

Vi-M Professional Solutions
Tax Insight Card for Companies and Registered Business Names/ Individuals
Updated 10 August 2016

Tax Registration

Every business should register for Tax to get a Tax Identification Number (TIN) once the business commences operation. Some banks would not open account for the business without the TIN from FIRS. The TIN is the number which every taxpayer is required to supply when paying tax.

	Incorporated Businesses (Companies)	Registered Business Names
Tax Identification Number (TIN)	The Taxpayer Identification Number (TIN) is a unique number allocated and issued to identify a person (individual or company) as a duly registered taxpayer in Nigeria. It is for use by that taxpayer alone. Registration for tax purposes is a legal obligation of every person who is required to pay tax in Nigeria.	Same as for Companies
Registration with Federal Government through the Federal Inland Revenue Service (FIRS)	Because companies (incorporated entities) income taxes are payable to the Federal government, companies should register for tax with FIRS tax office closest to where the company resides, to get a TIN. FIRS is the tax collecting agency of the Federal government.	See note on VAT registration below.
Registration with the State Governments through the States Boards of Internal Revenue Service (SBIRs)	They should also register with the SBIR office closest to where the company operates to get a state government TIN in order to be able to remit employee taxes. The SBIR (e.g. LIRS for Lagos State) is the tax collecting agency of the state governments. Individuals, business names and employee taxes are payable to the State Governments.	Unincorporated businesses/ individuals should register for tax at the closest office of the State Board of Internal Revenue Service (SBIR) in the state where the business or individual is resident, to get a State government TIN. This is because their taxes are to be collected by State governments.
Registration for Value Added Tax (VAT)	VAT is payable to FIRS alone. Companies should also register for VAT at the same time it is registering to get a TIN from FIRS (or within 6 months of commencement of business). Both forms are given out once, for registration. The TIN will also be used to pay all taxes payable to FIRS.	Unincorporated entities are also required to register for VAT at the FIRS tax office closest to where the business operates (within 6 months of commencement of business). After this, the business will be issued a TIN for payment of VAT. Only FIRS collects VAT and this is why unincorporated businesses are also required to register for VAT with FIRS in addition to the State registration.

Filing of Tax Returns versus Payment of Tax

Tax Returns include required documentations for each particular tax type which must be submitted to the tax office(s) of registration at the stipulated due dates. Tax payment is actual payment of the taxes due using taxpayers' TIN, and through the banks. Tax returns filing/submission is different from tax payment. The evidence of tax payment is also one of the documents required to be submitted while filing each tax type. Both incorporated and unincorporated entities are required to pay taxes, and to submit returns for different categories of taxes and at specified dates.

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Major Tax Types for Nigerian Entities (<i>*There are other very small taxes/levies though, which only applies in peculiar situations, depending on line of business</i>)		
1. Pay-As-You-Earn (P.A.Y.E.)- Tax on employees' incomes		
	Incorporated Businesses (Companies)	Registered Business Names
Payment of PAYE	PAYE is to be paid on a monthly basis by every company (through its banker), on behalf of all its employees and contract workers working full time in the company's premises, to the SBIR of each of their states of residence. Payment for PAYE is to be made on or before the 10th of the month following the month of salary payment. Rate of PAYE is based on a graduated tax table.	Same as for Companies
Submission of PAYE schedule to banker	A schedule of salaries and tax deducted (in specified format- Tax Assist software- www.vi-mtaxassist.com reports are in this format) is also expected to be submitted to the banker while payment is being made, on a monthly basis.	Same as for Companies
Filing of annual employee returns (form H1)	PAYE filing (or returns) is only required to be made once a year (before 31 January), to the SBIR of the states of residence of all the employees involved using a specified form H1.	Same as for Companies
Filing of annual taxpayer returns (form A)	All the employees are also required to file their own tax returns to the SBIR of residence using the prescribed form A, on or before 31 March of every year. In practice, this is usually initiated by and completed through the employer.	Same as for Companies
Personal Income Tax (direct assessment)	Not Applicable	This is payable only by registered business names (partnerships included). It is payable by the business and its owners and not by the employees. Businesses should pay and file PIT with the SBIR of residence on or before 31 March every year. There are also special rules guiding PIT computations for the 1st 3 years of commencement of business. Rate of PIT is the same graduated tax table used for PAYE.
2. Value Added Tax (VAT)- Tax on supplies of goods and services		
	Incorporated Businesses (Companies)	Registered Business Names
Payment of VAT	VAT is to be paid on a monthly basis to FIRS as long as the business makes taxable supplies.i.e. supplies of goods/services which are not exempted from VAT (see list on VAT calculator page of Tax Assist software- www.vi-mtaxassist.com). VAT payment should start compulsorily within 6 months of commencement of business. It is to be made through the companies' bank or internet banking platform, on or before the 21 of the month following the month of transaction. Rate of VAT is 5%. The taxpayer is expected to follow up with the tax office of registration to collect treasury receipts for the monthly VAT paid.	Same as for companies
Input VAT	VAT paid on goods purchased for resale.	Same as for companies
Output VAT	VAT applied by the taxpayer to his/her goods sold.	Same as for companies

