

INCOME TAXES

1.00 DOCUMENTATION:

1.01 CHECK LIST (SEQUENCE OF FILING):

- Tax Form A (Self Assessment Tax Form) – Page 1
- Proof of Service – Page 2
- Tax Form 40 (Interview sheet) – Page 3
- Income Tax Working Sheet – Page 4
- Tax Form L1 (Notice of Assessment) – Page 5
- E-payment receipt – Page 6
- Bank teller – Page 7
- Receipt of payment for the relevant year – Page 8
- Receipt of Development Levy for the relevant year – Page 9
- Application for a tax clearance certificate-Page 10
- Tax Form Z (Duplicate copy of TCC) – Page 11
- Tax Form 34 – Employees Annual Assessment File (used as cover for pages 1–11 above)
- Evidence of TIN registration should be at the front cover of tax payer's file.

2.00 PROCEDURE FOR FILING RETURNS:

For each year of assessment, a taxable person shall without notice or demand file a return of income with the relevant tax authority within ninety (90) days from the commencement of every year of assessment as enshrined in Section 41 of PITA as amended.

2.01 FIELD VISITATION:

The Heads of Stations of the respective offices must embark on field visitations to all tax payers in their jurisdictions within the first two (2) months of the year with a view to bringing new Taxpayers into the tax net.

2.02 RETRIEVAL OF COMPLETED FORMS:

By March ending, Heads of Stations must retrieve all completed forms to the office. And such retrieved forms must be properly profiled and put in the individual files of the tax payers for appropriate assessment.

2.03 EVIDENCE OF PROOF OF SERVICE:

There must be evidence of proof of service for all served Tax Forms A and Assessment Notices before retrieval. And such evidence of proof of service must be kept in tax payer's file.

2.04 SOURCE(S) OF INCOME:

The taxpayer must show clearly and unambiguously all his/her sources of income as shown in PART 'C' Tax Form A. Taxpayers are equally expected to show evidence of investment in quoted stocks/shares.

2.05 EVIDENCE OF CLAIMS:

The taxpayer must submit evidence of claims before such claims can be granted e.g.

- (i) National Pension Scheme
- (ii) National Health Insurance Scheme
- (iii) Life Assurance Premium
- (iv) National Housing Fund etc.

3.00 PROFILING OF TAXPAYERS:

All taxpayers must be properly interviewed and profiled before assessment can be raised. However, any assessment of ₦100,000.00 (one hundred thousand naira) and above must be sent to the Central Unit at the Head Office for appropriate assessment.

See Annexure I for information that should form the bases of assessment.

4.00 ASSESSMENT OF TAX PAYERS:

After the expiration of the time allowed for the delivery of the return provided for in Section 41, the relevant tax authority shall proceed to assess every taxable person chargeable with income tax in line with Section 54(1-2) of PITA as amended.

4.01 RAISING OF ASSESSMENT:

From the submission of completed returns to assessments of taxpayers should be done within the deadline of 31st March of every year.

All taxpayers with assessable income of ₦100,000.00 should be compiled and forwarded to the office of the Executive Director (Income Taxes). And all such assessments so forwarded must be carried out by the Tax Assessment Committee or Directorate as soon as they are received from the Tax District and must be returned within a week for onward transmission to the tax payer.

4.02 SERVICE OF ASSESSMENT NOTICES:

All Assessment Notices raised should be served on tax payers immediately all such Notices have been raised but must be within the deadline of 31st March of every year.

4.03 CONDITIONS UNDER WHICH ASSESSMENT COULD BE REVISED:

- In a situation where a taxable person liable to income tax has not been assessed or has been assessed at a less amount than that which ought to have been charged.
- In a situation where any form of fraud, wilful default or neglect has been committed by or on behalf of a taxable person on connection with any tax imposed under the Act, Section 55(I) of PITA as amended.
- In a situation where a person disputes or objects to assessment raised on him, Section 58(I) of PITA as amended.

5.00 ASSESSMENT USING BEST OF JUDGEMENT:

If at the expiration of 90 days, as enshrined in Section 41 of PITA as amended, the taxpayer refuses or fails to return the Tax Form A so served on him, the relevant tax authority should to the best of its judgement, determine the amount of the assessable, total or chargeable income of that person and make an assessment accordingly (see section 54b of PITA as amended).

All best of judgement assessment should be done centrally at the head office while the relevant Heads of Station should provide a detailed profiling and relevant information of the taxpayer to enable the Central Unit execute the best of judgement.

