

# *Managing Taxes for Small Businesses*

13 October 2017



# ***Agenda***

***Small Businesses and Tax: The Facts***

***How You See Yourself***

***How the Government Sees You***

***Taxes and Tax Compliance Requirements***

***The Evolving Tax Landscape***

***Getting it Right – Value Drivers***

***Going Forward***

# Small Businesses and Tax: The Facts



**Tax compliance** places a large burden on small business in aggregate but relative to large companies



**Small businesses** are more likely to avoid or underpay taxes...

either intentionally

or unintentionally



The current tax laws in Nigeria offer large business several advantages over ...



**smaller businesses**



Small companies however enjoy the benefit of flexibility in corporate structure to enjoy tax benefits.



Tax is usually the last thing on the minds of small businesses

# *Small Businesses and Tax: The Facts*

**Small business** are not immune to the current apathy to government's use of revenue from taxes.



**Small businesses** now leverage on technology for sales and marketing but not for financial reporting and taxes.



Tax compliance enforcement on **small businesses** is more expensive for the tax authority than larger companies.

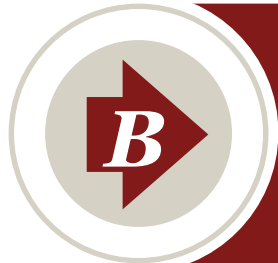
## ***Poll***

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In your opinion, should SMEs be required to comply with tax laws?



*Yes, SMEs should comply with tax laws, just like every other business.*



*Yes, but the tax regulations should be simplified and the tax rate reduced*



*No, SMEs should not be required to comply with tax laws.*

## *How you see yourself*

*“Do I really need to pay taxes?”*

*“I am not even making a lot of profit, I should be benefiting from this government*

