



FEDERAL INLAND REVENUE SERVICE

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INFORMATION CIRCULAR

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Subject: **CLARIFICATIONS ON THE PROVISIONS OF THE STAMP DUTIES ACT**

This circular is issued for the information and guidance of the general public, taxpayers and tax practitioners in line with the provisions of the relevant tax laws. This instant circular amends, updates or replaces contents of any circular, notice or other publication previously issued by the Service that is inconsistent with its contents to the extent of such inconsistency.

1.0 Introduction

Consequent upon recent amendments to several provisions of the Stamp Duties Act (SDA) Chapter S8 LFN 2004 (as amended), the Federal Inland Revenue Service ("the Service") hereby provides implementation guidance for clarity and ease of compliance.

2.0 Section 2 of the Stamp Duties Act- Electronic Documents

Section 2 of the Stamp Duties Act was amended to expand the scope of instrument liable to stamp duties to include "**electronic documents**".

The amendment further provides for "**electronic stamping**" and "**electronic denoting**" of documents.

The definitions of the following terms have been amended as indicated below:

- **“stamp”** means *“an impressed pattern or mark by means of an engraved or inked block die as an adhesive stamp or an electronic stamp or an electronic acknowledgement for denoting any duty or fee”*
- **“stamped”** with reference to instruments and material, applies to instruments and material impressed with stamps by means of an engraved or inked block die, adhesive stamps affixed thereto as well as to instruments *and material digitally tagged with electronic stamp or notional stamp on an electronic receipt”*
- **“instruments”** *includes every written document and electronic documents”*
- **“receipt”** *includes any note, memorandum, writing or electronic inscription whereby any money, or any bill of exchange or promissory note for money is acknowledged or expressed to have been received or deposited or paid, or whereby any debt or demand, or any part of a debt or demand is acknowledged to have been settled, satisfied, or discharged, or which signifies or imports any such acknowledgements, and whether the same is or is not signed with the name of any person.*

3.0. Instruments and Receipts Liable to Stamp Duties

Instruments and receipts which must be stamped include the followings:

- i. All written or printed dutiable instruments or receipts;
- ii. All electronic dutiable instruments or receipts (i.e. in the form of electronic media content, electronic documents or files, e-mails, short message service (sms), instant messages (IM), any internet-based messaging service, website or cloud-based platform, etc);
- iii. All printed receipts (including POS receipts, fiscalised device receipts, Automated Teller Machine (ATM) print-outs and other forms of written or printed acknowledgment);
- iv. All electronically generated receipts and any form of electronic acknowledgement of money for dutiable transactions;

3.1. Mode of Denoting Stamp Duties

Stamp duties may be denoted by:

- i. Employing a die impressed on an instrument as an adhesive stamp;

- ii. Affixing printed adhesive stamps (issued by the Service) on instruments;
- iii. Direct electronic printing or impression on the instrument;
- iv. Electronic tagging;
- v. Issuance of stamp duties certificate.
- vi. Any other form of acknowledgement of payment for stamp duties adopted by the Service.

Illustration 1

ABZ Ltd's chief accounting officer, after receiving a cash payment of ₦500,000 from Mr. XYZ on behalf of ABZ Ltd., composed a message which reads: "receipt of ₦500,000 is hereby acknowledged" and sent same to Mr. XYZ via WhatsApp messenger.

In this case, the WhatsApp message acknowledging the receipt of ₦500,000 constitutes a receipt for which stamp duty is payable. Mr XYZ is required to make a disclosure of the details of the transaction using FIRS e-stamp duty platform or to the relevant stamp duties Commissioner. This will lead to assessment and payment of appropriate stamp duties and a consequential issuance of a stamp duty certificate or an acknowledgement. Such certificate or acknowledgement will suffice as evidence that stamp duties have been paid and that the electronic receipt has been stamped appropriately.

Illustration 2

NaijaCo. Ltd, a company headquartered in Abuja, is desirous of leasing its property in Lekki area of Lagos to LagCo Ltd. Due to the lockdown caused by the Covid 19 pandemic, the lease agreement was drafted and executed online with no physical document to evidence it.

