Nigerian businesses need to get their tax act together

Nigeria's federal and state tax authorities are taking a hard line towards non-compliance as they race to bring in new tax revenues to compensate for falling oil revenues. Companies should respond by putting in place systems and processes that enable them to report accurately on revenue and expenses and to streamline tax submissions.

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The Federal Inland Revenue Service (FIRS) recently said it has been able to add 700,000 companies to the tax base by deploying inspectors armed with notebooks to register businesses and individuals.

These companies are then audited to check whether they have paid their taxes. The FIRS has also approved a 45-day tax waiver window on penalty and interest accruing from outstanding tax liabilities for the period, 2013 to 2015.

Those businesses that have not yet complied may benefit from this waiver to get their affairs in order. This means companies would only need to pay the principle amount of tax they owe, which could save them a substantial amount of money.

However, those that don't comply are bound to face stiff penalties, including fines, punitive interest, and possible criminal prosecution of CEOs and board members, and closure of their offices.

Zero tolerance

The tough tone from Nigeria's tax authorities shows that companies can no longer risk non-payment of tax or incorrect remittances of taxes to the relevant government agencies, whether the reason is deliberate evasion or an accidental oversight.

One of the most common reasons for non-compliance is that many organisations don't have automated systems for accurate recordkeeping, precise calculations and deductions, and preparation and submissions of necessary statutory returns.

Some examples of employee-related tax obligations Nigerian companies face include the following:

- Filing annual returns of all remuneration paid to their employees and taxes deducted and remitted to the tax authorities on or before 31 January of every year. Failure to do so carries a maximum penalty of N500, 000 for the employer and N50, 000 for individuals.

- Remittance of Pay-As-You-Earn (PAYE) tax each month for each employee to the relevant state internal revenue services, on or before the 10th day of the following month.

- Contributions of 10% and 8%, respectively, of their employees' monthly remuneration to Nigeria's contributory pension scheme.

- Statutory payments, such as the Employee Compensation Scheme (formerly known as the Workmen's Compensation Act), Development Levy, National Housing Fund and Industrial Training Fund.

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