



TAXATION

...The significant reduction in economic activities nationwide appears impracticable for the Nigerian Government to achieve its targeted revenue fixed at N8.5 trillion for the current fiscal year.

Most of the applicable taxes in Nigeria are chargeable on profits for companies, and income for individuals which becomes very difficult for companies to break even post Covid-19...



SECTORAL OUTLOOK ON ECONOMIC AND TAX MEASURES IN NIGERIA, POST COVID-19.

As the cliché goes, there are only two inescapable realities to life: death and taxes. Thus, tax is viewed as an essential civic duty that is sacrosanct and unavoidable except to the extent permitted by law. It is not hard to figure why this is so, as it is through the instrumentality of taxation that government generates revenue and deliver on its mandate to its citizen. For this reason, governments are usually uncompromising in their enforcement of tax provisions, as well as intent on applying the full weight of law on defaulters.

The significant reduction in economic activities nationwide appears impracticable for the Nigerian Government to achieve its targeted revenue fixed at N8.5 trillion for the current fiscal year. Most of the applicable taxes in Nigeria are chargeable on profits for companies, and income for individuals. With the current Covid-19 pandemic, it may be easy to predict that just very few companies will break even during this crucial period.

CURRENT REALITIES.

Tax earnings from the oil and gas industry has nose-dived in view of the global decline in demand. This has eroded projected government revenue from this industry and there may be more stringent evaluation by federal tax authorities of the tax filings of oil companies with a view to maximizing government revenue.

Notably, the government has announced certain tax related palliatives such as:

- tax relief for corporate entities and individuals who contribute to the government's COVID-19 Pandemic Relief Fund as announced by the Finance Minister, Mrs. Zainab Ahmed.
- expansion of certain statutory compliance requirements such as VAT and CIT filings and the adoption of electronic media in the execution of other interaction with taxpayers.

Similarly, the Emergency Economic Stimulus Bill which is still undergoing legislative review provides for a number of tax incentives for companies including;

- 50% rebate on pay-as-you-earn (PAYE) tax payable for employers who do not retrench their employees between March 1, 2020 to December 31, 2020;
- Suspension of import duties on medical equipment, medicines and personal protective gears required for the treatment and management of Covid-19 for three months effective from March 1, 2020.
- Deferral of payment of Mortgage obligations under the National Housing fund; Import duties waiver on import of medical materials.

On the flip side, it has been observed that the Bill appears to be silent on some taxes imposed by the federal government for instance Petroleum Profit tax, the Education tax, Capital gains tax (FCT residents and corporate bodies, Withholding tax (for corporate bodies), Stamp Duties (for Corporate bodies) hopefully, these areas will be addressed by the senate before the bill is presented to the President for his assent.

Current Realities

Notably, the government has announced certain tax related palliatives such as:

- *Tax relief for corporate entities and individuals who contribute to the government's COVID-19 Pandemic Relief Fund as announced by the Finance Minister, Mrs. Zainab Ahmed.*
- *Expansion of certain statutory compliance requirements such as VAT and CIT filings and the adoption of electronic media in the execution of other interaction with taxpayers.*





RECENT SECTORAL DEVELOPMENTS

- The Lagos State Internal Revenue Service (LIRS) announced implementation of additional palliatives to cushion the impact of the pandemic on tax payers resident in Lagos State. Some of these palliatives include:
 - a. Approval of instalment payment of outstanding liabilities on case-by-case basis to ease the cashflow challenges tax payers are currently facing;
 - b. Waiver of penalties due for late filing of 2020 annual tax returns;
 - c. Waiver of interest and penalty on additional tax liabilities arising from 2009 -2015 tax audit exercise for tax payers who commit a structured payment plan that terminates by December 31, 2020;
 - d. Grant of tax credit of 20% of cash and kind donations made by resident individuals to Lagos State Government (LASG) for Covid-19 Management;
 - e. Adoption of video conferencing as the default mode of conducting tax audit reconciliation committee meetings.
 - To reduce the bottle necks for newly incorporated entities particularly the hurdles encountered in obtaining a tax identification number (TIN), the Corporate Affairs Commission (CAC) announced inclusion of TIN on Certificates of Incorporation.
- This is a welcome development by the Presidential Enabling Business Environment Council (PEBEC).
- The Federal Ministry of Finance has introduced the Companies Income Tax (Significant Economic Presence) Order, 2020 to expand the scope of Nigerian Tax on foreign companies deriving income from their activities in the Country. This Order provides detailed explanation on what will amount to a significant economic presence with regards to foreign entities doing business or providing services to clients within Nigeria.
 - Further to the Finance Act (FA), 2019 which amended several provisions in the Value Added Tax (VAT) Act, the Federal Ministry of Finance has issued a Value Added Tax (Modification) Order, 2020 to provide needed clarification on the list of items exempted from Value Added Tax. The Finance Act principally aims to raise revenue for the government, promote fiscal equity and reform Nigerian domestic tax laws to ensure they conform with global best practice.
 - The Minister of Finance, Budget and National Planning, issued a Circular on April 30, 2020, exempting importers of specified medical supplies from payment of import duties and value added tax on such items for a six-month period in the first instance, with effect from May 1, 2020.



