

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

SKILLS LEVEL EXAMINATION – PILOT QUESTIONS

TAXATION

INSTRUCTION: YOU ARE REQUIRED TO ATTEMPT FIVE OUT OF SEVEN QUESTIONS IN THIS PAPER

SECTION A: COMPULSORY QUESTION (30 MARKS)

QUESTION 1

Chief Peter Ajanlekoko is the proprietor of Paes Academy, a co-educational secondary school located in Osun State of Nigeria. At the meeting of the management, It was unanimously resolved to appoint Messrs KJTL, a firm of Chartered Accountants, as its Tax Consultants.

The accounts for the year ended December 31, 2023 showed the following details:

	₦
Gross revenue	39,000,750
Net profit for the year	9, 850,000

The net profit was arrived at after deducting the following:

Motor vehicle expenses	2,150,000
Depreciation	4,250,000
Legal expenses	1,850,000
Salaries and wages	1,350,000
Rent and rates	2,420,000
Consultancy fees	4,300,000
Travelling expenses	850,750
Electricity	1,280,000
Bad and doubtful debts	1,000,000
Interest on loan from bank	3,800,000
Repairs and maintenance	2,700,000
General expenses	3,800,000

Chief Peter Ajanlekoko was in the employment of Gosla Federal Polytechnic as a Senior Lecturer.

The details of his monthly remuneration for the year ended December 31, 2024, are as follows:

Basic salary:	-	₦320,000
Housing allowance:	-	₦180,000
Transport allowance:	-	₦140,000

Chief Peter made the following contributions out of his emoluments to approved schemes as follows:

- National health insurance - 5% of gross emolument
- National housing fund - 2.5% of basic salary
- Contributory pension - 7.5% of gross emolument

Additional Information:

- Chief Peter Ajanlekoko bought a three bedroom flat at Federal housing estate which he let out at an annual gross rent of ₦720,000, on which he paid tenement rate of ₦36,000 and re-painting expenses of ₦140,000.
- Chief Peter Ajanlekoko married two wives and has seven children, two of whom are in private tertiary institutions. He spent a total of ₦5.2 million on their tuition and ₦1.2 million each on their upkeep. The other five children are in boarding secondary schools in Ogun State and he spent a total sum of ₦4.5million per annum on them.
- Motor vehicle expenses include an amount of ₦260,000 spent on repairs and maintenance of the school.
- Salaries and wages include special monthly allowance of ₦50,000 paid to the proprietor's first son at the University.
- ₦650,000 of the depreciation figure is loss incurred on sale of vehicles
- Repairs and maintenance expenses include cost of a new inverter ₦875,000 bought for the school computer room.
- Interest on loan from bank includes sum of ₦560,000 charged on loan obtained for Mrs Janet Smith (nee Ajanlekoko) who is an elder sister to the proprietor. An amount of excess charges of ₦150,000 was recovered by the accountant of the school and this had not been reflected in the accounts.
- The breakdown of general expenses is as follows:

	₦
Paid during the year on school administration	2,200,000
Teachers guide textbooks for the library	<u>1,600,000</u>
	<u>3,800,000</u>

- Unpaid expenses on the school running cost of ₦1,400,000 was omitted from the statement of profit or loss (out of which, ₦320,000 was spent on the car of one of the children of the proprietor).
- The breakdown of bad and doubtful debts is as follows:

	₦
Loan to 3 parents who died intestate during the year	420,000
Allowance for doubtful debts	250,000
Bad debts written off during the year	<u>330,000</u>
	<u>1,000,000</u>

- Cost of electricity includes ₦600,000 relating to the acquisition and replacement of electric poles that supply electricity to the school premises:

- (xii) The tax authority has just served a notice of tax liability of ₦ 3,500,000 to Chief Peter Ajanlekoko for the year of assessment. He is of the opinion that the amount is outrageous and he intends to object to the assessment.
- (xiii) The capital allowance agreed with the Revenue for the year was ₦ 1,200,000.

