



# TAX NEWSLETTER

## MAY 2022 EDITION

We welcome you to another edition of the PML Tax Newsletter; your *one-stop shop* for all the latest happenings and information around the tax space.

In this edition, we will extensively focus on Companies Income Tax (CIT), since we are in the CIT filing season for most taxpayers. We have therefore put together **Companies Income Tax (CIT) - All You Need to Know + Do.**

In other news, the Federal Inland Revenue Service (FIRS) has, in its **Public Notice**, directed all companies that enjoyed capital allowances on their assets between 2016 and 2021 years of assessment, to submit their Certificates of Acceptance no later than 31 October 2022.

You can follow us on Social Media – [Facebook](#), [Instagram](#), [LinkedIn](#), and [Twitter](#). You can also reach us by mail on [tax@pml.com.ng](mailto:tax@pml.com.ng) or by telephone on +234 906 228 8809.

Till you hear from me again next month, please keep staying safe.

**‘Murewa Agagu**

# Companies Income Tax in Nigeria – All You Need to Know

## Introduction

Companies Income Tax ("**CIT**") is the tax levied on the profits of incorporated companies in Nigeria, as well as on the profits of foreign companies carrying out business transactions in Nigeria. Companies resident in Nigeria are taxed on their worldwide income while non-resident companies are taxed on the portion of their income derived in Nigeria. CIT is levied on a company's accounting profits after it has been duly adjusted for tax purposes. Please note that CIT is **not** levied on the profits of Business Names registered in Nigeria.

CIT is legally backed up in Nigeria by the Companies Income Tax Act, as amended ("**CITA**"), and it is administered by the Federal Inland Revenue Service ("**FIRS**").

## CIT Rates in Nigeria

CITA, as amended by the Finance Act, 2019, currently provides for CIT to be charged at the following rates:

- Small companies with a gross turnover of below N25million are taxed at a rate of 0%, i.e., such companies are exempted from CIT;
- Medium companies with a gross turnover of between N25million and N100million are taxed at a rate of 20%; and
- Large companies with a gross turnover of above N100million are taxed at a rate of 30%.



## Minimum Tax

Minimum tax, as the name implies, is the minimum amount payable by a company, as CIT, in any year. Minimum tax is computed at 0.5% of the gross turnover of a company. However, Finance Acts, 2020 and 2021 provided for a reduction of the minimum tax rate to 0.25% for any two accounting periods between January 2020 and December 2021.

Minimum Tax under CITA arises where:

- A company has no tax payable; or
- Tax payable is less than minimum tax.

Any company that is still in its first four (4) years of operation is exempted from minimum tax.

## Allowable and Non-Allowable Deductions for CIT Purposes

Sections 24, 25, 25A, and 26 of CITA, detail all deductions that are allowable for CIT purposes, some of which include:

- Any sum payable by way of interest on any money borrowed and employed as capital in acquiring the profits;
- Rent for that period, and premiums the liability for which was incurred during that period, in respect of land or building occupied for the purposes of acquiring accommodation occupied by employees of the company;
- Any outlay or expenses incurred during the year in respect of: (i) salary, wages, or other remuneration paid to the senior staff and executives; and (ii) cost to the company of any benefit or allowance provided for the senior staff and executives which shall not exceed the limit of the amount prescribed by the collective agreement between the company and the employees;
- Bad debts incurred in the course of a trade or business proved to have become bad during the period for which the profits are being ascertained;
- Any contribution to a pension, provident or other retirement benefits fund, society or scheme approved by the Joint Tax Board;
- Donations made to fund, body or institutions in Nigeria, as specified by Section 25; and
- Any deduction for the purpose of research and development, provided such a deduction does not exceed 10% of the profit ascertained before any deductions.

Section 27 of CITA details all deductions that are not allowable for CIT purposes (also known as disallowable deductions). Some of these deductions include:

- Depreciation of any asset;
- Capital repaid or withdrawn and any expenditure of a capital nature;
- Any expense whatsoever incurred within or outside Nigeria as management fee under any agreement entered into except to the extent as the Minister may allow;
- Any sum recoverable under an insurance or contract of indemnity;
- Taxes on income or profits levied in Nigeria or elsewhere, other than tax levied outside Nigeria on profits which are also chargeable to tax in Nigeria where relief for the double taxation of those profits may not be given under any other provision of this CITA; and
- Any payment to a savings, widows and orphans, pension, provident or other retirement benefit fund, society or scheme except as permitted by paragraph (g) of section 24 of CITA

## Self-Assessment of Tax Payable & Currency of Assessment

For CIT, a taxpayer is assessed using the self-assessment basis. This means that a taxpayer is permitted, by the FIRS, to estimate its chargeable income as well as tax payable for any particular year of assessment, as provided for under Section 53 of CITA.

