, bodies and institutions in Nigeria to which donations may be made in accordance with the Fifth Schedule to the CITA include, the National Commission for rehabilitation, the National Library, Nigerian Council for Medical Research, the Nigerian Museum, the Boys Brigade of Nigeria, Boys Scouts of Nigeria, the Institute of Medical Laboratory Technology, the Nigerian Society for the Deaf and Dumb, National Braille Library of Nigeria, Islamic Education Trust, the Society for the Blind, the Nigerian Red Cross, any professional body established under an Act of the National Assembly for the regulation and practice of profession, a public institution or fund (including the Armed Forces Comfort Fund) established or maintained for the comfort, recreation or welfare of members of the Nigerian Army, Navy or Air Force, any public fund established or approved by the Federal or State Government in aid of or for the relief of drought or any other national disaster in any part of the Federation, and any public institution or public fund established and maintained by a society or association for museum development and promotion of sports, arts and culture which is carried on, otherwise than for the purpose of profits or gains to the individual members of the society, association or person. See generally, *ibid*, 5<sup>th</sup> sch. items 1-42.

<sup>69</sup> *Ibid*, s 25(3).

<sup>70</sup> *Ibid*, s 25(7).

<sup>71</sup> *Ibid*, 5<sup>th</sup> sch. item 19.

This amendment can be effected by the Minister exercising the power conferred on him under the CITA, to the effect that he may, amend the Fifth Schedule of the Act, by Order in the Federal Gazette, in any manner whatsoever with a proviso that, *'no fund, body or institution shall be added to [the] Schedule, in exercise of the powers conferred [on the Minister] ... unless the fund is a public fund established in Nigeria, or the body or institution is a statutory body or institution, or is a body or institution of a public character, established in Nigeria'*.<sup>72</sup> All these conditions, the Nigerian Police Force meets, and therefore, it must be included as done for other members of the armed forces.

It must be noted that, any donations made in accordance with subsection (1) of section 25 must be made from the profits of the company, and such donations must not be an expenditure of a capital nature.<sup>73</sup>

Section 11 of the FA 2020 amended section 25 of the CITA 2007 by making provision for additional deductible donations with limitations to its application. According to the FA 2020, any donation in cash or in kind by any company to any fund that is an establishment of the Federal, State or any Ministry, Department or Agency, designated by the Federal Government, or to any similar fund which are for the purpose of any *'pandemic, natural disaster or other exigency'* are allowable deductions for the purpose of calculating the tax liability of such company.<sup>74</sup> Two items are enumerated as allowable deductions under this provision, and they are, first, the cost of in-kind donations made to the Government and any designated agency,<sup>75</sup> or second, the cost of purchase, manufacture or supply of in-kind contributions, where the company has either procured or manufactured items for contribution.<sup>76</sup> However, for the latter to be deductible, requisite documentation evidencing the donation and the cost thereof must be provided to the RTA,<sup>77</sup> and must be demonstrated to pass the WENR test, in accordance with the procurement, manufacture or supply of the in-kind contributions.<sup>78</sup>

It must be noted that, the maximum percentage that can be deducted in any year of assessment, regarding the newly introduced donations in kind or cash must not exceed 10 per cent of assessable profits after deduction of other allowable donations made by the company. Thus, a limited liability company that has donated in cash or kind, in accordance with section 25(8) of the CITA 2007, as amended by section 11 of the FA 2020 can only claim a maximum of 10 per cent deduction of its

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<sup>72</sup> Ibid, s 25(6). According to section 105 of the CITA 2007, as amended by section 21 of the FA 2020, 'public character' in relation to organisation or institution means organisation or institution: (a) that is registered in accordance with relevant law in Nigeria; and (b) does not distribute or share its profit in any manner to members or promoters'.

<sup>73</sup> See CITA 2007, s 25(2).

<sup>74</sup> CITA 2007, s 25(8) (as amended by the FA 2020, s 11).

<sup>75</sup> Ibid, s 25(8)(a).

<sup>76</sup> Ibid, s 25(8)(b).

<sup>77</sup> See (n 32).

