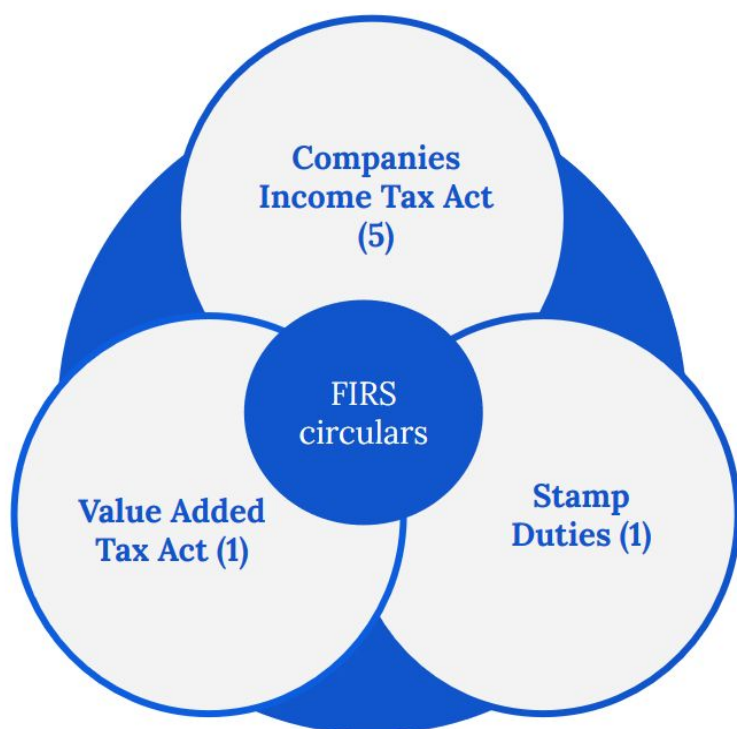


FIRS information circulars on Finance Act 2019

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Nigerian tax system took a giant stride in 2020. Effective 13 January 2020, the Finance Act 2019 introduced significant changes to seven tax laws. It is the first move since Nigeria became a democratic state in 1999. Taxpayers also looked up to the tax authority for guidance on the administration of the new law.

Consequently, the Federal Inland Revenue Service (FIRS) has released seven information circulars to clarify different sections of the Finance Act 2019. Topics covered include companies transitioning from old to the new law, the basis of withholding value added tax, an anti-abuse clause, capital allowance for small companies. Furthermore, the information circulars cover three principal acts. They are the Companies Income Tax Act, Value Added Tax Act, and Stamp Duties Act.



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Five (5) circulars on Companies Income Tax Act (CITA)

1. Commencement rule, cessation rule, and business reorganisation: There is no more cessation and commencement rules. Hence, taxpayers that commenced or ceased business in 2019 should consider the transition period. The circular also covers how to determine the basis period, assessment year, business reorganization, and restructuring.
2. Sundry provisions of the Finance Act 2019 (CITA): The circular explains various sections on the amendments to CITA. It covers the revised rules on excess dividend tax and minimum tax. For instance, how to calculate dividends paid out of retained earnings as well as gross turnover. Also, small companies will be unable to claim capital allowance on tax-exempt profits. Companies that bear taxes on behalf of a supplier (net of tax clause) can deduct only the net fee. The tax paid is not deductible. FIRS intends to recover tax liability or reject the submission of a company when there is tax evasion.
3. Real Estate Investment Companies (REIC): For REIC, the circular explains the taxable income, income exempt, and calculation of dividend tax. The circular offers clarity on whether dividends paid are deductible as well as the WHT obligations at 10%.
4. Taxation of Insurance Companies: The circular shows how to calculate minimum tax for an insurance business, reserve for unexpired risk, the amount of all outstanding claims, and outgoings. Losses may also be carried forward indefinitely for life and non-life insurance businesses.

5. Operation of Regulated Securities Lending Transaction: The circular offers an interpretation of regulated securities lending transactions, identifies taxable income and deductible expenses. It specifies obligations for WHT and stamp duties.

One (1) circular on Stamp Duties Act

The circular defines electronic documents, identifies the types of instruments and receipts liable to stamp duties. It also includes the rate for different transactions, the effect of electronic documents received in Nigeria, compliance procedure, and an emphasis on the relevant authority (FIRS) to collect stamp duties.

One (1) circular on Value Added Tax (VAT) Act

The circular provides clarity on the definition of goods, services, and exported services as well as the effective date of the new rate. It also includes when a business will register or deregister for VAT and the basis for determining the VAT threshold. Registration for VAT covers local companies and non-resident persons. A broader scope of taxable persons that should follow the self-account provision and a stricter penalty regime.

Overall, FIRS information circulars on Finance Act 2019 will serve as a guide for stakeholders in the Nigerian tax system. A copy of these circulars is available [here](#).