Per Section 54 of CITA, an income tax assessment shall be made in the currency in which the transaction(s) giving rise to the assessment was effected.

## Computation of Adjusted & Taxable Profits

Adjusted profit is computed after adding back all disallowable deductions and deducting all allowable deductions and incomes exempted. Taxable profit, on the other hand, is computed by adding the balancing charge (if any) to the adjusted profit and subtracting the capital allowance and loss relief.

## CIT Returns Filing

CIT returns should include: (i) audited financial statements for the period; and (ii) CIT computations for the period.

- For newly incorporated companies, CIT returns should be filed within eighteen (18) months from the date of incorporation or not later than six (6) months after the end of its accounting period, whichever is earlier.
- For existing companies, within six (6) months from the end of the accounting year.

## Penalty

Failure to file CIT returns attracts a penalty of N25,000 for the first month and N5,000 for each subsequent month of default, while late payment of CIT attracts a penalty of 10% plus interest at the commercial rate.

It is our hope that this article provides you with the requisite knowledge you need with respect to CIT. Do not hesitate to contact us at PML on [tax@pml.com.ng](mailto:tax@pml.com.ng) or +234 906 228 8809, to assist you with your CIT obligations.

# JUNE 2022 TAX DEADLINES



Set out below are the major deadlines in the month of June 2022, as relating to the Nigerian Tax space:

## **CIT & TET Remittance + Filing**

Companies whose financial year-end is November are to pay their Companies Income Tax (CIT) and Tertiary Education Tax (TET) to the Federal Inland Revenue Service (FIRS), via any of its designated banks, and thereafter file their CIT, TET and Transfer Pricing (where applicable) returns with the FIRS on or before Thursday, June 30, 2022.

## **ECS Contribution Payment**

Pay the Employees Contribution Scheme (ECS) contributions due on your employees' June 2022 emoluments to the Nigeria Social Insurance Trust Fund (NSITF), via any of its designated banks, on or before Thursday, June 30, 2022.

## **PAYE Remittance**

Remit all pay-as-you-earn (PAYE) deducted from employees' May 2022 emoluments to the Internal Revenue Service (IRS) of the State(s) where the said employees are resident, via any of the designated banks, on or before Friday, June 10, 2022.

## **Pension Remittance**

Remit all pension deducted (from employees' May 2022 emoluments) and contributed (by the employer) to the Pension Fund Custodian of the relevant employees. Remittance should be made within seven (7) business days of salary payment, i.e., companies that paid salaries on May 31, 2022 are to remit pension on or before Thursday, June 9, 2022.

## **NHF Remittance**

Remit the NHF deducted from employees' May 2022 emoluments, to the Federal Mortgage Bank of Nigeria, via any of its designated banks, on or before Thursday, June 30, 2022.

## **VAT Remittance + Filing**

Companies who meet the required threshold are to remit all Value Added Tax collected in the month of May 2022 to the FIRS, via any of its designated banks, and file their May 2022 VAT returns with the FIRS, on or before Tuesday, June 21, 2022.

## **WHT Remittance (FIRS)**

Remit the WHT deducted from payments made to all corporate and foreign entities in May 2022, to the FIRS, via any of its designated banks, on or before Tuesday, June 21, 2022.

## **WHT Remittance (SIRS)**

Remit the WHT deducted from payments made to all non-incorporated entities in May 2022, to the IRS of the State(s) where the said entities are resident, via any of the designated banks, on or before Thursday, June 30, 2022.

**Do have a tax-efficient month!**

# SERVICE OFFERINGS

- ▶ Companies Income Tax Management
- ▶ PAYE Returns Management
- ▶ Payroll Tax Management
- ▶ Personal Income Tax Management
- ▶ Micro Business Package
- ▶ Small and Medium Enterprises Business Package
- ▶ Tax Audits and Investigations Management
- ▶ Transfer Pricing Management
- ▶ Value Added Tax Management
- ▶ Withholding Tax Management (Payables)
- ▶ Withholding Tax Management (Receivables)

**Contact us today on +234 906 228 8809**