Required:

- a) Compute the income tax payable by the proprietor of the school for the relevant year of assessment. (27 Marks)
- b) Justify the reasonableness or otherwise of the notice of tax assessment received by Chief Ajanlekoko from the tax authority. (3 Marks)
- (Total 30 Marks)**

SECTION B: YOU ARE REQUIRED TO ATTEMPT TWO OUT OF THE THREE QUESTIONS IN THIS SECTION (40 MARKS)

QUESTION 2

An extract of the returns filed by **Manual Insurance Plc**, a company engaged in non-life business for 2024 and 2023 assessment years, revealed the following:

	Assessment year	
	2024	2023
	N'000	N'000
Reserve for un-expired risk brought forward	250,000	193,000
Reserve for un-expired risk carried forward	365,000	250,000
Estimated claims and outgoings	4,200	3,000
Actual claims and outgoings for the year	2,500	2,800
Net profit before claims	12,000	11,000
Total premium written	375,450	366,000
Premium returned to insured	24,600	21,300
Premium received and receivable	37,500	33,600
Unearned premium received in advance	15,600	12,300
Rent (gross)	23,400	19,500
Franked investment income	26,100	23,550

Required:

Compute the following for 2024 and 2023 assessment years:

- (a) The un-expired risk that is attributable to the risk accepted in each year (4 Marks)
- (b) Assessable profits (8 Marks)
- (c) Minimum tax payable (8 Marks)

(Total 20 Marks)

QUESTION 3

- (a) **Shapa Nigeria Limited**, commenced operations on November 1, 2019. The accounting year-end was July 31.

As a result of stiff government policy on the importation of rice which the company deals with, the going concern of the business became threatened. The directors at its meeting held on September 30, 2024, decided to cease operations on December 31, 2024.

The adjusted profits/ (loss) for the relevant periods are as follows:

	₦
Period to July 31, 2021	3,600,000
Year ended July 31, 2022	4,400,000
Year ended July 31, 2023	5,640,000
Year ended July 31, 2024	6,300,000
Period to December 31, 2024	(1,200,000)

Additional information:

- i. Bad debt in the sum of N200,000 which was written off in 2022 assessment year, was recovered in October, 2023.
- ii. A sum of N50,000 was spent to recover the debt.
- iii. An expenditure of N550,000 incurred in assessment year 2022, though considered in the statement of profit or loss was not paid until November, 2024.

On cessation, the Revenue Authority intended to conduct a back-duty investigation and the taxpayer was duly informed.

As a Tax Consultant, you have been invited to ascertain the assessable profits for the periods covered from the commencement of trade to cessation of business in readiness for the proposed investigation by the Revenue.

Required:

- (i) Explain **FOUR** (4) reasons why a business may cease trading. (6 Marks)
 - (ii) Compute net terminal adjusted result for the relevant assessment year. (4 Marks)
- (b) Chichi International Limited is an importer of goods from London. It has provided the following information in respect of goods imported in November 2024.

	₦
Free on board	12,000,000
Insurance	120,000
Freight	850,000

Assume the following rates:

- | | |
|--|---------------------------|
| (i) Import duty (Surface duty) | - 5% on CIF |
| (ii) Surcharge | - 7% on the surface duty |
| (iii) ECOWAS trade liberalisation scheme (ETLS) levy | - 0.5% CIF value |
| (iv) Comprehensive import supervision scheme levy | - 1% of free on board |
| (v) Value added tax | - 7.5% of the total value |

Required:

Compute the total duty payable to Nigeria Customs Service.

(10 Marks)

(Total 20 Marks)

QUESTION 4

Ogbonge Nigeria Limited is a wholly-owned Nigerian company established about 10 years ago in Agbara, Ogun State.

Due to economic situation of the country, the company had been making losses continuously for the first 6 years of its operation and was not able to pay dividends up to 2024.

