

AN ACCESS BANK PUBLICATION FOR SMALL BUSINESSES

JAN.
2019

tax matters 2020





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For several decades, Nigeria depended on only one source of revenue - oil. But events of the past years, especially the crash of crude oil price in the international market, among others, have compelled the Federal Government to try to shift its focus from crude oil revenue to other sources of revenue.

The 2019 Finance Bill which was presented to the Legislature by President Muhammadu Buhari along with the 2019 Budget seeks to amend various tax laws in Nigeria.

Objectives of the Nigerian Finance Bill



Promoting fiscal equity;



Reforming domestic tax laws to align with global best practices;



Introducing tax incentives for investments in infrastructure and capital markets;



Supporting MSMEs; and



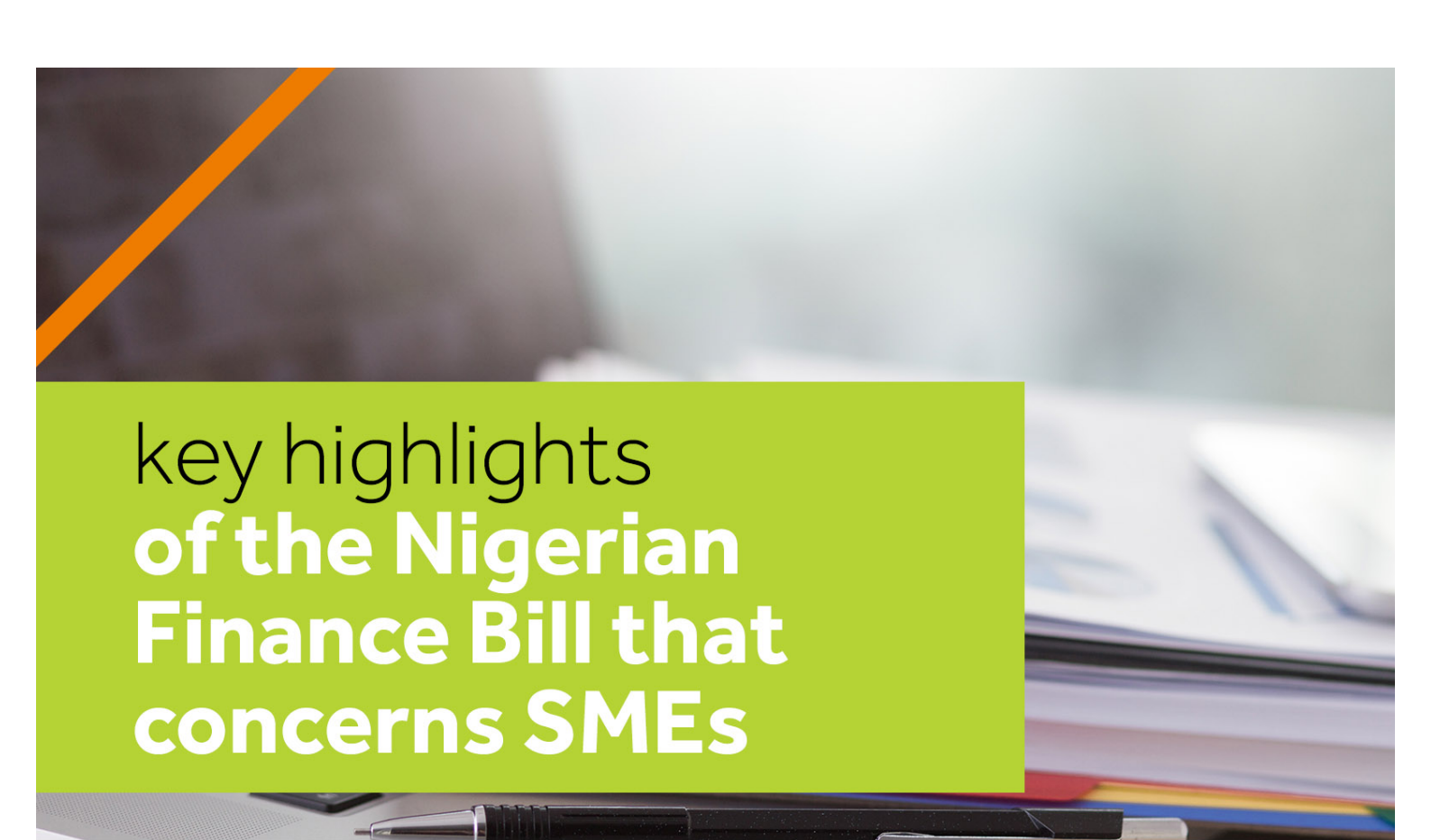
Raising revenues for government.

