

THE CORONAVIRUS PANDEMIC: TAX PALLIATIVE MEASURES BY THE FEDERAL AND STATES GOVERNMENTS IN NIGERIA

The whole world is currently undergoing immense and unprecedented halt in global and economic activities due to the outbreak of the pandemic known as COVID-19. Businesses across the globe have had to shut down, with their employees working remotely, while a large number have lost their employment as a result of impracticality of payment of emoluments and salaries, as well as redundancy caused by cessation of business activities. Despite the crippling of the economies of the affected countries by the pandemic, several climes in the world are devising more than a few palliative measures to ameliorate the negative impact of the pandemic on businesses and individuals.

The Federal Government of Nigeria, through the tax authority responsible for corporate organisations; Federal Inland Revenue Service (F.I.R.S) has also joined the rest of the world through the introduction of certain reliefs to possibly alleviate tax liabilities during and after the outbreak of COVID-19. These measures include the following¹:

1. **Extension of Timeline for Filing Tax Returns:** The Value Added Tax (VAT) and withholding tax returns which were stated by the relevant tax laws to be filed on 21st day of every month has now been protracted to the last working day of the month following the month of deduction. In the same vein, filing of companies' income tax returns has been extended by one month from the due date.
2. **E-payment of Tax:** Introduction of online payment of tax and electronic processing of tax clearance certificates will serve to contain and mitigate tax liabilities that may likely arise after Covid-19.
3. **E-filing of Tax Returns:** The F.I.R.S introduced an online platform for electronic filing of tax returns by taxpayers. This can be done via *efiling.firs.gov.ng* web platform or by a registered email with the tax authority.
4. **Exemption of Audited Accounts for Filing Tax Returns:** Taxpayers may file tax returns without financial statements attached thereto. However, the audited accounts must be submitted within 2 months after the revised due date of filing.

It is instructive to note that the incentives introduced by the F.I.R.S are not a complete waiver or exoneration from tax liabilities during or after Covid-19. As such, companies are still expected to pay tax during and after the period of the pandemic.

The determinant of tax liability remains within the 25 Million Naira required turnover for companies as stipulated in the Finance Act, 2019 which became applicable from 13th January, 2020. Therefore, companies that do not attain the required threshold are not liable to remit tax.

¹<https://www.firs.gov.ng/PressRelease/COVID19ECFIRS> Accessed on 8th April, 2020 at 4:45pm

The introduction of digital tax filing system will go a long way to ease tax rendition and compliance. It is also in line with international best practice as most of the countries around the world have digitized their tax payment systems. Whether or not these incentives will remain after the outbreak of Covid-19 is the sole prerogative of the Government. In any case, the incentives are helpful interventions to help stabilize the economy and minimize financial volatility during the course of the pandemic.

Intervention at the State Levels

Apart from Lagos State, most states in Nigeria are yet to announce any palliative measure regarding taxes that are administered by States. The Lagos State Internal Revenue Service (L.I.R.S) extended the deadline for filing annual tax returns for employees and self-employed persons by two months from 31 March 2020, thus bringing the deadline for filing the returns to 31st of May 2020.² The LIRS also enjoined taxpayers to access the LIRS electronic tax platform via <https://etax.lirs.net> for all tax operations and administration matters including filing of annual returns from the comfort of their homes and offices at any time of the day.

While this is a welcome development, it is however surprising that the deadline protraction was not extended to filing returns and payment of monthly Withholding tax applicable to individuals and Pay-As-You-Earn (PAYE) tax. Although the rationale for this remains unknown; it would be difficult, if not impossible, for taxpayers to remit these taxes as well, due to the on-going lockdown and closure of businesses by the Lagos State Government in response to COVID-19 pandemic.

Also, the L.I.R.S has suspended all tax audits earlier scheduled till further notice. This move is in line with the law on social distancing and the lockdown policy of the State Government.

Legislative Responses from the National Assembly

1. The Emergency Economic Stimulus Bill 2020

Also in view of the challenges posed by the COVID -19 pandemic in Nigeria, the House of Representatives of the Federal Republic of Nigeria on Tuesday, the 24th of March, 2020 proposed and passed the “Emergency Economic Stimulus Bill 2020” (“the Bill”).³ The Speaker, Hon. Femi Gbajabiamila, the Deputy Speaker Rep. Ahmed Idris Wade and eight other principal officers of the House sponsored the Bill, which is now awaiting the Senate’s review, passage and presentation to the President for his assent before it becomes law.

