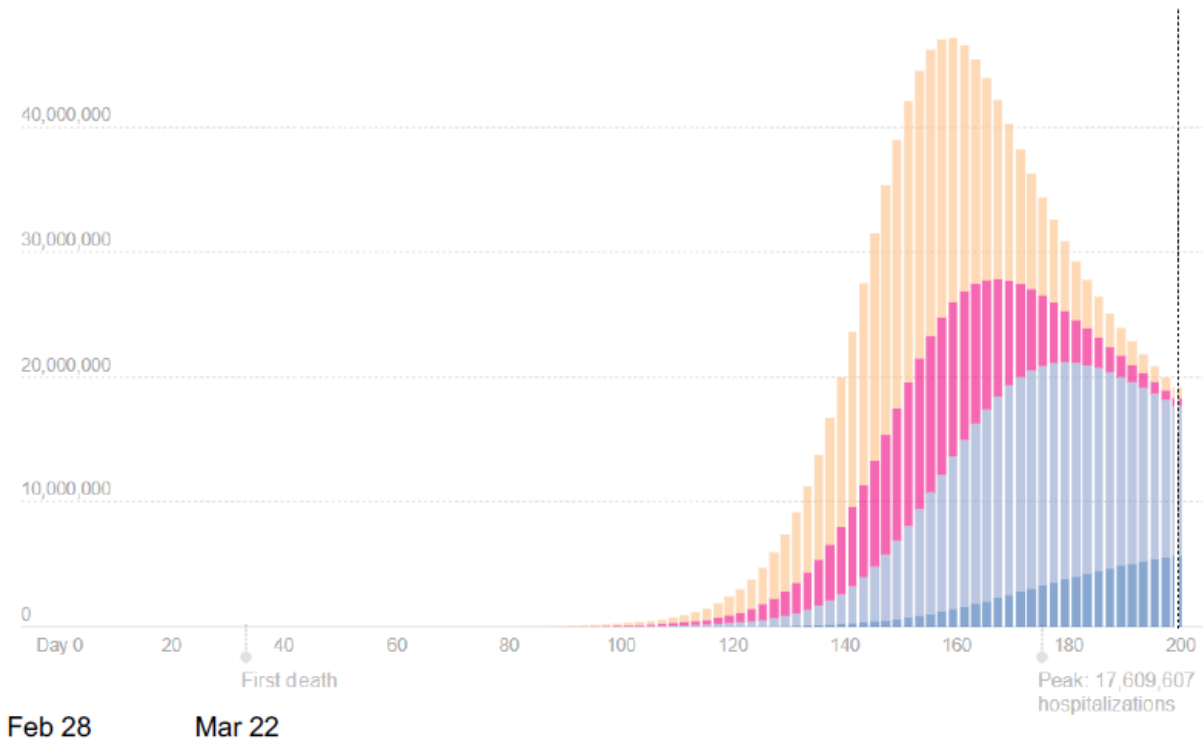


# COVID-19

## Response for Tax Authorities

# Nigeria is confronted with two critical challenges

- The COVID-19 pandemic is affecting lives in various ways and has resulted in unforeseen health and economic consequences.
- According to the NCDC, without effective measures in place, 80% of Nigeria's population may be infected, leading to over 17 million people requiring hospitalization and 3 million deaths over the next 6 months.
- The country's best case will see at least 3,000 people infected, with over 80 deaths



- Crude price has been on a decline since 6<sup>th</sup> March 2020 when OPEC and non-OPEC allies failed to reach an agreement on production cuts amidst the COVID-19 pandemic.

