



Tax Alert

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FIRS gives taxpayers 15-day ultimatum for withholding tax reconciliation

The Federal Inland Revenue Service (FIRS) in its continued drive for the digitization of tax administration in Nigeria has started issuing notices, inviting taxpayers to reconcile their unutilised withholding tax (WHT) credit balances with it within 15 days of receiving the notice. For this purpose, taxpayers are required to submit their unutilised WHT credit notes to the FIRS for confirmation, reconciliation and approval. Failure by a taxpayer to regularise its WHT credit position within the specified timeline would be construed as acceptance of the FIRS' position and thereby foreclose any possibility of future reconciliation.

The FIRS' initiative is intended to culminate in the transfer of taxpayers' agreed WHT credit balances to their online accounts on the FIRS' portal and enable them to utilise their outstanding WHT credits effortlessly when filing their future Companies Income Tax returns. This positive development will eliminate the inefficiencies of the current regime whereby taxpayers are required to submit their WHT credit notes issued by the FIRS to the FIRS for verification before they can be utilised.

However, laudable as the FIRS' initiative is, the 15-day window to taxpayers is a major cause for concern. The timeline is quite ambitious and should be extended by at least 30 days in order to ensure a seamless transition to the digital platform. This is in view of the large number of taxpayers that will simultaneously be reconciling their WHT positions at the different tax offices and the number of tax years involved vis-à-vis the limited available capacity.

One major issue that is likely to be thrown up by the reconciliation exercise is the significant gap between taxpayers' WHT receivable positions (based on the WHT deducted by their customers) and the WHT credit notes they have actually collected from the FIRS (from their customers) over the years. This gap may be due to non-remittance of WHT deducted by customers to the FIRS, delayed issuance of WHT credit notes (especially foreign currency denominated credit notes) by the FIRS, non-issuance of WHT credit notes by the FIRS in respect of WHT liabilities settled during tax audit exercises, and loss of credit notes in transit, amongst others.



In light of the above, taxpayers must rise up to the challenge and take timely action to review their records, collate their unutilised WHT credit notes, liaise with their customers to update their records as necessary, and meet with the FIRS to reconcile their records.

For further enquiries on the above, please contact:

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