...Recent sectoral development includes waiver of interest and penalty on additional tax liabilities arising from 2009 - 2015 tax audit exercise for tax payers who commit a structured payment plan that terminates by December 31, 2020...

- The Federal Inland Revenue Service (FIRS) has begun audit and recovery of back-years stamp duties and an inter-ministerial committee for the Audit and Recovery of Back-Years Stamp Duties has been inaugurated. Also, the FIRS has launched an Adhesive Stamp for use on dutiable documents requiring adhesive stamps.
- The FIRS issued a public notice on May 19, 2020, further extending the reporting deadline for Reportable Financial Institutions (RFIs) to file their annual returns for Automatic Exchange of Information-Common Reporting Standard Regulations (AEOI-CRS). The extension which is effectively for 4 months moved the compliance deadline from May 31, 2020 to September 30, 2020. The FIRS has asked that RFIs take advantage of this extension to collate the necessary information as required by the Common Reporting Standard Regulations and Guidelines.
- The FIRS on April 30, 2020, issued a notice announcing its decision to waive interest and penalties on outstanding tax debts arising from desk reviews, tax audits and investigations. To be eligible for the relief, affected taxpayers must settle their outstanding tax debts in full by May 31, 2020. On July 8, 2020, this deadline was extended to August 31, 2020 by another public notice.



RESPONSIVE STEPS TO CONSIDER/HOW WE CAN HELP

Advising the various tiers of government on alternative means of raising revenue;

- Advisory for companies on tax structuring and how they can take advantage of statutory tax reliefs and waivers as provided under the relevant legislations; law;
- Mediation between Oil companies and the Federal Government in the restructuring and renegotiation of existing agreements to maximise revenue for the companies and ensure the sustenance of affected companies;
- Advisory for the federal government on renegotiation of existing agreements with oil companies in order to maximise revenue;
- Advisory on compliance with conditions for accessing government intervention facilities;
- Restructuring loan facilities to enable defaulting companies enjoy tax waivers;
- Application for private rulings to revenue authorities on exemptions, tax holiday or reduced tax rate.
- Interface with regulatory authorities on behalf of companies.



*...Interface with
regulatory authorities on
behalf of companies...*



CONCLUSION:

As businesses face increasing responsibilities and expectations in the rapidly evolving normal circumstances, we have a team equipped to respond to your industry needs. Please feel free to contact any of the underlisted:



Dapo Akinosun
Managing Partner
[08038280841](tel:08038280841)
dapo.akinosun@scp-law.com



Victoria Alonge
Partner
victoria.alonge@scp-law.com

Contact Us:

SimmonsCooper Partners
9th Floor, Fortune Towers
27/29 Adeyemo Alakija Street
Victoria Island
Lagos
Tel: +234-701-1404-511

info@scp-law.com



Bashir Ramoni
Partner
bashir.ramoni@scp-law.com



Deji Jolaoso
Senior Associate
deji.jolaoso@scp-law.com

9, Rima Street, Maitama
Abuja
+234-903-071-0071

abuja@scp-law.com

www.scp-law.com

IMPORTANT NOTICE

The information provided in this newsletter does not, and is not intended to, constitute legal advice; instead, all information, content, and materials available in this document are for general informational purposes only. Information in this newsletter may not constitute the most up-to-date legal or other information.

REFERENCES

https://www.google.com/url?sa=i&url=https%3A%2F%2Fblog.oup.com%2F2016%2F07%2F10-things-about-taxation%2F&psig=AOvVaw06gWasl4SNBa4Y818nHg2w&ust=1597832678798000&source=images&cd=vfe&ved=0CA0QjhxqFwoTCPijzt_EpOsCFQAAAAAdAAA_AABAD

https://www.google.com/url?sa=i&url=http%3A%2F%2Fwww.oceancitytaxservice.com%2Fpersonal-income-taxes%2Frates%2F&psig=AOvVaw099iaiPTRbwue6Ho8koC72&ust=1597833245375000&source=images&cd=vfe&ved=0CA0QjhxqFwoTCPjM-_3GpOsCFQAAAAAdAAAAABAO