The Nigerian Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.,) Order 2024

In line with the constitutional power to make relevant executive Orders and the provisions of the Nigerian Oil and Gas Industry Content Development Act, 2010, the President of the Federal Republic of Nigeria enacted the Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.,) Order 2024 (“the Order”) to introduce noteworthy tax credits, incentives, and allowances for players in the Nigerian Oil and Gas sector.

Tax Credits for Non-Associated gas Greenfield Development

The Order introduced, tax credit incentives for non-associated gas (NAG) greenfield developments in onshore and shallow water locations which have first gas production date of on or before 1st January 2029. The Order introduced a gas tax credit – which shall apply for a maximum of 10years – at the rate of $1.00 per thousand-cubit feet or 30% of the fiscal gas price, whichever is lower and $0.50 per thousand Cubic Feet, whichever is lower where the Hydrocarbon Liquid content does not exceed 30 barrels per million Standard Cubic Feet (SCF) and where it does, respectively.

Also, any greenfield, NAG project with first commercial production after 1st January 2029 will be eligible for gas tax allowance at a rate of $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. Notably, the tax credit shall not exceed the company’s income tax payable for the year and shall not be combined with the Associated Gas Framework Agreement (AGFA) incentives for the same project.

Furthermore, where there is a gas tax credit surplus in any year, the surplus is to be carried forward into the subsequent year – for a maximum of three years. The fiscal gas price for calculating a gas tax credit shall be the same price used for determining royalties under the Petroleum Industry Act.

Midstream Capital and Gas Utilization Investment Allowance

Any company in the gas sector, would be granted a gas utilization investment allowance on qualifying expenditure on plant and equipment incurred in respect of any new and ongoing project in the midstream oil and gas industry. The allowance – which shall be 25% of the actual expenditure incurred on such plant and equipment – shall be granted as an allowable deduction and shall not be taken into account in ascertaining the residue of qualifying expenditure incurred on such plant and equipment.

Further to the above, where an asset in respect of which an allowance has been claimed is sold or transferred, it shall be the duty of the purchaser or transferee to provide relevant information on the sale, transfer or any other dealing with the asset to the FIRS. The subsequent purchaser/acquiring entity of the asset shall not be allowed to enjoy the allowance.

Incentives for Deep Water Oil and Gas Projects

The Order directs the Finance Minister, Ministries of Finance and Petroleum Incorporated to ensure incentives for deep water oil and gas projects and implement commercial enablers for new brownfield and greenfield investments in the deep water.