



TAX POLICY AND LEGISLATION DEPARTMENT

PUBLIC NOTICE

ADMINISTRATION OF PENALTY AND INTEREST RATES REGIME UNDER THE COMPANIES INCOME TAX ACT, CAP C21, LFN 2004.

As part of the efforts of the Federal Inland Revenue Service (FIRS) to promote voluntary tax compliance among taxpayers, by providing clarity and certainty in tax operation, the FIRS hereby wishes to publish for 2014, the approved rates of penalty and interests to be applied as sanctions on all unpaid tax amounts, arising as either tax debt or arrear.

2. Our practice in the past had been to administratively apply 10% and 20% rates as penalty and interest charges respectively. Based on the understanding that bank lending rates as provided in Section 85(1)(b) of CITA, CAP C21, LFN2004 do frequently change and FIRS has been unable to keep pace with the frequent rate of changes in the banking environment, the rate of 20% had therefore remained fixed and constant for over ten (10) years. With the recent enactment of FIRS Establishment Act, No.13 of 2007, a new penalty and interest rate regime was promulgated aimed at simplifying the administration of penalty and interest regime and also make the regime more friendly and encouraging for all businesses.

Section 32(1) & 40 of FIRS (Establishment) Act 2007 has specifically provided that if any tax is not paid within the periods prescribed:

- i. "a sum equal to 10% of the amount of the tax payable shall be added thereto as penalty"; and*
- ii. "the tax shall carry interest at the prevailing Central Bank of Nigeria (CBN) Minimum Rediscount Rate (MRR), plus a spread to be determined by the minister".*

4. Therefore, in order to discourage the current practice of applying different rates of interests charged on unpaid tax debts in FIRS Tax

offices across the country, coupled with the need for uniformity in our operational standards, the Federal Inland Revenue Service (FIRS) hereby wishes to notify the general public, Taxpayers, Tax Consultants/Tax Agents and Tax Officials that the approved rate of interest to be charged on all unpaid tax debts for the year 2014 is now fixed at 15% per annum, to be compounded annually, to accord with the objective of promoting a tax friendly environment, while penalty rate remains at 10%. Henceforth, FIRS will at the beginning of every year publish the rate of interest to be applied on all debts or arrears. The general public and all stakeholders are to note that the amount of addition (penalty and interest) imposed under Section 32(1)(a) &(b) and Section 40 of FIRS (Establishment) Act, 2007, will not be deemed to be part of the tax paid, but shall be separately regarded as sanction.

Any interest rate approved as sanction for unauthorised use of government fund will therefore apply to both naira (local) and foreign currency remittances, since the rate of interest at the referenced London Inter- Bank Offer Rate (LIBOR) will always be lower, in comparison with either the CBN minimum rediscount rate or the Bank lending rate.

5. All FIRS officers and Tax Consultants are requested to please give this publication a wide publicity among the relevant FIRS Stakeholders.

Any inquiry in connection with this publication should be referred to the Office of the Executive Chairman, FIRS Headquarters, Revenue House, Wuse Zone 5, Abuja or visit our website: www.firs.gov.ng; email: enquiries@firs.gov.ng; Telephones: 08159490002, 08159490001, 08159490000.

Signed:

Alhaji Kabir M. Mashi

Ag. Executive Chairman,
Federal Inland Revenue Service.