

Notification to file Company's Income Tax returns: 2023 Year of Assessment (YOA)



GENERAL

Section 55 (1) of the Companies Income Tax Act (CITA), 2004 (as amended) provides that:

“Every company including a company granted exemption from incorporation shall, whether or not a company is liable to pay tax, under this act for a year of assessment, with or without notice from the service, file a self-assessment return with the service in the prescribed form at least once a year not later than the sixth month from the company’s year-end”.

Based on the above, Section 55 (3) of CITA emphasizes that every company must file income tax returns within 6 months after the financial year end or 18 months of incorporation for new company whichever is earlier. This means that for company whose financial year end is 31st December 2022, the income tax returns must be filed with Federal Inland Revenue Service (the Service) not later than 30th June 2023.

The following points are to be noted for self-assessment filing:

- b. For sub-regulation (1) (b) and (c) of this Regulation, the Company must provide verifiable evidence of the fire or natural disaster or the death of the principal officer of the Company.

2. Payment of tax liabilities in Instalments:

Section 77(4) of CITA provides that:

“Every company shall make payment of tax due on or before the due date of filing, in one lump sum or in installment:

Provided that, where the taxpayers pay in installments-

- a. the taxpayer shall first write, with evidence of payment the first installment, and obtain the approval of the Service to pay in such number of installments as may be approved by the Service, and
- b. the final installment must be paid on or before the due date of filing....”

- a. 2%, if such company is a medium-sized company; and
- b. 1% for large-sized company.

On the amount of tax paid, which shall be available as a credit against future taxes.

This implies that a company that defrays its tax liability 3 months before the due date i.e., not later than March 31, 2023, for 30 June 2023 due date of filing, will be entitled to a bonus of 2% for medium size company

1. Application for extension to file tax returns

Please note where the Company is seeking an extension to file its returns, the Service grants approval only if the Company provides evidence of the following reasons as stated in Paragraph 14 of the FIRS Tax Administration (Self-Assessment Regulation) 2011 which states that:

- α. In granting any extension under Regulation 13 of these Regulations, the board of the relevant tax authority shall take the following into consideration:
 - ι. *In the case of an individual taxpayer, on the death of any principal officer of the Company, such as the Chairman, Managing Director, or Company Secretary within the period of filing of the returns.*
 - ιι. *In the case of a Company, on the death of any principal officer of the Company, such as the Chairman, Managing Director, or Company Secretary within the period of filing of the returns; and*
 - ιιι. *Where the Company experienced a fire or natural disaster within the period of filing of the returns.*

The above provisions of the law have been integrated into the Service’s online filing platform, where taxpayers can choose the installment payment option. However, the final installment must be paid on or before the due date of filing.

Regulation 18 (2b) of Tax Administration (Self-Assessment) Regulations, 2011 and Section 77 (5B) of CITA emphasize that any balance of taxes that is unpaid as at the due date of filing the tax returns shall attract interest for failure to pay on the due date.

3. Bonus on Tax payable:

CITA provides incentive for early filing of tax returns. Section 77 (5A) provides that:

“Where a company pays its tax 90 days before the due date as provided under Section 55 of this Act, such company shall be entitled to a bonus of:

(companies with gross turnover of more than N25 Million but less than N100 Million) and 1% for large size companies (companies with gross turnover of N100 Million and above).

4. Offences and Penalties

As the tax laws provide incentive for early filing so also there are punishments for late filing of tax returns as stated below:

S/N	Offences	Penalties
1.	<p>Late Income Tax Returns Penalty:</p> <p>Section 55(4) of CITA 2004 as amended</p>	<p>NGN25,000 in the first month the failure occurs; and NGN5,000 for each subsequent month in which the failure continues.</p>
2.	<p>Penalty for Late Income Tax Payment and filing of returns:</p> <p>Section 85 (a and b) of CITA 2004 as amended, Section 32 (a and b) FIRS Establishment Act 2007 and Section 27 of Tax Administration (Self-Assessment) Regulation 2011.</p>	<p>Any balance of taxes unpaid as at the due date shall attract:</p> <ul style="list-style-type: none"> - a sum equal to 10 percent per annum of the amount of tax payable and; - the tax due shall carry interest at the prevailing minimum rediscounting rate of the Central Bank of Nigeria plus spread to be determined by the Minister from the date when the tax becomes payable until it is paid. <p><u>The FIRS have specified this interest to be 19% effective July 2017.</u></p>

This implies that the Service may subject any outstanding tax after the due date of June 30, 2023, to both penalty and interest.

Considering the above, we urge you to avoid payment of penalty but take advantage of the bonus of 2% of tax payable for medium-sized companies and 1% for large companies for early payment and filing of Companies Income Tax Returns.



...Our commitment to our clients, innovation and industry leadership is demonstrated through our continued investment in the way we work. We believe that providing timely information and insightful perspective is a vital part of serving our clients, this is why our clients in diverse sectors trust our value adding insights.

Our vision

To establish ourselves as one of the top ten firms of choice in Nigeria by 2022 in terms of revenue size.

Our mission

To make world-class, professional and personalized services affordable to our esteemed clients by investing in technology, technical know-how and staff welfare.

Our core values

◆ Professionalism ◆ Accuracy ◆ Service ◆ Team work ◆ Innovation

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