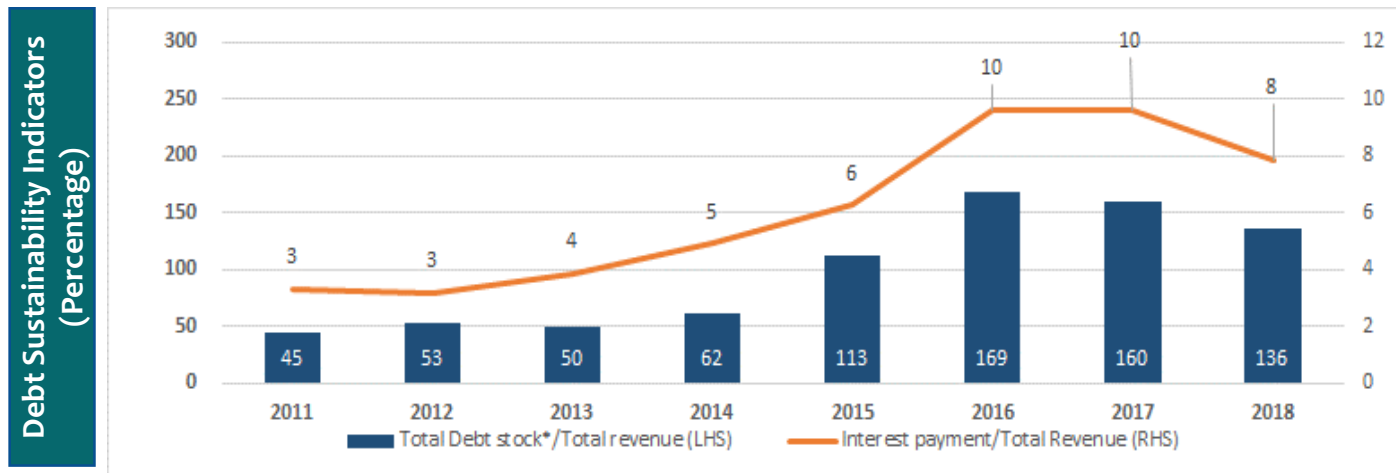
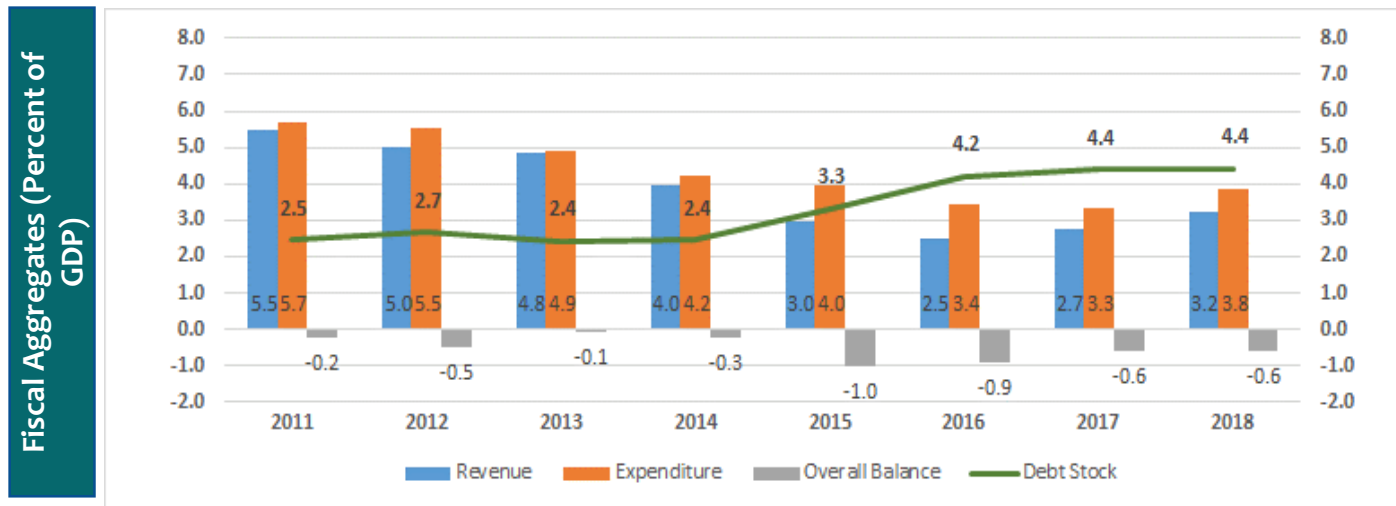
Prices fell below US\$20 per barrel by the end of March 2020 – the lowest in over 2 decades.



