La-Net

ACC305

TAXATION I

COURSE CODE:ACC 305
COURSE TITLE: Taxation I
COURSE UNIT LOAD(3 Units C: LH 30; PH 45)
SERIES LIST
Series 1: Principles and Concepts of Taxation
Series 2: Administration of the Nigerian Tax System
Series 3: Tax Procedures and Compliance
Series 4: Personal and Employment Income Taxation
Series 5: Taxation of Business, Investment, and Trusts

SERIES 1 Principles and Concepts of Taxation

Series outline
Part 1.1: Objectives and Types of Taxation
  1.1.1 Objectives of taxation
  1.1.2 Types of taxation

Part 1.2: Principles of Taxation
  1.2.1 Canon of taxation
  1.2.2 Equity and efficiency in taxation
  1.2.3 Modern principles of taxation

Part 1.3: Basic Concepts of Taxation
  1.3.1 Tax base and tax rate
  1.3.2 Direct and indirect taxes
  1.3.3 Progressive, proportional, and regressive taxation

Part 1.4: Overview of Nigeria's Tax Policy Framework
  1.4.1 Revised National Tax Policy, 2017
  1.4.2 Tax Identification Number (TIN)
  1.4.3 Voluntary Assets and Income Declaration Scheme (VAIDS)

Introduction

Taxation is one of the oldest instruments of governance, and it remains central to the functioning of modern economies. Every society requires revenue to provide public goods and services, and taxation is the most reliable means of achieving this. For learners of taxation, it is important to first grasp the principles and concepts that underpin the system before moving on to its administration and application. This Series therefore lays the foundation for your study of Taxation I, helping you to appreciate why taxes are levied, how they are structured, and the guiding principles that make them fair and effective.

The aim of this Series is to introduce you to the objectives, types, principles, and basic concepts of taxation, while also familiarising you with Nigeria's tax policy framework.

We shall commence this Series by examining the objectives and types of taxation, which will help you understand the reasons governments impose taxes and the different forms they take. Next, we will explore the principles of taxation, focusing on the canons and modern principles that ensure equity and efficiency. Following that, we will move on to basic concepts such as tax base, tax rate, and the distinctions between direct and indirect taxes. Finally, we will conclude with an overview of Nigeria's tax policy framework, including the Revised National Tax Policy of 2017, the Tax Identification Number system, and the Voluntary Assets and Income Declaration Scheme.

Series learning outcomes – Series 1: Principles and Concepts of Taxation

By the end of this Series, you should be able to:

SLO 1.1: Define the objectives of taxation and explain the different types of taxes.

SLO 1.2: Analyse the principles of taxation, including the classical canons and modern principles of equity and efficiency.

SLO 1.3: Distinguish between key concepts such as tax base, tax rate, direct and indirect taxes, and progressive, proportional, and regressive taxation.

SLO 1.4: Evaluate Nigeria's tax policy framework, including the Revised National Tax Policy of 2017, the Tax Identification Number system, and the Voluntary Assets and Income Declaration Scheme.
1.1 Objectives And Types Of Taxation

1.1.1 Objectives of taxation
The **objectives of taxation** are the reasons governments impose taxes. Taxes are not only a means of raising revenue, they also serve wider economic and social purposes. The primary objectives include:
- **Revenue generation**: Providing funds for public goods and services such as education, healthcare, and infrastructure.
- **Redistribution of income**: Reducing inequality by taxing higher earners more and using the revenue to support social programmes.
- **Economic stabilisation**: Using taxation to control inflation, encourage investment, and regulate consumption.
- **Encouragement of certain behaviours**: For example, tax incentives may promote savings or investment, while higher taxes on harmful goods discourage their use.

Fill in the blank: One of the main objectives of taxation is __________ generation for public services.

Short description: Diagram showing the objectives of taxation such as revenue generation, redistribution, stabilisation, and behavioural influence.
Caption: Figure 1.1 Objectives of taxation

1.1.2 Types of taxation
The **types of taxation** describe the different forms taxes can take. They are generally classified into:
- **Direct taxes**: Levied directly on individuals or organisations, such as personal income tax or company tax.
- **Indirect taxes**: Levied on goods and services, such as value added tax (VAT) or customs duties.
- **Progressive taxes**: Where the tax rate increases as income increases, ensuring fairness.
- **Proportional taxes**: Where the tax rate remains constant regardless of income level.
- **Regressive taxes**: Where lower-income earners pay a higher proportion of their income compared to higher earners, often seen in consumption taxes.

Fill in the blank: Taxes levied directly on individuals or organisations are called __________ taxes.

TYPE OF TAXATION	DEFINITION	EXAMPLES
Reduce on income or weality	• Levied on income or wealth	• Income Tax, Corporate Tax Property Tax
DIRECT	• Income Tax, Corporate Tax or transactions	• Eatame Tax Property Tax
INDIRECT	• Sales Tax/VAT, Exise Tacide Tax	• Customs Duties Customs Tax
PROGRESSIVE	• Higher income earners pay larger percentage.	• Progressive Income Tax
PROPORTONAL	• All ecurage on same percentage	• Flat Tax
REGRESSIVE	• Higher baa smalle (e.), green taxes	• Sales Tax (relative to income)

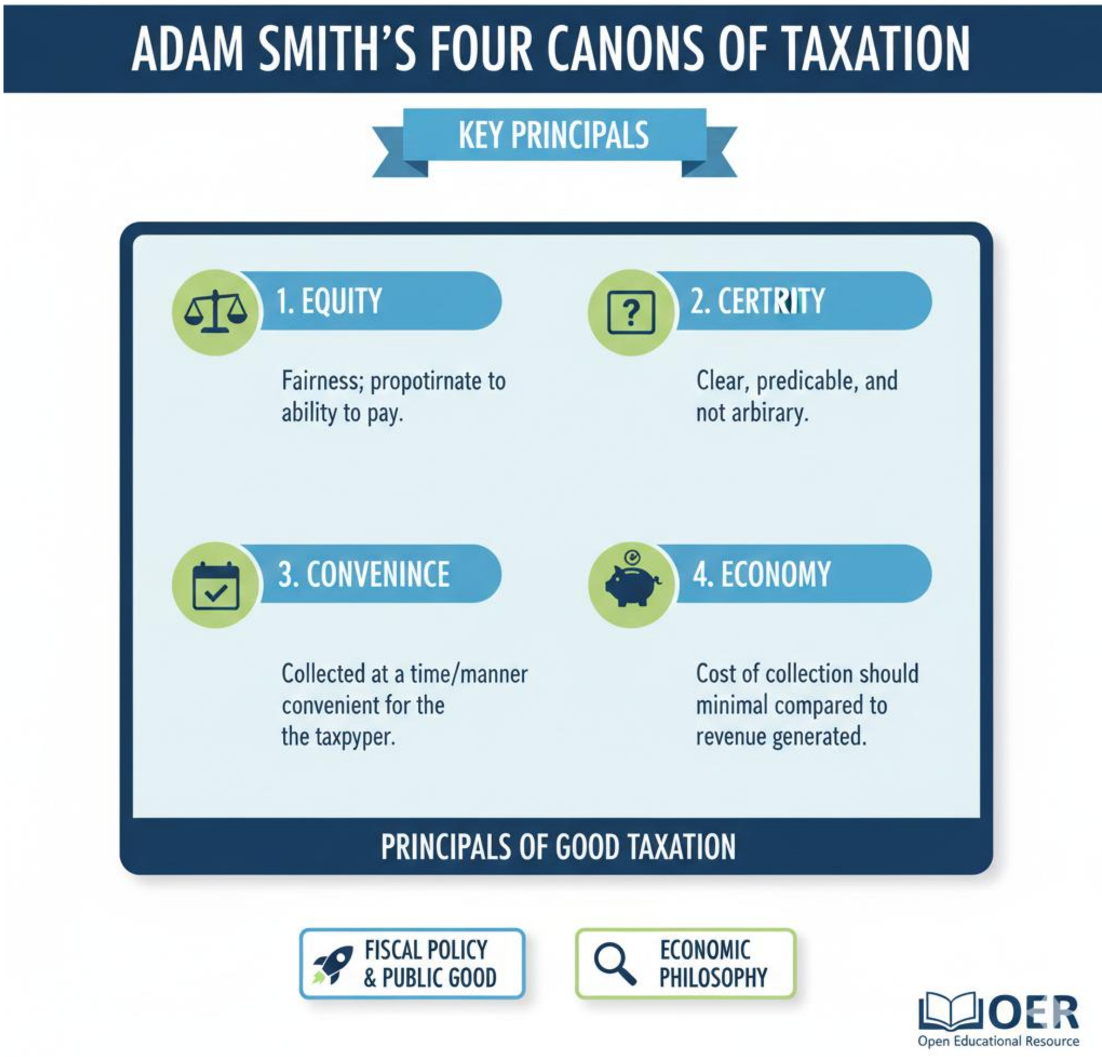
Caption: Table 1.1 Types of taxation
Short description: A table listing direct, indirect, progressive, proportional, and regressive taxes with examples.

Pilot questions 1.1
1. State one objective of taxation.
2. Which type of tax is levied on goods and services?
3. What type of tax increases as income rises?
4. Name one way taxation can be used to encourage certain behaviours.
5. Which type of tax is considered unfair to lower-income earners?
1.2 Principles Of Taxation

1.2.1 Canon of taxation
The **canon of taxation** refers to the classical principles laid down by Adam Smith in his work *The Wealth of Nations*. These canons are considered the foundation of tax systems and include:
- **Equity**: Taxes should be fair, with individuals contributing in proportion to their ability to pay.
- **Certainty**: Taxpayers should know how much tax they owe, when it is due, and how it will be collected.

- **Convenience**: The method and timing of tax payment should be convenient for taxpayers.
- **Economy**: The cost of collecting taxes should be minimal compared to the revenue generated.

Fill in the blank: According to Adam Smith, one of the canons of taxation is __________, which requires that taxes be fair and proportionate.

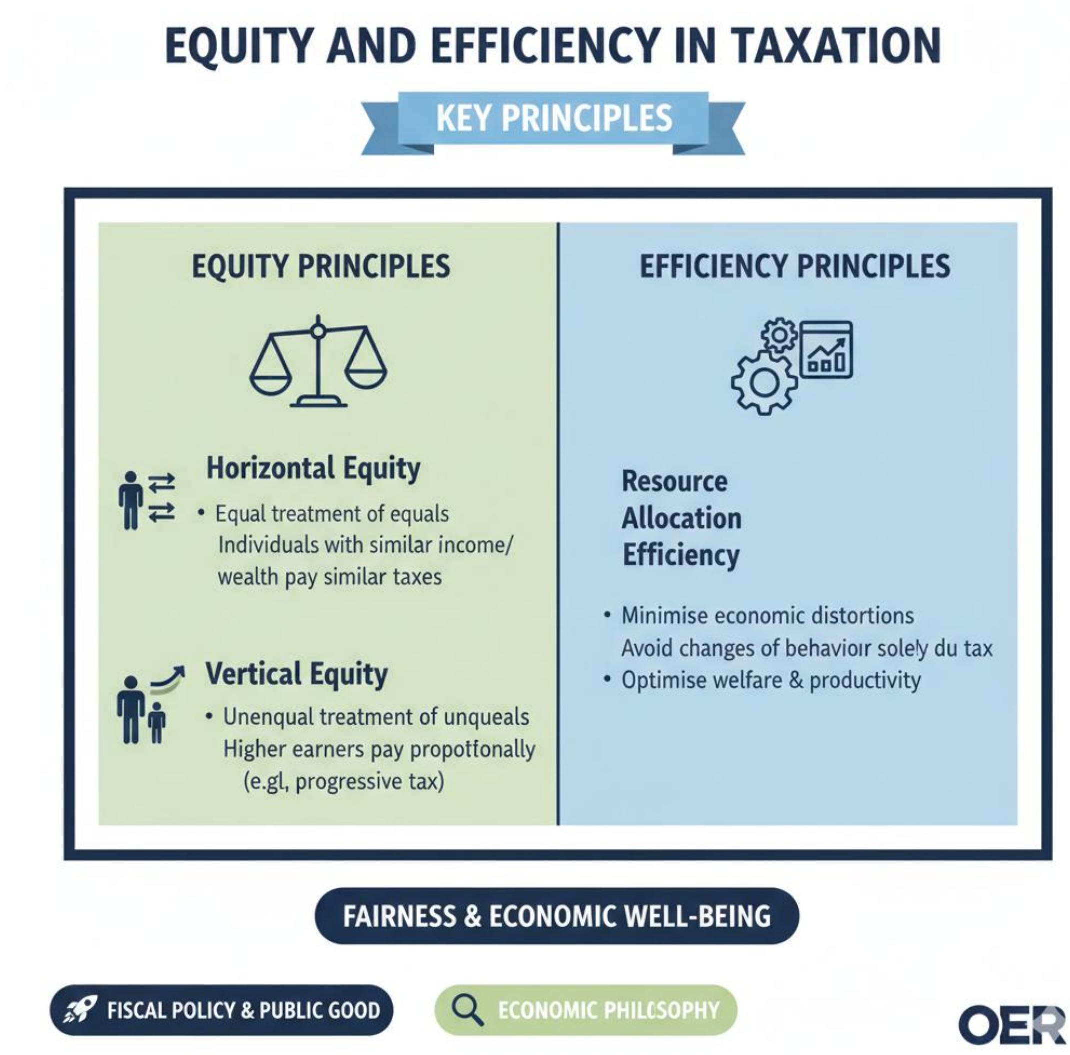


Caption: Box 1.1 Classical canons of taxation
Short description: A boxed summary of Adam Smith's four canons of taxation.

1.2.2 Equity and efficiency in taxation
The principle of **equity in taxation** means that taxpayers should contribute according to their ability to pay. This ensures fairness and reduces inequality. Equity can be horizontal, where people with similar incomes pay similar taxes, or vertical, where those with higher incomes pay proportionately more.

The principle of **efficiency in taxation** refers to designing tax systems that raise revenue without distorting economic decisions. Efficient taxes minimise negative impacts on work, savings, investment, and consumption.

Fill in the blank: Equity in taxation can be classified into __________ equity and vertical equity.



Short description: Diagram showing equity and efficiency principles in taxation.
Caption: Figure 1.2 Equity and efficiency in taxation

1.2.3 Modern principles of taxation
Beyond the classical canons, modern principles of taxation have evolved to reflect contemporary needs. These include:
- **Flexibility**: Tax systems should adapt to changing economic conditions.
- **Simplicity**: Taxes should be easy to understand and administer.
- **Neutrality**: Taxes should not favour one sector or activity over another.
- **Productivity**: Taxes should generate sufficient revenue to meet government needs.
- **Elasticity**: Tax revenue should grow with the economy.

Fill in the blank: A modern principle of taxation that requires tax systems to adapt to changing economic conditions is called __________.

