

# Stamp Duties in Nigeria

(A Comparative Analysis of the Principal Act and the Amendment Bill, and Implications for Stakeholders)



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REGISTRATION, POLICE TRUST FUND AND VALUE ADDED TAX  
18 OCTOBER 2019

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# Overview of Stamp Duties in Nigeria

- Stamp Duties are basically taxes paid to the Federal or State Government for the legal recognition of documents or instruments such as Conveyances on Sale, Bills of Exchange, Promissory notes, Agreements, Contracts or even documents such as Letters and Certificates of admission, Instruments of Apprenticeship, Insurance Policies, etc.
- The payment of Stamp Duties is backed up by legislation. The law being the Stamp Duties Act 1939 (as amended by numerous Acts and various resolution), which is obsolete amidst current realities.
- The Act provides a list of documents in its Schedule and the duty payable on each of them.
- A new bill, Stamp Duties (Amendment) Bill 2018, seeking to holistically amend the Stamp Duties Act LFN 2004, which has become obsolete in the face of current realities, was passed into law by the National Assembly in May 2018 .
- The Bill contains a total of 23 amendments to the existing provisions of the Stamp Duties Act (“SDA”), Cap S8, Laws of the Federation of Nigeria 2004.

# Stamp Duties (Amendment) Bill, 2018: Changes Introduced

- Some of the documented changes in the new bill, Stamp Duties (Amendment) Bill 2018 include:
  - Update to the definition and scope of the term “stamp”
  - Compulsory use of postage stamp instead of adhesive stamp
  - Legalisation of stamp duty collection on bank deposits
  - Imposition of stamp duty on all forms of agreements
  - Increase in threshold for receipts
  - Substantial increase in applicable penalties

# Stamp Duties (Amendment) Bill, 2018: Changes Introduced

## **Definition of stamp**

- The definition and scope of a “stamp” under the Bill has been expanded to include electronic, internet and Point of Sale (POS) transactions.

## **Compulsory use of postage stamp instead of adhesive stamp**

- The Bill seeks to make mandatory the use of postage stamps for all transactions required to be denoted by adhesive stamps. For this purpose, only postage stamps obtained from the Nigerian Postal Service (NIPOST) can be used. However, the definition of adhesive stamp includes electronically generated or online stamp denoted by adhesive postage stamps or ink electronically generated through the internet..

## **Legalising stamp duty collection on bank deposits**

- The Bill legalises the current practice as directed by the Central Bank of Nigeria whereby banks charge stamp duties on deposits. The Bill however does not specify the amount of stamp duties to be charged on such deposits.

# Stamp Duties (Amendment) Bill, 2018: Changes Introduced

## **Imposition of stamp duty on all forms of agreements**

- The Bill provides that “all forms of agreements shall be denoted by adhesive postage stamps”. Under the SDA LFN 2004, the requirement to stamp an agreement was optional as the word “may” was used. However, by the Amendment, all contractual documents regardless of the nature or consideration between parties, must be stamped.

## **Increase in threshold for receipts**

- The previous threshold for receipts chargeable with stamp duty under the SDA LFN 2004 is N4 and above. The Bill seeks to increase this threshold to N1,000 and above, and the duty is to be denoted by adhesive postage stamps.

## **Substantial increase in applicable penalties under the Bill**

- The Bill documented a significant upward review of penalties (fines and terms of imprisonment) for defaults. The nominal fines under the SDA LFN 2004 was replaced with higher rates.

# Stamp Duties (Amendment) Bill, 2018: Implication for Stakeholders

Implication of changes introduced in the Stamp Duties (Amendment) Bill, 2018 include:

- The Bill intends to establish a legal basis for the government to impose stamp duties on bank receipts as was previously ordered by the CBN circular of January 15, 2016.
- The government also expanded the scope of the SDA LFN 2004 to cover electronic and other transactions. It was estimated in some quarters that the SDA could generate over N2 trillion annually for the government.
- The amendment Bill has significant impact on individuals and businesses in terms of higher financial and administrative cost of doing business.
- The Bill provides an enabling environment for Nigerian Postal Service (NIPOST) to measure up with postal administration to meet international best practices. However, the issue of administration of stamp duty between the FIRS, State Revenue and NIPOST needs to be amicably resolved in line with the relevant legislative provisions.

# Questions?

