

THE ESTABLISHMENT OF THE NON-RESIDENT PERSON'S TAX OFFICE

The Federal Inland Revenue Service's ('FIRS') quest to enhance the effectiveness and efficiency of tax administration in Nigeria may have received a major boost recently. In a Public Notice ('Notice'), the FIRS announced the establishment of a dedicated tax office for non-resident persons.

This is part of the FIRS' efforts to ensure "*tax certainty, promote voluntary compliance, reduce tax dispute and incidence of double taxation*" commonly experienced by non-resident tax persons (who are viewed as a strategic component of the tax paying population).

The Highlights of the FIRS Public Notice:

- The Notice directs that **all the tax affairs of non-resident persons** shall henceforth be under the administration of the newly created **Non-Resident Persons Tax Office ('NRPTO')**;
- **Effective from the 1st January 2020**, non-resident persons under obligations to pay tax in Nigeria shall submit every return, correspondence or enquiry relating to all the taxes administered by the FIRS to the NRPTO where the tax files shall be kept;
- The NRPTO as an administrative unit of the FIRS and will conduct its business within the International Tax Department of the FIRS office at 17B, Awolowo Road, Ikoyi, Lagos;
- For this purpose of the Notice, a non-resident person is a foreign company (established by or under any law in force in any territory or country outside Nigeria) as defined in the Companies Income Tax Act or an individual (who is resident outside Nigeria and derives income or profit from Nigeria) as defined in the Personal Income Tax Act 2004 (as amended).

Why This Matters

The step taken by the FIRS through the creation of the NRPTO is likely a step in the right direction. This is because:

- Hitherto, the administration of the tax affairs of non-resident taxpayers were handled by the tax offices at the FIRS, which was influenced by relevant taxpayers' turnover and industry. Now, the NRPTO being a specialized arm of the FIRS will create a uniform platform that will ensure that focused attention is directed to all non-resident tax persons.

It is expected that this initiative will drive the increase in the compliance rate of non-resident tax persons.

- Also, the FIRS could potentially leverage on the united front to address the elusive concept of taxing the non-resident tax persons in the digital economy.
- Finally, the revenue generation mandate of the FIRS will be better served by this initiative. It is anticipated that loopholes associated with the inefficient tax administration of non-resident tax persons would be greatly reduced.

Conclusion

Clearly, the creation of the NRPTO is intended to ease the tax administration of non-resident entities. All affected taxpayers would therefore be required to adjust to the extant administrative directive and where necessary, and seek professional guidance where necessary. However, a potential drawback of this initiative is the notable absence of the administrative operation of the NRPTO outside of Lagos State. Clarification on this issue should be presented to ensure certainty regarding the tax administration of non-resident persons operating outside of Lagos State.

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