MODERN PRINCIPLES OF TAXATION

KEY FEATURES

PRINCIPLE	DEFINITION	DESCRIPTION
Flexibility	Adjusts to changing economic conditions	Revenue responds to economic cycles
Simplicity	Easy to understand and comply with	Reduces administrative & compliance costs
Neutrality	Minirnos distortion of economic decisions	Dos nots favor certain activities or sectors
Productivity	Generates significant revenue	High yield without excessive rates
Elasticity	Revenue increases with national income	Tax base grow with economic expansion

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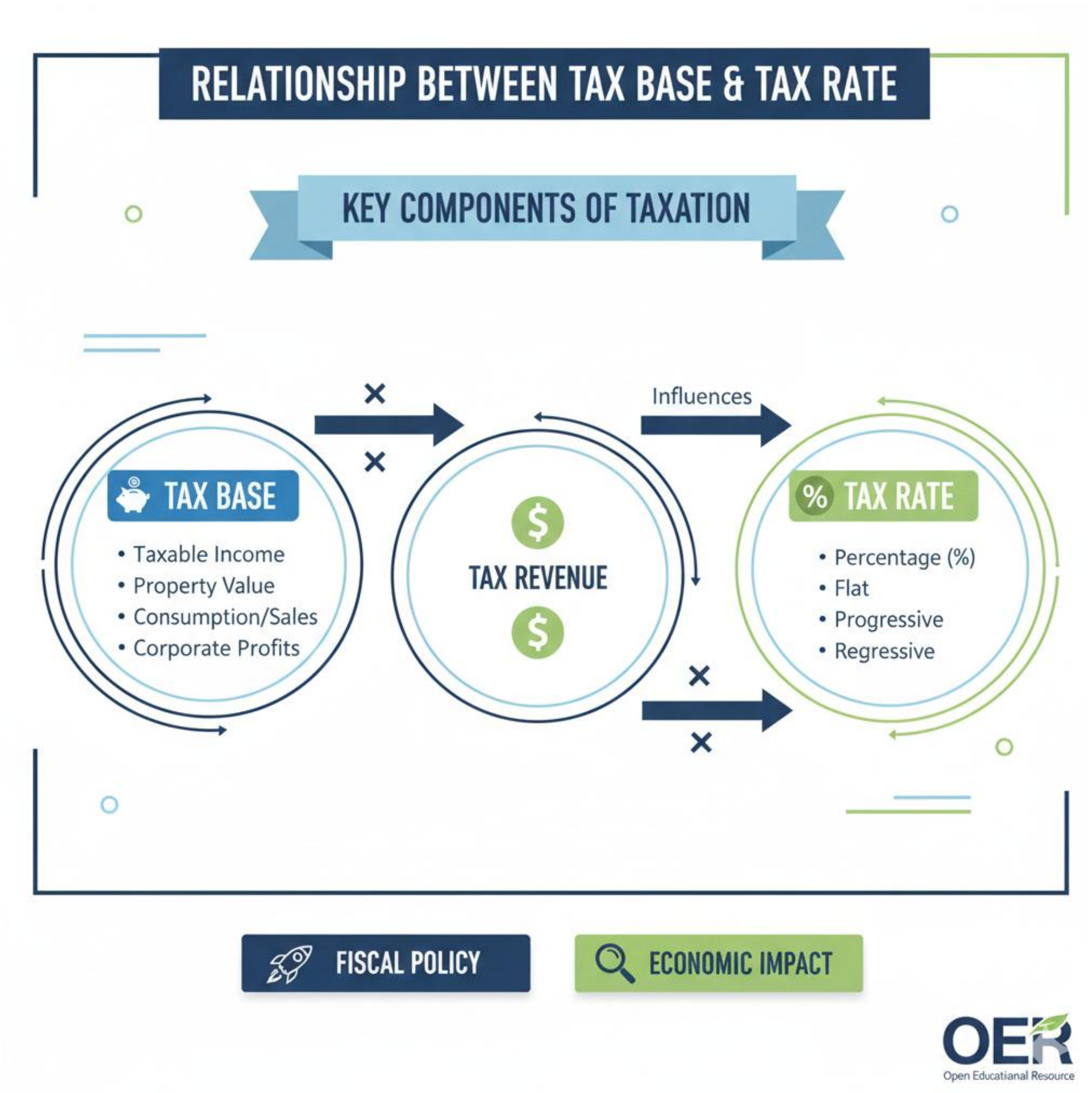
Caption: Table 1.2 Modern principles of taxation
Short description: A table listing modern principles of taxation with brief explanations.

Pilot questions 1.2
1. List Adam Smith's four canons of taxation.
2. Which principle ensures that taxpayers know how much tax they owe and when it is due?
3. What is the difference between horizontal and vertical equity?
4. State one way taxation can be efficient.
5. Mention one modern principle of taxation.
1.3 Basic Concepts Of Taxation

1.3.1 Tax base and tax rate
The **tax base** refers to the total amount of income, wealth, or transactions that can be taxed. It is the foundation upon which a tax is levied. For example, in income tax, the tax base is the taxable income of an individual or company.

The **tax rate** is the percentage applied to the tax base to determine the amount of tax payable. Tax rates can vary depending on the type of tax and the income bracket.

Fill in the blank: The total amount of income or wealth that can be taxed is called the __________.



Short description: Diagram showing the relationship between tax base and tax rate.
Caption: Figure 1.3 Tax base and tax rate

1.3.2 Direct and indirect taxes
Direct taxes are levied directly on individuals or organisations, and the burden cannot be shifted to others. Examples include personal income tax and corporate tax.

Indirect taxes are levied on goods and services, and the burden can be passed on to consumers. Examples include value added tax (VAT) and excise duties.

Fill in the blank: Taxes levied on goods and services, where the burden can be shifted to consumers, are called ___________ taxes.

DIRECT VS INDIRECT TAXES

KEY COMPARISON

FEATURE	DIRECT TAXES	INDIRECT TAXES
Incidence & Impact Fall on the same person	Individuals Fall on the person	Shifted to others
Taxpayer	Individuals & Corporations	Consumers
Tax Burden	Cannot be shifted	Can be shifted
Visibility	High (directly paid)	Low (included in price)
Nature	Progressive (usually)	Regressive (usually)
Examples	Income Tax, Corporate Tax, Property Tax	Sales Tax/VAT, Excise Duties, Customs

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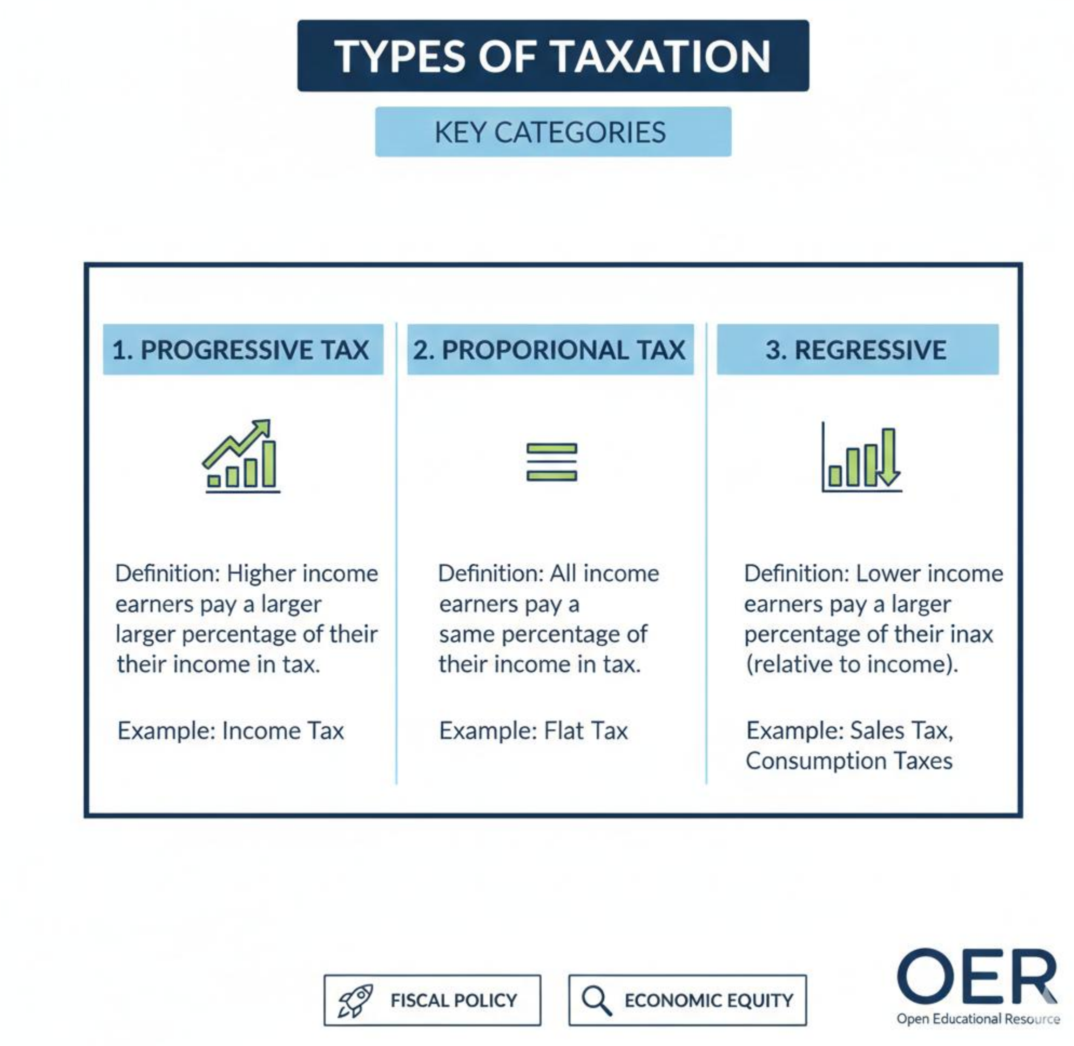
Caption: Table 1.3 Direct and indirect taxes
Short description: A table comparing direct and indirect taxes with definitions and examples.

1.3.3 Progressive, proportional, and regressive taxation
Progressive taxation means that the tax rate increases as income increases, ensuring that those with higher incomes contribute more.

Proportional taxation applies the same tax rate to all taxpayers, regardless of income level.

Regressive taxation occurs when lower-income earners pay a higher proportion of their income compared to higher earners, often seen in consumption taxes.

Fill in the blank: A tax system where the rate increases as income rises is called __________ taxation.



Caption: Box 1.2 Types of taxation by rate structure
Short description: Box summarising progressive, proportional, and regressive taxation with examples.

Pilot questions 1.3
1. What is the tax base in income taxation?
2. Define tax rate.
3. Give one example of a direct tax.
4. Which type of tax can be shifted to consumers?
5. What type of taxation increases the rate as income rises?
1.4 Overview Of Nigeria’s Tax Policy Framework

1.4.1 Revised National Tax Policy, 2017
The **Revised National Tax Policy of 2017** provides a comprehensive framework for guiding tax administration and legislation in Nigeria. It aims to create a fair, efficient, and transparent tax system that supports economic

growth and development. The policy emphasises voluntary compliance, simplification of tax laws, and the promotion of equity in the distribution of tax burdens.

Fill in the blank: The Revised National Tax Policy of __________ was designed to promote fairness, efficiency, and transparency in Nigeria's tax system.

Caption: Box 1.3 Key features of the Revised National Tax Policy, 2017
Short description: Box summarising the main objectives and features of the Revised National Tax Policy.

1.4.2 Tax Identification Number (TIN)
The **Tax Identification Number (TIN)** is a unique number assigned to taxpayers in Nigeria. It is used to track tax records, facilitate compliance, and ensure accountability. Every individual and business is required to obtain a TIN before engaging in taxable activities.

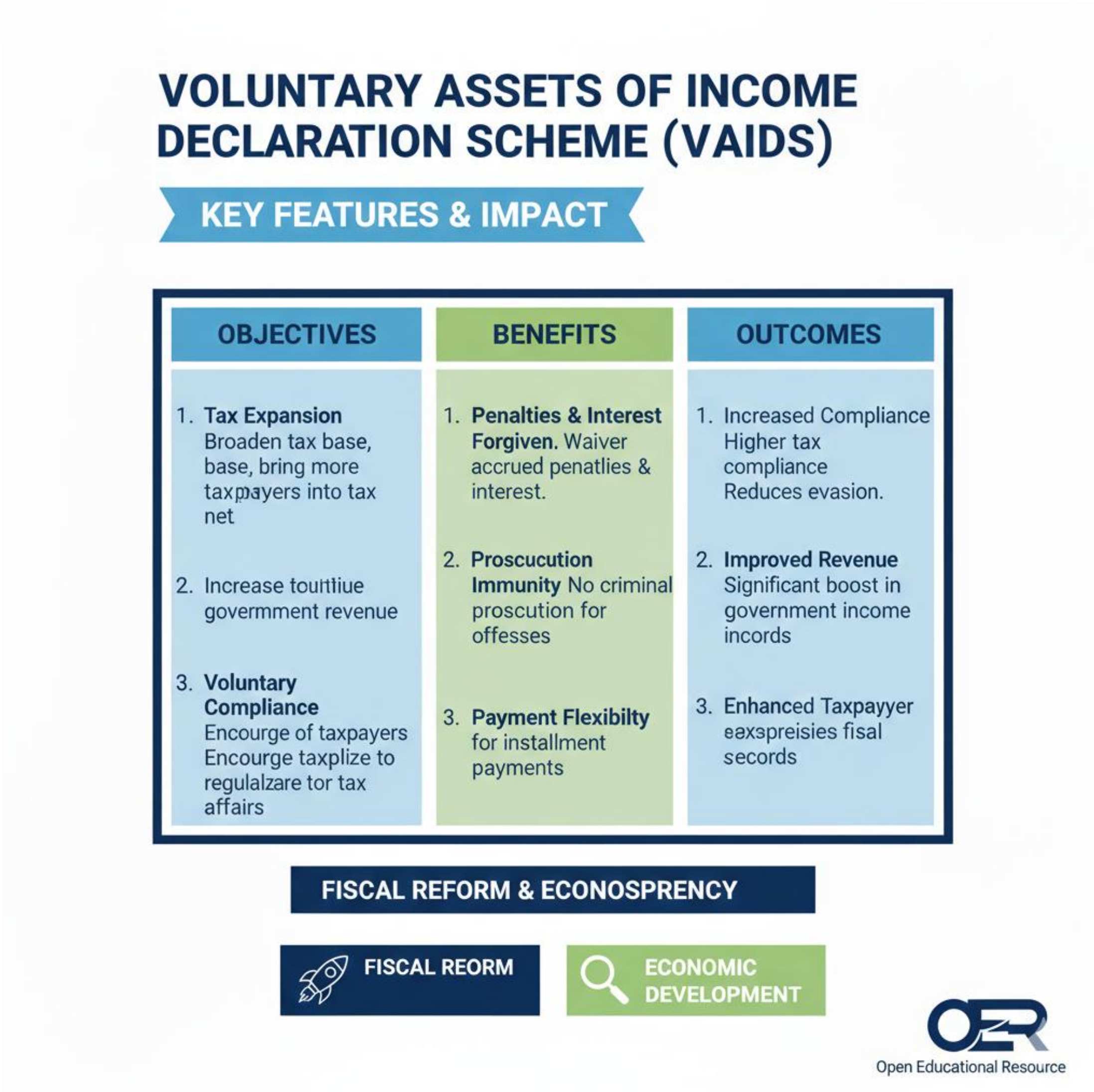
Fill in the blank: A unique number assigned to taxpayers in Nigeria to track compliance is called the __________.

Short description: Diagram showing the role of TIN in tax administration.
Caption: Figure 1.4 Tax Identification Number (TIN)

1.4.3 Voluntary Assets and Income Declaration Scheme (VAIDS)

The **Voluntary Assets and Income Declaration Scheme (VAIDS)** was introduced to encourage taxpayers to voluntarily declare previously undisclosed assets and income. It provided an opportunity for individuals and businesses to regularise their tax status without facing severe penalties. VAIDS was designed to improve compliance, broaden the tax base, and increase government revenue.

Fill in the blank: The scheme introduced to encourage taxpayers to declare previously undisclosed assets and income is known as __________.



Caption: Table 1.4 Features of VAIDS
Short description: A table listing the objectives, benefits, and outcomes of VAIDS.

Pilot questions 1.4
1. What year was the Revised National Tax Policy introduced?
2. State one objective of the Revised National Tax Policy.
3. What does TIN stand for?
4. Why is a TIN important for taxpayers?
5. What was the purpose of VAIDS?

Series summary – Series 1: Principles and Concepts of Taxation

This Series has introduced you to the foundation of taxation, beginning with its objectives and types. We examined how taxation serves purposes beyond revenue generation, such as redistributing income, stabilising the economy, and influencing behaviour. We then explored the different types of taxation, including direct and indirect taxes, as well as progressive, proportional, and regressive systems.

Next, we studied the principles of taxation, starting with Adam Smith's classical canons of equity, certainty, convenience, and economy. We continued by analysing modern principles such as flexibility, simplicity, neutrality, productivity, and elasticity, which reflect the needs of contemporary tax systems.

Finally, we considered Nigeria's tax policy framework, focusing on the Revised National Tax Policy of 2017, the Tax Identification Number system, and the Voluntary Assets and Income Declaration Scheme. These elements highlight the country's efforts to promote fairness, compliance, and efficiency in tax administration.

By completing this Series, you should now be able to define the objectives and types of taxation (SLO 1.1), analyse the principles of taxation (SLO 1.2), distinguish between key concepts such as tax base, tax rate, and classifications of taxes (SLO 1.3), and evaluate Nigeria's tax policy framework (SLO 1.4).

