



## **FEDERAL INLAND REVENUE SERVICE**

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INFORMATION CIRCULAR

No:2021/06

Publication date: 3<sup>rd</sup> June,2021

### **Subject: GUIDELINES FOR FILING INCOME TAX RETURNS BY FOREIGN COMPANIES**

*This circular is issued for the information and guidance of the general public, taxpayers and tax practitioners in line with the provisions of the relevant tax laws. This circular amends, updates or replaces contents of any circular, notice or other publication previously issued by the Service on the subject.*

#### **1.0 Introduction**

All companies (including foreign companies that are liable to tax in Nigeria) are required, under Section 55 of the Companies Income Tax Act, to file income tax returns with the Federal Inland Revenue Service ("the Service") in the prescribed form, at least, once a year. Specifically, Section 55(1A) prescribes the returns to be filed by foreign companies.

#### **2.0 Purpose and Scope of the Guidelines**

These guidelines are to provide clarity to the form and contents of the income tax returns required of foreign companies that are liable to tax in Nigeria.

The guideline is intended to assist relevant foreign companies to comply with their returns-filing obligations under CITA.

The scope of this circular is in respect of Section 55(1A) of CITA (as amended), which mandates foreign companies to file:

- a) audited financial statements of global operations of the non-resident company;

- b) the financial statement of the Nigerian operations attested to by an independent qualified or certified accountant in Nigeria;
- c) tax computation schedules based on the profits attributable to its Nigerian operations
- d) a true and correct statement, in writing, containing the amount of profits from each and every source in Nigeria; and
- e) duly completed Companies Income Tax Self-Assessment forms

**Note:**

“Full Audited Financial Statements” indicated in the Act refers to financial statements of global operations or consolidated account of the foreign entity.

### **3.0 Who is a Foreign Company?**

A “foreign company” also known as “non-resident company” or “company other than a Nigerian company” is any company or corporation established by or under any law in force in any jurisdiction, territory or country outside Nigeria.

A foreign company is taxable in Nigeria if it derives income from Nigeria through any source.

### **4.0 Taxation of Foreign Companies in Nigeria**

The profits of a foreign company accruing in or derived from Nigeria is liable to tax in Nigeria if:

- i. The foreign company has a fixed base of business or permanent establishment (PE) in Nigeria, (the profits chargeable to tax is limited to the amount of profits attributable to the Nigerian fixed base or PE;
- ii. It does not have a fixed base of business or PE in Nigeria but habitually operates a trade or business through other person(s) in Nigeria, (only the foreign company’s profits derived through the business or trade activities carried on through that person is chargeable to tax in Nigeria);
- iii. The foreign company habitually maintains a stock of goods or merchandise in Nigeria from which deliveries are made by a person

- on behalf of the company, (profits arising from such deliveries shall be taxed in Nigeria);
- iv. The foreign company derives income from Nigeria through digital activities to the extent that it has a significant economic presence in Nigeria;
  - v. That trade or business or activity involves a single contract of either one or all of the following: surveys, deliveries, installations or construction irrespective of where the activity is carried out.
  - vi. The trade or business involves the furnishing of technical, management, consultancy or professional services to Nigerian residents or to a Nigerian fixed base, PE, or agent of a foreign person;

**Note:**

- i. **Short-Term or One-off Contracts**  
As regard any of the above, a foreign company engaged in short-term or one-off contract is required to file tax returns in respect of its business operations in Nigeria.
- ii. Where the non-resident only derives income from the furnishing of technical, management, consultancy or professional services outside Nigeria, withholding tax applicable on such income is the final tax. In such an instance, a return is not required.

## **5.0 Legal basis for filing income tax returns in Nigeria**

Foreign companies whose profits are liable to tax in Nigeria (as provided in sections 9 and 13 of CITA) shall file income tax returns in Nigeria even where the profits are exempt from tax. Accordingly, such companies shall, with or without notice from the Service, file a return of their profits for the year of assessment together with other documents specified in Section 55(1A) of CITA.

In line with the provisions of the Income Tax (Transfer Pricing) Regulations 2018, a foreign company that has a fixed base or permanent establishment in Nigeria shall make Transfer Pricing declarations and disclosures in the form prescribed by the Service, in relation to transactions between the fixed base (or PE) and the head office or other related parties. Where the profits derived by the foreign company relates to transactions of total value of three hundred million naira (₦300 million) and above, the company shall maintain contemporaneous transfer pricing documentation.

## **5.1 Due date of filing returns**

The due date of filing foreign company income tax returns is as stated below:

- a) For foreign companies filing Companies Income Tax returns under CITA:
  - i. Where the company has been in business in Nigeria for more than eighteen (18) months, it shall file returns within six (6) months after the end of its every accounting year;
  - ii. Where the company commenced business in less than eighteen (18) months, it shall file returns within eighteen (18) months from the date of its commencing business in Nigeria or not later than six (6) months after the end of its first accounting period, whichever is earlier.
- b) The due date for filing Transfer Pricing Returns is the same as the due date for filing annual income tax returns as provided in (a) above.

