



FEDERAL INLAND REVENUE SERVICE
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INFORMATION CIRCULAR

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Subject: **GUIDELINE ON THE WITHHOLDING AND SELF-ACCOUNT OF VALUE ADDED TAX (VAT)**

This Circular is issued by the Federal Inland Revenue Service ("the Service") for the guidance of the general public, tax practitioners and taxpayers on the operation of VAT withholding regime in line with the provisions of the Value Added Tax (VAT) Act Cap VI LFN 2004 (as amended).

1.0 Legal Framework

Section 10(3) of the Value Added Tax Act Cap VI, LFN 2004 (as amended) requires a taxable person to whom a taxable supply is made in Nigeria to withhold VAT on transactions with Non-Residents and remit same to the Service (provided that the Service has not appointed another person to collect the VAT).

Section 13(1) of the VAT Act requires all ministries, statutory bodies or other agency of government (MDAs) to deduct or withhold and remit VAT on all payment made to contractors and remit same to the Service.

Section 13(2) of the VAT Act empowers the Service to, by notice determine and direct companies in the oil and gas sector to deduct or withhold VAT at source.

Section 14(3) of the VAT Act empowers the Service to appoint any person to deduct or withhold VAT; and the person so appointed shall remit the VAT deducted or withheld to the Service in the currency of transaction.

Section 14(4) of the VAT Act requires a person to whom taxable supply is made in Nigeria to self-account for the VAT payable on the transaction where VAT is not charged on the invoice. That is, in the event that a supplier did not charge VAT, the purchaser is required to compute the applicable VAT on the transaction, self-charge VAT and remit same to the Service accordingly.

Section 13(3) of the VAT Act requires the person having the duty to withhold VAT to submit returns, including a schedule showing the name and address of the contractor or supplier, gross amount of invoice, amount of VAT and month of return.

2.0 Withholding of VAT on Taxable Supplies Received

A company having obligation to withhold the VAT charged on invoices of all taxable supplies received (including works, services, goods, etc.) shall remit same to the Service in line with this Circular. This is in addition to their existing obligation to collect and remit VAT on their taxable supplies.

The suppliers (service provider, contractors, vendors, etc.) must state separately, the gross amount of taxable supplies, VAT rate, and the amount of tax (VAT) charged on each invoice (including bill, debit note or any such document employed to record the transaction). The self-account rule applies where the VAT is not included in the invoice.

3.0 VAT Obligations

A company covered under the legal framework specified in Paragraph 1.0 of this Circular, shall have the following obligations:

3.1 Obligation to Collect VAT

The company shall have the following obligations:

- i. Include VAT on all invoices issued to its customers in line with Section 13A of the VAT Act.
- ii. Collect the VAT that has been included in the invoice issued to customers.
- iii. File returns of VAT collected in respect of taxable supplies to its customers in line with extant law i.e., not later than the 21st day of the month, following the month of transaction or receipt using VAT form 002.
- iv. Remit the VAT so collected (output tax) to the Service in the currency of transaction, at the time of filing the relevant returns, after the deduction of input VAT as stipulated by the law.

Note:

- a. Only input tax on goods purchased or imported directly for resale and goods which form the stock in trade used for the direct production of any new product on which the output tax is charged is allowed for deduction from output tax.
- b. The returns in respect of VAT collected from customers are to be rendered separately from returns on VAT withheld.

3.2 Obligation to Withhold VAT from Suppliers:

The company shall have the following obligation:

- i. Deduct or withhold VAT stated on the invoice (the company shall not pay the VAT to the supplier).
- ii. Prepare a schedule showing the name, TIN and address of the contractor or supplier, gross amount of invoice, amount of VAT and month of return.
- iii. Remit the amount withheld directly to the Service, using the relevant module on Taxpro Max platform or any module or format as may be prescribed by the Service.
- iv. File the returns of VAT withheld using the appropriate form (Form 002A) or fields on FIRS' platform for filing VAT return.

3.3 Obligation to Self-Charge (Self-Account) VAT:

Where the company receives taxable supplies for which VAT is not included in the invoice, the company shall:

- i. Compute the applicable VAT on the transaction.
- ii. Self-charge the VAT.
- iii. Prepare a schedule showing the name, TIN and address of the contractor or supplier, amount of invoice, amount of VAT self-charged and month of return.
- iv. Self-account and remit the amount to the Service, using the relevant module on Taxpro Max platform or any module or format as may be prescribed by the Service.
- v. File the returns of VAT self-account using the appropriate form (Form 002A) or fields on FIRS' platform for filing VAT return.