Glossary of terms – Series 1: Principles and Concepts of Taxation

Canon of taxation: The classical principles of taxation proposed by Adam Smith, including equity, certainty, convenience, and economy.

Direct taxes: Taxes levied directly on individuals or organisations, such as personal income tax or corporate tax, where the burden cannot be shifted to others.

Economic stabilisation: The use of taxation to regulate economic activity, control inflation, and encourage investment.

Equity in taxation: The principle that taxpayers should contribute according to their ability to pay, ensuring fairness.

Indirect taxes: Taxes levied on goods and services, such as value added tax (VAT) or excise duties, where the burden can be passed on to consumers.

Progressive taxation: A tax system where the rate increases as income rises, ensuring that those with higher incomes contribute more.

Proportional taxation: A tax system where the rate remains constant regardless of income level.

Regressive taxation: A tax system where lower-income earners pay a higher proportion of their income compared to higher earners, often seen in consumption taxes.

Revised National Tax Policy, 2017: Nigeria's updated framework for tax administration and legislation, designed to promote fairness, efficiency, and transparency.

Tax base: The total amount of income, wealth, or transactions that can be taxed.

Tax Identification Number (TIN): A unique number assigned to taxpayers in Nigeria to track compliance and ensure accountability.

Tax rate: The percentage applied to the tax base to determine the amount of tax payable.

Voluntary Assets and Income Declaration Scheme (VAIDS): A Nigerian initiative encouraging taxpayers to declare previously undisclosed assets and income to regularise their tax status.
Concept check questions – Series 1: Principles and Concepts of Taxation

1. (Linked to SLO 1.1) Define taxation and explain two objectives of taxation.
2. (Linked to SLO 1.1) Differentiate between direct and indirect taxes, giving one example of each.
3. (Linked to SLO 1.2) List Adam Smith's four canons of taxation and discuss their relevance in modern tax systems.
4. (Linked to SLO 1.2) Explain the difference between horizontal equity and vertical equity in taxation.
5. (Linked to SLO 1.3) What is meant by tax base and tax rate? Provide a simple example to illustrate their relationship.
6. (Linked to SLO 1.3) Compare progressive, proportional, and regressive taxation, highlighting their impact on taxpayers.
7. (Linked to SLO 1.4) Evaluate the significance of the Revised National Tax Policy of 2017 in Nigeria's tax administration.
8. (Linked to SLO 1.4) What is the purpose of the Tax Identification Number (TIN), and why is it important for compliance?
9. (Linked to SLO 1.4) Discuss the objectives and outcomes of the Voluntary Assets and Income Declaration Scheme (VAIDS).
10. (Linked to SLOs 1.1–1.4) Imagine you are advising a new taxpayer in Nigeria. Summarise the key concepts, principles, and policy frameworks they should know before filing their first tax return.
Answers to pilot questions – Series 1: Principles and Concepts of Taxation

Answers to pilot questions 1.1
1. Revenue generation.
2. Indirect tax.
3. Progressive tax.
4. By providing tax incentives.
5. Regressive tax.

Answers to pilot questions 1.2
1. Equity, certainty, convenience, economy.
2. Certainty.
3. Horizontal equity means equal treatment for similar incomes, vertical equity means higher earners pay more.
4. By raising revenue without distorting economic decisions.
5. Flexibility.

Answers to pilot questions 1.3
1. Taxable income.
2. Percentage applied to the tax base.
3. Personal income tax.
4. Indirect tax.
5. Progressive taxation.

Answers to pilot questions 1.4
1. 2017.
2. To promote fairness and transparency.
3. Tax Identification Number.
4. It tracks compliance and ensures accountability.
5. To encourage declaration of undisclosed assets and income.
References and attributions – Series 1: Principles and Concepts of Taxation

Figure 1.1 Objectives of taxation
- Placeholder type: Figure
- Description: Diagram showing objectives of taxation such as revenue generation, redistribution, stabilisation, and behavioural influence.
- AI prompt: "Generate a diagram illustrating the objectives of taxation: revenue generation, redistribution, stabilisation, and behavioural influence."
- Search string: "objectives of taxation diagram OER"

Table 1.1 Types of taxation
- Placeholder type: Table
- Description: Table listing direct, indirect, progressive, proportional, and regressive taxes with examples.
- AI prompt: "Generate a table listing types of taxation with definitions and examples: direct, indirect, progressive, proportional, regressive."
- Search string: "types of taxation table OER"

Box 1.1 Classical canons of taxation
- Placeholder type: Box
- Description: Box summarising Adam Smith’s four canons of taxation.
- AI prompt: "Create a text box summarising Adam Smith’s four canons of taxation: equity, certainty, convenience, economy."
- Search string: "Adam Smith canons of taxation OER"

Figure 1.2 Equity and efficiency in taxation
- Placeholder type: Figure
- Description: Diagram showing equity and efficiency principles in taxation.
- AI prompt: "Generate a diagram illustrating equity and efficiency principles in taxation, showing horizontal and vertical equity alongside efficiency in resource allocation."
- Search string: "equity efficiency taxation diagram OER"

Table 1.2 Modern principles of taxation
- Placeholder type: Table
- Description: Table listing modern principles of taxation with brief explanations.
- AI prompt: "Generate a table listing modern principles of taxation such as flexibility, simplicity, neutrality, productivity, and elasticity with definitions."
- Search string: "modern principles of taxation table OER"

Figure 1.3 Tax base and tax rate
- Placeholder type: Figure
- Description: Diagram showing the relationship between tax base and tax rate.
- AI prompt: "Generate a diagram illustrating the relationship between tax base and tax rate in taxation."
- Search string: "tax base and tax rate diagram OER"

Table 1.3 Direct and indirect taxes
- Placeholder type: Table
- Description: Table comparing direct and indirect taxes with definitions and examples.
- AI prompt: "Generate a table comparing direct and indirect taxes with definitions and examples."
- Search string: "direct vs indirect taxes table OER"

Box 1.2 Types of taxation by rate structure
- Placeholder type: Box
- Description: Box summarising progressive, proportional, and regressive taxation with examples.

- AI prompt: "Create a text box summarising progressive, proportional, and regressive taxation with definitions and examples."
- Search string: "progressive proportional regressive taxation OER"

Box 1.3 Key features of the Revised National Tax Policy, 2017
- Placeholder type: Box
- Description: Box summarising the main objectives and features of the Revised National Tax Policy.
- AI prompt: "Create a text box summarising the key features of Nigeria's Revised National Tax Policy, 2017."
- Search string: "Revised National Tax Policy 2017 Nigeria OER"

Figure 1.4 Tax Identification Number (TIN)
- Placeholder type: Figure
- Description: Diagram showing the role of TIN in tax administration.
- AI prompt: "Generate a diagram illustrating the role of Tax Identification Number (TIN) in Nigeria's tax administration."
- Search string: "Tax Identification Number Nigeria diagram OER"

Table 1.4 Features of VAIDS
- Placeholder type: Table
- Description: Table listing the objectives, benefits, and outcomes of VAIDS.
- AI prompt: "Generate a table summarising the objectives, benefits, and outcomes of the Voluntary Assets and Income Declaration Scheme (VAIDS)."
- Search string: "VAIDS Nigeria tax scheme table OER"

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Series 1: Principles and Concepts of Taxation
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2 Administration Of The Nigerian Tax System

Part 2.1: Structure of tax administration in Nigeria
  2.1.1 Overview of Nigeria's tax administration system
  2.1.2 Federal, State, and Local Government roles

Part 2.2: Federal tax authorities
  2.2.1 Federal Inland Revenue Service (FIRS)
  2.2.2 Joint Tax Board (JTB)
  2.2.3 Tax Appeal Tribunal

Part 2.3: State and local tax authorities
  2.3.1 State Board of Internal Revenue
  2.3.2 Joint State Revenue Committee
  2.3.3 Local Government Revenue Committee

Part 2.4: Functions and powers of tax authorities
2.4.1 Roles and responsibilities of tax authorities
2.4.2 Powers of enforcement and compliance
2.4.3 Coordination among tax authorities

Part 2.5: Policy instruments supporting tax administration
2.5.1 National tax policy framework
2.5.2 Taxpayer identification and registration
2.5.3 Mechanisms for dispute resolution and appeals

Introduction – Series 2: Administration of the Nigerian Tax System

Tax systems are only effective when they are properly administered. In Nigeria, the administration of taxation involves multiple authorities at the federal, state, and local levels, each with defined roles and responsibilities. Understanding how these institutions operate, coordinate, and enforce compliance is essential for learners, as it provides the practical context for applying the principles and concepts studied in the previous Series. This Series therefore builds on your foundational knowledge by showing you how taxation is organised and managed in practice.
The aim of this Series is to familiarise you with the structure, authorities, functions, and policy instruments that underpin the administration of Nigeria's tax system.
We shall commence this Series by examining the structure of tax administration in Nigeria, highlighting the roles of federal, state, and local governments. Next, we will explore the federal tax authorities, including the Federal Inland Revenue Service, the Joint Tax Board, and the Tax Appeal Tribunal. Following that, we will move on to state and local tax authorities, such as the State Board of Internal Revenue and Local Government Revenue Committees. Afterwards, we will consider the functions and powers of tax authorities, focusing on enforcement, compliance, and coordination. Finally, we will conclude with policy instruments that support tax administration, including the national tax policy framework, taxpayer identification, and mechanisms for dispute resolution.

Series learning outcomes – Series 2: Administration of the Nigerian Tax System

By the end of this Series, you should be able to:

SLO 2.1: Describe the structure of tax administration in Nigeria, including the roles of federal, state, and local governments.

SLO 2.2: Analyse the functions of federal tax authorities such as the Federal Inland Revenue Service, the Joint Tax Board, and the Tax Appeal Tribunal.

SLO 2.3: Explain the responsibilities of state and local tax authorities, including State Boards of Internal Revenue and Local Government Revenue Committees.

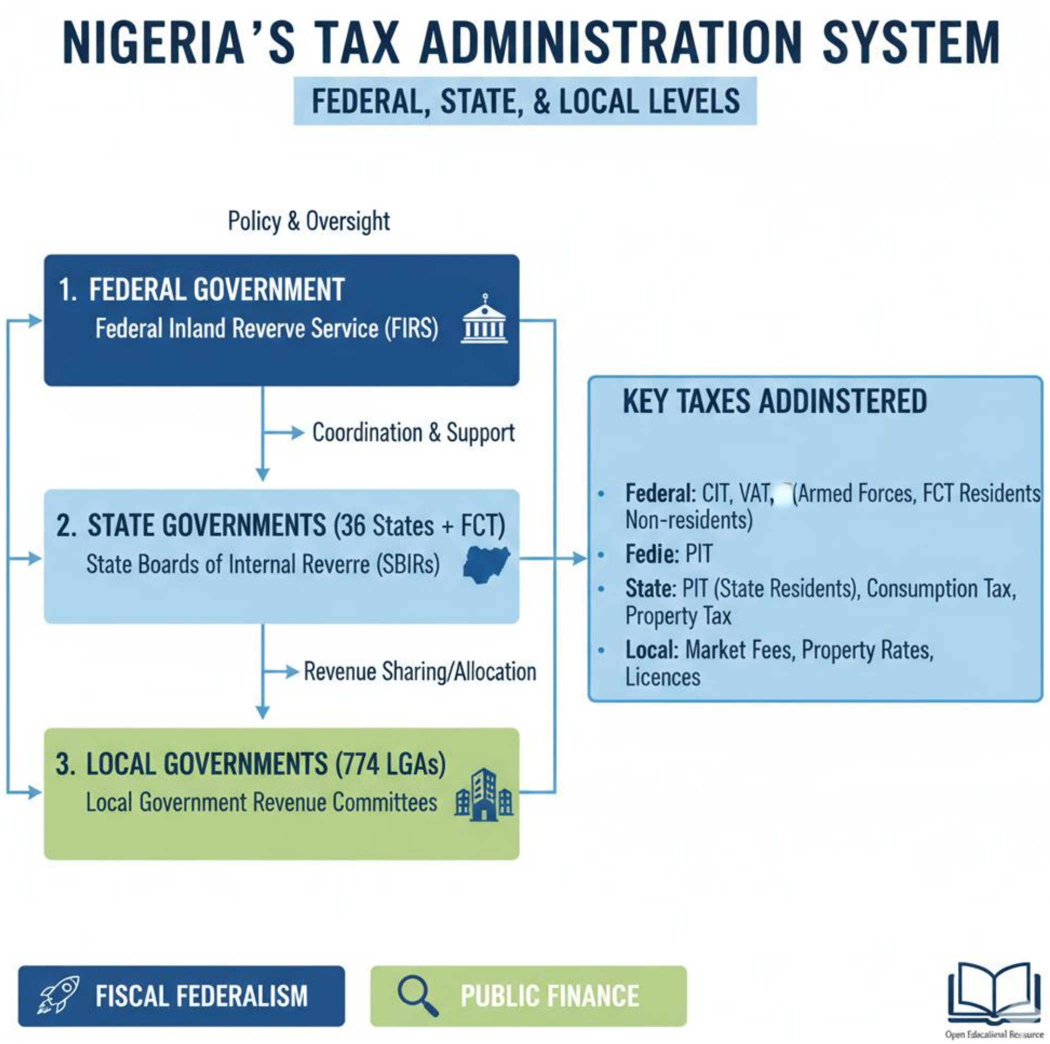
SLO 2.4: Evaluate the functions and powers of tax authorities, particularly in enforcement, compliance, and coordination.

SLO 2.5: Assess the policy instruments supporting tax administration in Nigeria, including the national tax policy framework, taxpayer identification systems, and dispute resolution mechanisms.

2.1 Structure Of Tax Administration In Nigeria

2.1.1 Overview of Nigeria’s tax administration system
The **tax administration system** in Nigeria refers to the organised framework through which taxes are assessed, collected, and enforced. It is designed to ensure that revenue is generated efficiently and fairly to support government activities. Nigeria operates a multi-tiered system, with responsibilities shared among federal, state, and local authorities. Each level of government has its own tax jurisdiction, which helps to distribute responsibilities and ensure that different sources of revenue are properly managed.

Fill in the blank: The organised framework through which taxes are assessed, collected, and enforced in Nigeria is called the __________ system.