# The impact of the pandemic is different from the 2015/2016 crisis

- **State fiscal sustainability risks are higher**
  - “Permanent expenditures” have risen significantly, including cost of wages and salaries
  - IGR has grown since 2015, but large deviation exists among states in effort and outturn
- **Fiscal buffers are exhausted**
  - The Excess Crude Account has been depleted to just \$72.2 million in March 2020
  - State public debt more than doubled from N2.2 trillion in 2014 to N5.1 trillion in 2018
- **External reserves are by some measures, lower than in 2016**
  - Foreign portfolio inflows which are susceptible to sudden outflows account for a third of external reserves

All States and FCT, 2011-2018



**WHAT STATES SHOULD BE DOING**

# Measures to enhance revenue sustainability and business confidence

WHAT NEEDS TO BE DONE	WHY	RESPONSIBILITY
<ul style="list-style-type: none"> <li>Formulate and Communicate a Crisis-Response Plan</li> </ul>	<ul style="list-style-type: none"> <li>Reducing uncertainty during this period would help reassure the public, investors and the private sector at large (including the informal sector), at a time when the fear of “what could happen” can itself cripple economic activities in the State.</li> <li>An agenda should be directed at labour unions, civil society organizations, the organized private sector, cooperatives and informal sector associations on expected shocks and remedial actions that will be taken.</li> <li>There is need to evaluate the transmission risk of COVID-19 in tax offices and the impact on tax operations.</li> </ul>	<ul style="list-style-type: none"> <li>Governor, SMoF, SIRS</li> </ul>
<ul style="list-style-type: none"> <li>Estimate the baseline financing gap and response from the anticipated decline in oil and non-oil revenues.</li> </ul>	<ul style="list-style-type: none"> <li>With revenues expected to decline by half in 2020 and given the large share of “rigid expenditures”, a financing gap will need to be estimated and planned for to protect critical development expenditures.</li> </ul>	<ul style="list-style-type: none"> <li>SMoF, SIRS</li> </ul>
<ul style="list-style-type: none"> <li>Revise IGR projection for the State in the light of emerging macroeconomic realities</li> </ul>	<ul style="list-style-type: none"> <li>Revision of the State’s 2020 revenue projections from tax and not tax sources will support the government in developing a realistic revised budget for 2020 and will highlight new strategies/actions required to close the revenue gap</li> </ul>	<ul style="list-style-type: none"> <li>SMoF, SIRS</li> </ul>
<ul style="list-style-type: none"> <li>Operationalise the Joint State Revenue Committee (JSRC) to Harmonize SG and LG IGR collection</li> </ul>	<ul style="list-style-type: none"> <li>Harmonizing State and local government collections under a special arrangement will help meet short term liquidity needs during the crisis period and will help eliminate the incidence of double taxation for informal sector taxpayers.</li> </ul>	<ul style="list-style-type: none"> <li>SMoF, SIRS, SMoLG</li> </ul>

# Measures to protect businesses and the tax community

WHAT NEEDS TO BE DONE	WHY	RESPONSIBILITY
<p>Develop a tax relief and incentive programme for taxpayers and businesses to cushion crisis impact.</p> <ul style="list-style-type: none"> <li>• Extend filing and payment dates for at least a period consistent with the lockdown period and consider waiving penalties and interests over the extension period.</li> <li>• Reduce interest on all late filing and payment for 2019 tax liability to single digit interest rate should the applicable State legislation and relevant sections in PITA translate to double digit interest rate in the first year of default.</li> <li>• Give tax refund of between (5% - 10%) of preceding year tax payment to taxpayers who file and pay their taxes earlier than 31<sup>st</sup> July 2020. This should be treated as a deduction from the current tax due by the tax authority rather than cash refund. [Authorised by S79 PITA]</li> <li>• SJRC can agree to cancel, defer, reduce or stagger rates and charges to be collected from informal sector taxpayers until CY2020</li> </ul>	<ul style="list-style-type: none"> <li>• Like the government, most businesses will suffer a liquidity crisis during this period and will require short term relief to get back on stream.</li> </ul>	<ul style="list-style-type: none"> <li>- SMOF and SIRS</li> </ul>
<ul style="list-style-type: none"> <li>• Develop framework for the implementation of a tax-for-service programme using the presumptive tax regime to scale up informal sector tax compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Linking taxes to services would help improve taxpayers' compliance</li> <li>• Link existing and current improvements in primary health centres to tax payments</li> </ul>	<ul style="list-style-type: none"> <li>- SMOF, SIRS and relevant MDAs.</li> </ul>