Based on the financial statements for the year ended December 31, 2025, the company made a net profit before tax of ₦ 126,000,000.

The company has issued share capital of 50,000,000 ordinary shares of ₦ 1.00 each, owned by the following shareholders:

	Ordinary shares
Shareholders	of ₦1.00 each
Enny Ogbonge	15,000,000
Kummy Ogbonge	13,000,000
Fatty Ogbonge	10,000,000
George Ogbanga	8,000,000
Zacky Ogbanga	<u>4,000,000</u>
Total	<u>50,000,000</u>

The Federal Inland Revenue Service is of the opinion that the non-payment of dividend by the company was with a view to reducing the tax payable by its shareholders. At the just concluded tax audit of the company, in exercise of the powers conferred on it by the Companies Income Tax Act, 2004 (as amended), the FIRS has directed that ₦ 25,000,000 of the profit be treated as having been distributed as dividend.

Required:

- i. Compute the amount deemed to be income in the hands of the company's shareholders. (8 Marks)
- ii. Compute the withholding tax payable by each of the shareholders. (8 Marks)

- iii. Explain the bases of assessment and payment of taxes on investment income. (4 Marks)
(Total 20 Marks)

SECTION C: YOU ARE REQUIRED TO ATTEMPT TWO OUT OF THE THREE QUESTIONS IN THIS SECTION (30 MARKS)

QUESTION 5

The Federal Inland Revenue Service published the Non-interest Finance (Taxation) Regulations 2022, which provide a framework for the taxation of financial institutions offering non-interest financial products and services in Nigeria.

The Non-Interest Finance (Taxation) Regulations were issued to create a structured and fair tax framework for non-interest financial products and services, especially those guided by Islamic finance principles.

Given the current rates of interest charged by conventional banks, some entrepreneurs who are desirous to benefit from the non-interest finance to improve their operations, invited you to speak on some areas of the guidelines.

The regulations are structured into seven parts, addressing the tax implications of twelve distinct non-interest financial instruments.

Required:

- i) Discuss **THREE** (3) of the objectives of the regulations. (6 Marks)
- ii) Explain **THREE** (3) of the following:
- Sale-based products
 - Equity-based products
 - Lease-based products
 - Fee or agency-based products
 - Islamic fund management
 - Islamic real estate investment trusts (9 Marks)

(Total 15 Marks)

QUESTION 6

There are two distinct types of tax: direct and indirect taxes. Direct taxes include personal income tax, companies income tax, etc whilst indirect taxes include value added tax, excise duties, etc.

The Federal Inland Revenue Service (FIRS) is charged with the responsibility to collect and administer federal taxes, whilst, taxes that are owed to state governments are collected by the

several State Boards of Internal Revenue. The local governments collect taxes and levies through the Local Government Revenue Committees.

You have been appointed by the management of Ultimate Nigeria Limited to handle its tax matters.

Required:

- i) Explain **Four** (4) powers and functions of the Federal Inland Revenue Service Board. (8 Marks)
- ii) Explain the composition of the Joint Tax Board (JTB). (7 Marks)

(Total 15 marks)

QUESTION 7

The Deduction of Tax at Source (Withholding) Regulations 2024, which became effective July 1, 2024, set out the rules for the deduction of tax from payments to taxable persons under the Capital Gains Tax Act, the Companies Income Tax Act, Petroleum Profits Tax Act, and The Personal Income Tax Act in respect of specified transactions.

Withholding tax may be collected by any of the two tiers of government in Nigeria – the federal or state government. Both the Companies Income Tax Act and the Personal Income Tax Act clearly specify the ultimate government beneficiary of withholding taxes. These are the state government through the agency of the State Internal Revenue Service (SIRS) and the federal government through the Federal Inland Revenue Service (FIRS).

