



**FEDERAL INLAND REVENUE SERVICE**  
No 15, Sokode Crescent, Wuse Zone 5, Abuja, Federal Capital Territory

## **PUBLIC NOTICE**

### **DEDUCTION OF VALUE ADDED TAX AT SOURCE BY COMPANIES OPERATING IN THE OIL AND GAS INDUSTRY**

Section 13(2) of the Value Added Tax (VAT) Act, CAP V1, LFN 2004(as amended), states that ***"the Service may, by notice, determine and direct the companies operating in the oil and gas sector which shall deduct VAT at source and remit same to the Service"***.

Further to the provisions of the VAT Act, FIRS issued Information Circular No. 02/2007 - Notification of Guidelines on the Implementation of VAT Deduction (Reverse Charge) and New Payment Arrangement with Respect to Fees, Levies, and other Charges Payable by Companies in Oil and Gas Industry.

By the information circular, the FIRS mandates all companies operating in the Nigerian Oil & Gas Sector, to deduct VAT charged by their suppliers or contractors from the payments due and remit same to the FIRS.

The Service observed that some companies are not complying with the notice to withhold and remit VAT. Consequently, the FIRS hereby clarifies as follows:

1. That the directive contained in the FIRS Information Circular No. 02/2007 mandating all Companies operating in the Oil & Gas Sector to deduct VAT at source and remit same to FIRS in line with the above provisions still subsist.
2. "Companies operating in the oil & gas sector" include all companies engaged in (i) upstream operations, (ii) downstream operations, (iii) Refineries (iv) oil serving companies and (v) any other business operation in the upstream, mid-stream or downstream oil & gas sector.
3. VAT deducted shall be separately accounted for on VAT Form 002A and remitted to the FIRS. It shall not be merged with VAT charged by the company to its customers.
4. Where the FIRS has issued any directive, ruling or notice contrary to the directives contained in the Circular referred to in this notice, such directive, ruling or notice is hereby withdrawn, invalidated and voided.
5. Failure to deduct and remit VAT shall attract sanctions in accordance with the law.

Consequently, all taxpayers especially companies operating in the Oil and Gas sector, tax practitioners, tax officials, other stakeholders and the general public are to be guided accordingly.

**Muhammad M. Nami**  
**Executive Chairman**