<sup>78</sup> CITA 2007, s 25(8)(b) (as amended by the FA 2020, s 11).

assessable profits after other allowable donations have been deducted, in any year of assessment.<sup>79</sup>

Furthermore, any donation made to any university and other tertiary or research institutions for any developmental purpose or research, or as an endowment, is deducted prior imposing the company income tax. However, any donation made are allowable deductions, notwithstanding that the donation is of a revenue or capital nature. Nevertheless, such donation must not exceed 15 per cent of the total profits or 25 per cent of the tax payable in the year of the donation, whichever is higher, except the Minister of Finance, with the approval of the Federal Executive Council (FEC), may by Order in the Federal Gazette directs otherwise.<sup>80</sup>

#### 4.1.3 Deductions for Research and Development

Section 26 of the CITA 2007 allows for the deduction of the amount of reserve made out of the profits by the company for research and development in any year of assessment, and such deduction must not exceed 10 per cent of the total profits of the company for that year as ascertained before any deduction is made for deductible donations as well as research and development, under sections 25 and 26 respectively. Nevertheless, where the limited liability company is engaged in research and development activities for commercialisation, such company will be allowed 20 per cent investment tax credit (ITC)<sup>81</sup> on their qualifying expenditure for that purpose.<sup>82</sup>

Having gone through the deductions that are permitted under the law to be deducted from the gross profits of a limited liability company, for the purposes of ascertaining its assessable profits upon which a company income tax is levied, it is pertinent to examine as well, those expenses which companies may likely input in their returns, but are not allowed to be deducted under the law.

#### ***4.2 Non-Allowable Deductions for Purposes of Tax Liability***

In the computation of assessable profits for the purposes of ascertaining the tax liability of a limited liability company, there are some expenses that are forbidden to be deducted from the gross profit of such company. These expenses include, but not limited to, any sum recoverable under an insurance or contract of indemnity, capital repaid or withdrawn, any expenditure of a capital nature, the depreciation of any asset, as well as any payment to a savings, pension, widows and orphans, provident or other retirement benefit fund, society or scheme, except as approved by the JTB, as specified in section 24 of the CITA, as well as taxes on income or profits levied in Nigeria or elsewhere, except tax levied outside Nigeria on profits

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<sup>79</sup> Ibid, s 29(9).

<sup>80</sup> Ibid, see generally, s 25A (1) - (3).

<sup>81</sup> Hereafter referred to as ITC.

<sup>82</sup> See generally, CITA 2007, s 27(a) –(f).

that are also chargeable to tax in Nigeria where double taxation relief on those profits may not be given under any provisions of CITA.<sup>83</sup>

Furtherance to the above are, any expense that are incurred within or outside Nigeria which involves related parties, as defined under the Transfer Pricing Regulations, except where it is consistent with the Transfer Pricing Regulations; any expense incurred in deriving tax exempt income; losses of a capital nature and any expense allowable as a deduction under the *Capital Gains Tax Act* for the purpose of determining chargeable gains, and any compensating payment made by a borrower, which qualifies as dividends under section 9(1)(c) of CITA, to its approved agent or to a Lender in a Regulated Securities Exchange Transaction.<sup>84</sup>

In addition to the above allowable expenses are, any compensating payment made by an approved agent, to a borrower or lender in a Regulated Securities Exchange Transaction, which qualifies as interest or dividends under section 9(1)(c),<sup>85</sup> penalty or fine imposed pursuant to a legislation enacted by the National Assembly or State House of Assembly,<sup>86</sup> and any tax or penalty borne by a company on behalf of another person.<sup>87</sup>

Deducing from the above, it is shown that six additional provisions are made by the FAs 2019 and 2020 to the expenses that are not allowed to be deducted for the purpose of ascertaining the assessable profits of a limited liability company in order to determine its tax liability. Notwithstanding the allowable and non-allowable deductions that are considered in computing tax liability of a limited liability company, there are some profits and income that are exempted, and therefore, not liable to CIT. These are considered next.

