



TAX INFORMATION GUIDE FOR EDUCATIONAL INSTITUTIONS IN NIGERIA

it pays to pay your tax

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1.0 Introduction

This document is intended to guide taxpayers and the general public on the tax expectations and compliance requirements of educational institutions.

An educational institution is a place where people of different ages gain knowledge/education. This includes childcare, pre-schools basic/elementary schools, secondary/high schools, and universities.

An educational institution may be incorporated under the relevant parts of Companies and Allied Matters Act (CAMA) 2020 as amended as a:

- Company Limited by Shares
- Company Limited by Guarantee
- Incorporated Trustees

2.0 Tax Liability of Educational Institutions

2.1 Section 23(1) (c) of Companies Income Tax (CITA) Cap C21, LFN 2004 (as amended) which was in effect prior to an amendment by Finance Act 2021, exempted "the profits of any company engaged in ecclesiastical, charitable, or educational activities of a public character in so far as such profits are not derived from a trade or business carried on by such company".

2.2 The amendment deleted the word "educational" from Section 23 (1) (c) of CITA. This means that educational institutions registered as business and limited liability companies will be liable to tax under the CITA.

2.3 Profit derived from any company engaged in educational activity will

be subjected to income tax, irrespective of their incorporation status under CAMA or whether such profit is distributed to its shareholders or not . This implies that schools, educational institutions and other companies that are engaged in educational activities are required to pay income tax on their profits.

Highlights of the types of taxes to be paid by educational institutions:

S/N	Topic	Provision
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Companies Income Tax Act

1.	Small Companies	<ul style="list-style-type: none"> • Annual gross turnover less than N25million • 0% CIT Rate is applicable.
2.	Medium Companies	<ul style="list-style-type: none"> • Annual gross turnover greater than N25million but less than N100million. • 20% CIT rate is applicable.
3.	Large Companies	<ul style="list-style-type: none"> • Annual gross turnover greater than N100million • 30% CIT Rate is applicable
	Income liable to CIT	<ul style="list-style-type: none"> • Profits derived from tuition fees, sale of goods or merchandise, provision of consultancy, professional or other services for a fee. • Investment Income such as interest, rent, royalty, dividend or similar income.
4.	Tax Exemption	<p>A company carrying out educational activities may be able to claim income tax exemption under this provision where it can demonstrate that its educational activities are charitable in nature. That is, it must satisfy the following three conditions-</p> <ol style="list-style-type: none"> a. solves educational needs on ground of kindness and benevolence, b. without charging fees, and c. any surplus / profit is ploughed back into the educational activity. <p>The company must meet all these conditions jointly to demonstrate that its activities qualify as charitable and exempt from tax.</p>

5.	TET is payable by companies carrying out educational activities and is filed together with their CIT.	The rate is 2.5% of assessable profit for each year of assessment.
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Value Added Tax (VAT)

6.	Reverse Charge	Where educational institutions receive Vatable services from Foreign entities or small companies with no VAT on the transaction, they are now required to self-charge VAT and remit the same to FIRS in the currency of the transaction.
7.	Exemption	<p>The First Schedule of VATA exempts from the payment of VAT:</p> <ul style="list-style-type: none"> • Educational books and materials. • Tuition relating to nursery, primary, secondary and tertiary education. <p>The list of exemption is further detailed in the VAT Modification Order, 2021.</p>

Capital Gains Tax (CGT)

8.	Disposal of Assets	<ol style="list-style-type: none"> i. Gains on the disposal of assets is liable to tax. ii. Gains from the disposal of shares worth at least N100,000,000 in any 12 consecutive calendar months, except- <ul style="list-style-type: none"> • The proceeds from the disposal of the shares are reinvested within the same year of tax assessment; • The aggregate of the proceeds of the disposal of the shares are less than N100,000,000 in any 12 consecutive months; or • The shares are transferred between an approved borrower and lender in a Regulated Security Lending Transaction as defined under the Companies Income Tax Act. • The applicable rate of CGT is 10%
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Nigerian Police Trust Fund Levy (NPTF)

9.	The NPTF levy is applicable on the net profit of the company for each year of assessment.	It is charged at the rate of 0.005% of net profit.
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3.0 Tax Obligations

3.1 Companies Income Tax Act

a. Filing of Tax Returns:

Section 55(1) of CITA Cap C21, LFN 2004 (as amended) mandates every company in Nigeria including schools to file annual tax returns. A tax return comprises:

1. the audited accounts, tax and capital allowances computation for the year of assessment and a true and correct statement in writing containing the amount of profit from each and every source computed;
2. a duly completed self-assessment form as may be prescribed by the Service, from time to time, attested to by a director or secretary of the company and such attestation shall contain in a declaration that it contains a true and correct statement of the amount of its profits computed in respect of all sources in accordance with the Act and any rule made and that the particulars given in such return are true and complete; and
3. evidence of payment of the whole or part of the tax due into a bank designated for the collection of the tax.
4. Particulars as may be required in form with respect to profits, allowances, reliefs, deductions required.
5. The period for filing returns shall be as stipulated in the relevant tax laws.

b. Filing and Payment of CIT

Section 55, subsection (2) of CITA stipulates that an entity must file its tax return within 6 months of the company's accounting year end; while a newly established entity must file its returns within 18 months from the date of incorporation or 6 months after the end of its first accounting period, whichever is earlier.

3.2 Withholding Tax (WHT) Obligations

- i. This is an advance payment of income tax which is deducted and remitted to the FIRS in the currency of transaction.
- ii. Applicable at different rates depending on the nature of the transaction.
- iii. Educational institutions have an obligation to deduct WHT on contracts awarded to suppliers and contractors and remit same to the relevant tax authorities.

3.3 Value Added Tax Act

Filing and Registration

- i. A taxable person shall upon commencement of business, register with the Service for the purpose of VAT.
- ii. VAT returns shall be filed with FIRS, on or before the 21st day of the month following that in which the purchase or supply was made.

Note : Registration, filing, payment and request for Tax Clearance Certificate can now be done on TaxPro MAX system on : taxpromax.firs.gov.ng

4.0 Expectations of FIRS from Educational Institutions/Schools

Understanding what it means to be tax compliant

- Registration compliance (TIN/Registration requirements)

- Records keeping compliance/requirements
- Filing compliance (e-filing on TaxPro MAX)
- Payment compliance (e-payment channels)
- Compliance with due dates of filing/payments

5.0 Tax Compliance Pitfalls to Avoid

- Do not wait to register with the Relevant Tax Authority.
- Do not fail to keep proper books of records.
- Do not fail to prepare your tax returns before the due date.
- Do not fail to file your tax returns on or before the due date.
- Do not fail to pay the tax due on or before the due date.
- Do not engage touts to transact business with the tax office on your behalf, use recognized members of approved relevant professional bodies' e.g. ICAN, ANAN, CITN.
- Do not engage in any form of tax avoidance or evasion schemes.

6.0 CONCLUSION

Taxation plays a vital role in a Nation's economic development, it is the major force of sustainable revenue to the Government. FIRS is committed to ensuring that taxpayers are provided with effective, efficient and technical guidance in order to foster continuous partnership to achieve voluntary compliance and improve revenue generation.

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**For all enquiries & Complaints, please contact
Taxpayer Service Unit of the nearest Tax Office
or**

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15 Sokode Crescent, Wuse Zone 5, Abuja**

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