Required:

- a) Identify the information that is contained in the statement that accompanies the return to be submitted to the relevant tax office in respect of remittance of withholding tax deducted at source. (5 Marks)
- b) Identify **Five** (5) transactions that are exempt from deduction of withholding tax at source. (5 Marks)
- c) One of your new clients has just approached you to assist him to obtain a tax clearance certificate,

Required:

Explain **Five** (5) procedures a taxpayer who has fulfilled payment of his tax obligation must adhere to in order to obtain a tax clearance certificate. (5 Marks)

(Total 15 marks)

Nigerian Tax Rates

1. Capital Allowances

	Initial (%)	Annual (%)
Building expenditure	15	10
Industrial building expenditure	15	10
Mining expenditure	95	Nil
Plant expenditure (excluding furniture & fittings)	50	25
Manufacturing industrial plant expenditure	50	25
Construction plant expenditure (excluding furniture and fittings)	50	Nil
Public transportation motor vehicle	95	Nil
Ranching and plantation expenditure	30	50
Plantation equipment expenditure	95	Nil
Research and development expenditure	95	Nil
Housing estate expenditure	50	25
Motor vehicle expenditure	50	25
Agricultural plant expenditure	95	Nil
Furniture and fittings expenditure	25	20

2. Rates of Personal Income Tax

Consolidated relief allowance is ₦200,000 or 1% of gross income, whichever is higher, plus 20% of gross income

Graduated tax rates

	Chargeable income (₦)	Rate of tax (%)
First	300,000	7
Next	300,000	11
Next	500,000	15
Next	500,000	19
Next	1,600,000	21
Over	3,200,000	24

After granting the tax exempt items and the relief allowance, the balance of income (chargeable income) shall be taxed as specified in the tax table above.

3. Companies Income Tax Rate: Finance Act 2019 specifies:

- 30% (Large company)
- 20% (Medium-sized company)
- 0% (Small company)

4. **Tertiary education tax:** 2% of assessable profit (up to December 31, 2021)
2.5% of assessable profit (with effect from January 1, 2022 to August 31, 2023) and
3% of assessable profit, with effect from September 1, 2023 (Finance Act 2023)
5. **Capital gains tax** 10%
6. **Value added tax** 7.5%
7. **Hydrocarbon tax** 15% of chargeable profit (Petroleum prospecting licence and marginal fields companies)

30% of chargeable profit (Petroleum mining lease companies)

PROFESSIONAL LEVEL EXAMINATION – SOLUTIONS TO PILOT QUESTIONS

TAXATION

Suggested solution to question 1

(a)

Chief Peter Ajanlekoko
Computation of personal income tax payable
For 2024 assessment year

	₦	₦
Net profit for the year		9,850,000
Add: Disallowable expenses:		
Salaries and wages - proprietor's son	600,000	
Depreciation	4,250,000	
Repairs and maintenance - new inverter	875,000	
Interest on loan - proprietor's sister	560,000	
Allowance for doubtful debts	250,000	
Lightening and electricity- electric poles	<u>600,000</u>	
	7,135,000	
Add: Excess bank charges recovered omitted	<u>150,000</u>	
	7,285,000	
Less: Allowable expenses omitted from the account		
General expenses-running cost (₦1,400,000 - ₦320,000)	<u>(1,080,000)</u>	<u>6,205,000</u>
Adjusted profit for the year		16,055,000
Capital allowances		<u>(1,200,000)</u>
Income from business (school)		14,855,000
Employment income:		
Basic salary	3,840,000	
Housing allowance	2,160,000	
Transport allowance	<u>1,680,000</u>	7,680,000
Rental income (gross)	720,000	
Less:		
Tenement rate	36,000	
Repainting expenses	<u>140,000</u>	<u>544,000</u>
	<u>(176,000)</u>	

23,079,000

Less: tax exempt items:

National health insurance (5% of ₦7,680,000)	384,000	
National housing fund (2.5% of ₦3,840,000)	96,000	
Contributory pension fund (7.5% of ₦7,680,000)	<u>576,000</u>	<u>(1,056,000)</u>
Gross income		22,023,000

Consolidated relief allowance:

(1% of gross income or ₦ 200,000, whichever is higher plus 20% of gross income)		<u>(4,624,830)</u>
Chargeable income		<u><u>17,398,170</u></u>

Computation of personal income tax:

	₦	%	₦
First	300,000	@ 7	21,000
Next	300,000	@ 11	33,000
Next	500,000	@ 15	75,000
Next	500,000	@ 19	95,000
Next	1,600,000	@ 21	336,000
Next	<u>14,198,170</u>	@ 24	3,407,560.8
	<u>17,398,170</u>		<u><u>3,967,560.8</u></u>

- (b) The notice of assessment for ₦ 3,500,000 received from the tax authority is considered reasonable as the amount is lower than the calculated tax liability of ₦ 3,967,560.8 by ₦ 467,560.8 (Four hundred and sixty seven thousand, five hundred and sixty naira and eighty kobo).

Chief Peter Ajanlekoko is advised to pay the proposed assessment of ₦ 3,500,000.

Suggested solution to question 2

(a) Manual Insurance Plc

Computation for un-expired risk that is attributable to the risk accepted in the year

	2024 ₦'000	2023 ₦'000
Reserve for un-expired risk c/f	365,000	250,000
Reserve for un-expired risk b/f	<u>250,000</u>	<u>193,000</u>
Un-expired risk that is attributable to the risk accepted in the year	<u>115,000</u>	<u>57,000</u>

(b) **Computation of assessable profit**

	N'000	N'000
<u>2023 assessment year</u>		
Net profit before claims		11,000
Less: Actual claims and outgoing	2,800	
Estimated claims and outgoing	<u>3,000</u>	<u>(5,800)</u>
Assessable profit		<u>5,200</u>
<u>2024 assessment year</u>		
Net profit before claims		12,000
Add estimated claims and outgoing (2023)		<u>3,000</u>
		15,000
Deduct actual claims and outgoing	2,500	
Estimated claims and outgoing (2024)	<u>4,200</u>	<u>(6,700)</u>
Assessable profit		<u>8,300</u>

(c) **Computation of minimum tax payable**

	2024 N'000	2023 N'000
Total premium written	375,450	366,000
Premium received and receivable	<u>37,500</u>	<u>33,600</u>
	412,950	399,600
Premium returned to insured	(24,600)	(21,300)
Unearned premium	<u>(15,600)</u>	<u>(12,300)</u>
Gross premium liable to minimum tax	372,750	366,000
Add: Other income:		
Rent (gross)	23,400	19,500
Franked investment income	<u>26,100</u>	<u>23,550</u>
	422,250	409,050
Franked investment income	<u>(26,100)</u>	<u>(23,550)</u>
Gross premium and other income liable (GP and OIL)	<u>396,150</u>	<u>385,500</u>
Minimum tax @ 0.50% of GP and OIL	<u>N1,980,750</u>	<u>N1,927,500</u>

SOLUTION QUESTION 3

a) (i) **Possible reasons why a business could cease business include:**

- change in government legislations which could result in the declaration of the activities of a business as illegal, thus, this may lead to the end of such business;
- permanent dearth or inability of sourcing raw materials;
- loss of major market due to stiff competition or economic prices;

- inability to settle the debts owed by the company;
- loss of key personnel with technical know-how;
- agreement by the management of the company;
- liquidity problem;
- mismanagement of funds;
- complying with the order of a Court through an application of creditors or debenture holders of a company;
- failing objectives resulting in continuous decline in profits;
- natural disaster, for example, fire, earthquake or flood disaster;
- death of key shareholders, etc.

a (ii)

Shapa Nigeria Limited
Computation of net terminal adjusted loss
For 2025 assessment year

	N
The net terminal loss was	(1,200,000)

Notes:

- Bad debts recovered in October 2023 must have been captured in the relevant accounting year.
- Amount spent in recovering the debt must also have been captured in the same accounting year.
- The expenditure of ~~N~~550,000 was actually passed through the books before the year of cessation.
- Any loss sustained in the year of cessation is deemed lost and cannot be recovered.

