THEME: EFFECTIVE TAX COLLECTION IN A DIGITAL ECONOMY: THE ROLE OF FIRS

OUR VISION
To deliver quality service to Taxpayers in partnership with other Stakeholders and make taxation the pivot of national development

OUR MISSION
To operate a transparent and efficient tax system that optimizes tax revenue collection and voluntary compliance

OUR CORE VALUES
- Professionalism
- Integrity
- Efficiency
- Ownership and Collective Responsibility
DIGITAL ECONOMY IN PERSPECTIVE

The digital economy is the worldwide network of economic activities, commercial transactions and professional interactions that are enabled by information and communications technologies (ICT). It can be succinctly summed up as the economy based on digital technologies.

The following models stand out among the different business models of the digital economy:

- Electronic commerce.
- Applications’ stores.
- Online advertising.
- Cloud computing.
- Network participative platforms.
- High frequency negotiation.
- Online marketing platforms.
- Online payment services.

The rising profile of complex business models and cross-border activities by multinational corporations advanced by technological innovation has morphed into businesses being characterised by huge capitalization, accelerated expansion, mobility of assets, without corresponding tax presence in the countries where they generate their revenue. This has stimulated global debate on how revenue from digital enabled activities should be taxed.

JANUARY 2021

<table>
<thead>
<tr>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>PAYE Remittance</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
<td></td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>24</td>
<td>25</td>
<td>26</td>
<td>27</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30</td>
<td></td>
</tr>
</tbody>
</table>

- Due date for remitting Pay As You Earn (PAYE)
- Due date for Value Added Tax (VAT) & Withholding Tax (WHT) returns
- Due date for Companies Income Tax (CIT), Capital Gains Tax (CGT), Education Tax (EDT) & National Information Technology Development Levy (NITDL) returns
- Due date for Employer’s Annual Return (PAYE)

Happy New Year
TAX CHALLENGES OF THE DIGITALISED ECONOMY

The following are some of the key challenges encountered by tax administrators as regards the digitalised economy:

- Companies make significant profits from remote online transactions without a physical presence in such countries, which was traditionally the rule for taxing non-resident companies.

- Difficulty in attributing value to user-generated data and user participation in a market economy.

- Lack of a clear roadmap on the real-time tracking of digital transactions, especially business-to-consumer transactions.

- Lack of an effective tax collection mechanism for VAT business-to-consumer transactions for services and intangibles.

- Easy relocation of the functions, risks, and assets of highly-valuable highly-mobile assets (intangibles) to low-tax jurisdictions between related entities to misalign income with the jurisdiction of value creation.

---

FEBRUARY 2021

```
Sun  Mon  Tue  Wed  Thu  Fri  Sat
  1     2     3     4     5     6
  7     8     9     10    11    12    13
  14    15    16    17    18    19    20
  21    22    23    24    25    26    27

 красный
 Due date for remitting Pay-As-You-Earn (PAYE)

 синий
 Due date for Value Added Tax (VAT) & Withholding Tax (WHT) returns

 зеленый
 Due date for Companies Income Tax (CIT), Capital Gains Tax (CGT), Education Tax (EIT) & National Information Technology Development Levy (NITDL) returns
```

It pays to pay your tax
Some of the policy measures adopted by countries in addressing the tax challenges of the digitalised economy include:

- Significant Economic Presence (SEP): This allocates taxing rights based on factors that create a nexus from a purposeful and sustained interaction with the economic life of a country of business via digital means.

- Withholding Tax (WHT) for certain digital transactions: This option gives a market jurisdiction the right to tax payments at source for certain cross-border transactions mostly digital services and products.

- Equalization Levy: This option reduces disparities in the tax treatment of foreign and domestic providers by imposing a levy on the gross values of sales of goods and services or on the volume of data gathered in a jurisdiction. It commonly operates as a levy withheld at the time of payment to a non-resident service provider.

- Digital Services Tax (DST): This is a tax that applies market jurisdiction to the revenues of a company that provides digital services within its jurisdiction where such sales exceed a given monetary threshold.
In order to address the tax challenges of the digitalized economy, the Finance Act 2019 adopted the Significant Economic Presence (SEP) approach.