Short description: Diagram showing the structure of Nigeria’s tax administration system with federal, state, and local levels.
Caption: Figure 2.1 Structure of Nigeria’s tax administration system

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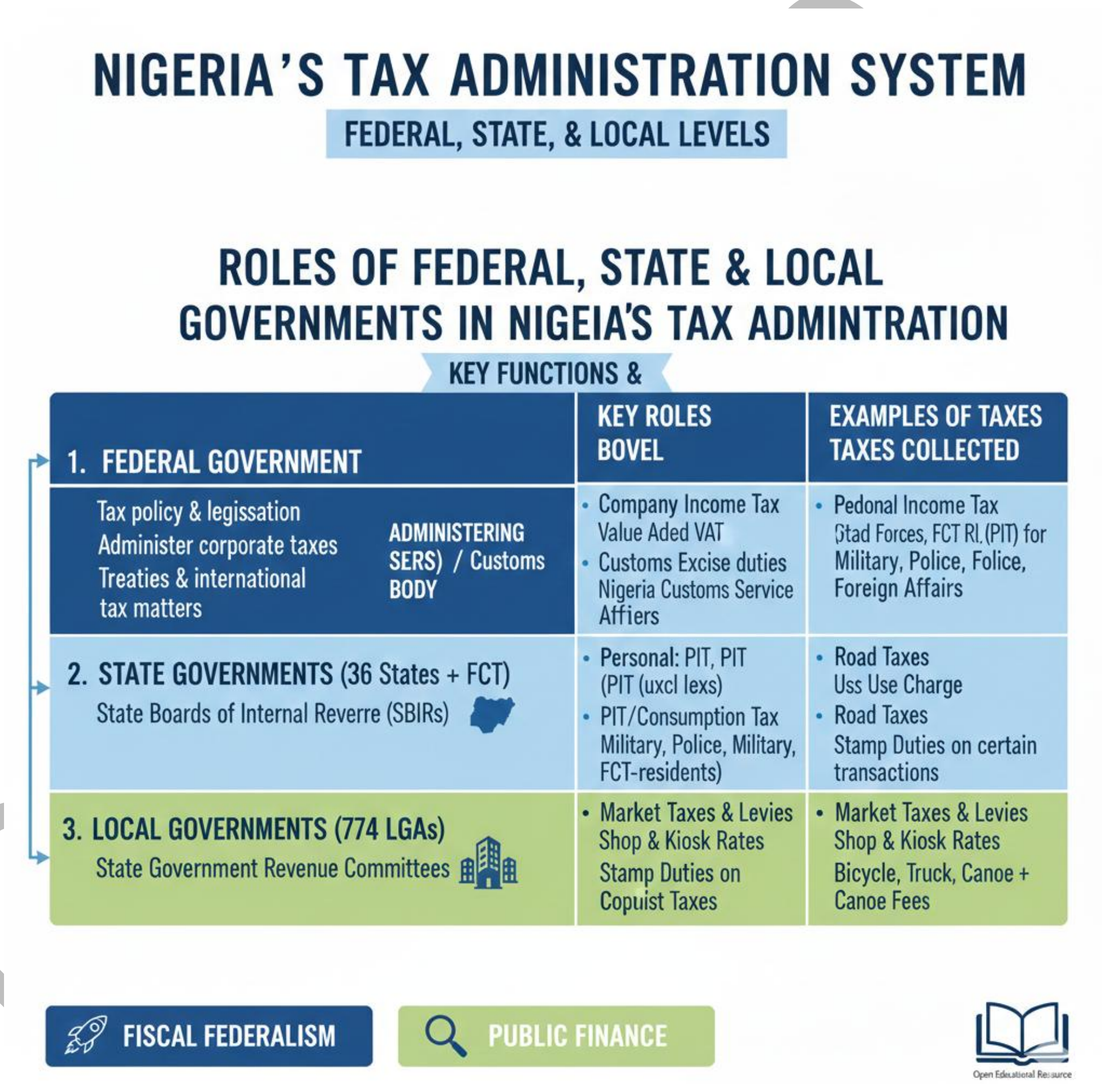
2.1.2 Federal, State, and Local Government roles
The administration of taxation in Nigeria is divided among three tiers of government:

- **Federal Government**: Responsible for taxes such as company income tax, petroleum profits tax, and customs duties. These are administered mainly through the Federal Inland Revenue Service (FIRS).
- **State Governments**: Collect taxes such as personal income tax (for individuals in employment), capital gains tax, and stamp duties. These are managed by State Boards of Internal Revenue.
- **Local Governments**: Handle taxes and levies such as tenement rates, market taxes, and motor park levies. Local Government Revenue Committees oversee these collections.

This division ensures that each level of government has access to revenue sources appropriate to its responsibilities.

Fill in the blank: Taxes such as company income tax and petroleum profits tax are administered by the __________ Government.



Caption: Table 2.1 Roles of federal, state, and local governments in tax administration

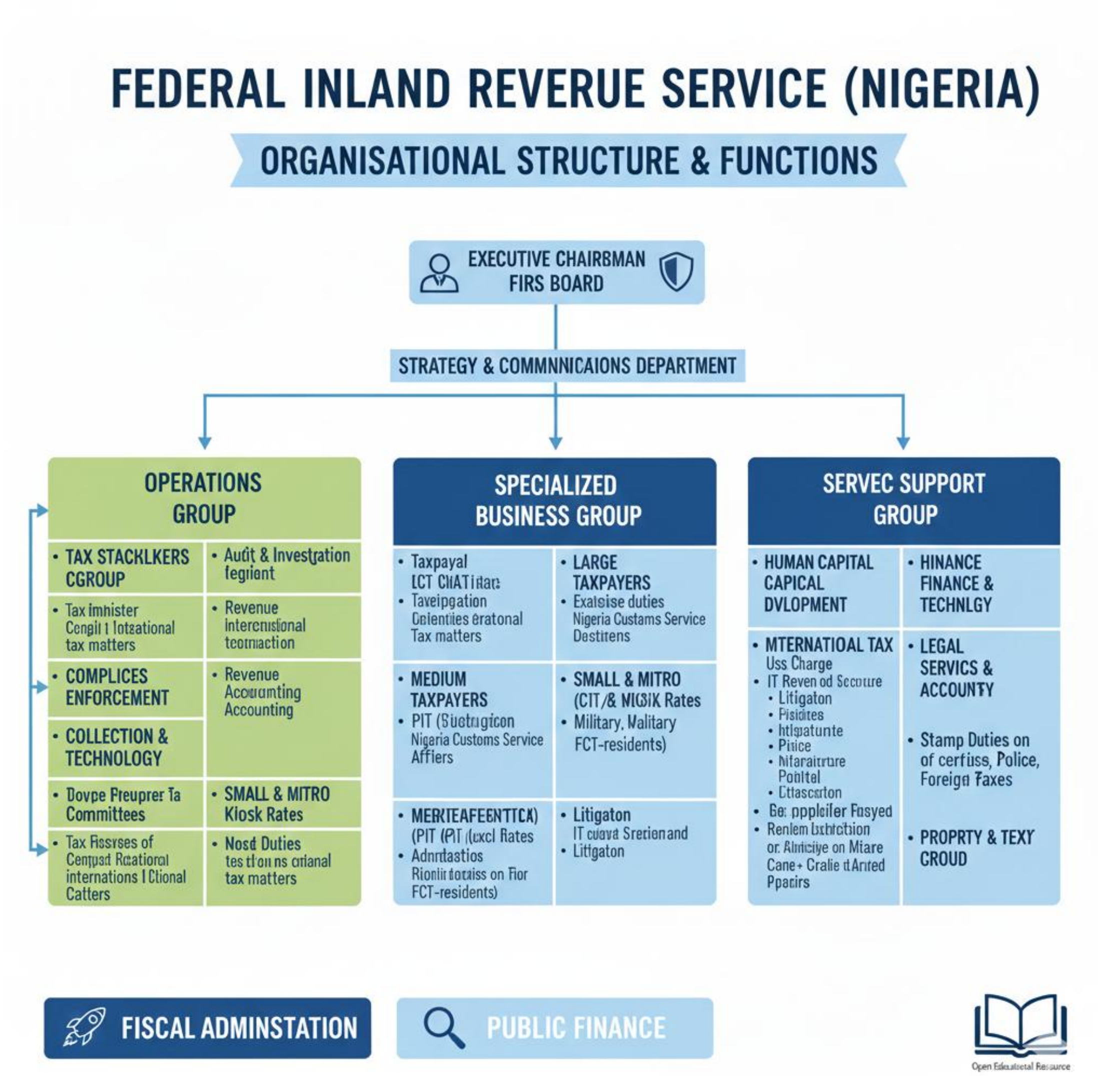
Short description: Table listing the types of taxes collected at federal, state, and local levels with examples.

Pilot questions 2.1
1. What is meant by tax administration system?
2. Name the three tiers of government involved in Nigeria's tax administration.
3. Which level of government is responsible for company income tax?
4. Give one example of a tax collected by state governments.
5. Who oversees the collection of local government taxes?

2.2 Federal Tax Authorities

2.2.1 Federal Inland Revenue Service (FIRS)
The **Federal Inland Revenue Service (FIRS)** is Nigeria's primary federal tax authority. It is responsible for assessing, collecting, and accounting for taxes such as company income tax, petroleum profits tax, and value added tax. FIRS also plays a key role in enforcing compliance, providing taxpayer education, and modernising tax administration through digital platforms.

Fill in the blank: The federal body responsible for company income tax and petroleum profits tax in Nigeria is the __________.



Short description: Organisational chart of the Federal Inland Revenue Service.
Caption: Figure 2.2 Federal Inland Revenue Service structure

2.2.2 Joint Tax Board (JTB)
The **Joint Tax Board (JTB)** coordinates tax administration across Nigeria’s states. It ensures uniformity in the application of personal income tax laws and provides guidelines for taxpayer registration. The JTB also facilitates cooperation among federal and state tax authorities, helping to resolve disputes and promote consistency in tax practices nationwide.

Fill in the blank: The body that coordinates tax administration across Nigeria’s states is the __________.

Caption: Box 2.1 Functions of the Joint Tax Board
Short description: Box summarising the roles of the Joint Tax Board in Nigeria.

2.2.3 Tax Appeal Tribunal
The **Tax Appeal Tribunal (TAT)** provides a platform for resolving disputes between taxpayers and tax authorities. It ensures that taxpayers have access to justice without resorting to lengthy court processes. The tribunal hears cases related to federal taxes and delivers decisions that can be appealed in higher courts if necessary.

Fill in the blank: Disputes between taxpayers and tax authorities in Nigeria are resolved by the __________ Tribunal.

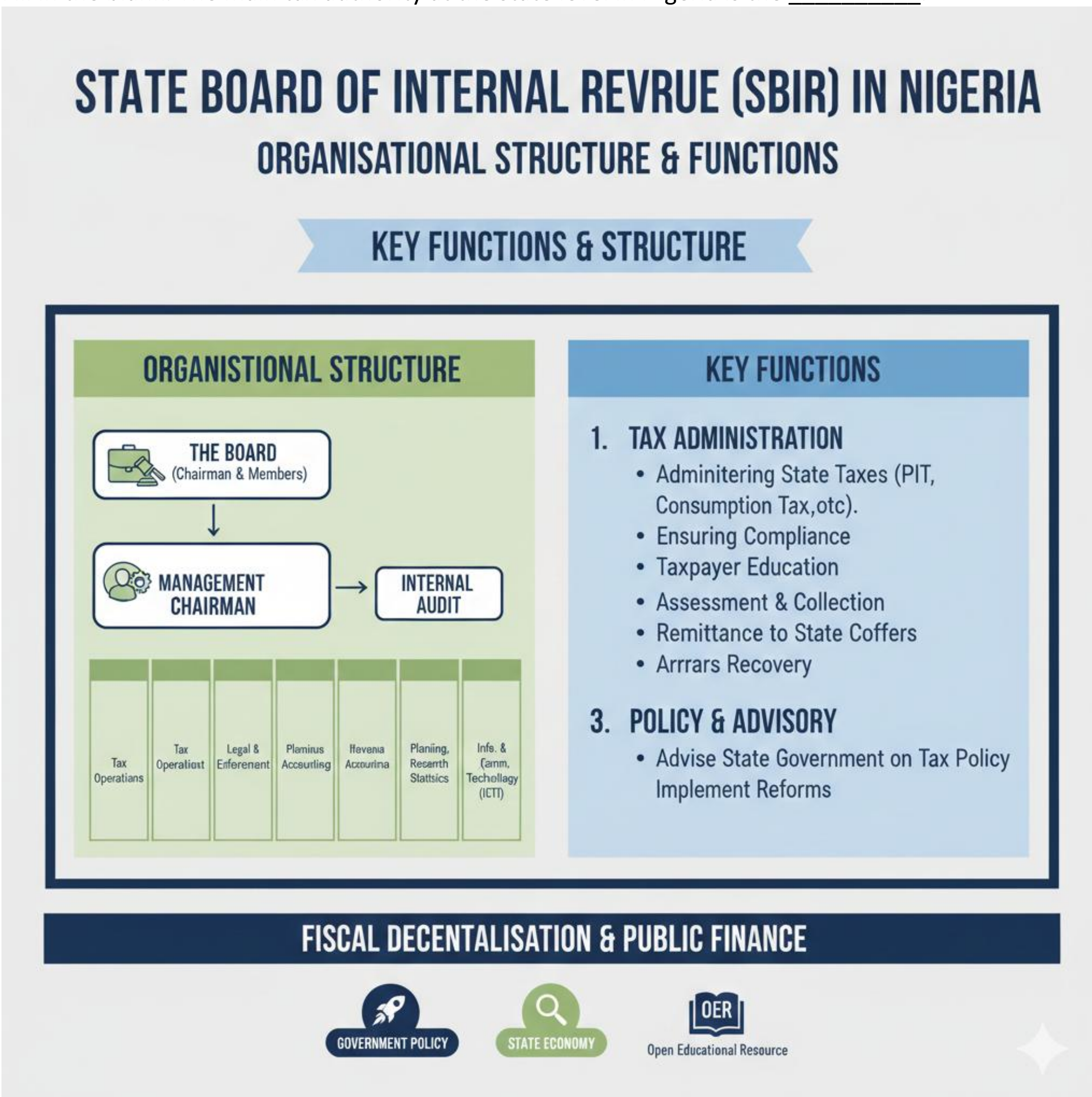
Caption: Table 2.2 Functions of the Tax Appeal Tribunal
Short description: Table listing the objectives, jurisdiction, and procedures of the Tax Appeal Tribunal.

Pilot questions 2.2
1. What is the main responsibility of the Federal Inland Revenue Service?
2. Which taxes are collected by FIRS?
3. What is the role of the Joint Tax Board?
4. How does the Tax Appeal Tribunal benefit taxpayers?
5. Which federal tax authority promotes uniformity in personal income tax laws?

2.3 State And Local Tax Authorities

2.3.1 State Board of Internal Revenue
The **State Board of Internal Revenue (SBIR)** is the primary tax authority at the state level. It is responsible for administering and collecting taxes such as personal income tax for individuals in employment, capital gains tax, and stamp duties. SBIR also ensures compliance with state tax laws, provides taxpayer education, and coordinates with the Joint Tax Board to maintain uniformity across states.

Fill in the blank: The main tax authority at the state level in Nigeria is the __________.



Short description: Diagram showing the organisational structure of a State Board of Internal Revenue.
Caption: Figure 2.3 State Board of Internal Revenue structure

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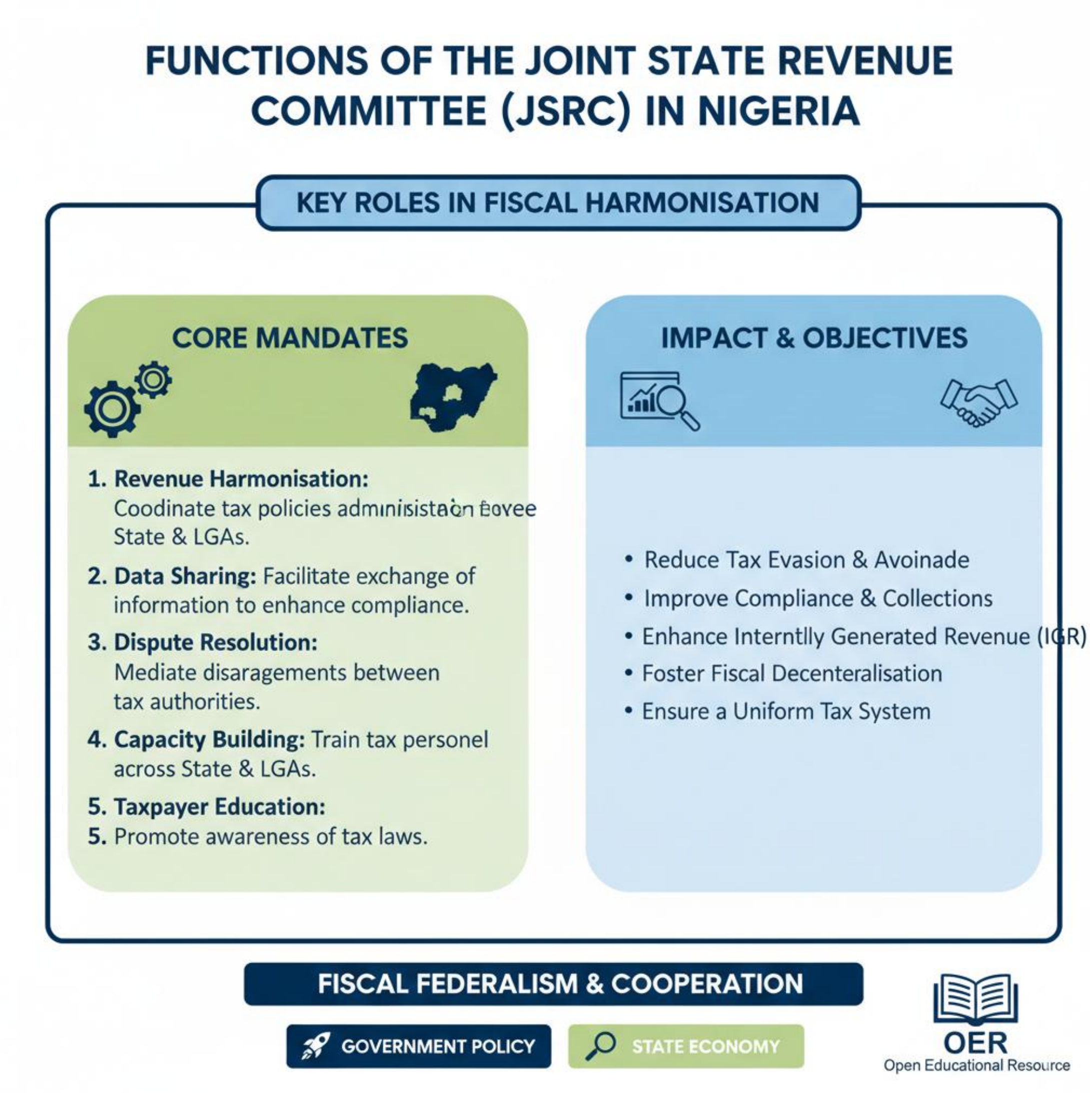
2.3.2 Joint State Revenue Committee
The **Joint State Revenue Committee (JSRC)** coordinates tax administration within each state. It ensures that local government revenue committees operate in line with state tax policies and helps resolve disputes between local and state authorities. The JSRC also provides guidance on harmonising tax collection practices to avoid duplication and conflicts.