Given the fact that the transactions occurred before the date of cessation, informed the decision to ignore same in the computation of the net terminal adjusted loss.

b.

Chichi International Limited
Computation of total duty payable to Nigeria Customs Service

	N
Free on board	12,000,000
Insurance	120,000
Freight	<u>850,000</u>
Cost, insurance, and freight (CIF)	<u>12,970,000</u>

Surface duty (import duty) 5% of CIF	648,500
Surcharge (7% of surface duty)	45,395
ETLS levy (0.5% of CIF)	64,850
CISS levy (1% of free on board)	<u>120,000</u>
	878,745
VAT (7.5% of CIF + the duty levies), that is 7.5% of (₦12,970,000 + ₦878,745)	<u>1,038,656</u>
Total duty payable to Customs	<u>1,917,401</u>

SOLUTION QUESTION 4

Ogbonge Nigeria Limited

(i) Computation of amount deemed as income in the hands of the shareholders

	Deemed	Dividend ₦
Enny Ogbonge	$\frac{15,000,000}{50,000,000} \times \text{₦}25,000,000$	7,500,000
Kummy Ogbonge	$\frac{13,000,000}{50,000,000} \times \text{₦}25,000,000$	6,500,000
Fatty Ogbonge	$\frac{10,000,000}{50,000,000} \times \text{₦}25,000,000$	5,000,000
George Ogbonge	$\frac{8,000,000}{50,000,000} \times \text{₦}25,000,000$	4,000,000
Zacky Ogbanga	$\frac{4,000,000}{50,000,000} \times \text{₦}25,000,000$	2,000,000
Total		<u>25,000,000</u>

(ii) Computation of withholding tax payable by each of the shareholders

Shareholders	Dividend ₦	Withholding tax (10%) ₦
Enny Ogbonge	7,500,000	750,000
Kummy Ogbonge	6,500,000	650,000
Fatty Ogbonge	5,000,000	500,000
George Ogbanga	4,000,000	400,000
Zacky Ogbanga	<u>2,000,000</u>	<u>200,000</u>
Total	<u>25,000,000</u>	<u>2,500,000</u>

(iii) Bases of assessment and payment of taxes on investment income

Investment incomes are incomes received primarily from investment decisions which includes decisions such as purchase of shares, purchase of property for letting purposes, placement of cash in fixed and other interest yielding accounts, etc.

The basis of assessment of dividend, interest, rent and royalty is the preceding year basis. The assessable income from each year of assessment is the income of the year immediately preceding the year of assessment.

Suggested solution to question 5

(a) Objectives of the Regulations

The Non-Interest Finance (Taxation) Regulations, 2022 were issued by the Federal Inland Revenue Service (FIRS) of Nigeria to create a structured and fair tax framework for non-interest financial products and services, especially those guided by Islamic finance principles. The key objectives of the Regulations include:

i. Ensure tax parity with conventional finance

The Regulations aim to level the playing field between non-interest and conventional financial systems by ensuring both are taxed equitably, despite differences in structure and terminology.

- Non-interest transactions, though different in form, often serve similar economic purposes as conventional financial arrangements. This regulation ensures equal tax treatment for similar economic outcomes.

ii. Provide legal and regulatory certainty

The Regulations clarify the tax treatment of non-interest financial instruments such as Murabaha, Ijarah, Musharakah, Mudarabah, Sukuk, and others.