# Measures to safeguard internal revenues and unlock external financing

WHAT NEEDS TO BE DONE	WHY	RESPONSIBILITY
<ul style="list-style-type: none"> <li>Scale-up cashless payments to minimize cash-based transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of cashless payments channels for corporates and the use of PoS machines and USSD channels for the informal sector will help safeguard the payment of existing taxes, levies, fees and charges</li> </ul>	<ul style="list-style-type: none"> <li>- SIRS, Banks</li> </ul>
<ul style="list-style-type: none"> <li>Review all contracted-out collections of IGR to private agents/consultants</li> </ul>	<ul style="list-style-type: none"> <li>Review collection performance vis-a-viz target and SIRS capacity to collect.</li> <li>Streamline collection for better oversight and discredit illegal collection by unauthorized agents.</li> </ul>	<ul style="list-style-type: none"> <li>- SMoF, SIRS</li> </ul>
<ul style="list-style-type: none"> <li>Improve SG/MDA/LGA collaboration to streamline the cost of enforcement</li> </ul>	<ul style="list-style-type: none"> <li>Harmonized collection will reduce the human and material cost of revenue collection</li> </ul>	<ul style="list-style-type: none"> <li>- State IGR Committee/SJRC</li> </ul>
<ul style="list-style-type: none"> <li>Expand Treasury Single Account (TSA) coverage to include government entities not already covered</li> </ul>	<ul style="list-style-type: none"> <li>To minimize the accumulation of idle funds and free up funds for expenditure reprogramming towards essential spending in time of crisis e.g. Hospitals, emergency response, etc.</li> <li>Any agency that receives funds through the Consolidated Revenue Fund (government budget) should be under the IPPIS.</li> <li>Effective monitoring of revenues</li> </ul>	<ul style="list-style-type: none"> <li>- SMoF, SIRS</li> </ul>
<ul style="list-style-type: none"> <li>Set up task team to resolve bottlenecks in accessing external grants and loans that are already committed to the State</li> </ul>	<ul style="list-style-type: none"> <li>Funds are already committed to States and are easier to access than new financing</li> <li>The World Bank's undisbursed committed financing to States is estimated at \$3 billion for both investment project financing and performance-for-result grants.</li> </ul>	<ul style="list-style-type: none"> <li>- SMoF, SMoBP, SIRS</li> </ul>

# Measures to improve tax administration

WHAT NEEDS TO BE DONE	WHY	RESPONSIBILITY
<p>Professionalize the SIRS and provide adequate funding to support:</p> <ul style="list-style-type: none"> <li>• Tax operations especially taxpayer services and compliance risk management to optimize IGR.</li> <li>• Deployment of technology to effectively monitor revenue collection.</li> <li>• Deployment of a robust Taxpayer Management System (TPMS) to support tax operations.</li> <li>• Deployment of e-channels to support online filing and payment.</li> </ul> <p>*These measures are easier to implement when the SIRS has administrative and financial autonomy.</p>	<ul style="list-style-type: none"> <li>• There is need to leverage technology for tax operations due to possible extension of lock down and restriction to business operations.</li> <li>• Increased capacity and funding will support required scaling up of tax operations.</li> </ul>	<ul style="list-style-type: none"> <li>- Governor, SMoF, S.AG and SIRS</li> </ul>
<p>Review various administrative aspects of the Service, including</p> <ul style="list-style-type: none"> <li>• Human resource audit</li> <li>• ICT audit</li> <li>• Funding gap audit</li> <li>• Standard operating procedures</li> <li>• Taxpayer services</li> <li>• Contracted-out collections</li> </ul>	<ul style="list-style-type: none"> <li>• To guide the funding and recruitment needs of the SIRS and reorganisation of departments/units</li> <li>• To standardise operations across all tax offices, revenue MDAs and collection agents</li> <li>• To develop a taxpayer-centric SIRS</li> <li>• To inform reallocation/renewal of contracts to collection agents</li> </ul>	<ul style="list-style-type: none"> <li>- SIRS</li> </ul>
<p>Review laws to optimize IGR.</p> <ul style="list-style-type: none"> <li>• Consider working with the LG to harmonize property tax under an agreed framework on collection and valuation to guide rate application.</li> <li>• Codify tax relief and incentive programmes through legal circulars and legislation.</li> </ul>	<ul style="list-style-type: none"> <li>• To ensure legality of all taxes administered, reliefs and incentives to be instituted.</li> <li>• Optimize tax collection by ensuring that the taxpayer is informed of what to pay, how much to pay and how to pay.</li> </ul>	<ul style="list-style-type: none"> <li>- SMoF, SMoLH, SMoJ, SGIS, SIRS, SMLGCA.</li> </ul>