## **5.0 Profits and Incomes Exempted from Tax**

Section 23 of the CITA (as amended) provides for the profits of a limited liability company, which are exempted from tax. This means that if any limited liability company derives its profits from any of the sources to be mentioned underneath, such profits shall be exempted from tax liability. These sources are, those that engages in ecclesiastical or charitable activities of a public character, statutory or registered friendly society, a cooperative society registered under any enactment or law relating to cooperative societies, and any company formed for the purpose of promoting sporting activities.

However, in all the above, such profits must be derived from a business or trade engaged in by such company.<sup>88</sup> The onus of proof is on the taxpayer to prove the

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<sup>83</sup> Ibid.

<sup>84</sup> Ibid, see generally, s 27(g) – (i) (as amended by the FA 2019, s 11(a)). Section 11(a) of the FA 2019 substituted paragraphs (g) to (i) under the CITA 2007 with a new paragraphs (g) to (i).

<sup>85</sup> See *ibid*, s 27(j) (as amended by FA 2019, s 11(b)).

<sup>86</sup> Ibid, s 27(k) (as amended by FA 2020, s 12).

<sup>87</sup> Ibid, s 27(l) (as amended by FA 2019, s 11(b)).

<sup>88</sup> Ibid, s 23(1) (as amended by the FA 2021, s 7(a) – (d)).

exemption. In *Best Children International Schools Ltd., v Federal Inland Revenue Service*,<sup>89</sup> it was held amongst others that, for the appellant to be entitled to the statutory exemption, she must prove that her company is engaged in ecclesiastical, charitable or educational activities of a public nature, and she must further prove that the profits she made are not derived from a trade or business she engaged in.<sup>90</sup>

Furthermore, dividends<sup>91</sup> distributed by Unit Trust; the profits of any corporate body established by or under any Local Government Law or Edict in force in any State in Nigeria; and the profits of any of the following company. First, company that engages in purchasing authority, and empowered to acquire any commodity for export from Nigeria from the purchase and sale of that commodity. Second, company established by the State for the purpose of promoting the economic development of the State, and third, company other than Nigeria company which would be chargeable to tax by reason solely of their being brought into or received in Nigeria.

Other profits and incomes exempted from tax are, the interest on foreign currency domiciliary account in Nigeria accruing on or after 1 January 1990; the profits of a small company, subject to certain conditions; dividends received from investments in wholly export-oriented businesses; dividends received from small companies in the manufacturing sector in the first five years of their operation; and the profits of any Nigerian company, other than companies engaged in any of the three sectors of the Petroleum industry,<sup>92</sup> in relation to goods exported from Nigeria, on the condition that, the proceeds of such exports are used for the purchase of raw materials, plant, equipment and spare parts. However, CIT accrues proportionately to any portion of the proceeds that are not utilised in the above-mentioned manner.<sup>93</sup>

Furtherance to the above are, the dividend and rental income received by a real estate investment company on behalf of its shareholders, subject to some conditions,<sup>94</sup> and the profits of a company established within an export processing Zone, or free trade zone, on the condition that 100 per cent production of such company is for export. Otherwise, CIT will be imposed proportionately on the profits of the company. The above provisions reveal that additional profits and incomes have been added to the profits and incomes exempted from CT by the recent enacted FAs.<sup>95</sup>

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<sup>89</sup> See, (n 13).

<sup>90</sup> Ibid, at 49.

<sup>91</sup> According to section 3 of the FA 2021, dividends includes, ‘*compensating payments received by a Lender from its approved agent or borrower in a Regulated Securities Lending Transaction*’.

<sup>92</sup> These are the Upstream, Midstream and Downstream Petroleum operations. For elaboration on the three sectors of the petroleum industry in Nigeria, see (n 24).

<sup>93</sup> See, FA 2021, s 7(1)(q).

<sup>94</sup> See *ibid*, s 7(1)(s) for the conditions.

<sup>95</sup> See generally, FA 2021, s 7(1)(a) – (v).