- They remove ambiguity around how such instruments are to be treated for purposes of VAT, Withholding Tax (WHT), Stamp Duties, and Capital Gains Tax (CGT).

iii. Promote the growth of the non-interest financial sector

- By formalising the tax rules for Islamic finance, the Regulations support the development of Nigeria's non-interest banking and finance industry.
- This encourages innovation and entry of new players into the market, including Islamic banks, takeful operators, and fund managers.

iv. Align taxation with Islamic commercial jurisprudence

- Islamic finance prohibits interest (riba) and emphasises asset-backed and ethical investments. The Regulations are designed to respect these principles by ensuring that taxes are not imposed in ways that contradict the Sharia-compliant structure of the transactions.

v. Enhance tax compliance and revenue mobilization

By providing clarity on the tax implications of non-interest transactions, the Regulations make it easier for financial institutions and investors to comply with tax laws, thereby enhancing overall revenue collection.

vi. **Facilitate investment and financial inclusion**

- The Regulations are also meant to attract both local and international investors who prefer or are required to engage in non-interest financial transactions.
- They help increase financial inclusion among communities that avoid conventional banking for religious or ethical reasons.

(b) The Regulations are structured into seven parts, addressing the tax implications of twelve distinct non-interest financial instruments, categorised as follows:

i. **Sale-based products**

The three types of sale-based products are as follows:

- **Murabaha (Cost Plus Mark-up):** a transaction where a financial institution purchases an asset and sells it to a customer at a markup;
- **Istisna or Parallel Istisna:** contracts for manufacturing or construction projects financed by the institution; and
- **Salam or Parallel Salam:** advance payment contracts for future delivery of commodities.

ii. **Equity-based products**

These include:

- **Musharakah:** joint ventures with shared profits and losses;
- **Diminishing Musharakah:** partnerships where the customer's ownership increases over time; and
- **Mudarabah:** investment partnerships with profit-sharing arrangements.

iii. **Lease-based products**

These include:

- **Ijarah wa Iqtina (finance Lease):** Leases with an option to purchase the asset at the end.
- **Ijarah (operating Lease):** Standard leasing arrangements without transfer of ownership.

iv. **Fee or agency-based products**

- **Takaful (Islamic insurance):** insurance based on mutual cooperation and shared responsibility.
- **Sukuk (Islamic Bonds):** Investment instruments representing ownership in underlying assets, compliant with Islamic finance principles.

v. **Islamic fund management**

This is a business arrangement involving the pooling of resources together for investment, taking into consideration the Sharia principles between a fund manager and investors.

vi. Islamic real estate investment trusts

This is an arrangement between a fund manager and investors to pool resources together with a view to investing in real estate assets approved by the SEC in compliance with Sharia laws and other relevant laws.

Suggested solution to question 6

(a) Federal Inland Revenue Service Board

The administration of taxation on the profits of incorporated companies is vested in the Federal Inland Revenue Service (FIRS) whose management board is known as the Federal Inland Revenue Service Board (FIRSB) (sections 1-3, FIRS Establishment Act, 2007).

Powers and functions of the Board and the Service

The Board shall:

- (i) provide the general policy guidelines relating to the functions of the Service;
- (ii) manage and superintend the policies of the Service, on matters relating to the administration of the revenue assessment, collection and accounting system under this act or any enactment or law;
- (iii) review and approve the strategic plans of the Service;
- (iv) employ and determine, the terms and conditions of service including, disciplinary measures of the employees of the Service;
- (v) stipulate remuneration, allowances, benefits and pensions of staff and employees in consultation with the National Salaries, Income and Wages Commission; and
- (vi) do such other things, which in its opinion, are necessary to ensure the efficient performance of the functions of the Service under the Act.

(b) Composition of the Joint Tax Board (JTB)

The Joint Tax Board (JTB) is established by Section 86 of the Personal Income Tax Act, Cap P8 LFN 2004 (as amended).

The JTB comprises:

- (i) the Chairman of the Federal Inland Revenue Service Board, appointed pursuant to Establishment Act, 2007, shall be the Chairman of the JTB;
- (ii) one member from each state, being a person appointed pursuant to section 86(2)(a) of the Personal Income Tax Act (as amended), and a nomination shall be evidenced by a notice in writing delivered to the Secretary to the Board by the Governor;
- (iii) the JTB shall appoint an officer who is experienced in income tax matters to be the Secretary to the Board, and may, in accordance with existing laws, appoint such other staff, from time to time, including secondment or transfer from the public service in Nigeria; and
- (iv) the Legal Adviser of the FIRS shall be in attendance at meetings of the JTB and shall serve as adviser to the Board.

