



FEDERAL INLAND REVENUE SERVICE

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TAX AUDIT MANAGEMENT UNDER THE JTB/FIRS JOINT TAX AUDIT INITIATIVE

**Presented at the Icons Room, 12th floor , St.
Nicholas House, Catholic Mission Street,
Lagos Island.**

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OUTLINE

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- ✓ INTRODUCTION
- ✓ AUDIT PERIOD
- ✓ COMPANIES TO BE AUDITED AND TAXPAYER NOTIFICATION
- ✓ AUDIT TEAM
- ✓ FIELD AUDIT WORK
- ✓ SUBMISSION OF REPORT
- ✓ SOME AREA OF FOCUS WITHIN CITA
- ✓ POSSIBLE QUESTIONS FROM ABOVE
- ✓ CLOSING REMARKS.

INTRODUCTION- Reasons

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Conducting joint tax audit by FIRS and SIRS is the effort of the Executive Chairman, FIRS and Chairman Joint Tax Board (JTB)

- ✓ To strengthen collaboration between the Federal and States tax authorities.
- ✓ Reduce Multiple visitations to Tax payers
- ✓ Save Valuable time for both tax payers and Tax authorities
- ✓ Enhance and improve tax Revenue Collation machineries.
- ✓ Enhance and improve revenue collection.

AUDIT PERIOD

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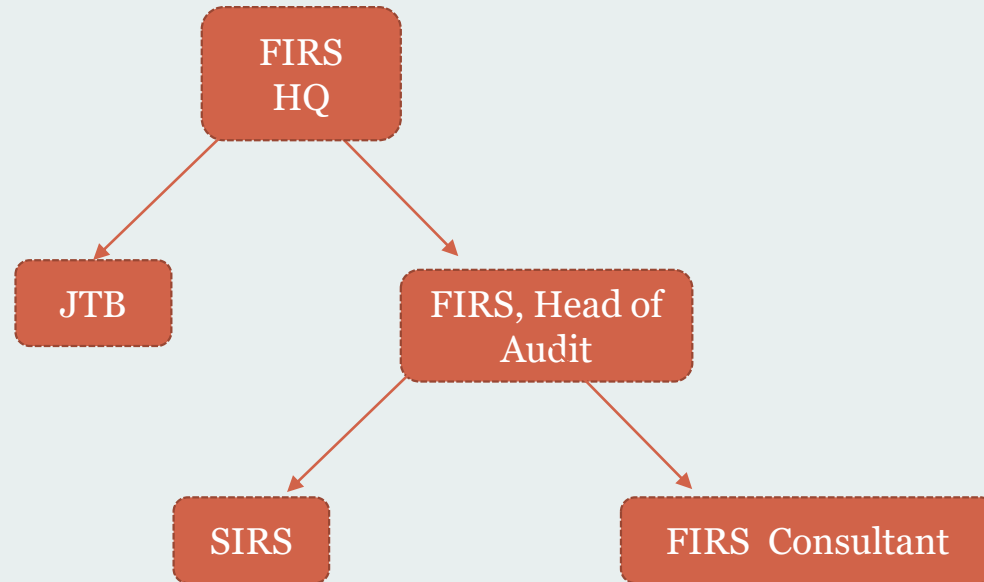
- ✓ The Audit period for this Joint tax Audit shall be for the years 2016 & 2017 year of account or as may be applicable.
- ✓ SIRS to key into the audit period to be covered by FIRS.

- ✓ FIRS will write letter of notification of audit to the taxpayer and send a transmittal and copy of the letter to JTB secretariat.
- ✓ Subsequently a date is fixed for the audit with the tax payers, and this date is communicated to all the tax audit team(FIRS, FIRS consultant and JTB secretariat.

AUDIT TEAM

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- ✓ The number of team members for an audit shall be representatives of each from FIRS and SIRS. JTB secretariat will coordinate the SIRS team members for each audit.





FIELD AUDIT EXERCISE

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- ✓ Preliminary Meeting
- ✓ Job Allocation
- ✓ Audit work
- ✓ Exit Meeting
- ✓ Collation of Report
- ✓ Submission of Report

FIELD AUDIT EXERCISE

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- **Preliminary Meeting**
 - Held at the company premises with the Management of the Company.
 - FIRS Staff shall chair the meeting.
 - Scope and Purpose of the audit.
 - Nature of the company, confirmation of background information and mode of operation.
 - Obtain information on the Accounting system in use, types of records maintained, extent of computerization and software in use and brief on the accounting process.
 - Foreign relationship/Intercompany transaction.
 - Obtain agreements signed between parties.
 - Documents required for the audit.
 - FIRS team lead shall be the liaison person for all request and arrangement of meetings with functional heads that the team will be working with.
 - Minutes of meeting to be taken and signed by representatives of FIRS, FIRS Consultant, SIRS and the Company.