*“What are the benefits I will get from paying taxes?”*



*“Will the government even know that I exist?”*

*“Maybe I should just pay a small amount or settle some of the tax officials*

*“What if I don't pay taxes, what can happen?”*

# How the Government See You: The Importance of SMEs to a Developing Economy

Key contributor to job creation

Stimulates competition

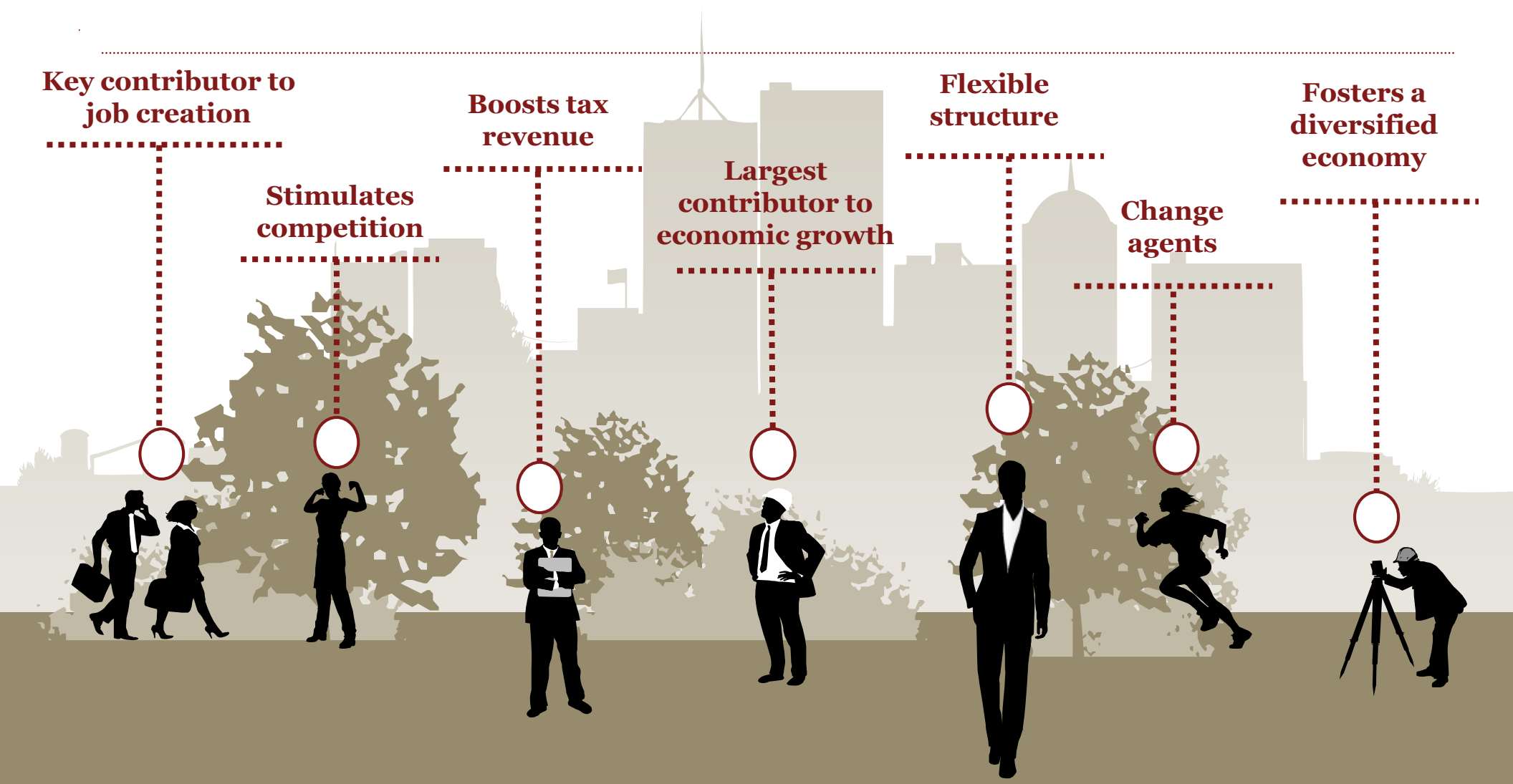
Boosts tax revenue

Largest contributor to economic growth

Flexible structure

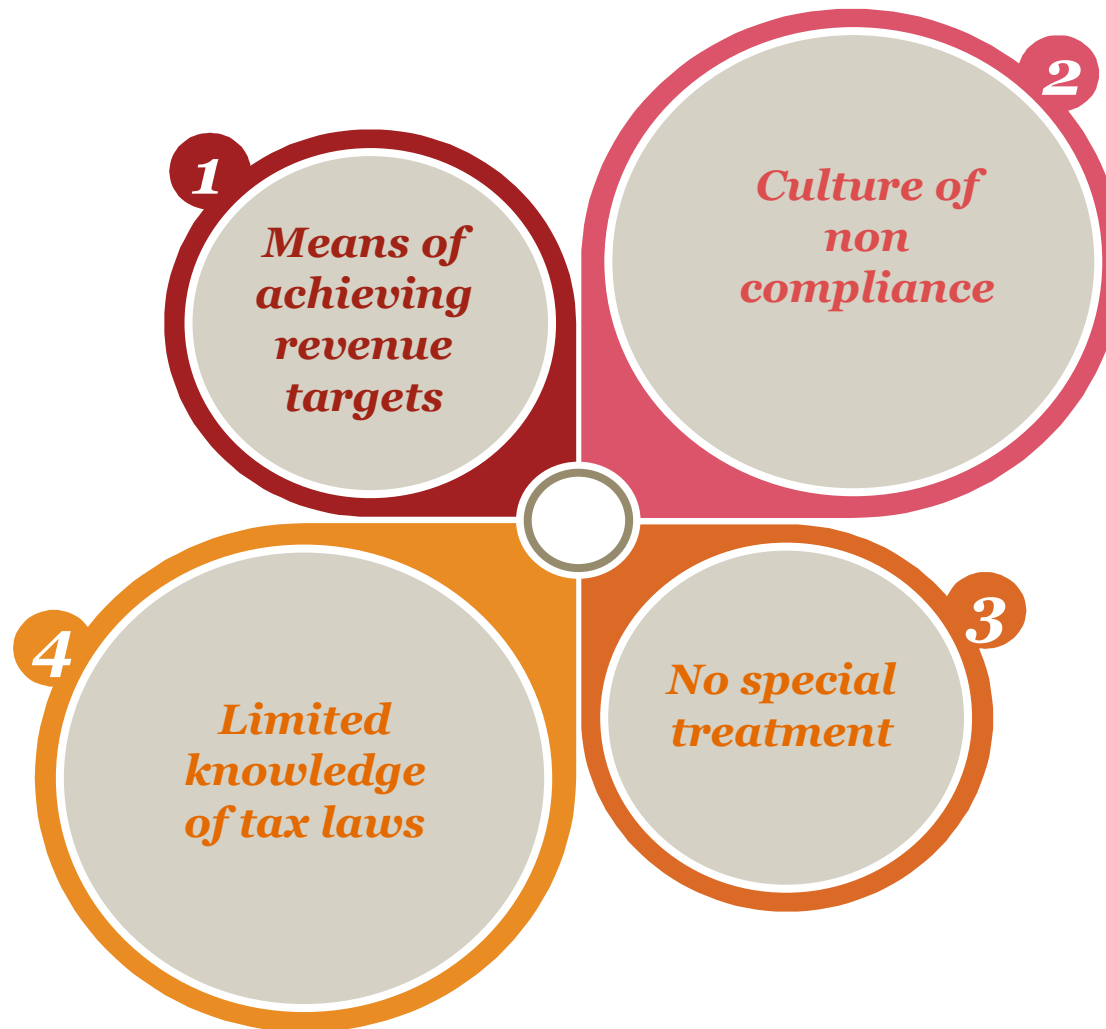
Change agents

Fosters a diversified economy



# *How the Government See You: How the Tax Authority sees you*

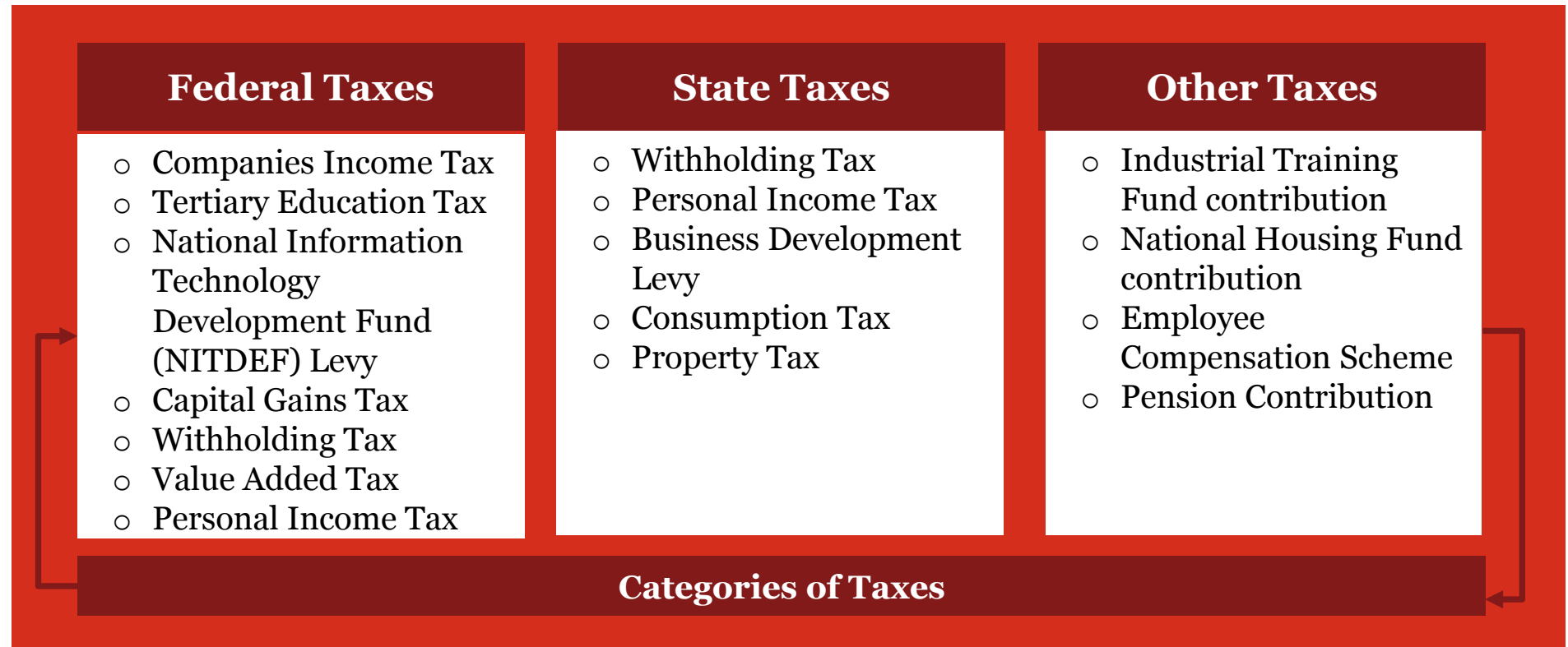
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# Some Common Taxes

