



**FEDERAL INLAND REVENUE SERVICE
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INFORMATION CIRCULAR

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SUBJECT: VALUE ADDED TAX (VAT) ON ROAD TOLL, PAID PARKING, ACCESS PASS, ADMISSION TO EVENTS AND RELATED OPERATIONS

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. The 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

This circular provides clarification on the chargeability of Value Added Tax (VAT) on the services rendered by the operators of toll gates, toll points, paid parking, recreational parks, entertainments and other related operations, including but not limited to amusement parks, leisure parks, conservation grounds, games reserves, museums and admission to events and other related services.

2.0 Legal Framework

Section 2(1) of the Value Added Tax (VAT) Act, Cap V1 LFN 2004 (as amended) provides *that VAT tax shall be charged and payable on supply of all goods and services in Nigeria other than those listed in the First Schedule to the Act.*

In addition, Section 46 of the VAT Act as amended defines "Services" as;

a. *"anything, other than goods, or services provided under a contract of employment"; and*

b. *Includes any intangible or incorporeal (product, asset or property) over which a person has ownership or rights, or from which he derives benefits, and which can be transferred from one person to another, excluding interest in land and building, money or security.*

3.0 Services Covered by this Circular

Toll Gates: A barrier across the road, bridge or other places where motorists, cyclists or pedestrians pay to gain access.

Other Toll Points: Any designated area where a toll is charged on vehicles, cycles or pedestrians to access roads, bridges, tunnels, etc.

Paid Parking: Parking of vehicles (cars, trucks, motorcycles, boats etc.) in a designated space for a fee.

Parks and Recreational Centres: Facilities that provide fun, entertainment, leisure, sporting activities etc., to the public for a fee.

In line with the provisions in paragraph 2.0 above, these services are chargeable to VAT as they are not listed as exempt in the First Schedule to the VAT Act (as amended). Consequently, where any of these services is outsourced, both the commission and the fees charged by the appointed operator are liable to VAT.

4.0 Value of Taxable Services

The value upon which 7.5% VAT is applicable shall be on the fee or toll paid by the consumers of the services (Road-use, parking, entertainment, recreational and related operations) and the commission earned by the operators. The chargeability of VAT under the different regimes is as follows:

4.1 Government Operated Arrangement

Where the Government wholly operates these services for a fee, VAT shall apply on the fee charged for the services rendered.

4.2 Out-sourced Operations Arrangement

Where Government outsources the management of its facilities to a private operator for a fee or commission, VAT shall apply as follows:

- i. The fee or toll received by the operator from the road or for accessing or attending the event shall be liable to VAT; and

- ii. The fee or commission paid to such operator as the consideration for the service rendered to the government shall be chargeable to VAT.

4.3 Build, Operate and Transfer Arrangement

Build, operate and transfer arrangement occurs;

- i. Where the Government permits a private operator to build public facilities such as road, parking lot, jetty, dock, etc., and operate with a view to transferring the facility to government at a later date. In this case, the operator is allowed to manage the facility till an agreed date when the investment would have been fully recouped through the charge of fee or toll to users. The fee or toll charged by the operator shall be liable to VAT.
- ii. After the period of operation by the private operator and the facility is transferred to government, the following shall apply:
 - a. Where the government reappoints the operator to manage the facility, the operator shall charge VAT on the consideration due for the management of such facility.
 - b. The operator shall charge VAT on the fee or toll paid for the use of the facility.
 - c. Where the government takes over the management of the facility and operates same, the fee or toll charged shall be liable to VAT.

4.4 Privately Owned Facility

Where a private entity manages or operates a toll gate, toll point, paid parking facility, park or recreational centre for a fee or commission, VAT shall apply.

5.0 VAT on Admission to Events

The concept of admission refers to the granting of a right of entry in return for a ticket or a fee. This fee may be payable in advance, at the time of the event, or by a periodic arrangement, season-ticket subscription or annual charge to any of the following:

- a. Shows, theatrical performances, circus performances, fairs, amusement parks, concerts, exhibitions, or other similar cultural events;
- a. Sporting events such as matches or competitions;

b. Educational and scientific events such as conferences and seminars.

5.1 Plays and performances conducted by an Educational Institutions

Plays and performances conducted by educational institutions as part of learning is exempt from VAT. As such, ticket or fee, granting a right of entry to the event, will not be subject to VAT.

5.2 Teaching by an Educational Institutions

Teaching or coaching in an educational institution or by an educational institution, or a continuous coaching session, that takes place over a prolonged period, would not be regarded as an event for the purpose of this Circular.

6.0 Collection and Remittance of VAT

The service provider or the person granting the right of entry shall include VAT on the ticket or fee and remit same to the Service.

7.0 Tax Invoice

In all the models highlighted above, operators shall issue a tax invoice (ticket or toll receipt), which should clearly state the consideration for the service rendered and the VAT charged in line with the provisions of Section 13A of the VAT Act.

8.0 Compliance with Other Tax Obligations

The compliance with the provisions of the VAT Act does not absolve the operators from complying with the provisions of other extant tax laws.

9.0 Amendment or Revision of the Circular

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

10.0 Enquiries

All Enquiries on any aspect of this publication should be directed to:

Executive Chairman
Federal Inland Revenue Service
Revenue House,
15 Sokode Crescent, Wuse Zone 5, Abuja.

Or

Director, Tax Policy and Advisory Department
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