

FIRS Issues Regulations on Common Reporting Standards

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Background

The FIRS has issued the Income Tax (Common Reporting Standard) Regulations, 2019 (CRS Regulations). You can find a copy [here](#).

The Regulations are effective from 1 July 2019 and require qualifying Nigerian Reporting Financial Institutions (RFIs) to submit an electronic information return (with specified financial information of certain persons) to the FIRS on an annual basis.

Who has obligations under the CRS?

Nigerian RFIs such as depository institutions, custodial institutions, investment entities, and certain insurance institutions.

What are the obligations for RFIs?

Reporting requirement: Starting from 2019 every RFI is required to file an information return for "Reportable accounts" every calendar year.

A Reportable account is effectively the Nigerian financial account of a person (an individual or entity) who is resident for tax purposes in a foreign country with which Nigeria has signed the relevant exchange of information agreement.

The return will contain information such as: Name, address, jurisdiction or residence, TIN(s), date and place of birth; account number; account balance/value as at year end; other specific information relating to investment proceeds and similar income credited to the accounts.

Others

RFIs will be required to carry out mandatory due diligence procedures for both new and existing accounts in order to identify Reportable accounts. There are also rules around record keeping.

Filing deadlines for information return

31 May of the year following the calendar year to which the returns relate.

What will the FIRS do with the returns that are filed?

Subject to the relevant international agreements on CRS, the FIRS will be

obligated to automatically share the returns supplied by Nigerian RFIs with the relevant countries where the owners of the reportable accounts are tax resident.

What will the FIRS get in return?

The FIRS will receive similar information on the financial accounts held by Nigerian tax residents in the other countries (currently about 104) with which Nigeria has a relevant international agreement.

Penalties for non-compliance

- Failure to comply with duty/obligation imposed by the Regulations: ₦10 million in the first instance + ₦1 million/month;
- Failure by RFI to file information return: ₦10 million in the first instance + ₦1 million/month;
- Furnishing false or incorrect information: ₦5 million;
- Failure by RFI or any person to comply with the FIRS' requirement in the exercise of its powers: ₦1 million in the first instance + ₦100,000/month;
- Failure by RFI to keep records: ₦1 million in the first instance + ₦100,000/month.

Takeaway

The CRS Regulations and the various international agreements that Nigeria has signed will give the FIRS additional visibility on the global financial affairs of Nigerian tax residents.

The financial information exchanged through the CRS could enable the FIRS identify additional untaxed income of Nigerian tax residents.

Nigerian banks and other RFIs will need to be aware of their obligations and comply with these to avoid penalties.

Nigerian tax residents must be ready to demonstrate that the Nigerian taxes due (if any) on their financial assets held in foreign financial accounts have been properly accounted for.

The FIRS would have to follow the provisions of the law in making relevant determinations as not all foreign financial assets held by Nigerian tax residents are liable to tax in Nigeria.

For a deeper discussion, please contact any member of our team below or your usual contact with PwC Nigeria:

Seun Adu

+234 (1) 271 1700 Ext 52001
oluwaseun.y.adu@pwc.com

Olanrewaju Alabi

+2341 2711700 Ext 54027
olanrewaju.alabi@pwc.com

Ovo Efemini

+234 1 271 1700 Ext 38034
ovo.efemini@pwc.com

