INTERIM PALLIATIVE MEASURES – FIRS EXTENDS THE DEADLINE FOR FILING INFORMATION REPORTS BY FINANCIAL INSTITUTIONS UNDER THE COMMON REPORTING STANDARD REGULATIONS
Introduction


Whilst these measures included the grant of time extensions for filing income tax, withholding tax and value added tax returns among others, we had mentioned in our update titled Implementing Exchange of Information Regulation in the face of COVID-19: Managing Risk Exposures for Financial and Multinational Enterprises in Nigeria that the FIRS was yet to issue a statement in relation to the filing of exchange of information returns under the various exchange of information regulations, especially under Income Tax (Common Reporting Standard) Regulations 2019 (“CRS Regulations”). We have highlighted in this update the recent measure introduced by the FIRS to help mitigate the risk of non-compliance by financial institutions with regard to their information-reporting obligations under the CRS Regulations.

Extension of reporting deadline for financial institutions under the Automatic Exchange of Information

To assist tax payers in managing their obligations due to the challenges posed by the outbreak of the COVID-19 pandemic, the Nigerian federal and state tax authorities have introduced various interim palliative measures. We had discussed some of these measures in our earlier updates - Interim Palliative Measures introduced by Nigerian Tax Authorities to Minimise the impact of the COVID-19 pandemic on taxpayers and Interim Palliative Measures - FIRS Waives Interest and Penalties on Outstanding Tax Liabilities for Certain Taxpayers.

Whilst these measures included the grant of time extensions for filing income tax, withholding tax and value added tax returns among others, we had mentioned in our update titled Implementing Exchange of Information Regulation in the face of COVID-19: Managing Risk Exposures for Financial and Multinational Enterprises in Nigeria that the FIRS was yet to
issue a statement in relation to the filing of exchange of information returns under the various exchange of information regulations, especially under Income Tax (Common Reporting Standard) Regulations 2019 (“CRS Regulations”). We have highlighted in this update the recent measure introduced by the FIRS to help mitigate the risk of non-compliance by financial institutions with regard to their information-reporting obligations under the CRS Regulations.

Extension of reporting deadline for financial institutions under the Automatic Exchange of Information Common Reporting Standard

The FIRS, via a public notice titled “COVID-19: Further Palliative Measures No 4: Extension of AEOI-CRS Reporting Dateline for Financial Institutions” (the “Notice”), announced the extension of the deadline for filing information reports by financial institutions in respect of the 2019 calendar year from 31st May 2020 to 30th September 2020. In the Notice, the FIRS stated that it was aware of the challenges financial institutions are currently experiencing in these unprecedented times which are likely to cause delays in reporting relevant information as indicated by the numerous applications for extension that it received from financial institutions in this regard. The extension illustrates the effort by the FIRS to ease the burden on financial institutions that are required to apply the prescribed due diligence procedures and file their reports by providing more time to, as far as possible, encourage compliance with the CRS Regulations.

The FIRS issued the CRS Regulations which took effect on 1st July 2019 further to Nigeria becoming a signatory to the Multilateral Competent Authority Agreement for the Automatic Exchange of Financial Account Information. Under the CRS Regulations, all reporting financial institutions, including those that do not have reportable accounts, are required to file an information report with the FIRS for 2019 and every subsequent calendar year on or before 31st May of the next year. The penalty for late filing is the sum of NGN10,000,000.00 (ten million Naira) for the first month and NGN1,000,000.00 (one million Naira) for each subsequent month that the failure continues. In addition, where a person makes a false statement, report or declaration in respect of information to be included in the report, there is an administrative penalty of NGN5,000,000.00 (five million Naira).
Conclusion

Considering the complexity of the due diligence process required of financial institutions and the fact that this is the first AEOI-CRS report to be filed in Nigeria, the extension of the deadline is a positive development. It is hoped that the extension will enable financial institutions prepare, finalise and file their information reports by the new deadline prescribed by the FIRS. In addition, the extension helps to minimise the risk of financial institutions incurring the stiff penalties for late filing prescribed under the CRS Regulations. All qualifying financial institutions are, therefore, advised to take advantage of this extension to prepare the information required under the CRS Regulations and its related guidelines for reporting before the extended deadline of 30th September 2020 to avoid incurring penalties.

The FIRS, through the Notice, reiterated its commitment to providing support to taxpayers to ease their tax compliance obligations at all times, particularly during the pendency of the COVID-19 restrictions. The FIRS has stated that taxpayers who require further information on the subject should contact the Director in charge by sending an e-mail to sanya.gbonjubola@firs.gov.ng.

The FIRS is, however, yet to provide information on the filing of Country-by-Country notifications and reports (“CbCr”) under the Income Tax (Country-by-Country) Regulations, which apply to multinational enterprises (where eligible). As stiff penalties also apply for the late filing of a CbCr by an eligible multinational enterprise group (through its constituent entity), it is hoped that the FIRS will also address this exchange of information obligation to mitigate possible compliance risks that the pandemic poses.