Fill in the blank: The body that coordinates tax administration within each state is the __________.



Caption: Box 2.2 Functions of the Joint State Revenue Committee
Short description: Box summarising the roles of the Joint State Revenue Committee in Nigeria.

2.3.3 Local Government Revenue Committee
The **Local Government Revenue Committee (LGRC)** is responsible for collecting taxes and levies at the local level. These include tenement rates, market taxes, motor park levies, and other local charges. The LGRC ensures that local governments have access to revenue sources to fund community services and development projects.

Fill in the blank: Taxes such as tenement rates and market levies are collected by the __________ Revenue Committee.

TAXES & LEVIES COLLECTED BY LOCAL GOVERNMENTS IN NIGERIA

KEY EXAMPLES & POWERS

CATEGORY	EXAMPLE OF TAX/LEVY	DESCRIPTION
PROPERTY & LAND-BASED	Tenement Rates	Annual charge on occupied real estate
PROPERTY & LAND-BASED	Shops & Kiosks Rates	Fees for operating a business in a temparanent structure
MARKET & TRADING	Market Fees & Levies	Daily or periodic fees for trading in public markets
MARKET & TRADING	Hawkers & Street Trading Permits	Licences for mobile street vendors
TRANSPORT & VEHICLES	Bicycle, Truck, Canoe, & Other Vehicle and vehicles/boats	Fees collected from commecial vehicles vehicles using designated parks
SIGNAGE & ADVERTISING	Signboard & Advertsement Permit Fees	Charges for outdoo advertising using designated parks
	Motor Park Levies	Public Convenience Fees
ENVIROMENTAL & SANITATION	Public Convenience Fees	Waste Disposal & Sanitation Fees Fees for refuse collection

LOCAL GOVERNMENT FINANCE & SERVICES

FISCAL DECENTRALISATION | COMMUNITY DEVELOPMENT | OER Open Eduational Resource

Caption: Table 2.3 Local government taxes and levies
Short description: Table listing examples of taxes and levies collected by local governments in Nigeria.

Pilot questions 2.3
1. What is the main responsibility of the State Board of Internal Revenue?
2. Name one tax administered by SBIR.
3. What role does the Joint State Revenue Committee play?
4. Give two examples of taxes collected by local governments.
5. Which body ensures harmonisation of tax collection practices within a state?
2.4 Functions And Powers Of Tax Authorities

2.4.1 Roles and responsibilities of tax authorities
Tax authorities in Nigeria have the responsibility of ensuring that taxes are properly assessed, collected, and accounted for. Their roles include:
- Administering tax laws and regulations.
- Educating taxpayers about their obligations.

- Providing services to facilitate voluntary compliance.
- Monitoring and auditing taxpayers to detect evasion.

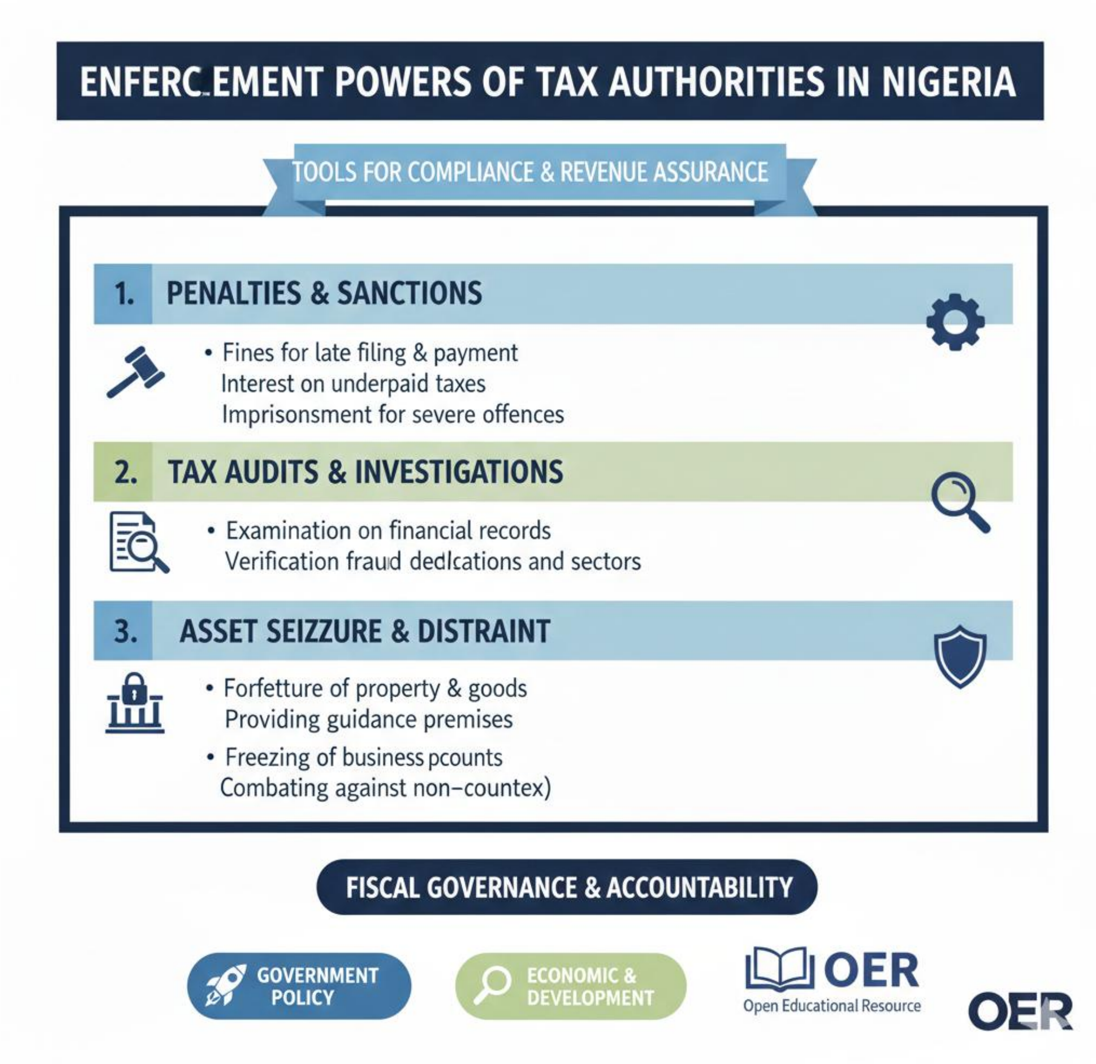
Fill in the blank: One of the responsibilities of tax authorities is to __________ taxpayers about their obligations.

Caption: Box 2.3 Roles of tax authorities in Nigeria
Short description: Box summarising the major roles of tax authorities in Nigeria.
"

2.4.2 Powers of enforcement and compliance
Tax authorities are vested with powers to enforce compliance with tax laws. These powers include:
- Imposing penalties and fines on defaulters.
- Conducting investigations and audits.
- Seizing assets or freezing accounts in cases of serious default.
- Prosecuting offenders in tax courts or tribunals.

These enforcement powers ensure that taxpayers fulfil their obligations and discourage evasion.

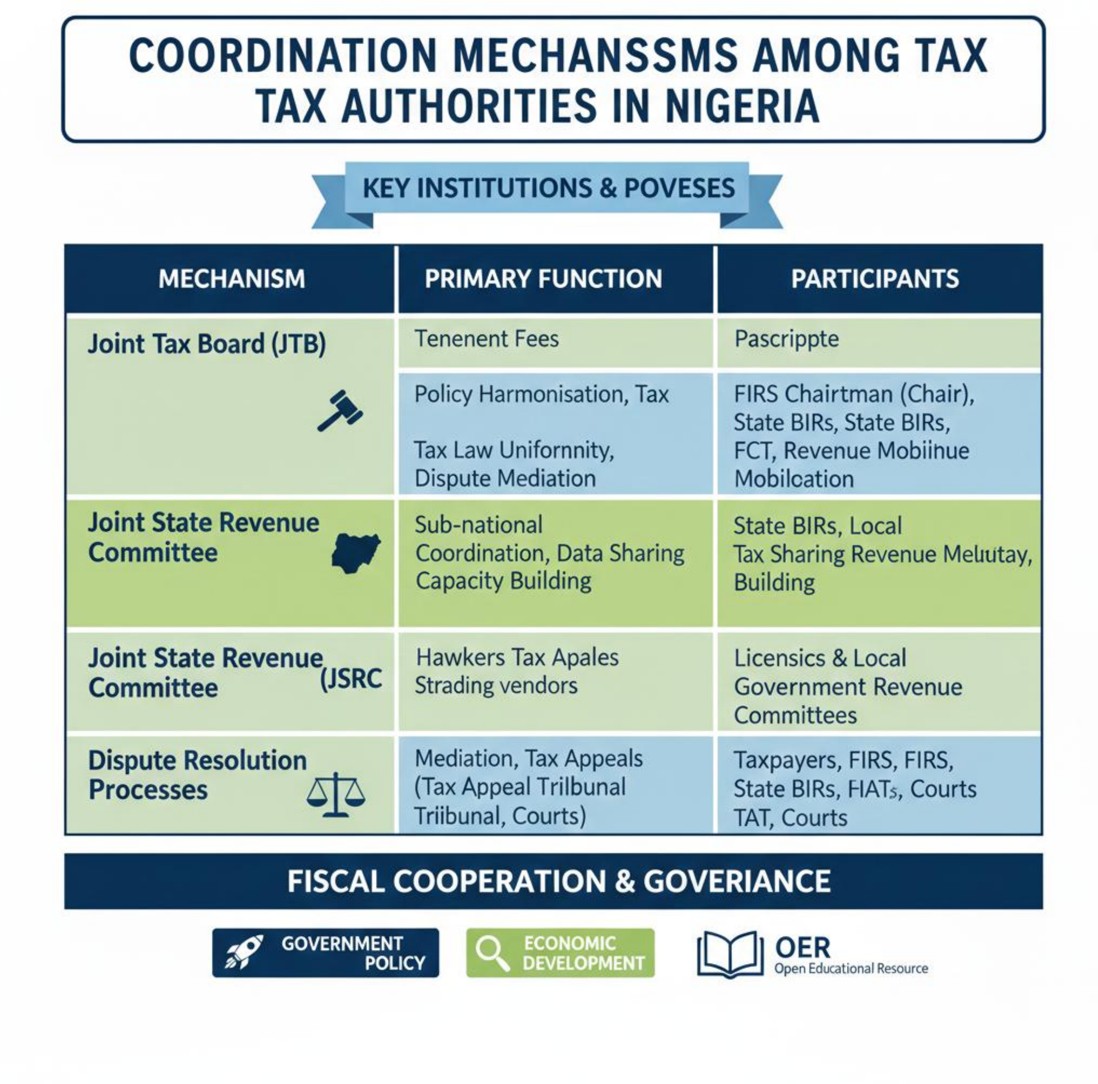
Fill in the blank: Tax authorities may impose __________ and fines on defaulters to enforce compliance.



Short description: Diagram showing enforcement powers of tax authorities.
Caption: Figure 2.4 Enforcement powers of tax authorities

2.4.3 Coordination among tax authorities
Coordination among tax authorities is essential to avoid duplication of efforts and ensure consistency in tax administration. Federal, state, and local authorities often collaborate through bodies such as the Joint Tax Board and Joint State Revenue Committees. This cooperation helps harmonise tax practices, resolve disputes, and improve efficiency in revenue collection.

Fill in the blank: Coordination among tax authorities helps to avoid __________ of efforts and ensures consistency.



COORDINATION MECHANSSMS AMONG TAX TAX AUTHORITIES IN NIGERIA

KEY INSTITUTIONS & POVESES

MECHANISM	PRIMARY FUNCTION	PARTICIPANTS
Joint Tax Board (JTB)	Tenenent Fees	Pascripte
	Policy Harmonisation, Tax Tax Law Unifornnity, Dispute Mediation	FIRS Chairtman (Chair), State BIRs, State BIRs, FCT, Revenue Mobiinue Mobilcation
Joint State Revenue Committee	Sub-national Coordination, Data Sharing Capacity Building	State BIRs, Local Tax Sharing Revenue Meluutay, Building
Joint State Revenue Committee (JSRC	Hawkers Tax Apales Strading vendors	Licensics & Local Government Revenue Committees
Dispute Resolution Processes	Mediation, Tax Appeals (Tax Appeal Trilbunal Triibunal, Courts)	Taxpayers, FIRS, FIRS, State BIRs, FIATs, Courts TAT, Courts

FISCAL COOPERATION & GOVERIANCE

Caption: Table 2.4 Mechanisms of coordination among tax authorities
Short description: Table listing mechanisms of coordination such as Joint Tax Board, Joint State Revenue Committees, and dispute resolution processes.

Pilot questions 2.4
1. State one role of tax authorities in Nigeria.
2. Mention one enforcement power of tax authorities.
3. Why is coordination among tax authorities important?
4. Which body promotes cooperation between federal and state tax authorities?
5. What action can tax authorities take against serious defaulters?
2.5 Policy Instruments Supporting Tax Administration

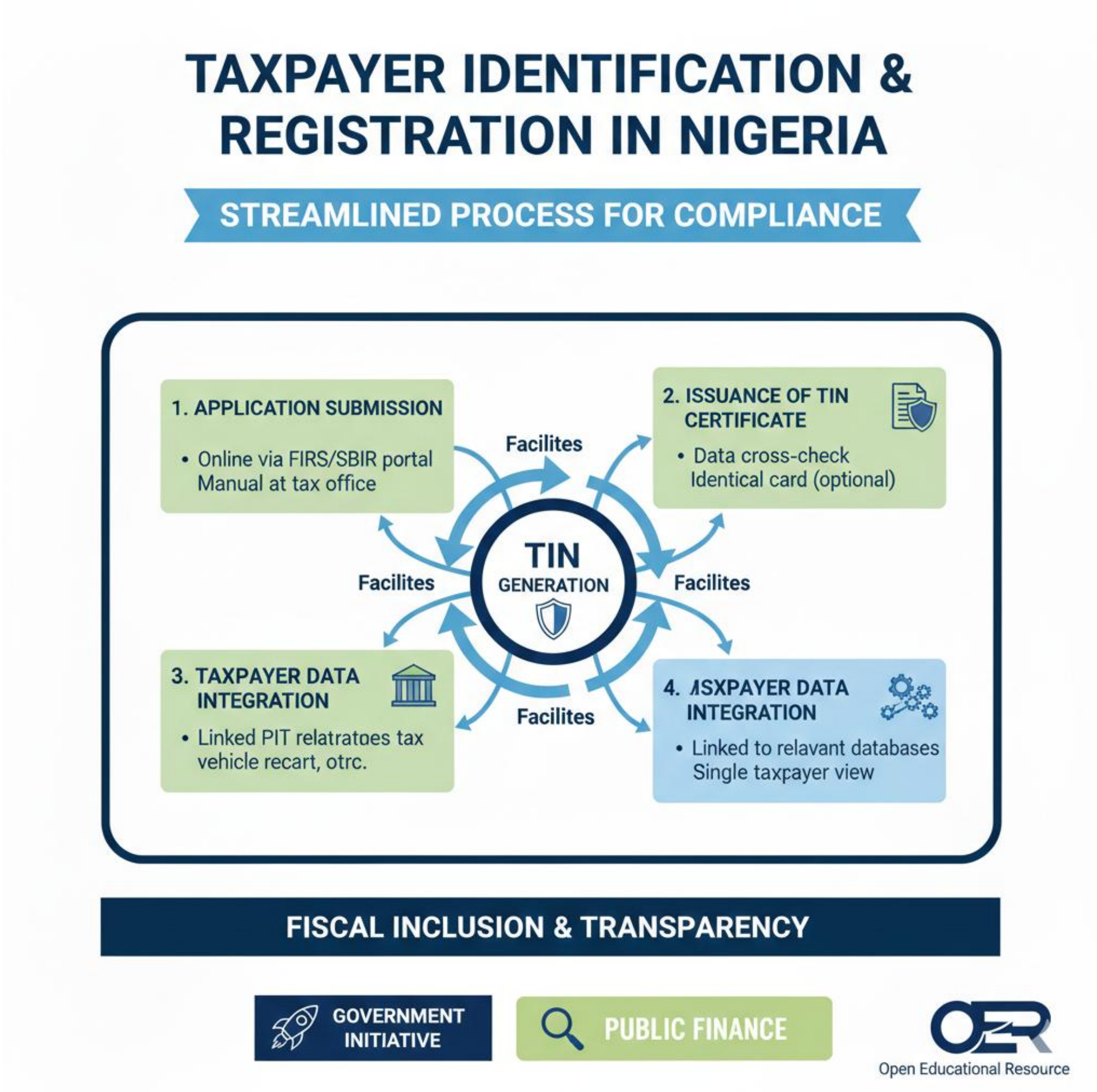
2.5.1 National tax policy framework
The **national tax policy framework** provides guidelines for the administration of taxes in Nigeria. It ensures that tax laws are consistent, fair, and aligned with the country's economic objectives. The framework promotes voluntary compliance, simplifies tax procedures, and encourages transparency in revenue collection.