Some of the common taxes/ levies or contribution are:



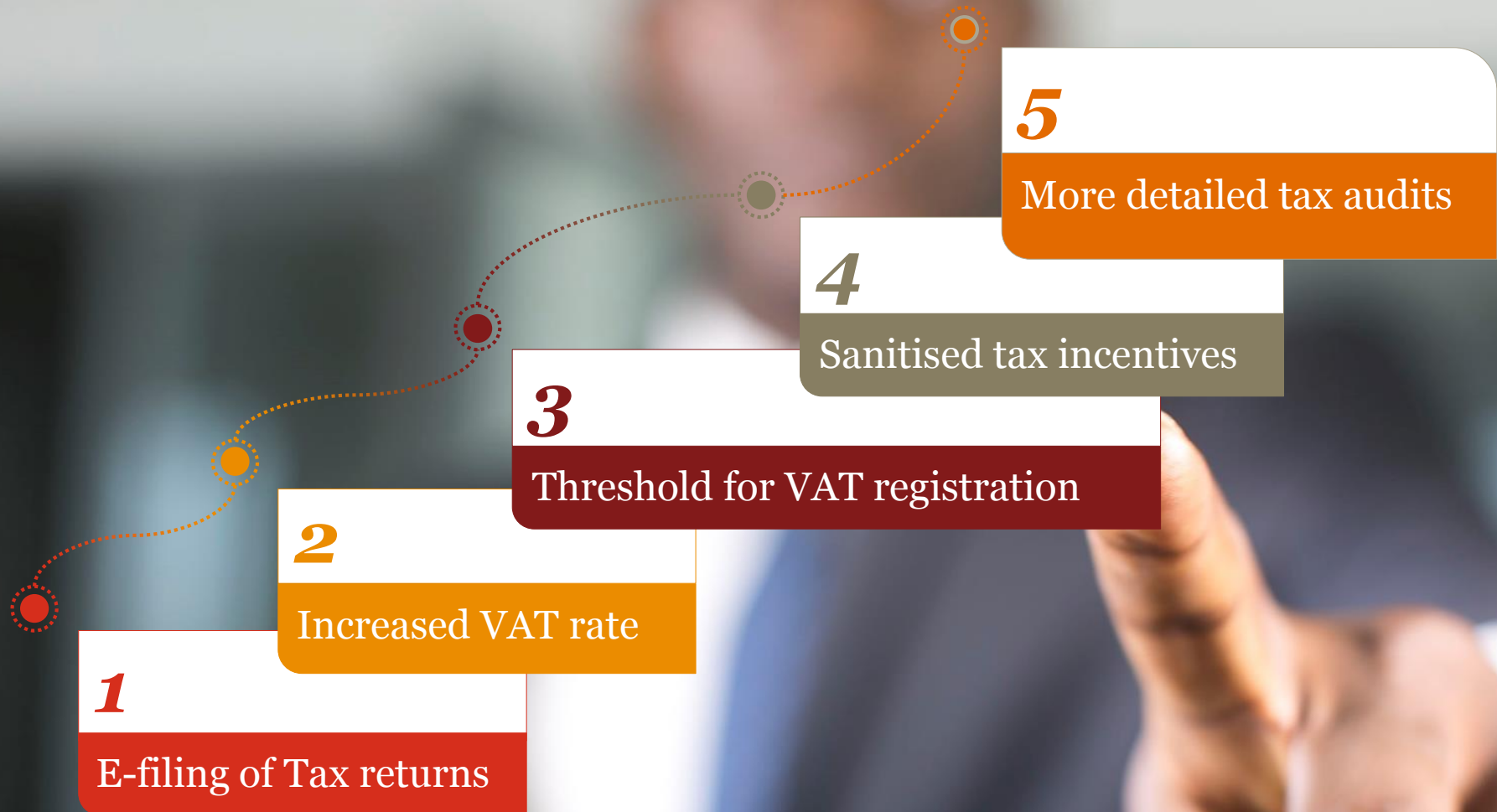
## *Tax compliance obligations – At a glance*

