

COMPLIANCE REQUIREMENT FOR THE REMITTANCE OF VALUE ADDED TAX(VAT) FOR INDIVIDUALS, BUSINESS OWNERS AND COMPANIES – PART 2

FIRS EXPECTATIONS FROM MINISTRIES, DEPARTMENTS AGENCIES AND OTHER COLLECTING AGENTS:

Collecting agents are agents of Tax collection with regards to Value Added Tax, they facilitate the deduction and remittance of VAT to the Tax Office e.g. Governmental Agencies, Departments and Agencies, Oil and Gas Companies and Non-Governmental Organizations (NGOs). They are required to:

- Register and Obtain TIN
- Obtain/Request TIN from all contractors/Service providers
- Ensure 7.5% VAT is added on total value of contracts as shown in the invoice.
- Ensure that 7.5% VAT is deducted when making payments to contractors/service providers
- Ensure they prepare a payment schedule with details of contractors/service providers clearly stating their TIN.
- Remit VAT collected with the payment instrument/authorization to any approved collecting bank of payment platform such as e-tax pay, internet banking etc.
- Submit evidence of payment (e-ticket, e-acknowledgment) together with the VAT schedule to the Tax Office and collect receipt.

FIRS EXPECTATIONS FROM MINISTRIES, DEPARTMENTS AGENCIES AND OTHER COLLECTING AGENTS.

FIRA expects all contractors doing business with the Federal Government to provide the following ;

- Certificate of Incorporation/Registration
- RC number
- Tax Identification (TIN)
- Business Address
- Bank Account details
- Company BVN
- Email Address
- Phone Number
- Line of Business

FIRS EXPECTATIONS FROM APPROVED COLLECTING BANKS

- Receive all VAT payments/remittances from taxable person/collecting agents
- Ensure that TIN is clearly stated in respect of all VAT payments with the Banks
- Ensure that taxable persons/collecting agents making VAT remittances attach schedules containing details of taxable persons and their TIN
- Ensure that all VAT paid or collected by the banks are uploaded on the FIRS Pay Direct Platform and transferred to the VAT Pool account with CBN. The use of suspense account by collecting banks to warehouse VAT collected is not allowed.
- File returns and remit VAT monthly in respect of VAT collected from their customers.

CALCULATION OF VAT

VAT is a multi-stage tax. It is collected at different levels of production, sales and distribution but the actual burden is on the final consumer as demonstrated below

<u>STAGES</u>	<u>PRICES OF GOODS AND CALCULATION OF VAT</u>	<u>CALCULATION OF VAT PAYABLE TO THE GOVERNMENT</u>
Raw materials Suppliers price N20,000	Sales price = 20,000 VAT @ 7.5% = 1,500 Price inclusive VAT = 21,500	VAT Collected = N1500 Less VAT Paid = N 00 VAT to be remitted = N1500
Manufacturer's Price N25,000	Sales Price = N25,000 VAT @ 7.5% = N1,875 Price Inclusive VAT = N26,875	VAT Collected = N1,875 Less VAT Paid = N1,500 VAT to be remitted = N375
Wholesaler's Price N30,000	Sales Price = N30,000 VAT @ 7.5% = N2,250 Price Inclusive VAT = N32,250	VAT Collected = N2,250 Less VAT Paid = N1,875 VAT to be remitted = N375
Retailer's Price N35,000	Sales Price = N35,000 VAT @ 7.5% = N2,625 Price Inclusive VAT = N37,625	VAT Collected = N2,625 Less VAT Paid = N2,250 VAT to be remitted = N375

What the final consumer pays at the last stage (consumption stage) is 2625 (7.5% of N35,000), which is the same as total VAT paid at other stages (supplies of raw materials to retailer) which is now transferred to the consumer. From this, it can be seen that the actual burden of VAT on the consumers and not the producers or retailers.

In the final part of this article I will be addressing some VAT compliance pitfalls to avoid and answer some frequently asked questions on VAT.



DEBO AKANDE LLP

ATTORNEYS | SOLICITORS

51, Raymond Njoku Street,
Off Awolowo Road,
Ikoyi, Lagos.

+234 806 906 2634

DeboAkandeLLP@gmail.com

www.DeboAkandeLLP.com