The lease agreement is an electronic instrument to which stamp duty is applicable. As such, the parties are required to get it stamped via electronic tagging of a visual stamp or electronic stamp, or through an electronic acknowledgement for denoting the appropriate duties. A document that has been so stamped requires no further stamping, whether or not an impression of the stamp is visible on the printed copy of the document, even where the parties eventually decide to print out the lease agreement. As such, an electronic document is duly stamped where all duties chargeable on the document has been paid or a certificate or

acknowledgement is issued for it or the appropriate electronic impression or denotation is tagged thereon.

Illustration 3

KanCo. Ltd, a company headquartered in Kano, leased its property in Enugu to EnCo Ltd. No formal lease agreement was drafted. However, the lease transaction, inclusive of the terms and conditions was communicated via email correspondence.

The mail trail becomes the instrument through which the lease transaction was conducted. As such, to perfect that instrument, the parties must take steps to ensure that it is properly stamped by paying the necessary duties and obtaining the relevant acknowledgement that such duties have been paid. The process of stamping is as described in Illustration 1 above.

4.0 Electronic Document Received in Nigeria.

According to Sections 7(3)(a), 23(3) and 47 of the SDA, documents, receipts or instruments executed outside Nigeria but **received** in Nigeria must be presented for stamping within:

- a. 10days in the case of Charter Parties;
- b. 30days in the case of instruments subject of ad valorem stamp duties;
or
- c. 21days in any other instance.

An electronic document, receipt or instrument executed outside Nigeria is received in Nigeria if:

- a. it is retrieved or accessed in or from Nigeria;
- b. it (or an electronic copy of it) is stored on a device (including a computer, magnetic storage, etc.) and brought into Nigeria; or
- c. it (or an electronic copy of it) is stored on a device or computer in Nigeria.

Illustration 1

A Co., a company based in Muda Republic and B Co., a Nigerian company consummated a transaction outside Nigeria by means of electronic records. The electronic records are saved on a server in a country outside Nigeria. B Co. downloads a copy of the electronic records in Nigeria.

The electronic instrument comprising those electronic records, having been retrieved in Nigeria, is received in Nigeria.

Illustration 2

Chana Co and Bro Co. carried out a transaction outside Nigeria by means of electronic records. The electronic records are stored on a server in a

country outside Nigeria or a cloud facility. Bro Co. uses an electronic device to view a copy of those electronic records in Nigeria.

The electronic instrument comprising those electronic records, having been accessed in Nigeria, is received in Nigeria.

Illustration 3.

A and B completed a transaction by means of electronic records. A lives in Pingapore Republic while B lives in Nigeria. The electronic records are stored on a server in Nigeria.

The electronic instrument comprising those electronic records, having been stored on a computer in Nigeria, is received in Nigeria.

5.0 Section 4 of SDA – Authority to collect Stamp Duties.

By virtue of Section 4 of the Stamp Duties Act:

- **The Federal Inland Revenue Service** is the competent authority to charge and collect duties upon instruments relating to transactions or matters executed between corporate bodies or between a corporate body and an individual, group or body of individuals.
- **the relevant state tax authority** shall collect duties in respect of instruments executed between individuals at such rate to be imposed or charged in agreement with the Federal Government.

6.0 Stamp Duties on Bank Deposits or Transfers of ₦10,000 or More.

Banks and other financial institutions (commercial banks, investment banks, micro-finance banks, insurance companies, stockbrokers, finance companies, savings and loans, etc.) are required to charge appropriate stamp duties on qualifying transactions. The stamp duties so charged shall be remitted to the Service.

Section 89 of the SDA mandates banks and other financial institutions to charge ~~₦~~50 stamp duties on:

- all intra-bank deposits and transfers from ~~₦~~10,000 and above except where the deposit or transfer occur between two accounts maintained by the same person in the same bank;
- all inter-bank deposits and transfers from ~~₦~~10,000 and above involving accounts owned by the same person in different banks; and

- all inter-bank deposits and transfers from ₦10,000 and above involving accounts owned by different persons.