By the combined provisions of Section 13(2)(c) of the Companies Income Tax Act (CITA) and the Companies Income Tax (Significant Economic Presence) Order 2020, where a non-resident company remotely carries on any trade or business activity in Nigeria using digital or electronic means (including satellite), without a physical presence in Nigeria, the profits from such trade or business would be attributable to and taxable in Nigeria.

The SEP rule will apply where the non-resident company derives a gross turnover or income of N25 Million and above from Nigeria, in combination with certain commercial activities such as streaming or downloading services, sale of data collected from Nigerians, supply of goods or services, provision of intermediation services etc.

Where the non-resident meets the conditions of an SEP, it will be required to compute and pay the tax in line with the relevant provisions of CITA and file its returns in line with Section 55 of CITA.
Nigeria is a member of the Inclusive Framework (IF) on BEPS, the OECD global body working on finding a consensus-based solution to the tax challenge of the digitalized economy.

The IF is currently working towards a consensus-based solution to address the tax challenges of the digitalization of the economy and avoid the risk of uncoordinated unilateral tax measures.

These proposals are being developed on a “without prejudice” basis, is a direct response to the broader tax challenges of digitalization of the economy, and focuses on the development of a new taxing right for market jurisdictions, achieved through the simultaneous review of the existing rules linking profits to a jurisdiction and profit allocation rules.
COMPATIBILITY OF NIGERIA’S SEP WITH INTERNATIONAL AGREEMENTS (CONSENSUS BASED-SOLUTION)

Paragraph 1(3) of the SEP Ministerial Order provides a “sunset clause” that demonstrates Nigeria's willingness to abide by any consensus-based solution reached of which Nigeria is a party. Actions taken both in the Finance Act 2019 and the SEP Order will not jeopardise the consensus-based approach. As such:

- The consensus-based solution will apply from the date in which such an agreement or consensus arrangement becomes effective in Nigeria.

- Section 13(2)(c) of CITA and Paragraph 1(1) of the SEP Order will cease to apply to non-resident companies from countries that sign up to the consensus-based solution, from the date in which such an agreement or consensus arrangement becomes effective in Nigeria.

- Section 13(2)(c) of CITA and Paragraph 1(1) of the SEP Order will continue to apply to companies from countries that would not implement the consensus-based solution.

JUNE 2021

<table>
<thead>
<tr>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>Paye Remittance 19</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>19</td>
<td>20</td>
<td>21</td>
<td>22</td>
<td>23</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>26</td>
<td>27</td>
<td>28</td>
<td>29</td>
<td>December 2020 Accounting Year End 30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Due date for remitting Pay As You Earn (PAYE)
- Due date for Value Added Tax (VAT) & Withholding Tax (WHT) returns
- Due date for Companies Income Tax (CIT), Capital Gains Tax (CGT), Education Tax (EDT) & National Information Technology Development Levy (NITDL) returns

It pays to pay your tax
SIGNIFICANT ECONOMIC PRESENCE (SEP) IN NIGERIA ON REMOTE FURNISHING OF SERVICES

Section 13(2)(e) of CITA will apply to subject a non-resident company to tax in Nigeria where the non-resident company remotely provides management, consultancy, professional or technical services (including advertising services, training, or the provision of personnel) to a person in Nigeria and the services are performed outside Nigeria. The non-resident company will be deemed to derive it’s profit from Nigeria and that profit would be taxable in Nigeria.

The applicable tax is the 10% withholding tax provided in the WHT Regulations pursuant to Section 81 of CITA, which shall be the final tax. The Nigerian company, fixed base or agent will be required to deduct the tax at source and remit same to FIRS.

However, a payment made to a non-resident company for remote furnishing of services will not be taxable in Nigeria if the payment is made:

a) to an employee of the person making the payment under a contract of employment; or
b) for teaching in an educational institution or for teaching by an educational institution; or
c) by a foreign fixed base of a Nigerian company.