## **6.0 Contents of the Income Tax Returns**

Income tax returns of a foreign company for each year of assessment shall include the following:

- a) Full audited financial statements (consolidated audited accounts of the global operations) of the company;
- b) Financial statement of the company's Nigerian operations attested by an independent qualified or certified accountant in Nigeria;
- c) Capital allowances computation schedules (Nigerian operation only);
- d) Tax computation schedules (based on the actual profits attributable to the Nigerian operations);
- e) A true and correct statement, in writing, containing the amount of profit from each and every source in Nigeria;
- f) Duly completed Company Income Tax Self-Assessment Form;
- g) Evidence of payment of tax in Nigeria;
- h) Completed Transfer Pricing Declarations Form.
- i) Completed Transfer Pricing Disclosures Form

## **6.1 Audited Financial Statements**

### **6.1.1 Financial Statements (Global Operations)**

A foreign company shall submit to the Service, an English version of the consolidated audited financial statements of its global operations, prepared in accordance with the laws of its country of residence.

#### **6.1.2.1 Form of Financial Statement for Nigerian Operations**

The accounts of the Nigerian operation shall comply with relevant statutory requirements (that apply to the accounts of a Nigerian company) in form, content and context. The attesting person shall be an independent qualified or certified accountant in Nigeria.

#### **6.1.2.2 Presentation Currency of the Nigerian Operations Accounts**

The presentation currency of the Nigerian operation account for the purposes of tax returns in Nigeria shall be the dominant currency of the company's transactions. The reporting currency shall be the currency of tax assessment and payment.

#### **6.1.2.3 Content of Nigerian Operations Accounts**

The Nigerian accounts shall include:

- a) Statement of Financial Position (Balance Sheet) disclosing the assets and liabilities as at the end of every accounting period;
- b) Statement of Comprehensive Income (Profit or Loss Account) showing operating results for the accounting period;
- c) Statement of cash flows;
- d) Relevant notes and disclosures providing further information on items in the Nigerian operation's accounts consistent with relevant accounting or reporting standards.
- e) Report of the independent qualified or certified accountant.
- f) A report of the person having overall responsibility for the management of the company's Nigerian operations, providing insight into the company's operations in Nigeria e.g. exact nature of business, contracts or projects undertaken, consortium arrangements, etc.

### **6.1.3 Books of accounts**

The foreign company shall maintain and retain records of all transactions (including invoices, receipts, vouchers, journals, ledgers, contracts, agreements, licenses, certificates, approvals, cheque books, bank statements, deposit slips, paid cheques, stock list and all other relevant books of account) that form the basis of preparation of the accounts of the company's operation in Nigeria and related income tax returns for a year of assessment. The records should be retained for at least six years after the relevant year of assessment to which the transactions relate.

### **6.2 Capital and Investment Allowances**

A foreign company shall submit detailed computation of all capital allowances (where applicable). The computation schedules shall show date of acquisition, cost of assets, rates and amount of initial and annual allowances respectively, and the tax written down value (TWDV) of each asset or class of assets in each year of assessment. A schedule of investment allowance claimed shall be provided, if any.

Details of all allowances claimed shall be shown in the form and format provided by the service which is available at <https://www.firs.gov.ng/>

### **6.3 Tax Computations**

The computation of the total profits must be in line with the provisions of CITA. Details of all adjustments made to the company's accounting profits to arrive at the total profit shall be disclosed.

In computing the assessable profits, all income generated by, for or through the Nigerian operations shall be included while only expenditures that are wholly, reasonably, exclusively and necessarily incurred for the purposes of earning the income disclosed are deductible.

### **6.4 True and Correct Statement**

The income tax returns shall include a true and correct statement signed by the person having overall responsibility for the management of the company's Nigerian operations.

### **6.5 Self-assessment Forms**

In giving effect to the self-assessment provisions of CITA, a foreign company shall compute and disclose the amount of tax assessable in the

self-assessment form prescribed by the Service, which is available at <https://www.firs.gov.ng/TaxForms/CITForm>.

The self-assessment forms must be signed by the person (wherever resident) having responsibility for the management of the company's Nigerian operations.

## **6.6 Evidence of Payment of Taxes**

The foreign company shall provide evidence of payment of the tax due in respect of its Nigerian operations.