<b>Description</b>	<b>CIT</b>	<b>TET</b>	<b>CGT</b>
<b>Rates</b>	30%	2%	10%
<b>Basis of Assessment</b>	Taxable profit	Assessable profit	Chargeable Gains
<b>Due Date for filing</b>	On or before 6 months from accounting year end	No specific date, usually submitted with income tax returns	No specific date, usually submitted with income tax returns
<b>Due Date for Payment</b>	Two months from the filing due date	60 days from service of an assessment.	
<b>Penalties and offences</b>	Late filing= N25,000 (first month; then N5,000 for each subsequent month of failure Late Payment= 10 % of tax due + 15% interest at Monetary Policy rate	Late Payment= 10 % of tax due + interest at Monetary Policy rate	10 % of tax due + interest at Monetary Policy rate

## Tax compliance obligations – At a glance

Description	VAT	WHT	PIT/PAYE
<b>Rates</b>	5% ,0%	Dependent on type of transaction (5% or 10%)	Graduated scale of between 7% - 24%
<b>Basis of Assessment</b>	Vatable goods and services	Payment to vendors	Employment income
<b>Due Date for filing</b>	On or before 21 <sup>st</sup> day of month following the month of transaction	WHT deducted from companies is due to the FIRS within 21 days after the duty to deduct WHT arose and 30 days for payments to state tax authorities	10 <sup>th</sup> of the month following the payment of salary. Annual returns must be submitted on or before 31 <sup>st</sup> January.
<b>Due Date for Payment</b>			
<b>Penalties and offences</b>	N 5,000 per month for default. 10 % of tax due + interest at Monetary Policy rate	10 % of tax due + interest at Monetary Policy rate	Non filing of annual returns= N500K . 10 % of tax due + interest at Monetary Policy rate

## *The Evolving Tax Landscape*



## ***Poll***

Based on your experience so far, what are most important factors that lead to non-compliance?

-  ***A*** *Size of business profit*
-  ***B*** *Burdensome compliance requirements*
-  ***C*** *Complex tax laws*
-  ***D*** *General apathy arising from perceived misuse of tax revenue*

# Poll

How many taxes (levies, rates, etc.) does your business pay?

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## Getting it Right – Value Drivers