- **Job Allocation**

- ✓ FIRS and its consultant to allocate jobs for all federal taxes.
- ✓ SIRS to handle all taxes collectable by the states.
- ✓ Joint list of requirement to be prepared and handled by FIRS team lead.

- Audit work

- ✓ FIRS to handle

- ✓ Companies Income Tax / Petroleum Profit Tax
- ✓ Tertiary Education Tax
- ✓ Value Added Tax
- ✓ Withholding tax – Companies
- ✓ Capital Gains Tax – Companies
- ✓ NITDA Levy
- ✓ Other relevant Taxes applicable to FIRS in line with; Taxes and levies (approved list for collection) Act.

- ✓ SIRS to Handle

- ✓ Personal Income Tax
- ✓ Withholding Tax – Individual and Enterprises
- ✓ Capital Gains tax - Individual and Enterprises
- ✓ Other relevant Taxes applicable to state

FIELD AUDIT EXERCISE

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- Exit Meeting



- ✓ Held at the end of the field audit work with the Management of the company and chaired by FIRS team lead
- ✓ FIRS Team lead to collate in consultation with all the team members items to be discussed with the taxpayer
- ✓ Discuss issues requiring responses and confirmation from the company on the findings
- ✓ Discuss all outstanding issues and ensure that the taxpayer is aware of the need to provide the information
- ✓ Minutes of meeting to be taken and signed by representatives of FIRS, FIRS Consultant, SIRS and the Company

Collation of Report

- ✓ FIRS and SIRS shall maintain their independent, statutory powers and functions and in preparing their report;
- ✓ FIRS shall collate its own side for all federal taxes and
- ✓ SIRS shall handle all taxes applicable to state.

Submission of Report

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- ✓ FIRS team and its Consultant shall submit its report as directed by FIRS Management.
- ✓ SIRS team shall submit their report as directed by JTB through, the representative from the Secretariat.

Some areas of focus within CITA

Important Sections of CITA to Focus on.

- (i) Section 9 – Charge of Tax.
- (ii) Section 13(2)- Nigerian companies(profits deemed to be derived from Nigeria)
- (iii) Section 19 – Payment of dividend by a Nigerian Company.
- (iv) Section 22 – Artificial Transaction.
- (v) Section 23 – Profit exempted.
- (vi) Section 24 – Deductions allowed.
- (vii) Section 25 – Deductible donations.
- (viii) Section 27 – Deductions NOT allowed.
- (ix) Section 27 (g) (h) (i) – Management Fee and Technical Fees.
- (x) Section 28 – Waiver or Refund of a liability or expense.
- (xi) Section 29 – Basis for computing assessable profits.
- (xii) Section 30 – Boards power to assess on turnover of trade. (Use this to ascertain effective tax rate of 6%).

Some areas of focus within CITA

- (i) Section 31 – Total profit from all sources.
- (ii) Section 33 – Minimum Tax.
- (iii) Section 43 – Dividend and Tax on Interim Dividend paid by Nigerian Companies.
- (iv) Section 53 – Self Assessment tax payable.
- (v) Sections 55 – Returns and Provisional Accounts.
- (vi) Section 65 (3) – Board to make assessments.
- (vii) Section 66 (1) – Additional Assessments.
- (viii) Section 77 – Time within which tax (Including provisional tax to be paid)
- (ix) Section 78-81 – Deductions at source)
- (x) Section 80(3)- Frank Investment Dividend
- (xi) Section 82 – Penalty for failure to deduct tax
- (xii) Section 101- Tax clearance Certificate.

Possible Questions from above

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- ✓ Which tax authority will issue the tax audit report(s) and subsequently raise tax assessment(s) in cases of established tax liabilities?
- ✓ Whether an individual or consolidated tax audit report will be issued to the taxpayer?
- ✓ Which tax authority will address tax disputes arising from the joint tax audit?
- ✓ Which tax authority will issue tax audit clearance letter at the conclusion of the audit?
- ✓ Is the Joint Tax Audit Compulsory?
- ✓ Can Tax payer write to request for it or refuse it?

Closing Remarks

- ✓ Each Organization should consciously recognize tax matters as a potential risk area to be taken seriously.
- ✓ Need to ensure tax compliance in the organization's operations cannot be overemphasized.
- ✓ Internal tax officers/ managers should be retained to provide due diligence on tax related matters.
- ✓ Management information report on tax compliance should be regularly provided for appropriate decision making, without waiting for when tax authority writes or visits the organization.

THANK YOU