The ₦50 stamp duties so charged is to be remitted to the Service using the automated stamp duty process outlined hereafter.

7.0 Stamp Duties on Loans and Credit Facilities

The Stamp Duties Act requires all banks to pay stamp duties on the following dutiable transactions:

- i. Guarantor's Form (For Loan Application), at a flat rate of ₦500
- ii. Loan Agreement, which is Ad Valorem at a fee of 0.125% of the Loan value i.e. ₦1.25 for every ₦1,000.
- iii. Loan Agreement (as accompanying document to a mortgage or debenture), at a flat rate of ₦500
- iv. Legal Mortgage, which is Ad Valorem at a fee of 0.375% of the Mortgage value i.e. ₦3.75 for every ₦1,000
- v. Legal Mortgage (up-stamping), which is Ad Valorem at a fee of 0.375% of the up-stamped value i.e. ₦3.75 for every ₦1,000
- vi. Bonds (Mortgage) which is Ad Valorem at a fee of 0.375% of the bond value i.e. ₦3.75 for every ₦1,000
- vii. Tenancy or Lease, which is Ad Valorem at a fee of 6% of the Tenancy or Lease value i.e. ₦6 for every ₦100
- viii. Bank Cheque per leaflet (Premium) at a flat rate of ₦1.0 per leaflet
- ix. Other dutiable transactions are listed on the Stamp duty portal at: https://www.stampduty.gov.ng/stamp_duty_charges

8.0 Stamp Duties on Contract Notes

Section 50 of the Stamp Duties Act (SDA) mandates any person who effects any sale or purchase of any stock or marketable security by way of business to make and execute a contract note. In executing the contract note is further required to include the amount of stamp duties in the charge for brokerage or agency.

Note that a broker, agent or other persons shall have no legal claim to any charge for brokerage, commission or agency if he fails to charge the appropriate stamp duties.

9.0 Stamp Duties on Contracts

All corporate entities, including Ministries, Department and Agencies (MDAs), are required to charge and remit stamp duties on all contracts issued to third party vendors to the Service. The rate to be charged on such contract is 1% of the contract value excluding Value Added Tax.

10.0 Compliance procedure

The Service operates a portal for automated Stamp Duties collection; www.stampduty.gov.ng where all stamp duties paying citizens, government agencies, institutions, private organisations, including banks, should log into and pay stamp duties. Corporate bodies including banks, MDAs or other persons needing an Application Programming Interface (API) integration may access www.stampduty.gov.ng/integration/ for necessary instruction.

11.0 Failure to comply with Stamp Duties Act.

Failure to comply with provisions of the SDA may result into any of the following consequences:

- i. Prosecution for offences under the Act
- ii. Payment of penalties of various degrees
- iii. Inability to use the relevant instrument as evidence in court or other judicial or quasi-judicial proceedings.
- iv. Enforcement actions, etc.

12.0 Transition Issues

Taxpayers, Banks, MDAs or other persons who have collected or are in possession of stamp duties are mandated to immediately pay same over to the Service.

The API has been primed to ensure that qualifying transactions:

- from January 15th, 2016 till February 29, 2020, are for deposits and transfers in the amount of ₦1,000 and above, NOT ₦10,000.
- from March 1, 2020 and going forward, are deposits and transfers in the amount of ₦10,000 and above

13.0 Amendment or Revision of the Circular

The Service may, at any time, withdraw or replace this Circular or publish an amended or updated version.

14.0 Enquiries

Any request for further information or clarifications on this Information Circular should be directed to the:

Executive Chairman,
Federal Inland Revenue Service,
Revenue House,
No 15 Sokode Crescent,
Wuse Zone 5, Abuja.

Or

Director, Tax Policy and Advisory Department
Federal Inland Revenue Service
Revenue House (Annex 1),
No 15 Sokode Crescent,
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