

Lagos State Internal Revenue Service (LIRS) grants further COVID-19 reliefs to taxpayers

July 2020

On 9 July 2020, the Lagos State Internal Revenue Service issued a public notice containing additional measures for the benefit of taxpayers in the state whilst ensuring tax compliance.

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Background

In order to give taxpayers ample time to file their tax returns amid the lockdown, the LIRS had in March 2020 issued a public notice extending the filing deadline from 31 March to 30 June 2020.

The LIRS has now introduced additional palliative measures in response to the impact of COVID-19.

What's new?

- **Outstanding liabilities:** Taxpayers can now settle their outstanding taxes in instalments. Section 68 (1b) of the Personal Income Tax Act (PITA) grants the LIRS the powers to extend the time within which tax is paid. The concession will be granted on a case by case basis.
- **Waiver of penalty on monthly PAYE remittance:** Based on section 76 of PITA the late payment of income taxes attracts a penalty of 10% of the unpaid amount. The LIRS is now granting a waiver of penalty for the duration of the lockdown i.e. March-May 2020. This is in line with Section 79 on remission of penalty.
- **Waiver of penalties on late filing of self-assessment tax return:** Section 44 of PITA requires every taxable person to file an annual tax return on or before 31 March every year. The LIRS has now waived any resulting penalty for late filing of 2019 returns which were due on 30 June 2020 (based on the extension granted by LIRS).
- **Waiver of interest and penalty on outstanding tax audit liabilities:** In line with section 76 and 77 of PITA, late payment of income tax attracts a penalty of 10% as well as interest on annual basis at bank base lending rate.
- The LIRS has now granted a waiver of interest and penalty for open audits covering 2009-2015. This is to the extent that there is an agreed organised payment plan which should not span beyond 31 December 2020.
- **Tax credit on donations:** Resident individuals who have made any form of donations to the Lagos State Government for COVID-19 will be allowed to claim a 20% tax credit against their 2021 Year of Assessment tax return. Where 20% of the donations made exceeds 35% of the tax due in 2021, the tax credit will be capped at 35% of the tax due. Section 80 of PITA grants the Governor power to remit taxes on recommendation from the Finance Commissioner and advice from the tax authorities. However, beyond the public notice issued by the LIRS, it may be necessary to ensure that appropriate legal instruments are put in place to support the tax credit given that the PITA does not have any specific provision supporting the grant of credits for donations. Also, there should be guidelines regarding treatment of donations by a body of individuals such as organised groups and partnerships.
- **Increased Payment Channels:** The LIRS plans to make tax remittance easier going forward through the provision of more payment channels. We expect that the LIRS will make a list of the additional payment channels available to the public in due course.
- **Form of Tax Audit Reconciliation Committee (TARC) meetings:** In order to ensure compliance with guidance on the need for social distancing, TARC meetings will now be conducted via video conferencing.

Takeaway

The various measures introduced by the LIRS are laudable as they seek to address some of the challenges of COVID-19. Given the persistence of the uncertainties surrounding the COVID-19 induced economic challenges, tax authorities need to constantly keep the communication channels with taxpayers open and active to adapt and update their responses as may be necessary.

The granting of tax credits to individuals for donations made to support the fight against COVID-19 is equitable given that similar reliefs are available to corporate entities under the Companies Income Tax Act. However, the necessary legal instruments should be put in place to prevent any future challenges.



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