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VAT Payable	This is derived by deducting VAT paid (input VAT) from VAT charged (output VAT).	Same as for companies
Filing of VAT Returns	VAT is to be filed (with prescribed form 002), on a monthly basis, on or before the 21 of the month following the month of transaction. The completed VAT form 002, evidence of payment and other required documentations are packaged and filed at the FIRS' tax office of registration.	Same as for companies
3. Withholding Tax (WHT)- Tax to be deducted from suppliers' monies when making payments to them for goods/services supplied		
	Incorporated Businesses (Companies)	Registered Business Names
Withholding tax deduction	WHT is to be deducted by every company, paying its suppliers of goods and services (except goods supplied in the ordinary course of business), from such payments being made to its suppliers.	Same as for Companies
WHT Payment	There are different rates of WHT depending on the type of transaction giving rise to the payment. WHT is to be paid through the bank every month, on or before 21st day of the month following the month of deduction.	Same as for Companies
WHT Payment for Unincorporated/ Individual Suppliers	WHT deductions from individuals or unincorporated businesses are paid to the SBIR of their different states of residence.	Same as for Companies
WHT Payment for Incorporated Company Suppliers	WHT deductions from suppliers who are companies, are paid to FIRS.	Same as for Companies
Schedule to be Submitted to Banker	The WHT payment should be accompanied by a schedule of suppliers' names, TIN, amount of transaction and amount deducted.	Same as for Companies
WHT Receipts versus WHT Credit Notes	After the monthly payments, the Company is expected to collect its treasury receipt(s) from the different tax office(s) for its records, and in addition, collect WHT credit notes for return to each of the suppliers from whose money tax has been deducted. These WHT credit notes are for use by their owners (suppliers) for future offset of their own tax liabilities.	Same as for Companies
4. Companies Income Tax (CIT)- Tax on profits of Companies (at the rate of 30%).		
	Incorporated Businesses (Companies)	Registered Business Names
Payment of CIT	Companies should commence payment of CIT within 18 months of incorporation of business (regardless of whether business activities have commenced) or 6 months after accounting year end, whichever is earlier. There are special rules guiding CIT computations for the 1st 3 years of commencement of business. For a business not within its 1st 3 years of commencement, CIT payment is to be made not later than 6 months after each accounting year end. Payment should accompany filing but it can also be paid in monthly installments not exceeding 6. Rate of CIT is 30% of taxable profits [this is different from accounting profits and is based on the fact that certain expenses or incomes (even though required to be recognised by the accounting standards) are either not allowed or not taxed according to the tax laws].	Not Applicable
Filing of CIT Returns	Companies should commence filing of CIT within 18 months of incorporation of business (regardless of whether business activities have commenced) or 6 months after accounting year end, whichever is earlier. Where the company is yet to commence business, CIT will still be required to be filed even though nil amount will be payable since no income is being received by the business yet. For a company not within commencement period, CIT is to be filed not later than 6 months after each accounting year end.	Not Applicable

