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OIL AND GAS COMPANIES (TAX INCENTIVES, EXEMPTION,
REMISSION, ETC.) ORDER, 2024



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S. I. No. 1 of 2024

OIL AND GAS COMPANIES (TAX INCENTIVES, EXEMPTION,
REMISSION, ETC.) ORDER, 2024

[28th Day of February, 2024]

Commence-
ment

In exercise of the powers conferred on me by section 5 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended), sections 23 (2) and 89 of the Companies Income Tax Act, Cap C21, Laws of the Federation of Nigeria, 2004 (as amended), section 48 of the Nigerian Oil and Gas Industry Content Development Act, 2010 and all other powers enabling me in that behalf, I, BOLA AHMED TINUBU, President, Federal Republic of Nigeria make the following Order —

PART I — TAX CREDITS FOR NON-ASSOCIATED GAS
GREENFIELD DEVELOPMENT

1.—(1) As from the commencement of this Order, the tax credit incentives specified under subparagraphs (2) and (3) of this Paragraph shall apply to Non-Associated Gas (NAG) greenfield developments in onshore and shallow water locations, with first gas production on or before 1st January, 2029.

Tax Credits
for Non-
associated
gas

(2) Where the Hydrocarbon Liquids (HCL) content —

(a) does not exceed 30 barrels per million Standard Cubic Feet (SCF), there shall be a gas tax credit at the rate of US\$1.00 per thousand cubic feet or 30% of the fiscal gas price, whichever is lower ; and

(b) exceeds 30 barrels per million SCF but does not exceed 100 barrels per million SCF, there shall be a gas tax credit at the rate of US\$0.50 per thousand cubic feet or 30% of the fiscal gas price, whichever is lower.

(3) Any other greenfield NAG project with first commercial production after 1st January, 2029 shall be eligible for gas tax allowance at a rate of US\$0.50 per thousand SCF or 30% of the fiscal gas price, whichever is lower, provided that the Hydrocarbon Liquids content does not exceed 100 barrels per million SCF.

(4) The Hydrocarbon Liquids (HCL) content in a non-associated gas field shall be as determined in a guideline issued by the Nigerian Upstream Petroleum Regulatory Commission.

(5) The gas tax credit shall apply for a maximum of 10 years, after which it shall become a gas tax allowance claimable at the respective rates set out in subparagraph (2) (a) and (b) of this Paragraph.

(6) The gas tax credit accruable under this Paragraph in any year for a company shall not —

(a) exceed the companies income tax payable for that year by that company ; and

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(b) be combined with the Associated Gas Framework Agreement (AGFA) incentives for the same greenfield NAG project.

Gas tax credit surplus

2. Where there is a gas tax credit surplus in any year, the surplus shall be carried forward to the subsequent year, provided that tax credit surplus shall only be carried forward for a maximum of three years.

Calculation of tax credit

3. The fiscal gas price for calculating a gas tax credit under this Order shall be the same price used for determining royalties under the Petroleum Industry Act (PIA).

PART II — MIDSTREAM CAPITAL AND GAS UTILIZATION INVESTMENT ALLOWANCE

Incentive to gas utilization companies

4.—(1) A gas company shall be granted a gas utilization investment allowance on qualifying expenditure on plant and equipment incurred by the company in respect of any new and ongoing project in the midstream oil and gas industry and subsisting on the effective date of this Order.

(2) The gas utilization investment allowance under subparagraph (1) of this Paragraph shall —

(a) be granted as an allowable deduction from the assessable profits of the eligible company from the year of purchase of the relevant plant and equipment ; and

(b) not be taken into account in ascertaining the residue of qualifying expenditure incurred on such plant and equipment.

(3) A company shall only be granted the gas utilization investment allowance upon the expiration of the tax-free period granted under section 39(1) of the Companies Income Tax Act.

Rate of gas utilization investment allowance

5. The rate of the gas utilization investment allowance to be allowed to a company under this Order shall be 25 per cent of the actual expenditure incurred on such plant and equipment purchased.

Implementation of gas utilization investment allowance

6. The Federal Inland Revenue Service shall, in conjunction with the Nigerian Midstream and Downstream Petroleum Regulatory Authority, take appropriate steps to implement the gas utilization investment allowance stipulated under this Part, within 15 days from the date of this Order.

Non-application of gas utilization investment allowance

7.—(1) Notwithstanding the provisions of this Part, a gas utilization investment allowance shall not apply on any qualifying expenditure incurred on plant and equipment within a period of five years from the date on which the expenditure was incurred, where —

(a) a sale or transfer of the plant and equipment representing the expenditure is made by the company incurring the expenditure otherwise

than to a person acquiring the plant and equipment for the same or related business and purpose as the previous holder, or for scrap ;

(b) any appropriation of the plant and equipment is made representing the expenditure made by the company incurring the expenditure for a purpose other than for gas utilization ; or

(c) the incurring of the expenditure for the plant and equipment occurs in a manner otherwise than as a bonafide business transaction or if the same is an artificial or fictitious transaction.

8.—(1) Where an asset in respect of which a gas utilization investment allowance has been claimed is sold or transferred, it shall be the duty of the purchaser or transferee to provide information as may be requested by the Federal Inland Revenue Service, on the sale, transfer or any other dealing with the asset.

Transfer of asset in respect of which a gas utilization investment allowance has been claimed

(2) A plant or equipment on which a gas utilization investment allowance has been claimed shall not be eligible for another gas utilization investment allowance by the acquiring entity or any subsequent purchaser.

9.—(1) The value of any asset on which capital allowance is claimable by a company under the Companies Income Tax Act, shall not be restricted or reduced by the gas utilization investment allowance available to be claimed by a company under this Order.

Non-interference with capital allowance

(2) The applicable capital allowance under the Companies Income Tax Act shall continue to apply to the company without prejudice to any other allowable deductions, allowances and incentives available to the company under the Companies Income Tax Act, and any other applicable legislation.

PART III — INCENTIVES FOR DEEP WATER OIL AND GAS PROJECTS

10. The Minister shall introduce fiscal incentives to ensure that investments for deep water oil and gas projects achieve a competitive Internal Rate of Return (IRR).

Fiscal incentives for deep water oil and gas projects

11. Pending the introduction of the fiscal incentives, the Ministry of Finance Incorporated and the Ministry of Petroleum Incorporated shall take steps to procure NNPC Limited to consider and implement commercial enablers for new brownfield and greenfield investments in the deep water.

Commercial incentives for deep water oil and gas projects

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PART IV — MISCELLANEOUS

- Implementa-
tion
guidelines **12.** The Minister may issue implementation guidelines in collaboration with the Federal Inland Revenue Service, Nigerian Upstream Petroleum Regulatory Commission, Nigerian Midstream and Downstream Petroleum Regulatory Authority and any other relevant stakeholder.
- Definition **13.** In this Order —
“*Minister*” means the Minister responsible for finance.
- Citation **14.** This Order may be cited as the Oil and Gas Companies (Tax Incentives, Exemption, Remission, Etc) Order, 2024.

MADE at Abuja this 28th day of February, 2024.

BOLA AHMED TINUBU, GCFR
President, Federal Republic of Nigeria