1

### Proper Documentation

- Invoices
- Accounting records
- Contracts/Agreements



2

### Think Tax Strategy

- Legal entity
- Business model
- Contracts/Agreements



3

### Develop tax processes and control framework

- Automate tax process
- Clear reporting lines



4

### Seek Expert Opinion

- Tax accounting
- Data specialist
- Tax consultants



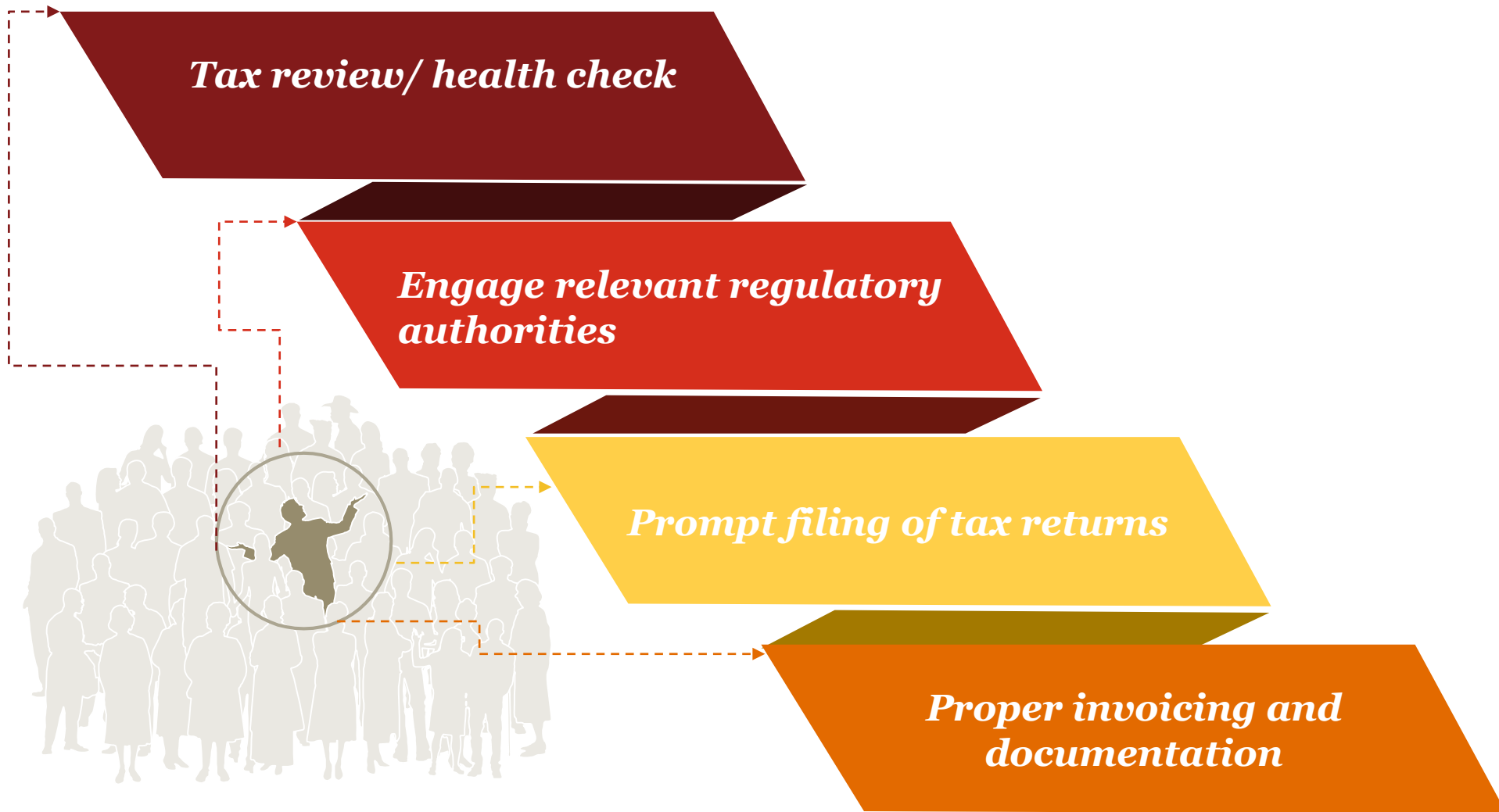
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### Unified front