Fill in the blank: The national tax policy framework ensures that tax laws are __________ and aligned with economic objectives.

Caption: Box 2.4 Features of Nigeria's national tax policy framework
Short description: Box summarising the objectives and features of Nigeria's national tax policy framework.

2.5.2 Taxpayer identification and registration
Taxpayer identification and registration are essential for effective tax administration. The Tax Identification Number (TIN) system allows authorities to track taxpayers, monitor compliance, and prevent evasion. Registration ensures that individuals and businesses are recognised within the tax system and can fulfil their obligations.

Fill in the blank: The system used to track taxpayers and monitor compliance in Nigeria is the __________.



Short description: Diagram showing the process of taxpayer identification and registration.
Caption: Figure 2.5 Taxpayer identification and registration process

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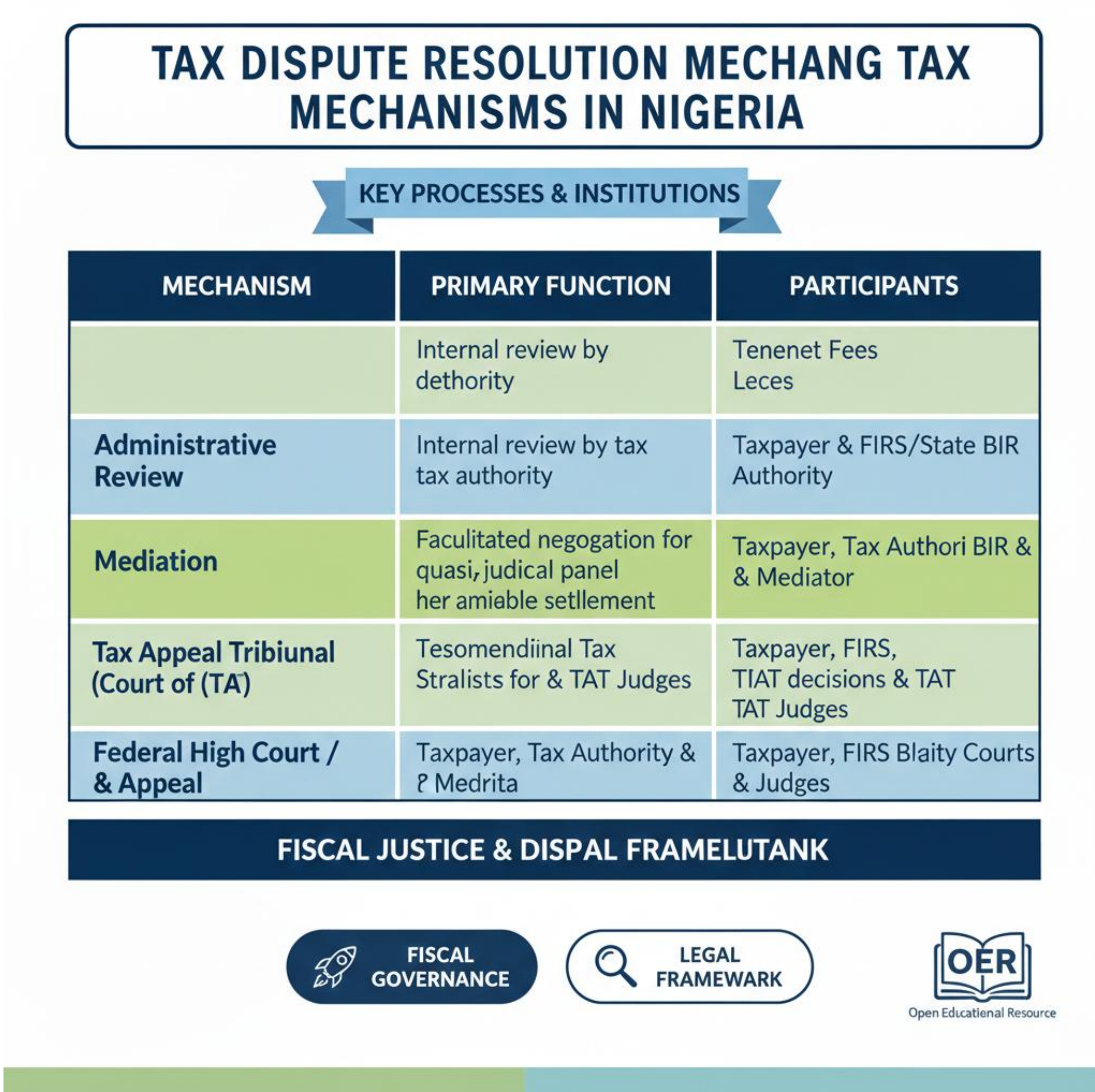
2.5.3 Mechanisms for dispute resolution and appeals
Dispute resolution mechanisms provide taxpayers with avenues to challenge tax assessments or enforcement actions. These include administrative reviews, mediation, and formal appeals through the Tax Appeal Tribunal. Such mechanisms ensure fairness, protect taxpayer rights, and build trust in the tax system.

Fill in the blank: Disputes between taxpayers and tax authorities can be resolved through the __________ Tribunal.



MECHANISM	PRIMARY FUNCTION	PARTICIPANTS
	Internal review by dethority	Tenenet Fees Leces
Administrative Review	Internal review by tax tax authority	Taxpayer & FIRS/State BIR Authority
Mediation	Faculitated negogation for quasi, judical panel her amiable setllement	Taxpayer, Tax Authori BIR & & Mediator
Tax Appeal Tribiunal (Court of (TA)	Tesomendiinal Tax Stralists for & TAT Judges	Taxpayer, FIRS, TIAT decisions & TAT TAT Judges
Federal High Court / & Appeal	Taxpayer, Tax Authority & ? Medrita	Taxpayer, FIRS Blaity Courts & Judges

Caption: Table 2.5 Mechanisms for dispute resolution in Nigeria’s tax system
Short description: Table listing administrative reviews, mediation, and appeals through the Tax Appeal Tribunal.

Pilot questions 2.5
1. What is the purpose of the national tax policy framework?
2. Why is taxpayer identification important?
3. What does TIN stand for?
4. Name one mechanism for resolving tax disputes.
5. Which tribunal handles appeals in Nigeria’s tax system?

Series summary – Series 2: Administration of the Nigerian Tax System

In this Series, we explored how taxation is administered in Nigeria, focusing on the institutions, structures, and policy instruments that make the system work.

We began with the **structure of tax administration**, highlighting the roles of federal, state, and local governments in managing different types of taxes. This provided a clear picture of how responsibilities are distributed across the three tiers of government.

Next, we examined the **federal tax authorities**, including the Federal Inland Revenue Service (FIRS), the Joint Tax Board (JTB), and the Tax Appeal Tribunal (TAT). Each of these plays a crucial role in ensuring compliance, promoting uniformity, and resolving disputes.

We then turned to the **state and local tax authorities**, such as the State Boards of Internal Revenue, Joint State Revenue Committees, and Local Government Revenue Committees. These bodies ensure that states and communities have access to revenue sources to fund development projects and services.

Following this, we studied the **functions and powers of tax authorities**, focusing on their responsibilities in administering tax laws, educating taxpayers, enforcing compliance, and coordinating across different levels of government.

Finally, we reviewed the **policy instruments supporting tax administration**, including the national tax policy framework, taxpayer identification systems, and mechanisms for dispute resolution. These instruments provide the foundation for fairness, transparency, and efficiency in Nigeria's tax system.

By completing this Series, you should now be able to describe the structure of tax administration (SLO 2.1), analyse the functions of federal tax authorities (SLO 2.2), explain the responsibilities of state and local tax authorities (SLO 2.3), evaluate the functions and powers of tax authorities (SLO 2.4), and assess the policy instruments supporting tax administration (SLO 2.5).

Glossary of terms – Series 2: Administration of the Nigerian Tax System

Coordination among tax authorities: The process by which federal, state, and local tax bodies work together to harmonise practices, avoid duplication, and resolve disputes.

Enforcement powers: Legal powers granted to tax authorities to ensure compliance, including imposing penalties, conducting audits, seizing assets, and prosecuting offenders.

Federal Inland Revenue Service (FIRS): Nigeria's main federal tax authority responsible for assessing, collecting, and accounting for taxes such as company income tax, petroleum profits tax, and VAT.

Joint State Revenue Committee (JSRC): A body within each state that coordinates tax administration between state and local governments, ensuring harmonisation and resolving disputes.

Joint Tax Board (JTB): A federal body that promotes uniformity in personal income tax laws across states and provides guidelines for taxpayer registration.

Local Government Revenue Committee (LGRC): The authority responsible for collecting local taxes and levies such as tenement rates, market taxes, and motor park levies.

National tax policy framework: A set of guidelines that ensures Nigeria's tax laws are fair, consistent, and aligned with economic objectives, promoting compliance and transparency.

State Board of Internal Revenue (SBIR): The primary tax authority at the state level, responsible for administering and collecting taxes such as personal income tax, capital gains tax, and stamp duties.

Tax administration system: The organised framework through which taxes are assessed, collected, and enforced in Nigeria, involving federal, state, and local authorities.

Tax Appeal Tribunal (TAT): A tribunal that resolves disputes between taxpayers and tax authorities, providing a quicker alternative to lengthy court processes.

Taxpayer identification and registration: The process of recognising individuals and businesses within the tax system, usually through the Tax Identification Number (TIN), to monitor compliance and prevent evasion.

Concept check questions – Series 2: Administration of the Nigerian Tax System

1. (Linked to SLO 2.1) Define the tax administration system in Nigeria and explain how responsibilities are shared among federal, state, and local governments.

2. (Linked to SLO 2.1) Which level of government is responsible for company income tax, and which level collects tenement rates?

3. (Linked to SLO 2.2) Describe the main functions of the Federal Inland Revenue Service (FIRS).

4. (Linked to SLO 2.2) What role does the Joint Tax Board (JTB) play in promoting uniformity across states?

5. (Linked to SLO 2.2) How does the Tax Appeal Tribunal (TAT) benefit taxpayers?

6. (Linked to SLO 2.3) Identify one responsibility of the State Board of Internal Revenue (SBIR) and one responsibility of the Local Government Revenue Committee (LGRC).

7. (Linked to SLO 2.3) Why is the Joint State Revenue Committee (JSRC) important for tax administration at the state level?

8. (Linked to SLO 2.4) State two enforcement powers available to tax authorities in Nigeria.

9. (Linked to SLO 2.4) Explain why coordination among tax authorities is necessary.

10. (Linked to SLO 2.5) What is the purpose of the national tax policy framework?

11. (Linked to SLO 2.5) How does taxpayer identification and registration support compliance?

12. (Linked to SLO 2.5) Name one mechanism for resolving disputes between taxpayers and tax authorities.

13. (Linked to SLOs 2.1–2.5) Imagine you are advising a new business owner in Nigeria. Summarise the key authorities, functions, and policy instruments they should understand before registering for taxes.

Answers to pilot questions – Series 2: Administration of the Nigerian Tax System

Answers to pilot questions 2.1
1. Tax administration system.
2. Federal, State, and Local Governments.
3. Federal Government.
4. Personal income tax.
5. Local Government Revenue Committee.

Answers to pilot questions 2.2
1. Assessing, collecting, and accounting for federal taxes.
2. Company income tax, petroleum profits tax, VAT.

3. Coordinating tax administration across states.
4. Provides a quicker platform for resolving disputes.
5. Joint Tax Board.

Answers to pilot questions 2.3
1. Administering and collecting state taxes.
2. Capital gains tax.
3. Coordinates tax administration within each state.
4. Tenement rates, market taxes.
5. Joint State Revenue Committee.

Answers to pilot questions 2.4
1. Administering tax laws.
2. Imposing penalties and fines.
3. To avoid duplication and ensure consistency.
4. Joint Tax Board.
5. Seize assets or prosecute offenders.

Answers to pilot questions 2.5
1. To ensure fairness, consistency, and transparency in tax laws.
2. It helps track taxpayers and monitor compliance.
3. Tax Identification Number.
4. Administrative reviews.
5. Tax Appeal Tribunal.

References and attributions – Series 2: Administration of the Nigerian Tax System

Figure 2.1 Structure of Nigeria's tax administration system
- Placeholder type: Figure
- Description: Diagram showing federal, state, and local levels of tax administration.
- AI prompt: "Generate a diagram illustrating Nigeria's tax administration system with federal, state, and local levels."
- Search string: "Nigeria tax administration system diagram OER"

Figure 2.2 Federal Inland Revenue Service structure
- Placeholder type: Figure
- Description: Organisational chart of the Federal Inland Revenue Service.
- AI prompt: "Generate an organisational chart showing the structure and functions of the Federal Inland Revenue Service in Nigeria."
- Search string: "Federal Inland Revenue Service Nigeria organisational chart OER"

Box 2.1 Functions of the Joint Tax Board
- Placeholder type: Box
- Description: Box summarising the roles of the Joint Tax Board.
- AI prompt: "Create a text box summarising the functions of the Joint Tax Board in Nigeria."
- Search string: "Joint Tax Board Nigeria functions OER"

Table 2.2 Functions of the Tax Appeal Tribunal
- Placeholder type: Table
- Description: Table listing objectives, jurisdiction, and procedures of the Tax Appeal Tribunal.
- AI prompt: "Generate a table summarising the objectives, jurisdiction, and procedures of the Tax Appeal Tribunal in Nigeria."
- Search string: "Tax Appeal Tribunal Nigeria functions table OER"

Figure 2.3 State Board of Internal Revenue structure
- Placeholder type: Figure
- Description: Diagram showing the organisational structure of a State Board of Internal Revenue.
- AI prompt: "Generate a diagram illustrating the organisational structure and functions of a State Board of Internal Revenue in Nigeria."
- Search string: "State Board of Internal Revenue Nigeria diagram OER"

Box 2.2 Functions of the Joint State Revenue Committee
- Placeholder type: Box
- Description: Box summarising the roles of the Joint State Revenue Committee.
- AI prompt: "Create a text box summarising the functions of the Joint State Revenue Committee in Nigeria."
- Search string: "Joint State Revenue Committee Nigeria functions OER"

Table 2.3 Local government taxes and levies
- Placeholder type: Table
- Description: Table listing examples of taxes and levies collected by local governments.
- AI prompt: "Generate a table listing examples of taxes and levies collected by local governments in Nigeria."
- Search string: "local government taxes Nigeria table OER"