Suggested solution to question 7

(a) The information that is contained in the statement that accompanies the return to be submitted to the relevant tax office in respect of remittance of withholding tax deducted at source

A person who makes a deduction from any payment shall, upon remittance to the relevant authority, issue a receipt for the tax so deducted and a statement in the format prescribed in the Second Schedule to these Regulations or as may be prescribed by the relevant tax authority from time to time, containing the following information, that is the —

- (i) name, address and the TIN of the person from whom the deduction was made; provided that where the beneficiary has no TIN, such a person shall provide, in the case of —
 - an individual, a NIN, and
 - a company, an RC number;
- (ii) nature of transaction in respect of which the payment was made;
- (iii) gross amount payable or settled;
- (iv) rate applied;
- (v) amount deducted;
- (vi) month to which the payment relates;
- (vii) relevant tax authority;
- (viii) currency of remittance; and
- (ix) a declaration to be signed by the officer of the company.

(b) The following transactions are exempt from deduction of withholding tax at source:

- (i) compensating payments under a Registered Securities Lending Transaction in line with section 81(8) of the Companies Income Tax Act ;
- (ii) any distribution or dividend payment to a Real Estate Investment Trust or Real Estate Investment Company as provided under section 80(5) of the Companies Income Tax Act;
- (iii) across-the-counter transactions as defined under these Regulations;
- (iv) interest and fees paid to a Nigerian bank by way of direct debit of the funds which are domiciled with the bank;
- (v) goods manufactured or materials produced by the person making the supply;
- (vi) imported goods where the transaction does not create a taxable presence in Nigeria for the foreign supplier;
- (vii) any payment in respect of income or profit which is exempt from tax;
- (viii) out-of-pocket expense that is normally expected to be incurred directly by the supplier and is distinguishable from the contract fees;
- (ix) insurance premium;
- (x) supply of Liquefied Petroleum Gas (LPG), Compressed Natural Gas (CNG), Premium Motor Spirits (PMS), Automotive Gas Oil (AGO), Low Pour Fuel Oil (LPFO), Dual Purpose Kerosene (DPK), and JET-A1;
- (xi) commission retained by a broker from money collected on behalf of the principal in line with the industry norm for such transactions; and
- (xii) winnings from a game of chance or a reality show with contents designed exclusively to promote entrepreneurship, academics, technological or scientific innovation.

An exemption from deduction at source in this regulation shall not be deemed as an exemption from the relevant income tax except as provided in the enabling law.

(c) Procedure for applying for a tax clearance certificate in Nigeria

In Nigeria, a Tax Clearance Certificate (TCC) is a document issued by the Federal Inland Revenue Service (FIRS) or State Internal Revenue Service (SIRS) to confirm that a taxpayer has fulfilled his tax obligations.

The procedure for applying for a TCC by a taxpayer includes:

- (i) ensuring that all tax liabilities have been settled;
- (ii) verifying that all tax returns have been filed and that there is no outstanding tax issue;
- (iii) ensuring that the TIN is up-to-date and accurate;
- (iv) ensuring that all tax returns for the relevant years have been completed and submitted;
- (v) gathering receipts for all tax payments made;
- (vi) submitting the application online through the FIRS or SIRS portal;
- (vii) alternatively, submitting the application manually at the nearest FIRS or SIRS office;
- (viii) paying the application fee online through the FIRS portal;
- (ix) alternatively, paying the application fee at a designated bank;
- (x) waiting for the application to be processed by FIRS or SIRS by verifying the application and supporting documents, which may take several days or weeks; and
- (xi) Collecting the TCC from the FIRS or SIRS office, once the application is approved.