---

EXECUTIVE CHAIRMAN, FIRS DELIVERING LECTURE ON FIRS ROLE IN A DIGITALIZED ECONOMY

JULY 2021

<table>
<thead>
<tr>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>18</td>
<td>19</td>
<td>20</td>
<td>21</td>
<td>22</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>25</td>
<td>26</td>
<td>27</td>
<td>28</td>
<td>29</td>
<td>30</td>
<td></td>
</tr>
</tbody>
</table>

- Due date for remitting Pay As You Earn (PAYE)
- Due date for Value Added Tax (VAT) & Withholding Tax (WHT) returns
- Due date for Companies Income Tax (CIT), Capital Gains Tax (CGT), Education Tax (EDT) & National Information Technology Development Levy (NITDL) returns

It pays to pay your tax
INFORMATION TECHNOLOGY (IT) SYSTEMS DEPLOYED BY FIRS FOR TAX ADMINISTRATION

In a bid to keep up with and adapt to the constant changes brought about by digitalization of the economy, FIRS has introduced various e-services to ease tax administration and tax compliance by taxpayers. These e-services are:

- **e-Registration**: This is issued or a platform for registration of new taxpayers and enables them have access to all FIRS e-services.
- **e-filing**: This is a platform that enables the taxpayers to file their tax returns from their comfort zones through TaxPro MAX.
- **e-Payment**: It is used for payment of all taxes of the Federal Government using Nigeria Inter-Bank Settlement System (NIBSS), Remita, Interswitch or e-tranzac.
- **e-Receipt**: It is an electronic solution that enables Taxpayers receive, verify, and authenticate their tax receipts online after payment. It also enables the Taxpayers confirm whether or not WHT and VAT deductions have been remitted to the Government.
- **e-Tax: Clearance Certificate**: This enables taxpayers apply for their Tax Clearance Certificate (TCC) after fulfilling tax obligations. The TCC can be downloaded via their email and its authenticity verified by a third party.
- **e-Stamping**: This electronic service gives access to taxpayers for payment of stamp duties on qualifying documents and thereby generates an e-stamp duty certificate electronically.
- **Government Integrated Financial Management Information System (GIFMIS)**: This is used for the real-time collection of Value Added Tax and Withholding Tax from MDAs at the point of payment for contracts.
- **e-VAT Collect**: It is used for real-time collection of Value Added Tax.

---

**THREE**

**2021 TAX YEAR PLANNER**

---

**THEME**

**EFFECTIVE TAX COLLECTION IN A DIGITAL ECONOMY:**

**THE ROLE OF FIRS**

---

**AUGUST 2021**

<table>
<thead>
<tr>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
<td>21</td>
</tr>
<tr>
<td>22</td>
<td>23</td>
<td>24</td>
<td>25</td>
<td>26</td>
<td>27</td>
<td>28</td>
</tr>
<tr>
<td>29</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Due date for remitting Pay As You Earn (PAYE)**
- **Due date for Value Added Tax (VAT) & Withholding Tax (WHT) returns**
- **Due date for Companies Income Tax (CIT), Capital Gains Tax (CGT), Education Tax (EDT)** & National Information Technology Development Levy (NITDL) returns

---

**It pays to pay your tax**
**SIMPLIFIED REGISTRATION REGIME AND DOCUMENTATION FOR FOREIGN SUPPLIERS**

The core elements of a simplified registration being built as an overlay to the existing e-services run by FIRS, include:

- Simple online registration procedures for foreign suppliers to avoid the need to be physically present in Nigeria for registration. Only necessary business details would be required for this registration.
- An online filing option to be made available for foreign suppliers with less detailed returns.
- Electronic payment methods for easy tax remittance without requiring the foreign supplier to have a local bank account in Nigeria.
- Electronic record keeping systems for limited data recording to assist revenue administrators with tax examinations and accounting. The type of documentation that foreign suppliers would be obligated to keep would be those information that are ordinarily available in course of business, such as, transaction details, VAT payable and location indicators (like

**SEPTEMBER 2021**

<table>
<thead>
<tr>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td><strong>10</strong></td>
<td><strong>11</strong></td>
</tr>
<tr>
<td><strong>12</strong></td>
<td><strong>13</strong></td>
<td><strong>14</strong></td>
<td><strong>15</strong></td>
<td><strong>16</strong></td>
<td><strong>17</strong></td>
<td><strong>18</strong></td>
</tr>
<tr>
<td>19</td>
<td>20</td>
<td><strong>21</strong></td>
<td><strong>22</strong></td>
<td><strong>23</strong></td>
<td><strong>24</strong></td>
<td><strong>25</strong></td>
</tr>
<tr>
<td><strong>26</strong></td>
<td><strong>27</strong></td>
<td><strong>28</strong></td>
<td><strong>29</strong></td>
<td><strong>30</strong></td>
<td><strong>31</strong></td>
<td><strong>1</strong></td>
</tr>
</tbody>
</table>