3.4 Taxable supply between companies having obligations to withhold VAT

Where a company having obligation to withhold VAT makes taxable supplies to another company having similar obligation to withhold VAT, the recipient of the supplies (the purchaser) shall account for the VAT on the transaction in line with this Circular.

However, where a non-resident supplier, appointed pursuant to Section 10(3) of the VAT Act, makes a taxable supply to an appointed agent in Nigeria, **the appointed non-resident suppliers** shall have the primary responsibility to collect the tax due and remit same to the Service. Where the appointed non-resident person fails to collect the tax, the Nigerian appointed agent shall self-account for the tax in line with Section 14(4) of the VAT Act and remit same to the Service.

In the case of supply by a non-resident person not appointed under Section 10(3) of the VAT Act, the taxable person to whom the supply is made in Nigeria, including an appointed agent in Nigeria, shall have the obligation to withhold or self-account for the tax in line with Section 10(3) or 14(4) of the VAT Act, as the case may be.

4.0 Accounting for VAT Withheld

A company having obligation to withhold VAT shall:

- a. maintain an account, referred to as "VAT Withheld Account" in its book or ledger, separate from its VAT Accounts;
- b. record to the credit of the "VAT Withheld Account" all VAT withheld from suppliers;
- c. record to the debit of the "VAT Withheld Account" all sums remitted to the Service, being VAT withheld from suppliers; and
- d. make the statement of the "VAT Withheld Account" available for audit, from time to time, as may be required by the Service.

5.0 Error or omission on remittance schedule

A company having obligation to withhold VAT shall ensure that the field to be populated on the schedules of suppliers to be uploaded on the Taxpro Max are done accurately and correctly. This is necessary because, in the event that the uploaded schedule is erroneously populated, it may give unintended credit to a wrong person (i.e. suppliers).

It should be noted that the company or appointed agent can revisit the uploaded schedule of suppliers to effect corrections where necessary.

6.0 VAT Returns

6.1 Filing Obligation

All taxable persons are required to submit VAT returns on taxable supplies made to their customers on or before the 21st day of the following month of transaction (Section 15(1) of VAT Act).

An appointed agent shall file a separate VAT return (VAT form 002A) in respect of the VAT withheld to the Service on or before the 21st day of the following month in the currency of the transaction.

6.2 Mode of Filing Returns

All VAT returns are to be filed through the automated online platform provided by the Service (Taxpro Max, for the time being).

In respect of VAT withheld, the returns should be filed using the relevant module on the Taxpro Max platform or any module or format as may be prescribed by the Service.

Taxpayers who are on-boarded on the VAT automation platforms (VAT auto-collect) must stay connected and continue to file monthly VAT returns on the Taxpro Max.

6.3 Remittance of VAT

Every taxable person must, in line with extant laws, remit VAT due at the time of filing the relevant returns. VAT withheld should be remitted in the currency of transaction, separately from VAT collected on supplies.

6.4 Input Tax of Withheld Output Tax

Input tax paid by a supplier of taxable goods shall be allowed as deduction from the output tax in line with the provisions of section 17 of Value Added Tax Act.

In the event that the output tax has been withheld by a company covered under paragraph 1.0 of this Circular, the supplier:

- a. shall disclose the total output tax collectible on all its supplies in the VAT returns for the relevant month;
- b. deduct output tax withheld at source from the total output tax reported in its VAT return for the relevant month to arrive at a *net output tax (i.e. output tax collected)*;
- c. shall, in arriving at the net VAT payable, deduct input tax on all supplies from the net output tax;
- d. may also deduct input tax relating to the supplies for which output tax was withheld. Input tax to be allowed, is limited to goods purchased or imported directly for resale and goods which form the stock in trade used for the direct production of any new product on which output tax is charged;
- e. may utilise the amount refundable to offset future VAT liability; or
- f. may request for a refund, where the input tax is not fully recovered from output tax of all supplies.

7.0 Refund of Input Tax

Where a taxpayer covered under paragraph 1.0 of this circular requests for a refund, the Service shall treat the request in accordance with the guidelines for refund.

8.0 Offences and Penalties

The sanctions imposed by the VAT Act and other extant tax laws shall apply for failure to comply with the relevant provisions of the VAT Act.

9.0 Amendment or Revision of the Circular

The Service may, at any time, withdraw or replace this Circular or publish an amended or updated version.

10.0 Enquiries

All Enquiries on any aspect of this publication should be directed to:

Circular should be directed to the:

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