The Bill has the following strategic objectives:

Quite significantly, the Finance Bill seeks to introduce sweeping changes to the tax laws covering seven different tax laws including the increase in the Value Added Tax (VAT) from 5% to 7.5%. Many of the changes are expected to have positive impacts on investments and ease of paying taxes especially for MSMEs.

There is also an increased interest by the tax authorities to ensure that more tax payers are brought into the tax net, and that the existing taxpayers are more closely scrutinized and monitored - to ensure that Governments do not suffer any loss of their tax revenue.

This is why the issue of tax compliance by all economic entities in Nigeria is now to be taken much more seriously. We therefore advise that you take a critical look at your level of compliance - to enable you make the necessary adjustments in order to avoid the costs associated with non-compliance.



key highlights of the Nigerian Finance Bill that concerns SMEs

1. Small businesses with turnover less than N25m to be exempted from Companies Income Tax.
 2. A lower CIT rate of 20% to apply to medium-sized companies with turnover between N25m and N100m.
 3. Minimum tax provisions amended to 0.5% of turnover and exemption only applies to small companies (less than 25m turnover), so non-resident companies will now pay minimum tax.
 4. Bonus of 2% of tax payable (medium-sized companies) and 1% for large companies for early payment of CIT.
 5. Banks to request for Tax Identification Number (TIN) before opening business bank accounts for individuals, while existing account holders must provide their TIN to continue operating their accounts.
 6. Introduction of VAT reverse charge on imported services.
 7. VAT registration threshold of N25 million turnover in a calendar year to be introduced.
 8. Remittance of VAT now to be on cash basis, that is, difference between output VAT collected and input VAT paid in the preceding month.
 9. Compensation for loss of employment below N10m to be exempted from CGT.
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10. Stamp duty on bank transfer to apply only on amount from N10,000 and above. Transfers between the same owner's accounts in the same bank also to be exempted.

Value Added Tax

The Value Added Tax Act (VAT ACT CAP VI 2004 LFN) provides that taxable persons register for, charge, collect and remit Value Added Tax on a monthly basis. The tax is at a single rate of 5% (recently increased to 7.5%) of taxable goods and services (as listed in the schedule to the act) and must be remitted to FIRS on or before the 21st day of the month following that in which the purchase or supply was made. Supply of all goods and services except those specifically exempted are subjected to VAT.

Withholding Tax (WHT)

Certain sections of the CITA, the PITA and the PPTA subject certain activities and services to Withholding Tax. This basically means that where, during transactions in any of the specified activities or services, a payment is due from one person to another, the person making the payment is expected to deduct tax at the applicable rate and remit same to the appropriate tax authority.

This should be done not later than the 21st day of the month following that in which deduction was made.

Withheld Tax from payments made to individuals is payable to the government of the recipient's state of residence.

Withheld Tax from payments made to limited liability companies are paid to the Federal Inland Revenue Service (FIRS)

Conclusion

We would like to once again remind you that it is always cheaper and much more convenient to comply with all statutory provisions.

Should you require any further information and/or explanations regarding any aspect of the foregoing, please contact a chartered accountant or tax consultant.