6.00 CONSIDERATION OF OBJECTIONS/RECONCILIATION:

If a taxpayer disputes an assessment raised on him he may apply to the relevant tax authority through the Executive Chairman by notice of objection in writing, to review and

revise the assessment and the applicant should state precisely the grounds of objection to the assessment and shall be made within thirty (30) days from the date of service of the notice of assessment.

On the receipt of such objection, the Executive Chairman should within 48 hours transmit same to the Central Assessment Unit through the Executive Director (Income Taxes). The determination of such objection or appeal should be completed and returned to the Tax District concerned within 14 days for onward service to the respective taxpayers. The tax chargeable as so determined shall be payable within one month from the date of service of the notice.

7.00 SERVICE OF DEMAND NOTE:

Where the taxpayer fails to make payment at the expiration of two (2) months of the service of Notice of assessment, the relevant tax authority shall serve a demand note on the taxable person on whom the tax is chargeable. And, if payment is not made within one month from the date of service of the demand note the tax outstanding becomes final and conclusive. Consequently, a sum equal to 10 percent per annum of the tax shall be added thereto.

In the same vein, interest on annual basis at bank lending rate shall be chargeable from the date when the tax becomes payable until it is paid.

Thereafter, the Head of Station should within two (2) weeks collate such names for onward transmission to the Head Office for legal action.

8.00 PAYMENT OF INCOME TAX:

Where there is no objection to assessment raised, the tax payer is expected to pay the tax so assessed within two (2) months after the service of such notice as enshrined in Section 68(1) of the Personal Income Tax as amended.

All payments made by taxpayers for the purpose of tax should be paid into dedicated Internally Generated Account (IGR) with the requisite instruments.

On confirmation, receipts should be issued by the cashier. For purpose of clarity, receipts should be issued only on presentation of bank teller and electronic payment receipts by the tax payer. A duplicate copy of the teller with the electronic copy as well as a duplicate copy of the receipt must be filed in the file of the tax payers.

9.00 ISSUANCE OF TAX CLEARANCE CERTIFICATE (TCC)

All applicants for the issuance of tax clearance certificate (TCC) must apply in writing to the relevant tax authority and such written application must be processed within 48 hours to the Director (Income Taxes). Upon receipt, the Director (Income Taxes) should within 48 hours process same to the Executive Director who should in turn process same within 48 hours for consideration and approval.

Tax Clearance Certificate (TCC) should be issued to the applicant within two (2) weeks of demand for the certificate by that person or the tax authority should give reason(s) for the denial.

10.00 VERIFICATION OF TAX CLEARANCE CERTIFICATE:

All letters from Ministries, Departments and Agencies (MDAs) for the verification for tax clearance certificate should be directed to the Executive Chairman and the EC should within 48 hours send same to the Executive Director who should within 48 hours transmit same to the Director (Income Taxes) for processing. All the processes for the verification exercise should be concluded within seven (7) days.

11.00 ASSESSMENT REGISTER:

In line with Section 56 of PITA, a list of Tax payers and assessment register should be maintained in all tax offices. To this end, all tax offices must maintain a Tax Kalamazoo register.

12.00 COLLECTION CHART:

All Heads of Stations should maintain a collection chart to be displayed conspicuously in their respective offices.

INTERVIEW OF TAXPAYERS/PROFILING (ANNEXURE I):

The following information should form the bases of Assessment.

- A.** Bio data of Tax payer.
 - 1. Name of Tax payer/marital status
 - 2. Residential address of tax payer
 - 3. Business address of tax payer

4. School(s) attended with dates
5. Nature of business
6. Purpose for which tax clearance certificate is required
- B.** Tax payer's expenditure profile:
 1. Personal Assets:
 - (a) Number of houses owned/Rents derived there from.
 - (b) Number of vehicles owned by tax payers and make
 2. Schools attended by children/fees paid.
 3. Tax payer's life style.
- C.** Ownership structure of business:
 1. Number of employees/salaries paid.
 2. Number of transaction/turnover.
 3. Bank statement/lodgement.
- D.** Where the tax payer is school proprietor/proprietress:
 1. Number of pupils in the school—request for school enrolment.
 2. School fees paid by pupils/student
 3. Salaries earned by the teaching/non-teaching staff
 4. Statement of account/Bank lodgement
 5. Ascertain if the school premises is used for social engagement
 6. Enquire if the school is under the PAYE scheme.
- E.** The following should serve as a guide to profiling of low income tax payers.
 - (i) Size of shop or store.
 - (ii) Level of patronage
 - (iii) Sales volume/Turn over
 - (iv) Likelihood of ware house usage/ownership
 - (v) Type of school attended by children
 - (vi) Tax payers' general expenditure level