

TAX OBLIGATIONS OF NON-GOVERNMENTAL ORGANIZATIONS (NGOs)

Due Dates for filing Tax Returns

The term 'Due Date' refers to the period given by law to a taxpayer to file specific tax returns and pay the related tax.

- **Personal Income Tax (PIT):** PIT return is filed and tax is paid by self-employed individuals on or before 31st day of March of every year
- **Pay-As-You-Earn (PAYE):** Payment of the tax deducted at source, and submission of the accompanying schedule showing the total emoluments and total tax deducted from each employee is required within ten (10) days of the end of every month.
- **Annual return** by an employer, regarding PAYE deductions made from employees in the previous year is required not later than 31st January of every year.
- **Companies Income Tax (CIT):**
 - **for old companies:** within six (6) months from the end of the accounting year
 - **for new companies:** within eighteen (18) months from the date of incorporation or not later than six (6) months after the end of the company's accounting period, whichever is earlier.
- **Education Tax:** Education Tax is required to be filed together with the Companies Income Tax Returns with evidence that the 2% tax on assessable profit has been paid.
- **Withholding Tax (WHT):** Filing returns and payment of WHT is required within 21 days from date the amount was deducted or ought to have been deducted.
- **Value Added Tax (VAT):** Filing returns and paying VAT due from the preceding month is required on or before the 21st day following the month of transaction.

➤ Record Keeping

A business record is a written evidence summarizing transactions carried out by a person or an entity at a given time or over a given period. Business records are normally kept in books in an organized form. Business records can also be maintained in manual and/or electronic formats.

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All taxpayers, including NGOs are required to keep business records which provide all information about transactions undertaken at any given time including financial information in the currencies in which the transactions were carried out. These records should be based on documents containing primary information on each transaction carried out by the NGO. All documents should also be properly and safely kept.

➤ Other Statutory obligations of NGOs

In addition to the obligations stated above, NGOs are statutorily required to:

- Demand for, sight and verify Tax Clearance Certificate (TCC) from potential contractors/vendors before awarding contracts

ADMINISTRATION OF TAX MATTERS OF NGOs

Currently, FIRS administers tax matters of NGOs centrally at the Medium Taxpayer Office, Abuja at the following address:

Medium Taxpayer Office (MTO)
Federal Inland Revenue Service (FIRS)
12 Port Harcourt Crescent
Off Gimbiya Street, Off Ahmadu Bello Way
Area 11, Garki Abuja.

All applications for Income Tax Exemption which must be in writing on the Organizations letter head paper, with valid e-mail address and telephone number should be submitted to the same Office

Consequences of non-compliance with tax laws

An NGO that fails to comply with the provisions of the tax laws commits an offence for which it shall be liable to various sanctions such as fine, penalties, interest, etc.

Offences include among others:

- Failure to register for tax purposes
- Failure to keep proper business records
- Failure to file tax returns and pay tax on or before the due date
- Failure to deduct and remit tax (WHT,VAT,PAYE) on or before the due date

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- Under remittance of tax deducted/withheld
- Understatement of tax in the returns
- Failure to produce such records or information as may be required by the Tax Authority from time to time

Conclusion

Nigerian tax laws do not absolutely exempt NGOs from paying taxes, rather they recognize NGOs as basically not-for-profit entities, which are therefore exempted from paying Income Tax. However, where an NGO engages in activities from which it derives profits, it will be required to pay Income Tax on such profits like any other profit-making entity.

It is also worthy of note that NGOs are not exempted from payment of VAT, (and where an NGO pays VAT on goods purchased for use in humanitarian donor funded projects, it is expected that claim for refund is submitted to appropriate office of the FIRS with documentary evidence) remittance of PAYE deducted from staff salaries, remittance of WHT on their contracts, payment of Stamp Duties on their documents/instruments and payment of Capital Gains Tax on gains arising from disposal of chargeable assets acquired in connection with businesses they operate.

...it pays to pay your tax

A Publication of Federal Inland Revenue Service

For all Enquiries & Complaints, please contact

Taxpayer Service Unit of the nearest Tax Office
or

Taxpayer Service Department (TPSD)
20 Sokode Crescent, Wuse Zone 5, Abuja
tps@firs.gov.ng
taxpayer.service@firs.gov.ng
+234(0)811 590 2227, +234(0)811 590 2218

or
ITAS Help Desk
itas.change@firs.gov.ng
+234(0)811 379 6962, +234(0)811 379 6577
www.firs.gov.ng

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FEDERAL INLAND REVENUE SERVICE

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Introduction

A Non-Governmental Organization (NGO) is a body or an association of persons registered under Section 590 of the Companies and Allied Matters Act (CAMA) 1990 for the advancement of any religious, educational, literary, scientific, social/cultural development, sporting and charitable causes.

NGOs by their charter are not part of a government and are not conventional profit making entities. However, where an NGO engages in activities for profit, the profit derived therefrom will be subjected to Income Tax as provided for in the Companies Income Tax Act (CITA) LFN 2004 as amended.

The Federal Inland Revenue Service (FIRS) has observed misconceptions by the public about the liability of NGOs to taxes in Nigeria. This flyer is published to explain the responsibilities of NGOs on tax matters and provide their operators with the information on the requirements of the Tax laws as they affect the NGOs and for education of the public at large.