## **6.7 Transfer Pricing Forms**

Duly completed Transfer Pricing (TP) Forms shall be included in the income tax returns. The forms and the guidelines for completing them are available at [www.firs.gov.ng/TaxResources/TransferPricing](http://www.firs.gov.ng/TaxResources/TransferPricing)

The company shall also maintain contemporaneous TP Documentations in line with the Transfer Pricing Regulations and TP Documentation Guidelines, which can be downloaded from the website [www.firs.gov.ng/TaxResources/TransferPricing](http://www.firs.gov.ng/TaxResources/TransferPricing)

## **6.8 Country-by-Country Reports (CbCR)**

A foreign company having group turnover of not less than 750 million Euros or **equivalent in other currencies** is required to comply with the provisions of the Income Tax (Country-by-Country) Regulations regarding filing of CBC reports and notifications. Further Clarifications on Country-by-Country Reporting and submission of notifications may be accessed on <https://www.firs.gov.ng/TaxResources/CountrybyCountryReporting>

## **7.0 Allowable Expenses**

Only expenses wholly, exclusively, reasonably and necessarily incurred for the Nigerian operation, with relevant evidence, and specifically allowed under the provisions of the relevant tax law in Nigeria shall be allowed for deduction in arriving at the taxable profit of the Nigerian operation.

## **8.0 Fixed or Non-Current Assets**

Considering that the Nigerian operation is not a separate legal entity and cannot legally own an asset, legal ownership of assets used in the Nigerian

operations may sometimes reside with the foreign company (i.e. the Head Office). However, where the assets are located in Nigeria and only used for the Nigerian operation, they shall be deemed to belong to the Nigerian operations for tax purposes.

As such the rules in paragraph 8.1 to 8.8 of this circular shall apply in granting an allowance or a similar deduction in respect of the assets used by the Nigerian operations.

### **8.1 Claim for Capital Allowance or Investment Allowance**

A foreign company may claim capital allowances (initial, annual or investment allowance where applicable) in respect of qualifying capital expenditure (QCE) incurred for its Nigerian operations only where the QCE is effectively connected to the Nigerian operations. As such, the asset or QCE must be owned by the company, located in Nigeria and used for the Nigerian operation only.

### **8.2 Conditions for the Claim of Capital Allowances**

A foreign company may claim capital allowances (initial and/or annual, where applicable) in respect of qualifying capital expenditure (QCE) under the following conditions:

- i. Qualifying capital expenditure (QCE) must be owned by the foreign company making the claim as at the end of basis period and economic ownership must reside in the Nigerian operations.
- ii. The asset must be located in Nigeria and "in use" for the trade or business being carried on in Nigeria as at the end of the basis period.

### **8.3 Purchase of Used (Second-Hand or Pre-owned)**

#### **Assets**

A used (second-hand or pre-owned) asset acquired for the Nigerian operations from a person not connected to the foreign company and used for the Nigerian operations shall qualify for capital allowances

based on the provisions of the relevant tax law, provided that the asset economically resides with the Nigerian operations. The cost of the asset for capital or investment allowances purposes shall be the actual costs incurred to bring the asset into use.

#### **8.4 Temporary Relocation of Asset from Nigerian Operations**

A temporary relocation of a fixed asset from Nigerian operations for the purposes of repairs, refurbishment or enhancement shall not be considered as disposal. However, capital allowance shall not be claimable by the Nigerian operations during the period the asset is temporarily relocated outside Nigeria. A permanent transfer, on the other hand, shall be considered a disposal. (see paragraph 8.7 below)

#### **8.5 Temporary Use of Asset for purposes other than the Nigerian Operations**

Where a fixed asset acquired by and employed in Nigerian operations is used temporarily for purposes other than the Nigerian operations, the Nigerian operations shall be remunerated at rate(s) determined at arm's length or the computed capital allowances restricted to proportion attributable to the Nigerian operation in line with paragraphs 15 and 19 of the second schedule to CITA, provided economic ownership of the asset resides with the Nigerian operation.

#### **8.6 Assets Acquired on Lease**

An asset acquired on finance lease by a foreign company for its Nigerian operations may enjoy capital allowances as provided by CITA.

An asset acquired on operating lease by a foreign company shall not enjoy capital allowances. The foreign company may however deduct the lease payments in computing its assessable profits of the Nigerian operations.

In all cases, adequate documents, information or explanation to prove the company's claim to the satisfaction of the Service shall be provided.

#### **8.7 Disposal of Assets of Nigerian Operations**

Where a fixed asset owned and used by the Nigerian operation is disposed, the relevant provisions of CITA as regards balancing

adjustments (allowance or charge) shall apply. The provisions of the Capital Gains Tax Act and Value Added Tax Act shall also apply to the transaction.

Also, where a fixed asset economically owned and used within the Nigerian operation is relocated or permanently transferred from the Nigerian operations to the head office or other non-Nigerian operations, it shall be regarded as disposal. In this case, the sales proceeds shall be the higher of market value and book value.