The Bill, which when it finally becomes law will apply throughout the country, generally seeks to provide for palliatives on Corporate Tax Liabilities, Import

²<http://www.lirs.gov.ng/> Accessed on 7th of April, 2020 at 12pm

³<https://www.nassnig.org/news/item/1472> Accessed on 7th of April, 2020 at 12pm

Duty on Selected Goods and Mortgage Obligations to the Federal Mortgage Banks. Among others, the Bill seeks to:

- a. Provide temporary reliefs to companies and individuals to alleviate the adverse financial consequences of a slowdown in economic activities;
- b. Augment job security by offering 50% income tax refund on the total actual amount due or paid as pay-as-you-earn (PAYE) tax under the Personal Income Tax Act, 2004 (as amended), to Nigerian companies who retain all their employees from 1 March 2020 to 31 December 2020.
- c. Provide for a moratorium on mortgage obligations for individuals.
- d. Abolish import duties on medical equipment, medicines and personal protective gears required for the treatment and management of COVID-19 for three months, effective from the 1st of March 2020.

While the Bill presents some fascinating provisions, it should be noted that the provisions would continue to be a proposition until finally passed into law.

2. **Proposed Bill for 2 months Free Electricity for Nigerians**

The House of Representatives is to consider another Stimulus Bill that will ensure that Nigerians get free electricity supply for two months to mitigate the effects of the COVID-19 pandemic. The proposed Bill which seeks to boost the economy through the informal sector will be considered immediately the House reconvenes from its on-going break which was declared due to the pandemic.⁴ It has also been reported that the 11 Electricity Distribution Companies (DISCOs) under the aegis of Association of Nigerian Electricity Distributors (ANED), have affirmed that they will support the move to supply free electricity to all consumers within their network nationwide in the next two months.⁵ This is in a bid to provide a further palliative measure to bring succor to Nigerians.

Covid-19 Drawbacks on Taxation in Nigeria

1. **Reduced Tax Revenue:** Businesses are currently on lockdown with little to nothing in terms of returns or profit. Remittance of tax will certainly reduce due to the fact that majority of companies are currently engaged in skeletal business activities leading to depletion of profit. In essence, tax revenues are projected to reduce drastically during the period.
2. **Difficulty in assessing tax:** The realities of the pandemic will possibly affect current and future tax assessment. This is because, it is impossible to assess tax as

⁴<https://www.nassnig.org/news/item/1483> Accessed 7th of April, 2020 at 1:45pm

⁵<https://www.vanguardngr.com/2020/04/were-ready-to-give-2-months-free-electricity-to-households-discos/> Accessed on 9th April, 2020 at 12:49pm

economic activities have ceased temporarily. Tax officials, in assessing tax liability in future, will have to put into consideration the period of the pandemic.

3. **Minimized Tax Audit:** In Nigeria, the tax authorities conduct tax audit manually and physically. This function is currently at an all-time low as a result of cessation of business activities.
4. **Increased Tax Burden on the Government:** Many organisations and individuals have made donations to the Government towards the containment of Covid-19. Such donations made by companies are tax deductible to an amount equivalent to 10 percent of the profit of that company for the year of assessment. This is in accordance with the provision of Section 25 of the Companies Income Tax Act⁶. This may be considered an advantage to corporate entities but the government is left to bear the brunt of the difference.

Conclusion

Whether or not these incentives will remain after the outbreak of Covid-19 is the sole prerogative of the Government. In any case, the incentives are interventions to help stabilize the economy and minimize financial volatility during the course of the pandemic. However, in the light of the realities presented by the on-going pandemic, a waiver of all penalties on late filing of VAT, Personal Income Tax/PAYE, Withholding Tax, and Companies Income Tax, and/or suspension of all consumption taxes will provide significant relief to businesses.

As it can be inferred from the measures taken by other countries of the world, most governments are particular about helping taxpayers and companies maintain liquidity and retain more funds during this time of economic volatility. Therefore, it is anticipated that the government will consider total waiver or significant reduction in some tax rates in the days to come.

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⁶ Section 25, Companies Income Tax Act cap C21 LFN 2004

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