



AN EXAMINATION OF THE MEASURES TO MITIGATE THE IMPACT OF COVID-19 ON TAXPAYERS IN NIGERIA

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AELEX

APRIL 2020

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INTRODUCTION

As Covid-19 continues to impact all aspects of our lives, taxpayers are rightly seeking emergency tax measures to mitigate the impact of Covid-19 on their businesses. We examine below the measures that have been introduced to mitigate the impact on taxpayers.

THE ECONOMIC STIMULUS BILL

The House of Representatives passed the “Emergency Economic Stimulus Bill 2020” (“the Bill”) which provides that employers (with the exception of oil companies) who retain the same employees from 1 March 2020 till the 31 December 2020 will enjoy a 50%-income tax rebate on the total PAYE amount due or paid. The Bill also suspends the payment of import duty on medical equipment, medicines, personal protective equipment and other medical necessities required for the treatment and management of COVID-19 in Nigeria.

TAX DEDUCTIBILITY OF DONATIONS TO MITIGATE THE IMPACT OF COVID-19

In a Press Statement dated 6 April 2020, the Minister of Finance, Budget and National Planning announced that as part of a fiscal stimulus package to manage the adverse impacts of the COVID-19 pandemic, ministerial orders and circulars will be issued for charitable donations in support of the fight against the Covid-19 pandemic to be tax deductible. It is advisable that tax payers desirous of donating to mitigate the impact of Covid-19 should seek tax advice regarding the deductibility of such donations.

MEASURES BY THE INLAND REVENUE SERVICES OF LAGOS AND THE FEDERAL CAPITAL TERRITORY (FCT)

Taxpayers are seeking deferral of tax payment and filing obligations. In this respect, the deadline for filing personal income tax returns for 2020 has been extended by the Lagos Inland Revenue Service (LIRS) by 2 months (from 31 March to 31 May 2020), and by 3 months (from 31 March to 30 June 2020) by the FCT-Inland Revenue Service.

However, the LIRS and the FCT-IRS did not extend the deadlines for filing monthly PAYE return (due 10th day of every month) or the deadline for filing WHT return. Given the current lockdown in Lagos State and the Federal Capital Territory, taxpayers would have to utilise their online platforms to fulfil these obligations or apply for extension, if necessary.

Taxpayers in other states should begin to engage the respective tax authorities for deferral of tax payment and filing obligations in the event of a lockdown or engage a consultant to do so.

MEASURE BY THE FEDERAL INLAND REVENUE SERVICE

The Federal Inland Revenue Service (FIRS) has granted the following concessions to tax payers:

- Extension of the deadline for the filing of VAT and withholding tax returns from 21st to the last day of the subsequent month of a relevant transaction.
- Extension of the deadline to file PIT returns for foreign affairs, non-residents, military and police personnel to 30 June 2020.
- Extension of the deadline of companies income tax ("CIT") return (and by extension, transfer pricing returns) by one month. Also, taxpayers who pay CIT early but file CIT returns late will not pay late filing penalty.

- CIT return may be filed with unaudited accounts, but the audited accounts must be filed within two months.
- Taxes required to be paid in foreign currency can be paid in Naira at the prevailing Investors & Exporters Forex windows rate on the day of payment.

To ease tax payment and tax filings during the lockdown, the FIRS has introduced the following:

- the use of its e-platforms for (i) filing of tax returns, (ii) payment of taxes, and (iii) applying for tax clearance certificates.
- a VAT automation system for branded shops, super stores, general supermarkets, standard restaurants, and eateries. This automated VAT system took effect from Wednesday, 1 April 2020 and will now be the approved channel for all VAT returns filing and payment of VAT.

CONCLUSION

It has been rightly observed that the Bill, which is currently pending before the Senate, is not likely to achieve the desired effect of incentivising employers to retain all their employees if the Covid-19 disruptions continue to negatively impact businesses. As such, it is expected that additional emergency tax measures would be introduced. However, in light of dwindling oil revenues, low external foreign currency reserves, and the resulting need to generate tax revenue, it is unclear to what extent government would be willing to introduce such emergency measures. Individuals and businesses should, therefore, seek tax advice on the options to mitigate the impact of COVID-19 on their operations.

Whilst it may be expedient for the tax authorities to defer tax payment and filing obligations, any concession by a tax authority will be void if the relevant legislation does not empower the tax authority to make such a concession.



Consequently, taxpayers should seek advice on extension of filing deadlines, deferral of tax obligations, and on the other concessions offered by tax authorities.

Finally, it is important to note that the disruptions caused by Covid-19 do not suspend tax obligations. Given that the penalty and interest for non-compliance with tax obligations are very substantial, taxpayers should seek advice on how to manage their tax obligations in light of the Covid-19 pandemic.



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