## 6.0 Tripartite Tax Rate Regime of a Limited Liability Company in Nigeria

As noted above, all the profits of a limited liability company are subject to the Nigerian CIT notwithstanding wherever the profits arise. This is because, section 9 of the CITA provides that, tax shall be payable for each year of assessment,<sup>96</sup> upon the profits of any company ‘*accruing in, derived from, brought into, or received in Nigeria, [which] are not subject to tax under the Capital Gains Tax, Petroleum Profits Tax Act<sup>97</sup> and Personal Income Tax Act ....*’<sup>98</sup> Also, section 13 provides that, ‘*[t]he profits of a Nigerian company shall be deemed to accrue in Nigeria wherever they have arisen and whether or not they have been brought into or received in Nigeria.*’<sup>99</sup>

Some of the profits that may accrue to a limited liability company, which are subject to CIT include, but not limited to, any trade or business for whatever period of time such trade or business may have been carried on; dividends, interests, royalties, discounts, charges or annuities; rent or premium arising from a right granted to any other person for the use or occupation of any property; fees, dues, and allowances (wherever paid) for services rendered; and any amount deemed to be income or profit under a provision of the CITA or with respect to any benefit arising from a pension or provident fund, of the PITA 2020.<sup>100</sup>

The tax rate chargeable on a limited liability company is as stipulated under section 40 of the CITA,<sup>101</sup> and the tax is levied and paid ‘*for each year of assessment in respect of total profits of every company....*’<sup>102</sup> Under the CITA 2007,<sup>103</sup> the tax rate as stipulated, was a flat rate of thirty kobo for every naira, which is equivalent of 30 per cent tax rate.<sup>104</sup> However, the FA 2019 amended this provision by creating a tripartite tax rate for limited liability companies amongst others. Section 16 of the FA 2019 is to the effect that:

There shall be levied and paid for each year of assessment in respect of

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<sup>96</sup> A year of assessment is a period of twelve (12) months, commencing on 1 January of each year. See, CITA 2007, s 105(1).

<sup>97</sup> Petroleum operations are currently being taxed under the Petroleum Industry Act 2021.

<sup>98</sup> CITA 2007, s 9(1) (as amended by the FA 2019, s 2 (a)). Some of the profits that can accrue to an organisation are stipulated under section 9(1) (a) – (h) of the CITA 2007, (as amended by the FA 2019). See also, MT Abdulrazaq, *Revenue Law and Practice in Nigeria*, (3rd edn Malthouse Law Books, 2015) at pp 185-189.

<sup>99</sup> CITA, 2007 (as amended), s 13(1). A Nigerian company is defined under section 105(1) of the CITA (as amended by section 21(a) of the Finance Act 2020 as, ‘*any company formed or incorporated under any law in Nigeria*’.

<sup>100</sup> PITA No. 20, 2011(as amended by Act No. 3, 2020). Hereafter referred to as PITA 2020. See, CITA, s 9(1)(a) – (h), (as amended by FA 2019, s 2(a) – (c)).

<sup>101</sup> CITA (as amended by the FAS).

<sup>102</sup> See, CITA (as amended).

<sup>103</sup> CITA 2007 (as amended).

<sup>104</sup> See, CITA 2007, s 40(1).

total profits of every company, tax as follows, in the case of a –

- (a) Small company, tax rate as provided under section 23 (1) (o) of [the] Act;
- (b) Medium-sized company, tax at the rate of 20 kobo for every Naira; and
- (c) Large company, tax at the rate of 30 kobo for every Naira.<sup>105</sup>

Prior the enactment of the Finance Acts, tax evasion<sup>106</sup> from corporate taxation was highly rampant. Many reasons have been responsible for the low corporate tax compliance in Nigeria, some of which are, high corporate tax rates,<sup>107</sup> low transparency and accountability of public institutions, lack of rule of law and weak fiscal jurisdiction, and high level of corruption.<sup>108</sup> However, the non-compliance has negative implication on the government's coffer as it reduces revenues accruing to the Nigerian Government.<sup>109</sup> With the introduction of the tripartite regime as established under the FA 2019, it is not that tax evasion will be extinguished from the tax status of limited liability companies, but it will drastically reduce.

The effect of the tripartite regime as created under section 16 of the FA 2019 is that, a limited liability company will be liable to different tax rates and their status will determine their tax liabilities. For the purpose of tax liability, the companies are classified into small, medium and large companies. The question is, what are the determinants for the classifications as small, medium or large companies? The determinants as well as the tax liabilities attached to each of the classified companies are the next in discourse.

