



**THE OKOMU OIL PALM COMPANY PLC
(Media & Communication)**

Internal Memo

Date: 10th February 2020

To All Our Stakeholders

SUBJECT: FINANCE ACT OF 2020 AND VALUE ADDED TAX (VAT)

It has become necessary to enlighten our stakeholders on the implications of the Finance Act of 2020 as it relates to value added tax (VAT).

The Federal Government has increased the Value Added Tax (VAT) from 5% to 7.5% with effect from 1st February 2020. As a responsible corporate citizen, we are bound to implement the law. Consequently, and by this memo, we call on all our stakeholders, especially those providing services to us, to ensure that goods and services that attract VAT are in compliance with the Finance Act under reference here.

It may also not be out of place to do an example of how to calculate the VAT of a product /service:

1. If the good/service is initially quoted on a VAT exclusive basis:
 - The price of good/service = N150
 - VAT calculation: $150 \times 107.5\% = N161.25$ (ie: the VAT portion is N11.25)
 - Total Price (Good/service INCLUSIVE OF VAT) = N161.25

2. If the good /service is quoted VAT inclusive:
 - The price of good/service, inclusive of VAT = N161.25
 - Price of good/service EXCLUSIVE OF (OR BEFORE) VAT:
 $N161.25 \div 107.5\% = N150.00$

Where a product/service is VAT inclusive, it means that VAT has already been added to the final price and therefore, the seller/supplier does not need to add VAT to his or her quotation.

Please note these in your business relations with us.

Fidelis Olise
Communication Officer