

FIRS INTRODUCES AUTOMATED VAT FILING & COLLECTION SYSTEM

The Federal Inland Revenue Service (“FIRS”) has automated its Value Added Tax (“VAT”) filing and collection system. In a public notice recently issued by the FIRS informing taxpayers of the automation, the FIRS stated that the automated VAT collection system is to ensure the efficient and seamless remittance of VAT on all VAT-able transactions in the wholesale/retail sector, and enable direct audit/reconciliation of all VAT transactions. The automated VAT collection system applies to the following businesses:

- Branded shops;
- Superstores;
- General supermarkets;
- Standard restaurants; and
- Eateries.

The effective date of operation of the Automated VAT Platform (“VATrac”) will be from Wednesday, 1st April 2020 (the “Effective Date”). After this date, the VATrac will become the approved channel for VAT returns filing and payment processing. Businesses in the above categories are therefore mandated to ensure compliance and prompt connectivity with the VATrac. Accordingly, the affected businesses are to liaise with the nearest FIRS Tax Office to be connected to the VATrac to ensure prompt compliance.

The affected businesses are also required to ensure their transaction or sales receipts contain the following information:

- FIRS Tax Identification Number (TIN) or Joint Tax Board TIN
- Print Date
- Goods/Product Description
- Receipt Number
- Grand Total billed to the customer
- Standard 7.5% VAT amount



applicable to the total

The FIRS also noted that the introduction of the VATrac is to aid the ease of doing business in Nigeria and will not disrupt the daily operations or existing systems of affected businesses, given that the VATrac was initiated to operate side-by-side with any standard Point of Sales(POS)/ fiscal machine.

It is commendable that the FIRS is employing emerging technologies to create an efficient VAT collection system, which will increase the revenue generated by the government. This is particularly relevant considering the VAT filing and remittance obligation recently imposed on non-resident companies under the Finance Act 2019 (the “Finance Act”). Also, in line with the Finance Act, taxable persons with an annual turnover of less than N25 million are not required to register, charge or file VAT returns. This implies that the VATrac platform will only apply to all categories of business listed above if their annual turnover is N25 million or more.

There are, however, uncertainties surrounding the modalities of operating the VATrac because the information currently

available to the public in this regard is limited. The workability of the VATrac is thus largely dependent on the ability of the FIRS to put in place proper monitoring mechanisms for effective implementation. While the FIRS insists that the VATrac is for “ease of business” and not aimed at disrupting or negatively impacting the current system, the short notice may negatively impact business operations and the FIRS should have extended the current deadline by at least 1(one) month. A more accommodating deadline could go a long way towards ensuring compliance and providing enough time for businesses to prepare to adjust to the new system.

Given that the limited time before the Effective Date, affected businesses should take note of this development, develop mechanisms for timely compliance and consult their tax advisers on the issues arising from their obligations under this new VAT regime.