



## Proposed Tax Exemptions on Essential Goods and Services: What You Need to Know

On September 2, 2024, the Chairman of the Presidential Committee on Fiscal Policy proposed a tax exemption plan to the Federal Government of Nigeria. The proposal includes removing taxes, such as Value Added Tax (VAT), on essential goods and services, including food, public transportation, housing and other necessities, aiming to alleviate the financial burden on citizens.

### Key Highlights of the Proposal

- **Exemptions on Essential Goods and Services:** The proposal seeks to make necessities—such as food, transportation, housing, education, and healthcare—tax-exempt, improving affordability for consumers.

- **Tax-Free Public Transportation:** Public transportation services, like buses and shared transport, would be tax-free. Private hire services, such as taxis, will however not qualify for tax exemptions.

- **Employment Relief:** Private sector employers who offer transportation assistance to their employees or significantly expand their workforce could qualify for tax exemptions.

### Implications for Stakeholders

#### 1. Impact on Individuals

- **Increased Disposable Income:** Consumers could benefit from having more disposable



income, improving their standard of living and stimulating economic demand. Income tax remains unchanged and will be deducted from workers' take-home pay, where applicable.

**Enhanced Access to Essential Services:**

Exemptions on education and healthcare costs could improve accessibility, though such exemptions already exist under the VAT Act.

**2. Impact on the Government**

**Reduced Government Revenue:** The removal of taxes on essential goods and services may result in a significant reduction in government revenue.

**Impact on Government Projects:** Reduced revenue could delay or reduce the scope of public projects, impacting sectors reliant on government funding.

**Increased Administrative Costs:** The government may face higher administrative expenses from monitoring and enforcing compliance with the new tax exemptions.

**3. Impact on the Economy**

**Inflation Control:** Tax exemptions on essential goods may help curb inflation by reducing the cost of living, despite rising prices in other sectors.

**Stimulated Economic Demand:** Increased disposable income for individuals could drive greater demand for goods and services, contributing to economic growth.

**Potential Impact on Fiscal Strategy:** The proposed tax exemptions might affect the government's fiscal strategy, leading to potential adjustments depending on how revenue and spending needs evolve.

**How to Navigate the Tax Exemptions**

**Tax Planning and Optimization:** Stakeholders should review and restructure financial and tax strategies to maximize the benefits of the exemptions while maintaining compliance with legal requirements.

**Regulatory Compliance:** Businesses need to update compliance practices, including pricing strategies, audits, and financial reporting, to meet the new tax regulations and avoid penalties.

**Contract Review and Drafting:** Contracts, particularly in real estate, transportation, and employment, may require revisions to align with changes in tax obligations.

**Fostering Competition:** Private hire services can explore value-added services or collaborate with tax-exempt transport providers to enhance their offerings. Businesses benefiting from exemptions can use this opportunity to improve customer satisfaction and expand their reach in the market.

**Navigating Changes with SimmonsCooper Partners**

While the proposed tax exemptions offer potential benefits for consumers, they also present challenges for businesses. At SimmonsCooper Partners, we guide stakeholders through fiscal policy and tax reforms, helping you navigate the evolving regulatory landscape. For detailed insights, regulatory impact assessments, and compliance strategies, visit [www.scp-law.com](http://www.scp-law.com) or contact us at [info@scp-law.com](mailto:info@scp-law.com).