- Due date for remitting Pay As You Earn (PAYE)
- Due date for Value Added Tax (VAT) & Withholding Tax (WHT) returns
- Due date for Companies Income Tax (CT), Capital Gains Tax (CGT), Education Tax (EDT) & National Information Technology Development Levy (NITDL) returns

---

**It pays to pay your tax**

15, Sokode Crescent, Zone 5, Wuse, Abuja  @  www.firs.gov.ng  ●  helpdesk@firs.gov.ng, taxpayer.service@firs.gov.ng ☎ 09074444441, 09074444442, 0907211111, 09073777777
AUTOMATION OF TAX ADMINISTRATION SYSTEM AND THE DIGITAL ECONOMY (BENEFITS TO TAX ADMINISTRATOR)

Deployment of digital technology will afford the following benefits to the Tax Administrator:

- Replacement of the onerous manual processes with more convenient, transparent and seamless ones.
- Automation of data sharing, resulting in less manual processing, and effective integration of the tax database with other existing database management systems to assist with examinations and audits.
- Automation of tax collection system, which enables seamless collection and remittance of relevant taxes in real-time, and assists in enforcement activities.
- Direct examination of returns and reconciliation of all relevant transactions to enhance tax compliance.
- Online tax service that accommodates end-to-end validation, which will help tax administrators to combat tax fraud and monitor tax returns.
- Positions the tax system and its electronic platforms for a robust and seamless interface with diverse payment platforms, which can facilitate tracking of electronic transactions liable to tax in Nigeria.
- Reduced human errors and enhanced transparency which engenders greater taxpayer confidence in the tax system.

OCTOBER 2021

Sample e-WHT Credit Note & Sample e-TCC

Due date for remitting Pay As You Earn (PAYE)
Due date for Value Added Tax (VAT) & Withholding Tax (WHT) returns
Due date for Companies Income Tax (CTT), Capital Gains Tax (CGT), Education Tax (EDT) & National Information Technology Development Levy (NITDL) returns

It pays to pay your tax
ADAPTING THE TAX SYSTEM TO THE DIGITAL ECONOMY

The FIRS is working on several initiatives to curb tax challenges faced with the collection of taxes in the digitalized economy. Some of these initiatives include ‘split payments’ and Simplified Registration’ that has proven to be the most effective and efficient collection approach for cross-border Business-to-Consumer transactions when used for VAT collection. This approach can also be adopted for direct taxes such as CIT and PIT (PAYE).

These initiatives, when built on the existing IT systems deployed by FIRS for tax administration, would support voluntary compliance by non-resident taxpayers in meeting with their tax obligations under SEP and VAT.

Split-payments as an approach will increase the efficiency and effectiveness of collections, particularly with respect to online sales by capturing the VAT as it passes through intermediaries in the payment cycle. FIRS has deployed this mechanism to some large retail businesses, telecom industry giants and aviation industry, which will be expanded to other sectors as well.
2021 TAX YEAR PLANNER

THEME

EFFECTIVE TAX COLLECTION IN A DIGITAL ECONOMY:
THE ROLE OF FIRS

AUTOMATION OF TAX ADMINISTRATION SYSTEM AND
THE DIGITAL ECONOMY (BENEFITS TO TAXPAYER)

The Federal Inland Revenue Service has deployed electronic tax services (e-services) for the purpose of improving transparency and speed in tax administration. The e-services will enable the taxpayers fulfil their tax obligations, like filing of tax returns, making tax payments, etc., with ease.

The following are benefits of automation to the taxpayers:

• Self-service platforms that will enable the taxpayer perform most of their tax activities at their convenience, thereby promoting ease of compliance.

• Reduction in cost of fulfilling tax obligations, especially for non-residents who may otherwise have been required to come into Nigeria or engage an agent in Nigeria to fulfill such obligations.

• Reduction in bureaucratic bottlenecks faced by taxpayers, due to less interface with tax authorities, hence promoting ease of doing business.

DECEMBER 2021

It pays to pay your tax