- Lobbying
- Engagement with authorities

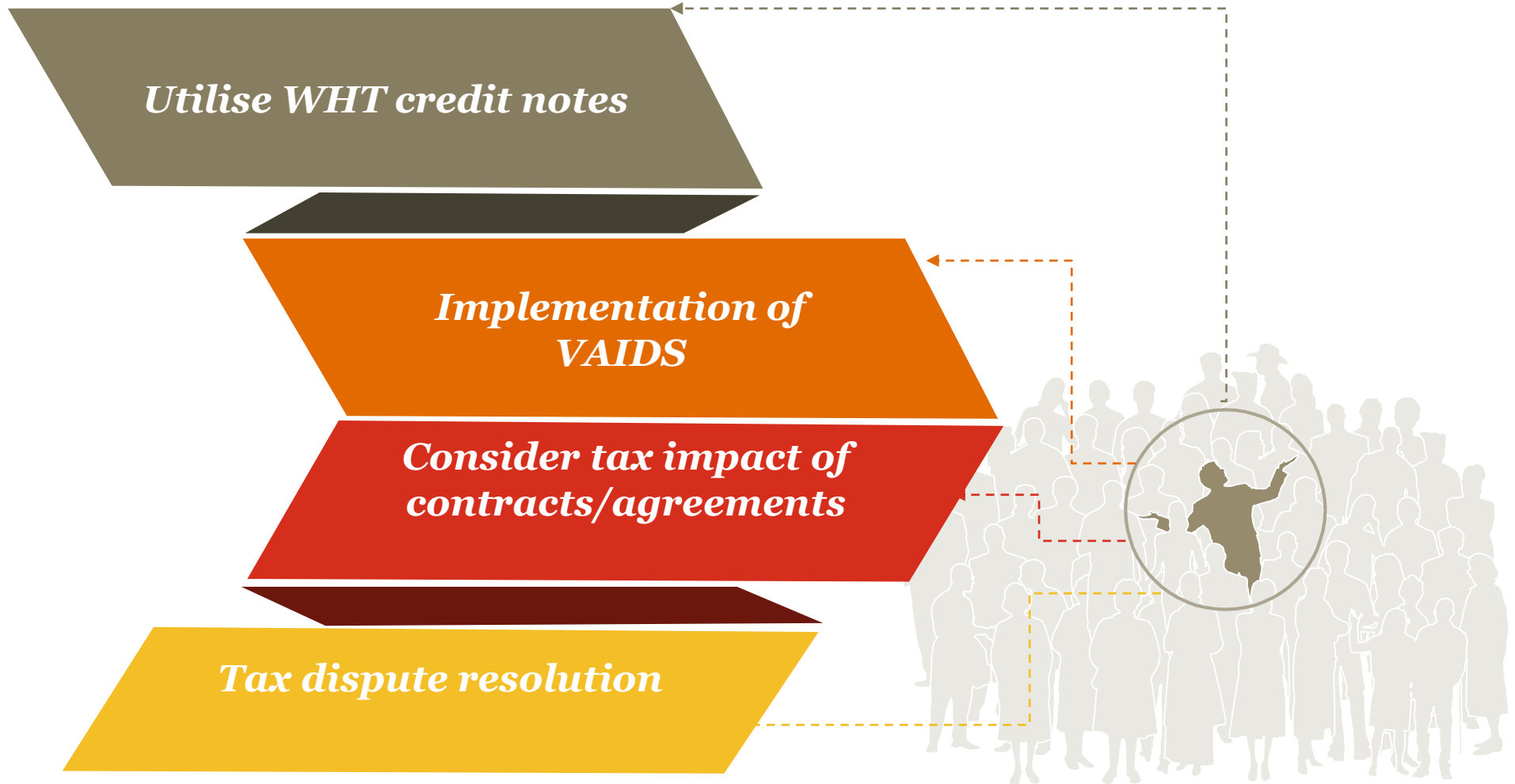


## *Going Forward*





## *Going Forward – Cont'd.*



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# Questions?

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## *About Moshood*

**Tax Partner and General Counsel for West Africa Market Area at PwC**

## *Work Experience*

- Complex corporate and finance structuring for local and international companies.
- Small Business Taxation.
- Regulatory Compliance.
- Employee taxation, immigration and other regulatory services.

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