



# TAX NEWSLETTER

We welcome you to the penultimate edition of the PML Tax Newsletter in year 2022.

As the year draws to a close, it is our duty to keep you informed about the most relevant tax issues in Nigeria, and PML Tax Newsletter remains your one-stop shop for all the happenings and information around the tax space.

Recall that in our [May 2022](#) edition of our PML Tax Newsletter, we had informed you that FIRS, through 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. In this edition, we will shed more light on Certificate of Acceptance of Fixed Asset, with a piece titled **Capital Asset Certification – All You Need To Know + Do**.

In other news:

- FIRS has issued a [Public Notice](#) notifying public companies engaged in **online gaming activities** that the tax administration will now be automated using Sentinel Payment Gateway and Electronic System. Therefore, companies offering gaming services in Nigeria are required, not later than 31 December 2022, to connect to the Sentinel National Payment Gateway.
- Also, FIRS has issued another [Public Notice](#) on the one-off waiver of late returns penalty and interest imposed on established tax liabilities by the Tax ProMax until 31 December 2022. We therefore urge you to take advantage of this window and defray your outstanding tax liabilities, if any, before the deadline.

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**

NOVEMBER 2022  
EDITION

# Capital Asset Certification – All You Need To Know + Do

Capital asset certification, as the name implies, is the certification of capital expenditure (fixed assets), for the purpose of claiming certain tax reliefs. Ideally, when a fixed asset is certified, a document called certificate of acceptance of fixed asset (“CAFA”) is issued in respect of that asset.

It is impossible to discuss capital asset certification in isolation, without talking about capital allowance. This is because for an asset to meet the requirements to be issued CAFA, it must have met the capital allowance conditions. Also, CAFA must have been issued and submitted before capital allowance would be allowed on any fixed asset.

## Capital allowance

Capital allowance can be defined as an allowance granted on capital expenditures, in place of depreciation, for income tax purposes. Certain conditions are to be met by any taxpayer before claiming capital allowance.

## Conditions for granting Capital Allowance

The following are conditions that must be fulfilled before capital expenditure can be granted:

1. A claim must be made by the taxpayer before the allowance can be granted
2. The qualifying capital asset must be incurred and owned by the company.
3. It must be used by the company on the last day of the company financial year for the purpose of the company's activities.
4. The ownership and usage of the asset by the company should not be in doubt as at the last day of the basis period.

For companies that rely heavily on assets for the generation of profits, capital and investment allowances are very important because they are used to reduce the profits earned, for the purpose of taxation. On the other hand, the tax authorities would be inclined to disallow such capital allowance claims where appropriate third party documentation and CAFA are not available.

## Certificate of Acceptance of Fixed Asset

According to Section 3 of the Industrial Inspectorate Act (“IIA”), which established the Industrial Inspectorate Department (“IID”) in the Federal Ministry of Industries, any person proposing to make capital expenditure of not less than N500,000 on additions to existing assets or acquisition of new assets respectively, is required to notify the IID, who will in turn carry out investigations into the proposed new and, or existing undertaking, involving the proposed capital expenditure. Therefore, companies intending to incur new or additional capital expenditure must inform the IID of their intention, go through the necessary verification process, and where the IID is satisfied with the value of the capital expenditure, the IID will issue CAFA to the company.

## Importance of CAFA

Without CAFA, issues may arise when reporting the financial value of a fixed asset to different regulatory bodies in Nigeria. Failure to obtain CAFA could result in the FIRS disallowing any capital allowance claimed by a company in respect of the fixed assets purchased, on the basis that the company has failed to comply with the law.

## Procedure in Obtaining CAFA

- A company must inform IID of its intention to incur capital asset
- IID estimates the cost for projected new and, or existing capital asset
- Confirmation of the fixed asset schedule.
- The company then submits a written application
- IID will check the application and visits the company for physical inspection of the asset. Documents relating to the purchase may also be requested for. For fairly used equipment, additional information relating to the history of the equipment will be demanded for.
- Where the IID is satisfied, it will then issue CAFA.

## Conclusion

It is important for Companies that intend to enjoy capital allowances on qualifying capital expenditures ("QCEs") of ₦500,000 and above to obtain CAFA from the IID, as the FIRS has mandated all companies to provide CAFA in respect of QCEs exceeding ₦500,000, incurred in each year of assessment, before granting capital allowance on such assets.

For more enquiries on CAFA, feel free to reach out to us on [tax@pml.com.ng](mailto:tax@pml.com.ng) or +234 906 228 8809. We are always here to serve you.



# DECEMBER 2022 TAX DEADLINES



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

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

Companies whose financial year-end is June 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 Friday, December 30, 2022.

## **ECS Contribution Payment**

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

## **PAYE Remittance**

Remit all pay-as-you-earn (PAYE) deducted from employees' November 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, December 9, 2022.

## **Pension Remittance**

Remit all pension deducted (from employees' November 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 November 30, 2022 are to remit pension on or before Friday, December 9, 2022.

## **NHF Remittance**

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

## **VAT Remittance + Filing**

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

## **WHT Remittance (FIRS)**

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

## **WHT Remittance (SIRS)**

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