# Measures to improve tax administration

WHAT NEEDS TO BE DONE	WHY	RESPONSIBILITY
<p>Develop and issue COVID-19 guidance and advisories for staff and taxpayers.</p> <ul style="list-style-type: none"> <li>• Strengthen the use of electronic/digital channels, including the SIRS website, chatbots, email, call lines, WhatsApp and other social media platforms.</li> <li>• Guidelines on tax operations for tax offices, collection agents and revenue generating MDAs e.g. remote work, health and safety requirements etc.</li> <li>• Guidelines on filing returns, payment plans, penalties and interest (reflecting adoption of extended deadlines, waivers, reduction, staggered payment, refunds to reward compliant taxpayers).</li> <li>• Develop a COVID-19 FAQ.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide clarity on expectations of taxpayers in the near term.</li> <li>• Instill confidence in taxpayers and businesses</li> <li>• Discredit illegal collection by unauthorized agents</li> </ul>	<ul style="list-style-type: none"> <li>- Governor, SMOF, SIRS</li> </ul>
<p>Expand the tax net.</p> <ul style="list-style-type: none"> <li>• Reconcile all manual records of taxpayers from MDAs, SIRS HQ, zonal and field offices into an electronic platform (TPMS or Excel at the least)</li> <li>• Liaise with CBN and NIBBS to create database of taxpayers resident in the State.</li> <li>• Issue TINs to all taxpayers without TINs</li> <li>• Create database for high net worth individuals (HNWIs) and design compliance risk management plans based on period of tax debt and underlying characteristics shown by data.</li> </ul>	<ul style="list-style-type: none"> <li>• Staff time can be maximized by engaging in essential workloads.</li> <li>• Improve taxpayer database integrity</li> <li>• Drive data-driven management of taxpayer database.</li> <li>• Prepare for post COVID-19 work on collecting taxes from HNWIs</li> </ul>	<ul style="list-style-type: none"> <li>- Governor, SMOF, OAGS and SIRS</li> </ul>
<p>Access available technical assistance.</p> <ul style="list-style-type: none"> <li>• Set-up online consultative sessions with technical experts</li> <li>• Document and share experiences on administrative practices implemented during this crisis e.g. the LIRS and FCT IRS have deferred filing and payment dates for groups of taxpayers</li> </ul>	<ul style="list-style-type: none"> <li>• To leverage on existing knowledge</li> <li>• Technical advisory is available despite current restrictions on physical gathering and movement.</li> </ul>	<ul style="list-style-type: none"> <li>- NGF, JTB, Dev't. Partners</li> </ul>