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5. Tertiary Education Tax (TET)- Annual tax on companies as contribution to the Tertiary Education Fund		
	Incorporated Businesses (Companies)	Registered Business Names
Payment and filing of TET	To be paid at the rate of 2% of assessable profits (computed during CIT computations) and filed alongside CIT once a year by every company.	Not applicable
6. Capital Gains Tax (CGT)- Tax to be paid on gains made from disposal of chargeable (capital) assets.		
	Incorporated Businesses (Companies)	Registered Business Names
Payment of CGT	Rate of CGT is 10% of gains made on disposal of chargeable assets (assets that are capital in nature, including currency). This is computed and paid to FIRS once a year, at the time paying CIT.	Rate of CGT is 10% of gains made on disposal of chargeable assets (assets that are capital in nature, including currency). This is computed and paid by every unincorporated business to SBIR once a year at the time of paying PIT.
Filing of CGT Returns	CGT returns are to be filed by every company, using the prescribed self-assessment form, to FIRS once a year. It is required to be filed alongside CIT.	CGT returns are to be filed by every business, to SBIR, once a year. It is required to be filed alongside PIT.
7. Business Premises Levy- Annual levy on business premises		
	Incorporated Businesses (Companies)	Registered Business Names
Business Premises Levy	This is to be paid to SBIR of the company's residence, once a year, at year end. Before 2015, it was N5,000 in urban areas and N2,000 in rural areas. After the ammendment of the law in 2015, States are now at liberty to fix their own thresholds for this levy.	Same as for companies
Filing Requirements	None	None
8. Development Levy- Annual levy on all employees @ N100 each		
	Incorporated Businesses (Companies)	Registered Business Names
Development Levy	Payable by every employer on behalf of employees to their respective SBIR of residence, once a year.	Same as for companies
9. Transfer Pricing Returns- Declaration and disclosure of related party transactions (for companies operating in a group or under common control)		
	Incorporated Businesses (Companies)	Registered Business Names
Transfer Pricing returns	To be made by related party companies, once a year, alongside CIT returns.	Not applicable
10. Hotel Occupancy and Consumption Tax- Tax on foods/drinks/accommodation sold by hoteliers and public eateries/ entertainment houses.		
	Incorporated Businesses (Companies)	Registered Business Names
Payment of Hotel Occupancy and Consumption Tax	Rate of tax is 5%, payable to SBIR (not FIRS) of business residence, on sale of consumables in public places, hotels and restaurants. This does not preclude VAT on the same sales. Only businesses in this sector are to pay this tax.	Rate of tax is 5% payable to SBIR of business residence, on sale of consumables in public places, hotels and restaurants. This does not preclude VAT on the same sales. Only businesses in this sector are to pay this tax.
11. Petroleum Profits Tax (PPT)- Tax on profits of companies engaged in petroleum operations.		
	Incorporated Businesses (Companies)	Registered Business Names
Payment of PPT	Payable only by companies engaged in petroleum operations.	Not Applicable

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12. National Information Technology Development Agency (NITD) Levy- Levy on certain companies towards Technology Development Fund		
	Incorporated Businesses (Companies)	Registered Business Names
NITD Levy	Only for GSM service providers and telecommunication Companies, cyber Companies and internet providers, pension fund managers and pension related Companies, banks, other financial institutions and insurance Companies with a turnover of N100m and above. Payable at 1% of profit before tax.	Not Applicable
Abuja residents		
	Incorporated Businesses (Companies)	Registered Business Names
Payment of taxes by those residing in Abuja	Companies resident in Abuja should pay all the taxes payable to FIRS as detailed above, but taxes payable to SBIR as analysed above should be paid to the FCT Internal Revenue Service (FCT IRS) instead (through FIRS). The FCT IRS in the Federal Capital Territory is the equivalence of SBIR in other states.	Individuals, employees and business names resident in Abuja should pay all the taxes payable to SBIR as analysed above to the FCT Internal Revenue Service (FCT IRS) instead, (through FIRS). But taxes payable to FIRS (VAT, for instance) as explained above should still be paid to FIRS. The FCT IRS in the Federal Capital Territory is the equivalence of SBIR in other states.
Penalties		
There are penalties, including fines, imprisonment (upon conviction) or both, interest at Monetary Policy Rate (MPR) or penalties as a percentage of the unpaid taxes, prescribed by all the various tax laws giving existence to all the taxes described above. All taxes are made legal by the tax laws which create them. To access the tax laws, please download Vi-M's Tax Law App from Google Play. The name of the app on Google Play is 'Tax Law Book' and it is a compilation of Nigerian tax related laws and Regulations (24 in all). Link - play.google.com/store/apps/details?id=com.vi_m.tax		

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Vi-M professional solutions is a niche accountancy and professional consulting firm, made up of a collaboration of young, innovative and vibrant minds; whose goal is to assist businesses cut through the thick of today's challenging business world. Vi-M's mission is to take the burden off the minds of the business executives and to provide a soft sail through the ever changing fiscal terrain of the growing Nigerian economy: from business positioning strategies, to end to end back office finance, business process improvement and talent management support, to the perfect tax effective structure for your line of business. Vi-M would stop at nothing to develop that personalized service or product offering which would resolve your needs and help to create and sustain that conducive, stress free business environment.

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To contact us, please send an email to clients@vi-m.com or call +234 1 4623411- Ext 516