

FIRS EXTENDS THE DEADLINES FOR WITHHOLDING TAX VALIDATION AND TAX RETURNS FILING FOR THE 2021 YEAR OF ASSESSMENT BY ONE MONTH

Summary



On July 1, 2021, the Federal Inland Revenue Service (“FIRS”) issued a public notice, granting one (1) month extension from the 30th of June, 2021, for companies to comply with their tax obligations for the 2021 Year of Assessment. The public notice, titled **“RE: Section 55, Companies Income Tax Act (LFN C21, 2004) – Extension of Time to File 2021 Year of Assessment (YOA) Income Tax Returns”**, extends the timeline for withholding tax validation and tax returns filing for the stated period for one month, until the end of July 2021.

By the public notice, all companies whose income tax returns for the 2021 Year of Assessment fell due on June 30, 2021, are granted a (one-off) one-month extension (with late filing penalty and interest for late payment suspended) until July 31, 2021; provided the filing process is concluded on the TaxProMax platform and the tax due is paid using the Validity of Payment Reference Number (“PRN”) not later than July 31, 2021. The public notice also extends the period for uploading Withholding Tax (“WHT”) credit notes unto the TaxProMax platform by one month, to July 31, 2021.

Further, taxpayers are notified, in the public notice, of recent improvements to the TaxProMax platform by the introduction of the following features:

- (a) Taxpayers can now make payment on account, that is, pay tax on account pending assessment (the system will apply such advance tax payment to a future assessment);

(b) Taxpayers' PRN shall remain valid until the midnight of the due date for the filing of the relevant tax return; and

(c) Companies can now make payment for Value Added Tax and WHT using the Branch Tax Identification Number.

Commentary

The TaxPro-Max platform has been introduced by the FIRS, pursuant to the provisions of Section 25(4) of the *FIRS (Establishment) Act 2007*¹. It is an online/electronic administrative tool provided for the purpose of facilitating seamless tax administration, as it enables online tax registration, tax filing, tax payment, WHT credit note validation, and related tax matters. We note that taxpayers have experienced certain challenges while using the platform since its introduction. This, in our view, may have necessitated the upgraded features of the TaxProMax platform.

Subject to the provisions of the *Companies Income Tax Act*² ("CITA") or any regulation duly made pursuant to the CITA, every company is required to file income tax return containing prescribed information, within six (6) months after the end of its accounting year or eighteen

¹ (As amended by section 51 of the Finance Act 2020). The section provides that the FIRS may deploy proprietary technology to automate the tax administration process including tax assessment and information gathering provided it gives thirty (30) days' notice to the taxpayer.

² Cap. C21 Laws of the Federation of Nigeria 2004 (as amended by the Companies Income Tax (Amendment) Act 2007, the Finance Act 2019, and the Finance Act 2020).

(18) months after incorporation. This requirement extends to a foreign company that derives profit from or is taxable in Nigeria³. For a non-resident company that derives income but without significant economic presence in Nigeria, the obligation is limited only to the validation of the applicable WHT.⁴

WHT
Withholding Tax



We note that the FIRS is statutorily empowered to extend the period within which a company is required to file income tax returns, where the company makes an application in writing to the Board of the FIRS before the expiration of the stipulated timeline, requesting for the extension and showing good and satisfactory cause for its inability to comply with the timeline⁵.

³ Section 55, CITA.

⁴ Section 13(2)(e), CITA.

⁵ See Section 59, CITA.

However, we reckon that a significant number of taxpayers using the TaxProMax platform may have missed the deadlines for completing the returns-filing process and WHT credit-notes uploading, due to the technical hitches initially experienced on the platform. The extension granted in the Notice is therefore necessary to shield taxpayers from penalties and interest for defaults beyond their control. We are mindful that most tax authorities, including the FIRS, granted similar forbearance to taxpayers in many jurisdictions at the peak of the COVID-19 pandemic. Since many Nigerian entities are yet to completely come out of the negative effects of the pandemic on their operations and bottom line, the one-month extension granted in the public notice can be viewed as part of FIRS' pandemic-related extraordinary reliefs to taxpayers.

It is noteworthy that the wording of the public notice suggests that taxpayers not using the platform, such as non-resident companies, companies operating within free trade zones, and companies making payments in currencies other than the Naira, may be unable to take advantage of the extension granted.

In the meantime, taxpayers who are yet to file their tax returns and upload their WHT credit notes on the TaxProMax platform, may take advantage of this extension to avoid the penalty for non-compliance.

The Grey Matter Concept is an initiative of the law firm, Banwo & Ighodalo.

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