**WHAT TAX AUTHORITIES ARE DOING**

# What tax authorities in Nigeria are doing

TAX AUTHORITY	COVID-19 RELATED TAX RELIEF MEASURES
FIRS	<ul style="list-style-type: none"> <li>• Extension of timeline for filing of value added tax and withholding tax from the 21st day to the last working day of the month, following the month of deduction</li> <li>• Extension of the due date for filing of companies' income tax (CIT) returns by one month</li> <li>• Use of electronic platforms for payment of taxes and processing of tax clearance certificates</li> <li>• Filing of tax returns by taxpayers without audited financial statements which must be submitted within two months of the revised due date of filing</li> <li>• Proposed creation of a portal where documents required for desk reviews and tax audits will be uploaded by taxpayers for online access by the tax authority</li> <li>• Submission of tax returns online by taxpayers via <a href="http://efiling.firs.gov.ng">efiling.firs.gov.ng</a> or by designated e-mail accounts published by the FIRS.</li> </ul>
Anambra	<ul style="list-style-type: none"> <li>• 10% relief on personal income taxes to businesses in Anambra State for the year 2019. This means that if you have been paying your taxes regularly, you will get a 10% refund of the entire sum you paid in 2019.</li> <li>• Two-months waiver to tricycle (keke) and shuttle bus operators in the state on the usual permits. The grace period covers the months of April and May 2020.</li> <li>• The leadership of the Tricycle Union and the Bus and Shuttle Bus Drivers Union have given a two-month waiver to keke and shuttle bus drivers.</li> </ul> <p>(These measures are part of the State's Economic Stimulus Package for the vulnerable).</p>
Edo	<ul style="list-style-type: none"> <li>• Suspension all forms of revenue collection from transporters for April to cushion the economic effect of the coronavirus (COVID-19) pandemic.</li> </ul>
Kaduna	<ul style="list-style-type: none"> <li>• Extension of deadline for filing 2019 annual tax returns by two months from 30<sup>th</sup> March to 31<sup>st</sup> May 2020.</li> <li>• Promotion of the use of the e-tax platform for filing tax returns, processing vehicle particulars, and purchase of number plates.</li> </ul>
Lagos	<ul style="list-style-type: none"> <li>• Extended deadline for filing annual tax returns (employees and self-employed persons) by two months from 31<sup>st</sup> March to 31<sup>st</sup> May 2020.</li> <li>• Promotion of the use of e-channels for filing and payments.</li> </ul>

# What tax authorities outside Nigeria are doing

COUNTRY	COVID-19 RELATED TAX RELIEF MEASURES
South Africa	<ul style="list-style-type: none"> <li>• importation of “essential goods” will be exempt from value added tax (VAT).</li> <li>• Tax compliant businesses with a turnover below ZAR50 million would be allowed to delay 20% of their pay-as-you-earn liabilities over the next four months, as well as a portion of their provisional CIT payments, without incurring penalties or interest charges over the next six months.</li> </ul>
India	<ul style="list-style-type: none"> <li>• limitation period for revising the tax return filed for the year April 2018 – March 2019 and for filing a delayed return for that year has been extended from 31 March 2020 to 30 June 2020.</li> </ul>
Canada	<ul style="list-style-type: none"> <li>• Businesses may defer certain GST/HST and QST payments and remittances until 30 June 2020 pursuant to relief measures responding to the coronavirus (COVID-19) pandemic. (GST/HST = goods and services tax / harmonized sales tax and QST = Quebec sales tax)</li> </ul>
Netherlands	<ul style="list-style-type: none"> <li>• Automatic deferral of payment of taxes due upon request, the reduction of interest on tax and interest on overdue tax to 0.01%, and the possibility to have provisional assessments reduced.</li> </ul>
France	<ul style="list-style-type: none"> <li>• Until further notice, the French National Directorate of Tax Investigations will not carry out any new on-site inspections or personal tax examinations except in exceptional cases. No visits or tax raids procedures will be carried out either.</li> </ul>
Vietnam	<ul style="list-style-type: none"> <li>• Extended due dates for taxpayers to pay value added tax (VAT), individual (personal) income tax, and the amounts owed for land rental if the taxpayers are considered “vulnerable” considering the coronavirus (COVID-19) pandemic</li> </ul>
Chile	<ul style="list-style-type: none"> <li>• Deferral of income tax payments until 31 July 2020 for certain taxpayers with annual sales up to UF 75,000 (approximately US\$2.5 million)</li> <li>• Deferral of payments of the real estate tax for individual owners of real estate having a value of approximately US\$160,000 and for companies with annual sales up to UF350,000</li> <li>• Expedited refunds of income tax during April 2020, for individuals and for companies with annual sales up to UF 75,000</li> <li>• Waiver of interest and penalties for late filing of income tax returns due 30 April 2020 and for monthly value added tax (VAT) returns, when returns are filed on or before 30 September 2020</li> <li>• Reduced stamp tax rate; a rate of 0% for all credit, financial, and refinancing transactions between 1 April and 30 October 2020</li> <li>• No monthly advance income tax payments required of all taxpayers for the period April - June 2020</li> <li>• All expenses incurred in relation to the COVID-19 pandemic deductible for income tax purposes</li> <li>• Deferral of VAT payable for the period April - June 2020, for taxpayers with annual sales up to UF 350,000 (approximately U.S. \$11.8 million)</li> </ul>



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