



## FGN Unveils Tax Exemptions to Power the Energy Sector

The Federal Government of Nigeria (FGN) has rolled out two fiscal measures to ease economic pressure and stabilize energy costs: the Value Added Tax (VAT) Modification Order 2024 and the Notice of Tax Incentives for Deep Offshore Oil and Gas Production. These initiatives aim to lower energy prices, strengthen energy security, and position Nigeria as a key player in global oil and gas investments.

### The VAT Modification Order 2024

The VAT Modification Order 2024, issued under Section 38 of the VAT Act by the Honourable Minister of Finance, offers tax exemptions on essential energy products to ease financial burdens on businesses and

consumers. Key VAT-exempt products include Diesel, Feed Gas, Liquefied Petroleum Gas (LPG), Compressed Natural Gas (CNG), Electric Vehicles, Liquefied Natural Gas (LNG) Infrastructure and Clean Cooking Equipment. This initiative is designed to improve affordability, support logistics, and promote Nigeria's transition toward sustainable energy.

### Notice of Tax Incentives for Deep Offshore Oil and Gas Production

The Notice provides tax reliefs for deep offshore oil and gas projects, encouraging foreign and local investment in the sector. These incentives are expected to make Nigeria's offshore energy market

more attractive, driving job creation, industrial growth, and innovation through increased investment.

## Implications for Stakeholders

### For Consumers:

- **Lower Energy Costs:**

The VAT exemptions on diesel, LPG, and cooking equipment are likely to reduce household energy expenses.

- **More Affordable Goods and Services:**

As businesses experience lower logistics and production costs, consumers may benefit from more stable prices for goods and services.

- **Improved Access to Clean Energy:**

Incentives for LPG and electric vehicles could encourage a shift towards cleaner energy solutions, improving environmental health and living standards.

### For Businesses:

- **Potential Cost Savings:**

VAT exemptions are expected to reduce operational expenses, especially in logistics and energy-intensive industries.

- **New Investment Opportunities:**

Tax incentives for deep offshore projects are likely to attract new partnerships and investments in Nigeria's energy sector.

- **Encouragement for Sustainability:**

Incentives for clean energy products could motivate businesses to adopt environmentally friendly practices, aligning with global sustainability goals.

### For the Economy:

- **Attracting Foreign Investment:**

The tax reliefs for offshore oil and gas projects are likely to draw foreign direct investment, contributing to job creation and economic development.



- **Enhanced Energy Security:**

The reduction in energy costs may strengthen national energy security by supporting business resilience and cleaner energy adoption.

- **Sustainable Economic Growth:**

Focus on innovation and clean energy could enhance Nigeria's competitiveness in global markets and drive long-term growth.

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These fiscal measures mark a significant step in Nigeria's efforts to stabilize the energy sector, improve energy security, and promote sustainable growth. For businesses, the reforms offer opportunities to reduce costs, attract new investments, and align with the shift towards greener energy solutions.

At SimmonsCooper Partners, we are prepared to guide stakeholders through these fiscal policy changes. For tailored advice and support, contact us at [info@scp-law.com](mailto:info@scp-law.com) or visit [www.scp-law.com](http://www.scp-law.com).