Box 2.3 Roles of tax authorities in Nigeria
- Placeholder type: Box
- Description: Box summarising the major roles of tax authorities.
- AI prompt: "Create a text box summarising the roles of tax authorities in Nigeria, including administration, education, compliance, and monitoring."
- Search string: "roles of tax authorities Nigeria OER"

Figure 2.4 Enforcement powers of tax authorities
- Placeholder type: Figure
- Description: Diagram showing enforcement powers such as penalties, audits, asset seizure, and prosecution.
- AI prompt: "Generate a diagram illustrating enforcement powers of tax authorities in Nigeria."
- Search string: "tax authorities enforcement powers Nigeria diagram OER"

Table 2.4 Mechanisms of coordination among tax authorities
- Placeholder type: Table
- Description: Table listing mechanisms of coordination such as Joint Tax Board, Joint State Revenue Committees, and dispute resolution processes.
- AI prompt: "Generate a table listing mechanisms of coordination among tax authorities in Nigeria."
- Search string: "coordination among tax authorities Nigeria table OER"

Box 2.4 Features of Nigeria's national tax policy framework
- Placeholder type: Box
- Description: Box summarising the objectives and features of Nigeria's national tax policy framework.
- AI prompt: "Create a text box summarising the objectives and features of Nigeria's national tax policy framework."
- Search string: "Nigeria national tax policy framework OER"

Figure 2.5 Taxpayer identification and registration process
- Placeholder type: Figure
- Description: Diagram showing the process of taxpayer identification and registration.
- AI prompt: "Generate a diagram illustrating the process of taxpayer identification and registration in Nigeria."
- Search string: "taxpayer identification registration Nigeria diagram OER"

Table 2.5 Mechanisms for dispute resolution in Nigeria's tax system
- Placeholder type: Table
- Description: Table listing administrative reviews, mediation, and appeals through the Tax Appeal Tribunal.
- AI prompt: "Generate a table listing mechanisms for dispute resolution in Nigeria's tax system."
- Search string: "tax dispute resolution Nigeria table OER"

COURSE CODE:ACC 305
COURSE TITLE: Taxation I
COURSE UNIT LOAD(3 Units C: LH 30; PH 45)
SERIES LIST
Series 1: Principles and Concepts of Taxation
Series 2: Administration of the Nigerian Tax System
Series 3: Tax Procedures and Compliance
Series 4: Personal and Employment Income Taxation
Series 5: Taxation of Business, Investment, and Trusts
3 Personal Income Taxation

Part 3.1: Introduction to personal income tax
  3.1.1 Meaning and scope of personal income tax
  3.1.2 Objectives of personal income tax in Nigeria
  3.1.3 Legal framework governing personal income tax

Part 3.2: Taxable persons and income
  3.2.1 Who is liable to personal income tax
  3.2.2 Types of taxable income (employment, business, investment)
  3.2.3 Exempt income and reliefs

Part 3.3: Computation of personal income tax
  3.3.1 Determination of assessable income
  3.3.2 Allowable deductions and reliefs
  3.3.3 Calculation of chargeable income and tax payable

Part 3.4: Administration of personal income tax
  3.4.1 Assessment procedures (self-assessment and official assessment)
  3.4.2 Filing of returns and payment procedures
  3.4.3 Enforcement and penalties for non-compliance

Part 3.5: Contemporary issues in personal income tax
  3.5.1 Challenges in personal income tax administration
  3.5.2 Taxpayer education and compliance strategies
  3.5.3 Reforms and innovations in personal income taxation in Nigeria
Introduction – Series 3: Personal Income Taxation

Personal income tax is one of the most important sources of government revenue in Nigeria. It is levied on the income of individuals, including earnings from employment, business, and investments. Unlike corporate taxation, personal income tax directly affects citizens and plays a vital role in redistributing wealth, funding public services, and promoting fairness in the tax system.

The aim of this Series is to provide learners with a clear understanding of how personal income tax operates in Nigeria, covering its scope, computation, administration, and contemporary issues.

We shall commence this Series by introducing the meaning, scope, and objectives of personal income tax, along with the legal framework that governs it. Next, we will examine taxable persons and income, identifying who is liable and what types of income are subject to tax, as well as exemptions and reliefs. Following this, we will study the computation of personal income tax, including the determination of assessable income, allowable deductions, and calculation of chargeable income. Afterwards, we will explore the administration of personal income tax, focusing on assessment procedures, filing of returns, and enforcement measures. Finally, we will conclude with contemporary issues in personal income taxation, such as challenges in administration, taxpayer education, compliance strategies, and ongoing reforms.
Series learning outcomes – Series 3: Personal Income Taxation

By the end of this Series, you should be able to:

SLO 3.1: Explain the meaning, scope, and objectives of personal income tax in Nigeria, including its legal framework.

SLO 3.2: Identify taxable persons and types of taxable income, and distinguish between taxable and exempt income.

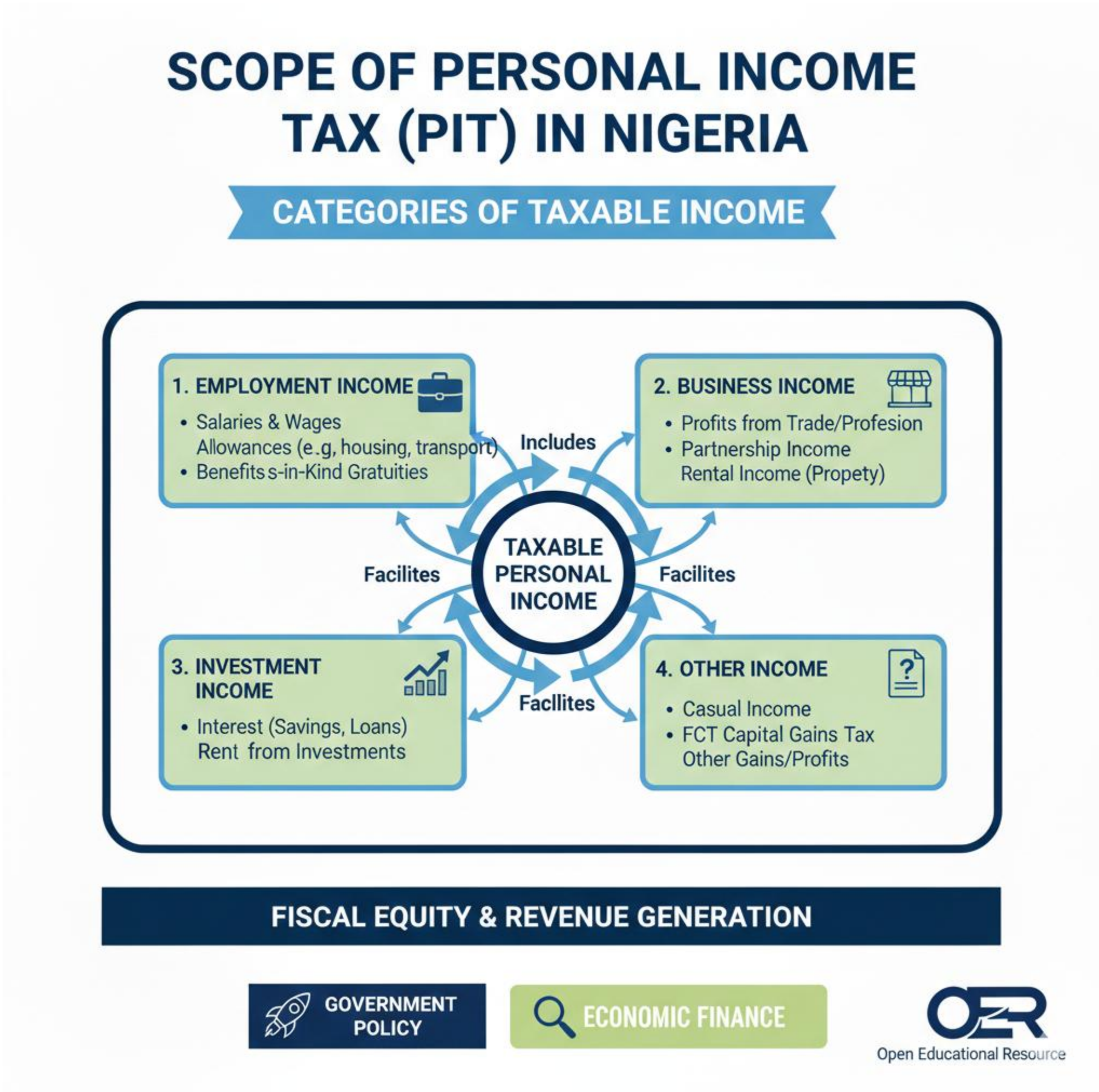
SLO 3.3: Compute personal income tax by determining assessable income, applying allowable deductions and reliefs, and calculating chargeable income and tax payable.

SLO 3.4: Describe the administration of personal income tax, including assessment procedures, filing of returns, and enforcement measures.

SLO 3.5: Evaluate contemporary issues in personal income taxation, including challenges, taxpayer education, compliance strategies, and reforms in Nigeria.
3.1 Introduction To Personal Income Tax

3.1.1 Meaning and scope of personal income tax
Personal income tax is a levy imposed on the income of individuals, including earnings from employment, business, and investments. It applies to residents and, in certain cases, non-residents who earn income in Nigeria. The scope covers wages, salaries, profits, dividends, rents, and other forms of personal earnings.

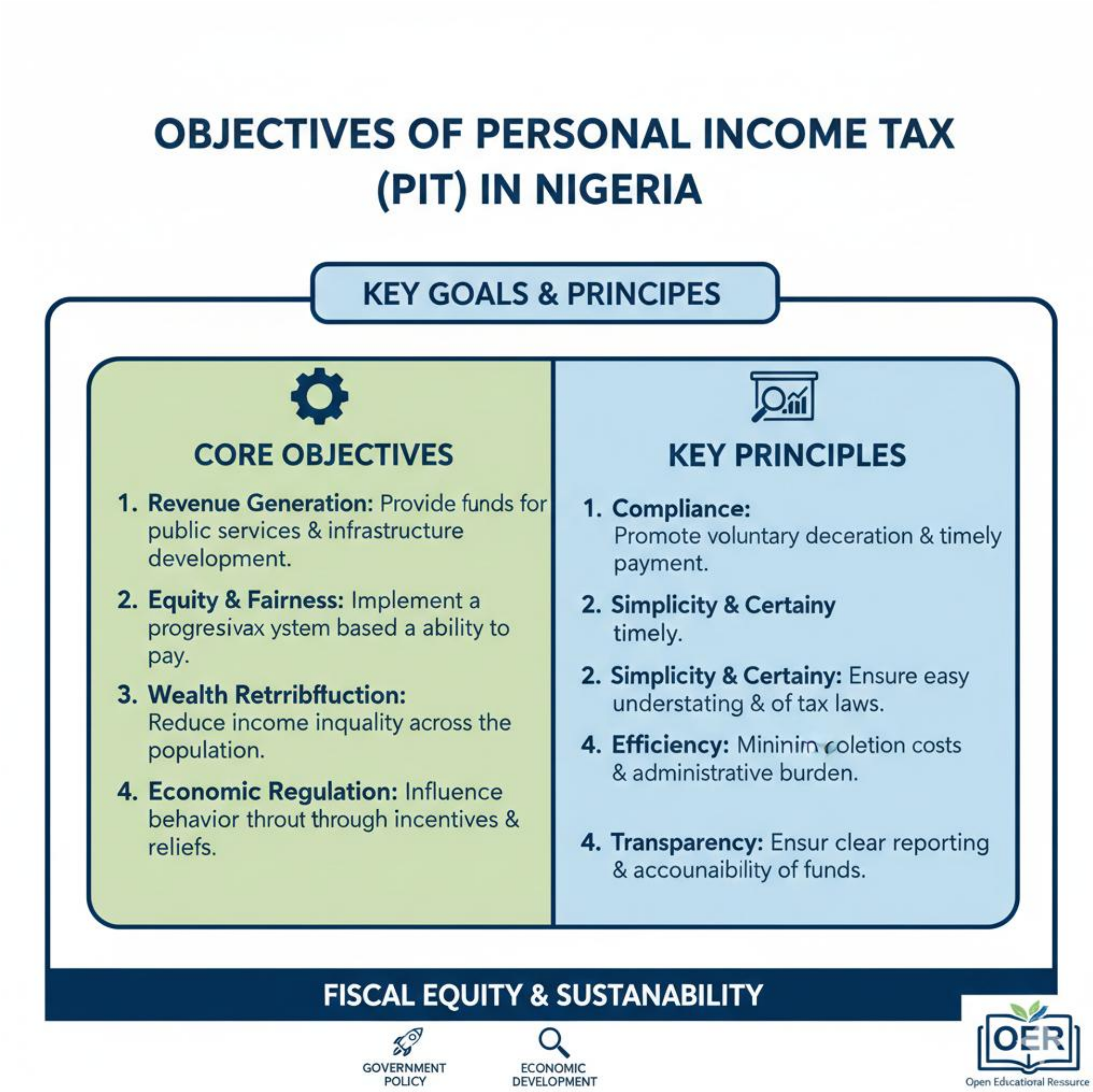
Fill in the blank: Personal income tax is a levy imposed on the __________ of individuals.



Short description: Diagram showing categories of personal income subject to tax (employment, business, investment).
Caption: Figure 3.1 Scope of personal income tax in Nigeria

3.1.2 Objectives of personal income tax in Nigeria
The objectives of personal income tax include:
- Raising revenue for government expenditure.
- Redistributing wealth to promote social equity.
- Encouraging compliance and accountability among citizens.
- Supporting economic development through fair taxation.

Fill in the blank: One objective of personal income tax is to __________ wealth to promote social equity.



Caption: Box 3.1 Objectives of personal income tax
Short description: Box summarising the major objectives of personal income tax in Nigeria.

3.1.3 Legal framework governing personal income tax
Personal income tax in Nigeria is governed by the **Personal Income Tax Act (PITA)**, which provides the legal basis for assessment, collection, and enforcement. The Act outlines who is liable, what income is taxable, exemptions, reliefs, and penalties for non-compliance. It is regularly amended to reflect changes in economic conditions and policy priorities.

Fill in the blank: The law that governs personal income tax in Nigeria is the __________ Act.

[Insert Table here]
Caption: Table 3.1 Key provisions of the Personal Income Tax Act
Short description: Table listing provisions of PITA such as taxable persons, taxable income, exemptions, reliefs, and penalties.
AI prompt: "Generate a table summarising key provisions of the Personal Income Tax Act in Nigeria."