### **6.1 The Tax Liabilities of a Small Company**

As provided by the CITA 2007 (as amended), and as specified above, a small company would be liable to tax as provided for under section 23 (1) (o). The question is, how do we determine a small company? Section 22 of the FA 2019 amended the definition section of the CITA by making provisions for the definition

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<sup>105</sup> See, CITA, s 40 (as amended by section 16 of the Finance Act, 2019)

<sup>106</sup> Tax evasion is an illegal method adopted by a taxpayer to escape payment of tax or to reduce his tax liability, while tax avoidance is the act of arranging the taxpayer's affairs in such a manner that he reduces his tax liability without contravening the law. Thus, while tax evasion is illegal, and subject to penalty, tax avoidance is legal. See, MT Abdulrazaq, *Revenue Law and Practice in Nigeria*, (n 98) at pp. 7-8. See also, Offiong U. Bassey, *Taxation and Advanced Taxation*, (Best Brain Bookshops, 2016) at 604.

<sup>107</sup> High tax rates of small and medium-sized companies contribute to the rationale behind their non-conformity with tax obligations, mostly when the Service have to utilise the Best of Judgement assessment on the companies.

<sup>108</sup> For more elaboration on these, see, Maryam Ishaku Gwangdi & Abubakar Garba, 'Administration of Companies Income Tax in Nigeria: Issues of Compliance and Enforcement', (2015) 7(5) EJBM, pp. 18-25, at 24-25.

<sup>109</sup> See also, Nwocha, Matthew Enya, 'Tax Evasion and the Law in Nigeria' <file:///C:/Users/HP/Downloads/Tax\_evasion\_and\_the\_law\_in\_Nigeria.pdf>, accessed 18 October, 2024, pp 286-295.



of a small company to mean ‘*a company that earns gross turnover of ₦25,000,000 [twenty-five million] or less*’. So, once the company’s turnover is ₦25,000,000 or lower than that, it means such company is a small company whose tax rate is as determined under section 23 (1) (o) of CITA.

In order to determine the tax rate of a small company, section 23 of CITA 2007 (as amended) makes provision for profits that are exempted from tax. Sub-section (1) (o) specifically mentioned small company as one of those whose profits are exempted from tax.

However, some conditions must be met prior taking the advantage of exemption from tax liability by the small companies, such as compliance with tax registration, and filing of tax return in accordance with the time limit, as stipulated by the CITA 2007 (as amended), taking cognizance of the penalties for breach of statutory duties, and other provisions of CITA during the period that its profits are below the tax paying threshold,<sup>110</sup> as well as dividends received by the small companies, in the first five years of its operations, with the proviso that such dividend owner company must be a manufacturing sector.<sup>111</sup> Once these conditions are met by a limited liability company having a gross turnover<sup>112</sup> of twenty-five million naira or less, such company would be exempted from tax liability because of its ‘small status’.

## **6.2 The Tax Liabilities of a Medium-Sized and Large Companies**

By virtue of section 105(1) of the CITA,<sup>113</sup> a medium-sized company is a company that earns gross turnover that is greater than twenty-five million (₦25,000,000), but less than one hundred million (₦100,000,000). On the other hand, a large company means any company which is neither a small nor a medium-sized company. This means that, such company must have a gross turnover of one hundred million (₦100,000,000) and above. While the tax rate of a medium-sized company is fixed at 20 per cent for each assessment year, that of a large company is fixed at 30 per cent in every assessment year.

It must be noted that the classification of companies into three for the purpose of CIT is a welcome idea brought in by the Finance Act 2019. This is so because, as noted above, the tax liability of companies prior the enactment of the FA 2019 is fixed at flat rate of 30 per cent. The flat rate may have caused many of the Nigerian companies with low gross turnover to evade tax obligations for many years back. With this classification however, many of them would be able to discharge their tax responsibility, and there would be little or no CIT evader again.

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<sup>110</sup> CITA 2007, s 23 (1)(o)(i) (as amended by section 9 (a) (ii) (o) of the FA 2019).

<sup>111</sup> Ibid, s 23(1)(o)(ii).