REFERENCES

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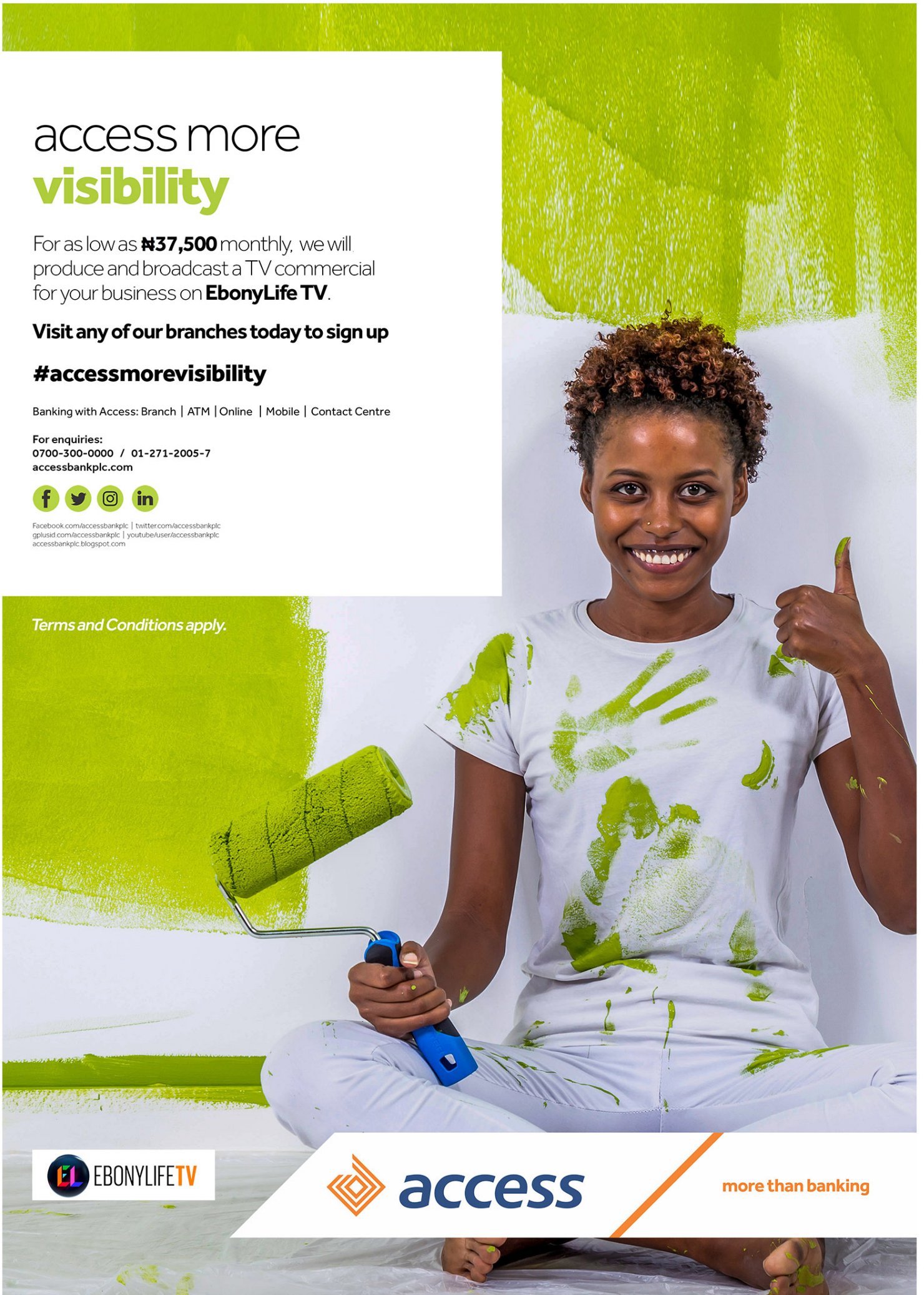


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