

Filing Annual Tax Returns: Direct Assessment and VAIDS

Introduction

Section 41 of the Personal Income Tax Act Cap P8 2004 LFN requires individuals who are ***self-employed, business owners, business executives or directors of companies*** to file annual tax returns with their relevant tax authorities by duly completing the Income Tax Form for Return of Income and Claims for Allowance and Reliefs (Form A). The relevant tax authority is the tax authority of the territory of their principal place of residence.

Income Liable to tax

Income, gains and profits liable to tax in the hands of the individuals who are self-employed, business owners, business executives or directors of companies include the following:

- Income from paid employment –salaries, allowances and perquisites.
- Profits from trade, business, profession and vocation.
- Commission or fees earned from agency or business intermediary.
- Rent received from properties.
- Gains from the sale of properties.
- Royalty income.
- Income earned from investments – dividend, interest, etc.
- Income received outside Nigeria.

Charges and Exemptions

The Act provides for the deduction of any expense incurred in the course of generating the income liable to tax above (except for the case of employment income).



Expense incurred to generate rental income, business expense to generate trade income, etc., are allowable deductions.

Certain income including income received outside Nigeria and brought back in convertible currencies through any of the channels (banks, money transfer agencies, etc.,) approved by CBN are exempted from tax. Dividend and Interest are franked investment income, therefore the withholding tax deducted at source from such income are deemed to be the final tax.

Due Date for Filing

Self-employed business owners, business executives or directors of companies are required to file tax returns with their relevant tax authorities within 90 days from the commencement of every year of assessment (on or before 31st March every year). Failure to file annual tax returns and make payment attracts 10% penalty of the amount of tax payable and interest at ruling commercial rate.

Voluntary Assets and Income Declaration Scheme (VAIDS)

Tax payers who have not fully complied with the provisions of the Personal Income Tax Act are given the opportunity to remediate their tax records with their relevant tax authorities by completing the VAIDS Declaration Form for individuals (Hardcopy or Softcopy). The scheme provides for no penalty, no interest and no tax audit for any individual that files under VAIDS within the stimulated period.

Scope and Period of VAIDS

VAIDS covers assets and income owned by any tax payer for which the appropriate tax has not been paid within the last six years, that is between 2011 to 2017. Tax payers who have anything to declare are enjoined to do so on or before 31 March 2018. Individuals filing under this scheme are required to furnish their relevant tax authorities with the following:

1. Tax records or history for the past six years 2011 to 2017.
2. Details (asset type, location of asset, date of purchase, cost of purchase, nominal owner) of land and building.
3. Details (asset type, make or model of asset, location of asset, date of purchase, cost of purchase, nominal owner) of jets, vessels, yachts and cars.
4. Details of investments (shares, bonds, fixed deposit, etc)
5. Details of land and building acquire outside Nigeria.
6. The source(s) of funds used to acquire assets (business profits, inheritance/gift, loan/mortgage).
7. The amount previously taxed before acquiring assets and investments.
8. The amount not taxed before acquiring assets and investments.
9. Details of assets disposed between 2011 to 2017
10. Details of rental income received on asset/properties not currently taxed.

Contact us:

If you would like further advice or information in relation to the issues outlined in this bulletin, please call our team below:

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