<sup>112</sup> A gross turnover means ‘*the gross inflow of economic benefits during the period arising in the course of the operating activities of an entity when those inflows result in increase in equity, other than increase relating to contributions from equity participants, including sales of goods, supply of services, receipts of interest, rents, royalties or dividends*’. See, CITA, s 105(1) (as amended by the FA 2020, s 21(a)).

<sup>113</sup> Ibid, (as amended by FA 2019, s 22).

As noted above, the profit of a company is the base on which CIT is imposed. Thus, if a company does not earn any profit, or if the profit earned is not subject to tax or is exempted from tax, then the company is not liable to tax.<sup>114</sup> However, depending on the no-profit condition(s) a company finds itself, it may be liable to minimum tax liability. This is the next discourse.

## 7.0 Payment of Minimum Tax

Aside from the above three categories of tax liability of a limited liability company, the law makes provisions for the payment of minimum tax in any year of assessment, where certain conditions occur. These conditions are, first, where the total assessable profits from all sources of a company results in a loss or, second, where the ascertained total profits results in no tax payable or, third, where the tax payable is less than the minimum tax.<sup>115</sup>

In above instances, the company affected are levied and required to pay the minimum tax which is 0.5 per cent of its gross turnover, less franked investment income, on the condition that, 0.25 per cent will be applicable to tax returns prepared and filed for any year of assessment falling due on any date between 1 January 2020 and 31 December 2021, '*both days inclusive*'.<sup>116</sup> An example of a company paying minimum tax is an insurance company as section 5 of the FA 2021 provides that, '*[t]he provisions on minimum tax in section 33 of [the CITA 2007] shall apply to insurance business ....*'<sup>117</sup> As a result of the provision, a life insurance or non-life insurance business must pay as tax, a minimum of 0.5 per cent of its gross income or 0.5 per cent of its gross premium respectively. However, the rate may further be reduced to 0.25 per cent.<sup>118</sup>

Nonetheless, payment of minimum tax does not apply to any of the following companies. First, any company that engages in agricultural trade or business as defined under section 11(4) of the CITA 2007 (as amended).<sup>119</sup> Second, any company earning gross turnover below twenty-five million naira (₦25,000,000),<sup>120</sup> and third, any company for the first four calendar years of its commencement of business.<sup>121</sup>

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<sup>114</sup> Isaac Olajide Oni, *Nigerian Companies Income Tax: Law and Practice* (Spectrum Books Limited, 2008) at 37-47.

<sup>115</sup> CITA 2007, s 33(1).

<sup>116</sup> See, FA 2021, s 10(2)(a). See also, section 10(2)(b) & (c) for additional conditions attached to this provision.

<sup>117</sup> Ibid, s 5(14).

<sup>118</sup> See, CITA 2007, s 16 (as amended by the FA 2020, s 9(12)).

<sup>119</sup> Ibid, s 11(4) (as amended by the FA 2020) defines agricultural trade as 'primary agricultural production' which include primary crop production, primary livestock production, primary forestry production, and primary fishing production. See, FA 2020, s 6(b).

<sup>120</sup> This is because, these types of companies are 'small companies' and are provided for under section 40 of the CITA (as amended by the FA 2019). See 6.1 above.

<sup>121</sup> See, CITA, s 33(3) (as amended by the FA 2019, s 14(b)).

## **8.0 Conclusion**

This paper reveals that limited liability companies in Nigeria are now subject to different CIT rates under the FA 2019, in accordance with the status and financial gains of the company. This is in addition to the additional allowable deductions and increment in profits and incomes that are exempted from CIT as provided under the FAs 2020 and 2021 respectively. These developments are improvements on what operates under the CITA 2007. The developments are commendable gesture from the Nigerian Government. With the new developments, it is envisaged that tax evasion will drastically reduce and both the companies and Nigerian government will benefit financially, as the gesture will ginger financial stability in Nigeria's corporate world. However, as recommended in the body of this paper amongst others, the Nigerian legislature should amend item 19 of the 5th Schedule to the CITA 2007 (as amended) to reflect Nigerian Police Force with the other members of the armed forces mentioned in the provision.