### **8.8 Notification of Fixed Assets' Movement**

A foreign company shall notify the Service of the arrival in Nigeria or departure from Nigeria of a fixed asset acquired for Nigerian operations.

The notification shall be made:

- a. in the case of arrival, not later than 30 days after the arrival; and
- b. in the case of departure, not later than 30 days before the departure of the asset from Nigeria.

The notification shall be in the form prescribed by the Service which shall include; the description of the asset (model, equipment reference number, make, year of make, etc.), ownership, country of origin, cost, date of arrival or departure, destination (in the case of departure), purpose of movement, duration of stay in or out of Nigeria, etc.

### **9.0 Losses**

Subject to the provisions of CITA, losses proven to have been wholly incurred by the Nigerian operations may be carried forward and relieved in later Year of Assessment (YOA) provided that total loss relieved shall not exceed the actual loss incurred. However, no loss relief shall be granted for any period prior to the YOA in which the company first submitted full tax returns. Similarly, group losses reallocated or loss not directly related to the Nigerian operations shall not be allowed.

### **10.0 Filing of Returns with Respect to Passive Income**

A foreign company that has no fixed base or a permanent establishment in Nigeria and whose only source of income is rent, interest, dividend, royalty or from furnishing of technical, management, consultancy or professional

services outside of Nigeria to a person resident in Nigeria is not required to file income tax returns prescribed in section of 55 of CITA. The withholding tax deducted from income is the final tax on such income for a non-resident recipient.

However, if the company has a fixed base or a permanent establishment in Nigeria, or otherwise derived income from any other source in Nigeria, income derived from all sources in Nigeria (including the passive income) must be disclosed in the Nigerian operations accounts.

### **11.0 Amendment or Revision of the Circular**

The Service may, at any time, withdraw or replace this Circular or publish an amended or updated version.

### **12.0 Enquiries**

Any request for further information or clarifications on this Information Circular should be directed to the:

Executive Chairman  
Federal Inland Revenue Service  
Revenue House,  
15, Sokode Crescent,  
Wuse Zone 5, Abuja.

Or

Director, Tax Policy and Advisory Department  
Federal Inland Revenue Service  
Revenue House Annex 4,  
12, Sokode Crescent,  
Wuse Zone 5, Abuja.

Or

Email: [tpld@firs.gov.ng](mailto:tpld@firs.gov.ng)



**FEDERAL INLAND REVENUE SERVICE**

**FORM FOR NOTIFICATION OF FIXED ASSET MOVEMENT BY  
NIGERRIAN OPERATION OF A FOREIGN COMPANY**

1. Name of Foreign Company:

\_\_\_\_\_

2. Tax Identification Number (TIN) in Home Country:

\_\_\_\_\_

3. Nigerian Tax Identification Number (TIN):

\_\_\_\_\_

4. Business Address:

\_\_\_\_\_  
\_\_\_\_\_

5. Address of Nigerian Operation:

\_\_\_\_\_

6. Description of Asset:

i. Type of Asset:

\_\_\_\_\_

ii. Make of Asset:

\_\_\_\_\_

iii. Year of make:

\_\_\_\_\_

iv. Model:

\_\_\_\_\_

v. Serial Number:

\_\_\_\_\_

vi. Country of Origin:

\_\_\_\_\_

7. Ownership of Asset:

\_\_\_\_\_

8. Date of Acquisition:

\_\_\_\_\_

9. For Incoming Asset:

i. Country of Departure: \_\_\_\_\_

ii. Date of Departure \_\_\_\_\_

iii. Cost of Asset: \_\_\_\_\_

iv. Date of Purchase \_\_\_\_\_

v. Book value of asset at the time of transfer: \_\_\_\_\_

vi. Date of Arrival in Nigeria:  
\_\_\_\_\_

vii. Port of Arrival:  
\_\_\_\_\_

viii. Destination of Asset in Nigeria:  
\_\_\_\_\_

ix. Date Asset was put into use for Nigerian Operations:  
\_\_\_\_\_

10. For Outgoing Asset:

i. Date of Arrival in Nigeria:  
\_\_\_\_\_

ii. Date of Departure from Nigeria:  
\_\_\_\_\_

iii. Port of Departure:  
\_\_\_\_\_

iv. Destination:  
\_\_\_\_\_

v. Purpose of Movement:  
\_\_\_\_\_

vi. Duration of stay in Nigeria:  
\_\_\_\_\_

vii. Date Asset was put into use for Nigerian Operations:  
\_\_\_\_\_

viii. Residual Value of Asset (TWDV):  
\_\_\_\_\_  
\_\_\_\_\_

11. I \_\_\_\_\_,

hereby confirm that the above represent a true and correct information regarding the asset.

Sign: \_\_\_\_\_ Date: \_\_\_\_\_

Designation: \_\_\_\_\_