



# TAX NEWSLETTER

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

In this edition, we will focus extensively on tax audits and tax investigations, as we expect the tax authorities to begin to carry out tax audit exercises on various companies. Therefore, we put together a piece titled **Tax Audits and Investigations in Nigeria - What You Need to Know and Do.**

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

JULY 2022  
EDITION

# Tax Audits and Investigation in Nigeria: What You Need to Know and Do.

## What do you need to know?

Tax Audits is a careful assessment of taxpayers' tax records, by the relevant tax authority ("RTA"), in order to ascertain the level of compliance with the relevant Nigerian tax laws.

Usually, tax audits in Nigeria are of two forms - desk audit and field audit. A desk audit is a review of the self-assessment returns filed by a taxpayer, by the RTA, to ascertain its completeness, without being physically present at the taxpayer's premises. Field audit, on the other hand is a more detailed review of the taxpayer's records and it involves a physical visit of the RTA to the taxpayer's premises.

A typical tax audit cannot exceed six (6) years preceding the year in which the audit exercise is carried out.

## Tax Investigation

Tax Investigation on the other hand refers to the inquiry into a taxpayers' tax audit, by the RTA, in order to recover previously undercharged taxes. Unlike tax audit, tax investigation is triggered on the suspicion of fraud, tax evasion or willful default of the taxpayer with regards to non-compliance with tax obligations. Also, there is no time limit for tax investigations, and as such, tax investigation can go as far back as the incorporation date of a company.

It is worthy to note that the RTAs use the services of consultants, also known as Tax Audit Monitoring Agent ("TAMA") in carrying out both tax audit and tax investigation exercises.



## Stages of Tax Audit Process

For a taxpayer, a typical tax audit can be split into three major stages – the pre-audit stage, the field-audit stage, and the post-audit stage.

- **Pre-audit stage:** This stage involves determination of the field audit date, in-house review of all tax records for the relevant period, gathering of all requested documents and information, and setting up of the audit room.
- **Field-audit stage:** This involves receiving and welcoming the RTA's audit team ("Audit Team"), being on standby to provide answers to questions asked by the Audit Team, and also to provide additional documents requested for by the Audit Team.
- **Post-audit stage:** This basically involves reconciliation of the tax liability with the RTA, and it consists of objection to the RTA's demand notice and also holding reconciliation meetings with the RTA.

## What Do You Need to Do?

There are certain things that are to be done as well as steps that should be carried out to aid a smooth tax audit process. These steps are listed below:

1. Even before receiving a tax audit notification letter, try your very best to be tax-compliant; make your tax remittances on or before the due date and file your relevant returns as and when due. A high level of tax-compliance will aid the smoothness of any audit exercise.
2. Acknowledge the receipt of the RTA's audit notification letter and reschedule the date of the field audit exercise with the leader of the Audit Team. Note that this should be done formally – via a letter or a mail.
3. Carry out an in-house review of your tax records to ascertain your tax position and endeavour to remit any outstanding tax sum to the RTA, before the date of the field audit exercise.
4. Documentation is key. Ensure that you provide the Audit team with all requested and relevant documents such as audited financial statements, evidence of returns filing, evidence of remittances, rental agreement and receipts, etc. Failure to provide the Audit Team with the said documents gives room for an inflated tax liability (also known as best of judgement (BoJ)) from the RTA.
5. Set up the audit room with the relevant documents, at least 24 hours before the field audit exercise. Ensure that the documents are arranged in two separate sets – one set for the RTA officials, and the other for the TAMA.
6. Have a representative be on standby to provide answers to questions asked by the audit team.
7. Upon receiving a demand notice from the RTA where you do not agree with the tax liability, ensure that you submit an objection letter to the RTA – by way of a letter or a mail – on or before 30 days of receiving the said demand notice.
8. Upon receiving a notice for a reconciliation meeting, reschedule the date with the RTA (if there is need to) and ensure that you show up for meeting at the agreed date and time.
9. However, if you agree with the tax liability stated in the RTA's demand notice, remit the stated sum in bulk to the RTA or you can negotiate with the RTA to remit the said tax liability in instalments. This should be done within 30 days of receiving the demand notice from the RTA.
10. Finally, engage the services of a tax professional to assist you with all of the aforementioned steps. The need for a tax professional in ensuring that a tax audit exercise runs smoothly, cannot be over-emphasized.

At PML, we have a dedicated audit team that can manage your tax audit and investigation. Contact us today on [tax@pml.com.ng](mailto:tax@pml.com.ng) or +234 906 228 8809. We are always here to serve you.



# AUGUST 2022 TAX DEADLINES



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

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

Companies whose financial year-end is February are to pay their Companies Income Tax (CIT) and Tertiary Education Tax (TET) to the Federal Inland Revenue Service (FIRS), and thereafter file their CIT, TET and Transfer Pricing (where applicable) returns with the FIRS, via the FIRS TaxPro Max portal, on or before Wednesday, August 31, 2022.

## **ECS Contribution Payment**

Pay the Employees Contribution Scheme (ECS) contributions due on your employees' August 2022 emoluments to the Nigeria Social Insurance Trust Fund (NSITF), via any of its designated banks, on or before Wednesday, August 31, 2022.

## **PAYE Remittance**

Remit all pay-as-you-earn (PAYE) deducted from employees' July 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 Wednesday, August 10, 2022.

## **Pension Remittance**

Remit all pension deducted (from employees' July 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 July 31, 2022 are to remit pension on or before Tuesday, August 9, 2022.

## **NHF Remittance**

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

## **VAT Remittance + Filing**

Companies who meet the required threshold are to remit all Value Added Tax collected in the month of July 2022 to the FIRS, via any of its designated banks, and file their July 2022 VAT returns with the FIRS, on or before Friday, August 19, 2022.

## **WHT Remittance (FIRS)**

Remit the WHT deducted from payments made to all corporate and foreign entities in July 2022, to the FIRS, via any of its designated banks, on or before Friday, August 19, 2022.

## **WHT Remittance (SIRS)**

Remit the WHT deducted from payments made to all non-incorporated entities in July 2022, to the IRS of the State(s) where the said entities are resident, via any of the designated banks, on or before Tuesday, August 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**