TAX OBLIGATIONS OF NGOs

NGOs must meet the following obligations in order to comply with Nigerian Tax Laws:

- Register and obtain Taxpayer Identification Number (TIN)
- File tax returns **on or before** the due dates
- Pay taxes (as applicable) **on or before** the due dates.
- Keep accounting books and records of transactions
- Cooperate with any authorized officer of the FIRS while on official business.

➤ Registration with FIRS

NGOs operating in the country are required to register and obtain Taxpayer Identification Number (TIN) **free of charge** from the Medium Tax Office (MTO), Abuja or the nearest Tax Office to their registered address, as soon as they are registered by the Corporate Affairs Commission (CAC). Registration with FIRS requires the following:

- A copy of registration certificate issued by CAC
- Copy of Memorandum and Articles of Association
- Constitution, Rules and Regulations governing the NGO
- Duly Completed FIRS Input Registration Data Form

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(obtainable from FIRS)

- List and Profiles of the Trustees/Board Members nominated
- Copy of the current Tax Clearance Certificate (TCC) of each of the Trustees

➤ Filing of Tax Returns

An NGO is under obligation to file tax returns once annually. This is to enable the FIRS to confirm if the activities of the NGO were in line with its not-for-profit status during the period or if it engages in taxable activities and to determine the taxes due where applicable. This obligation is in accordance with Section 55 of CITA as amended. NGO tax returns shall contain:

- Audited accounts, and a true and correct statement, in writing, stating the amount of any incomes and expenditures from each and every source.
- Such particulars as may be required for the purpose of compliance with the Act and with any rules made with respect to profits, allowances, reliefs, deductions or otherwise as may be material by virtue of the Act (CITA); and
- A declaration to be signed by a Director or Secretary of the organization that the information contained in the returns is true and correct

OTHER RETURNS EXPECTED OF NGOs

Personal Income Tax Returns (PIT):

Promoters of NGOs are expected to file PIT returns according to Due Dates for filing Tax Returns stated below

Pay-As-You-Earn (PAYE) Returns:

NGOs are to do the following:

- Deduct Personal Income Tax under Pay-As-You-Earn (PAYE) scheme from employees' salaries and remit same monthly to the appropriate tax authority with accompanying schedule
- Maintain accurate record of employees and file annual returns required of employers. The contents of the annual returns are:
 - ❖ Completed Form A (Income Tax Form for returns of Income and claims for allowances and relief)
 - ❖ Form H1 (Annual Income Declaration)
 - ❖ A schedule of tax deduction to be submitted by the

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employer should contain the following information:

- Name of employer
- Taxpayer Identification Number (TIN) of employer
- Names of employees
- Taxpayer Identification Number (TIN) of employee
- Total emolument for each employee
- Consolidated Relief Allowance
- Tax deducted
- Overall total tax charged and remitted
- ❖ Evidence of payment of tax

Value Added Tax (VAT) Returns:

NGOs are required to do the following:

- Pay Value Added Tax (VAT) on goods and services consumed, but are entitled to refund on items purchased exclusively for their humanitarian donor-funded projects or activities
- Serve as taxable persons under the VAT Act by charging 5% VAT on their transactions and remitting same to FIRS using VAT Returns form 002 where they engage in economic activity for profit. VAT Returns form 002 is available at the nearest Tax Office

Withholding Tax (WHT) Returns:

NGOs are required to do the following:

- Deduct Withholding Tax (WHT) at the rates shown below, from payments made to its contractors/suppliers/provider of service and remit same to the appropriate Tax Authority. In a case where the contractor is an individual, the WHT should be remitted to the State Board of Internal Revenue (SBIR) of the State where the contractor resides and to FIRS in the case of incorporated companies, individual and enterprises resident in Federal Capital Territory (FCT), non-resident individuals and companies.

Remittance of WHT is to be accompanied with schedule of deduction indicating the following details:

- Names and addresses of the Agent/NGO

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- TIN of the Agent/NGO
- The name and address of the Taxpayer/Beneficiary
- TIN of the Taxpayer/Beneficiary
- The nature of transaction
- The gross value of the payment on which WHT is being deducted
- The applicable rate of WHT
- The amount of WHT deducted
- Period covered
- Pay over the WHT deducted to the relevant tax authority through e-Taxpay or any other channel provided for the purpose.
- Obtain e-acknowledgement/e-ticket from the bank as evidence of remittance depending on the channel used
- Obtain WHT receipt as an agent of collection and Credit Notes for the benefit of those from whom tax was withheld.
- Distribute the credit notes to the beneficiaries
- Alert FIRS in writing, through the addresses provided below, if any problems are encountered in the process.

Applicable Rates of WHT

TRANSACTIONS	COMPANIES (%)	INDIVIDUALS (%)
Royalties	10	5
Contract of Supplies	5	5
Contract of Construction	5	5
Dividend	10	10
Technical Service	10	5
Professional Service	10	5
Consultancy	10	5
Management Service	10	5
Commission	10	5
Rent	10	10
Interest	10	10
Hire, Charter, Lease	10	10
Directors fees	10	10