Search string: "Personal Income Tax Act Nigeria provisions table OER"

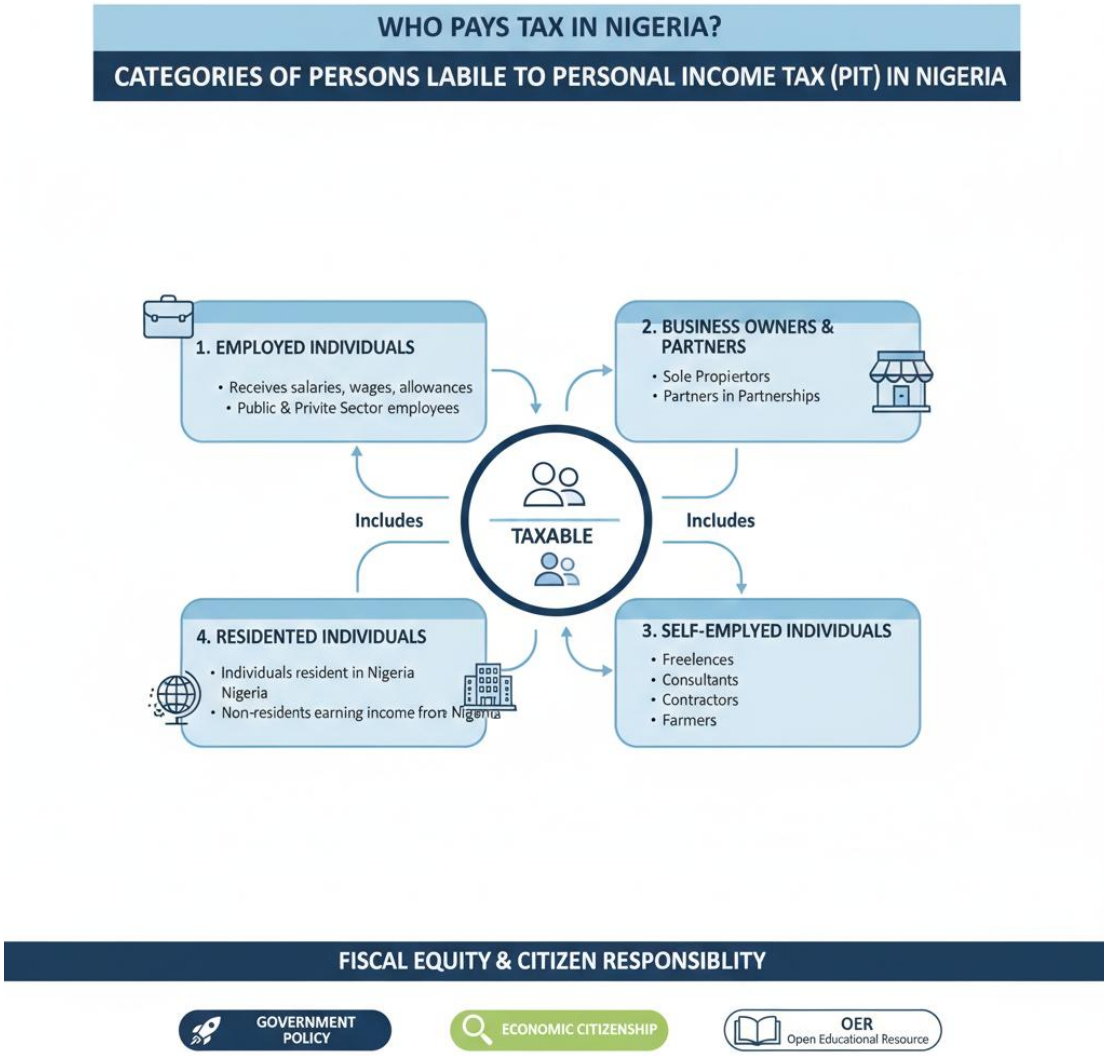
Pilot questions 3.1
1. What is personal income tax?
2. Name three categories of income subject to personal income tax.
3. State one objective of personal income tax.
4. Which law governs personal income tax in Nigeria?
5. Why is the Personal Income Tax Act amended periodically?

3.2 Taxable Persons And Income

3.2.1 Who is liable to personal income tax
In Nigeria, personal income tax applies to:
- Individuals resident in Nigeria earning income from employment, business, or investments.
- Non-residents who earn income derived from Nigeria.
- Trustees, executors, and partnerships.

Liability is determined by residency status and the source of income.

Fill in the blank: Personal income tax liability in Nigeria is determined by __________ status and the source of income.

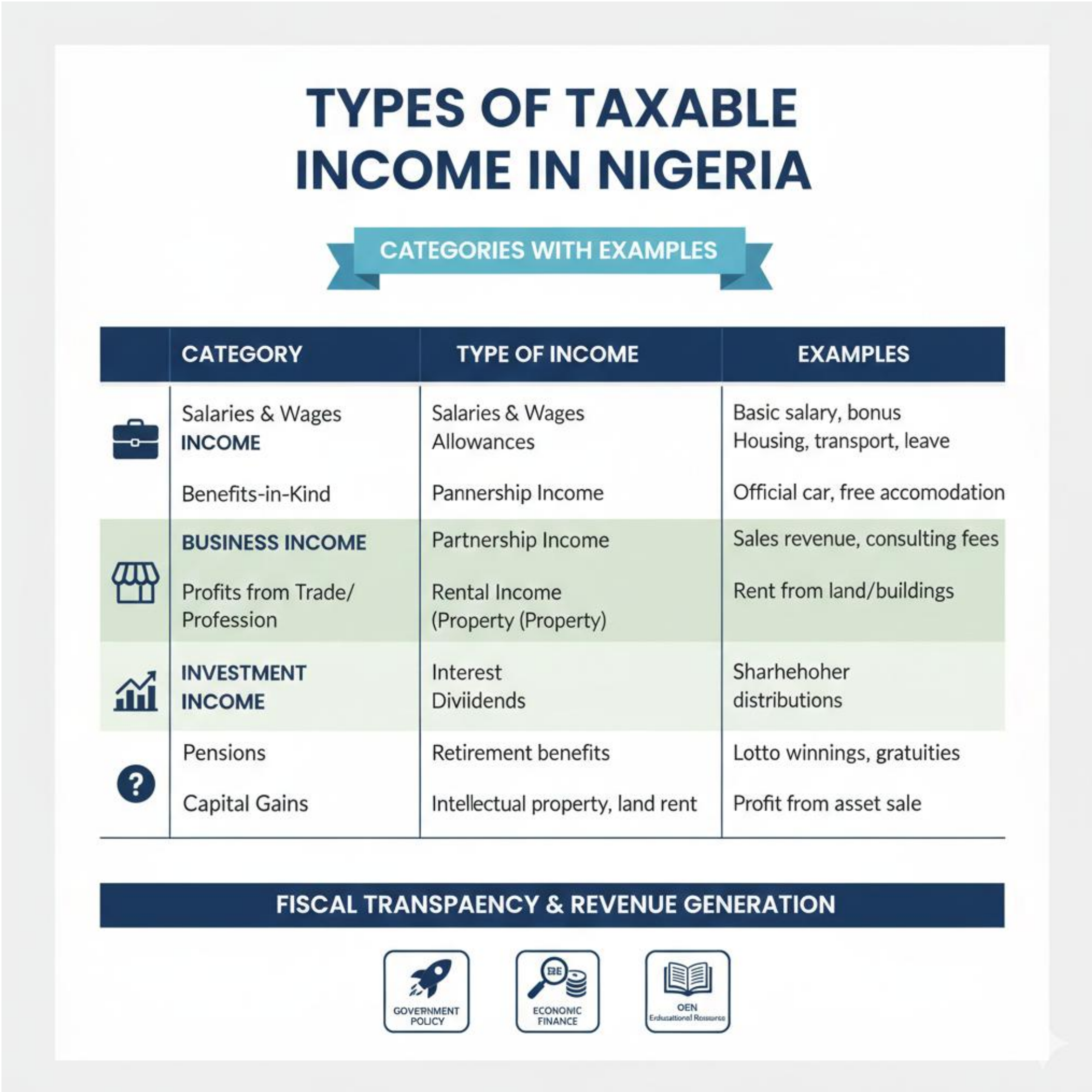


Short description: Diagram showing categories of persons liable to personal income tax (residents, non-residents, trustees, partnerships).
Caption: Figure 3.2 Persons liable to personal income tax

3.2.2 Types of taxable income
Taxable income includes:
- **Employment income**: salaries, wages, bonuses, allowances.
- **Business income**: profits from trade, profession, or vocation.
- **Investment income**: dividends, interest, rents, royalties.

These categories ensure that all sources of personal earnings are captured under the tax net.

Fill in the blank: Dividends, interest, and rents are examples of __________ income.



TYPES OF TAXABLE INCOME IN NIGERIA

CATEGORIES WITH EXAMPLES

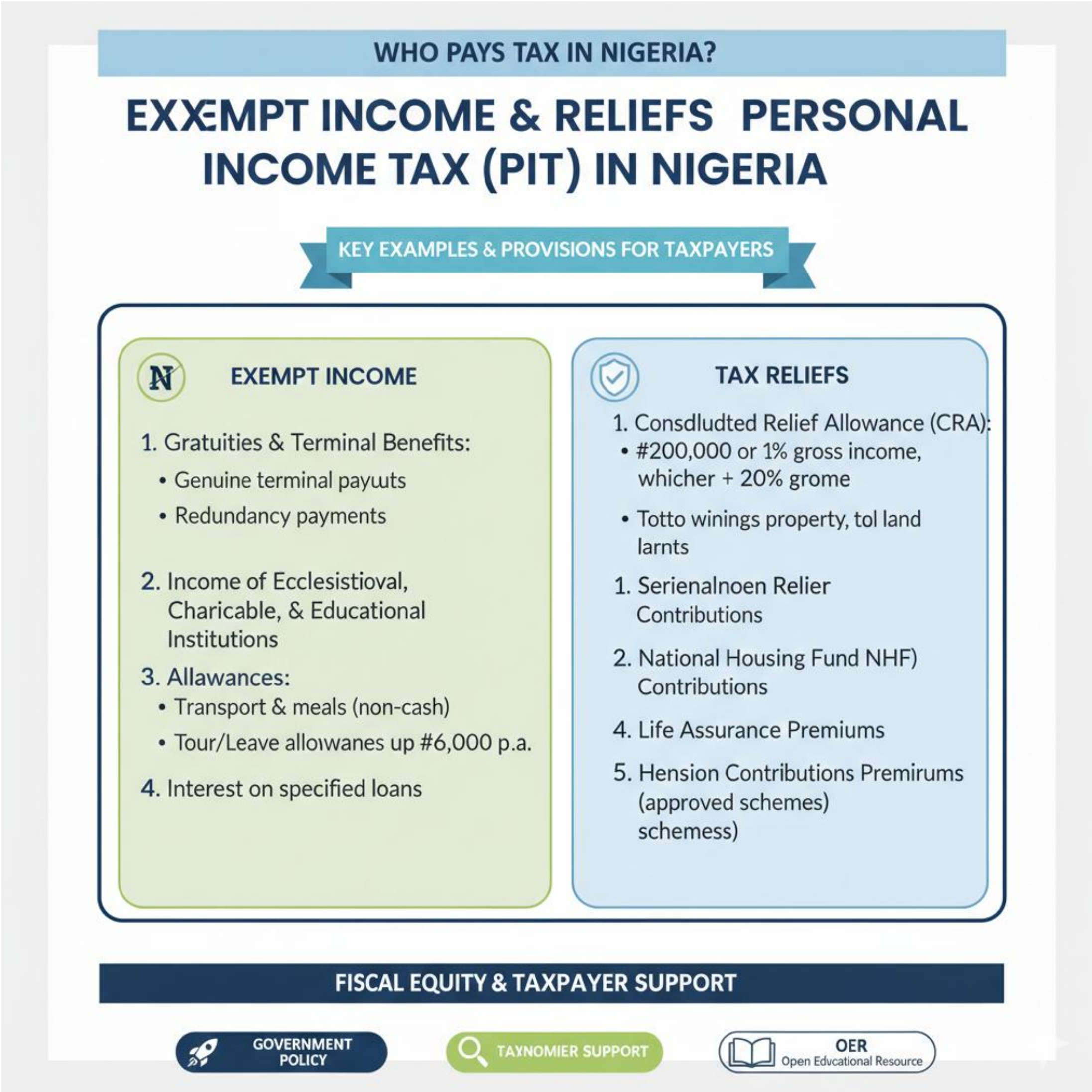
CATEGORY	TYPE OF INCOME	EXAMPLES
Salaries & Wages **INCOME**	Salaries & Wages Allowances	Basic salary, bonus Housing, transport, leave
Benefits-in-Kind	Pannership Income	Official car, free accomodation
BUSINESS INCOME	Partnership Income	Sales revenue, consulting fees
Profits from Trade/ Profession	Rental Income (Property (Property)	Rent from land/buildings
INVESTMENT INCOME	Interest Diviidends	Sharhehoher distributions
Pensions	Retirement benefits	Lotto winnings, gratuities
Capital Gains	Intellectual property, land rent	Profit from asset sale

Caption: Table 3.2 Types of taxable income in Nigeria
Short description: Table listing employment, business, and investment income with examples.

3.2.3 Exempt income and reliefs
Certain types of income are exempt from personal income tax, such as:
- Income of diplomatic personnel.
- Certain pensions and gratuities.
- Income specifically exempted by law.

Reliefs are deductions granted to taxpayers to reduce their taxable income, such as personal allowances, dependent relative relief, and contributions to pension schemes.

Fill in the blank: Deductions granted to taxpayers to reduce their taxable income are called __________.

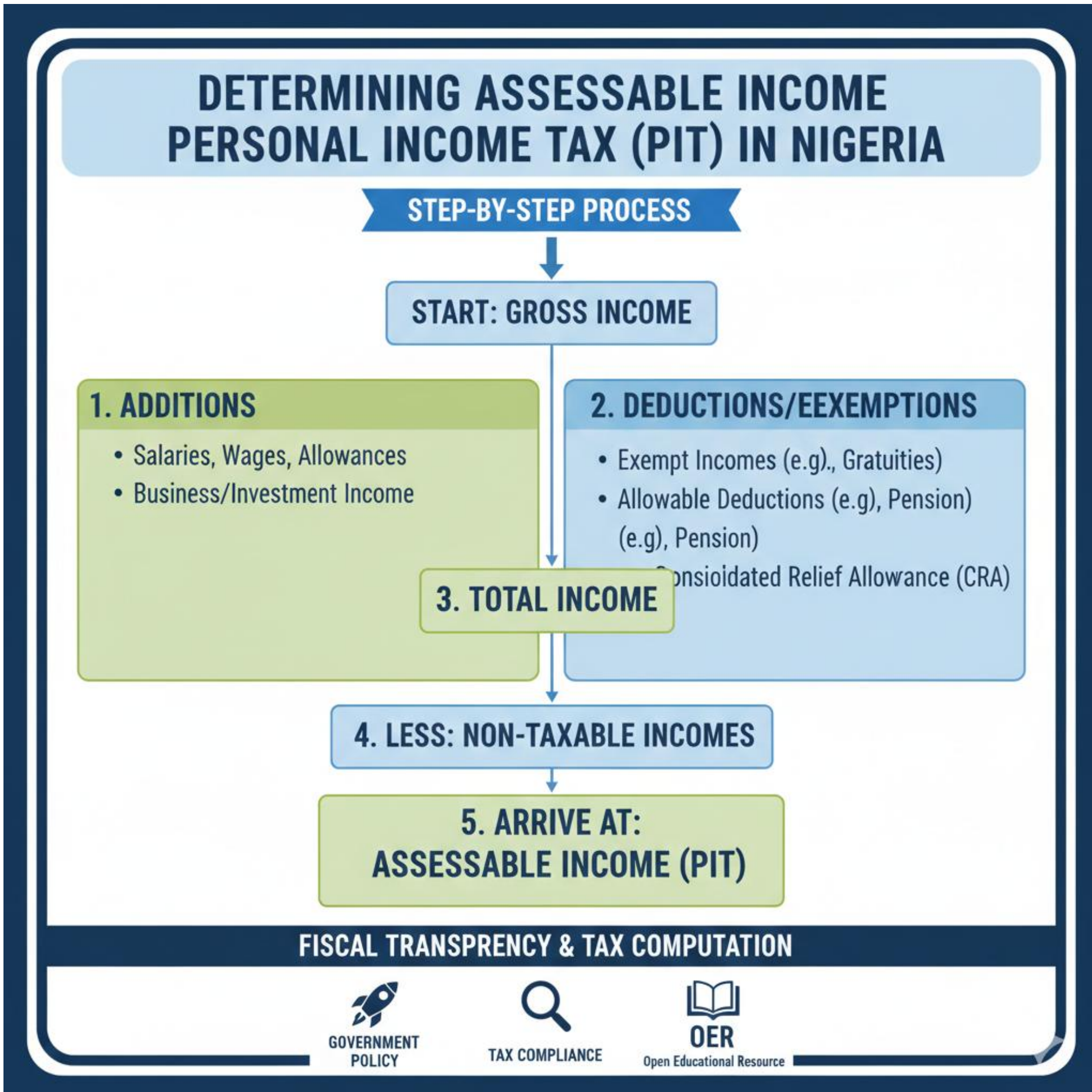


Caption: Box 3.2 Exempt income and reliefs under personal income tax
Short description: Box summarising examples of exempt income and reliefs in Nigeria.
"

Pilot questions 3.2
1. Who is liable to personal income tax in Nigeria?
2. Give one example of employment income.
3. Name two examples of investment income.
4. What is the difference between exempt income and reliefs?
5. Which category of persons is exempt from personal income tax under diplomatic arrangements?
3.3 Computation Of Personal Income Tax

3.3.1 Determination of assessable income
Assessable income refers to the total income of a taxpayer before deductions and reliefs are applied. It includes employment, business, and investment income earned during the year of assessment. The process involves identifying all sources of income and aggregating them to form the assessable base.

Fill in the blank: The total income of a taxpayer before deductions and reliefs are applied is called __________ income.



Short description: Flowchart showing steps in determining assessable income.
Caption: Figure 3.3 Determination of assessable income

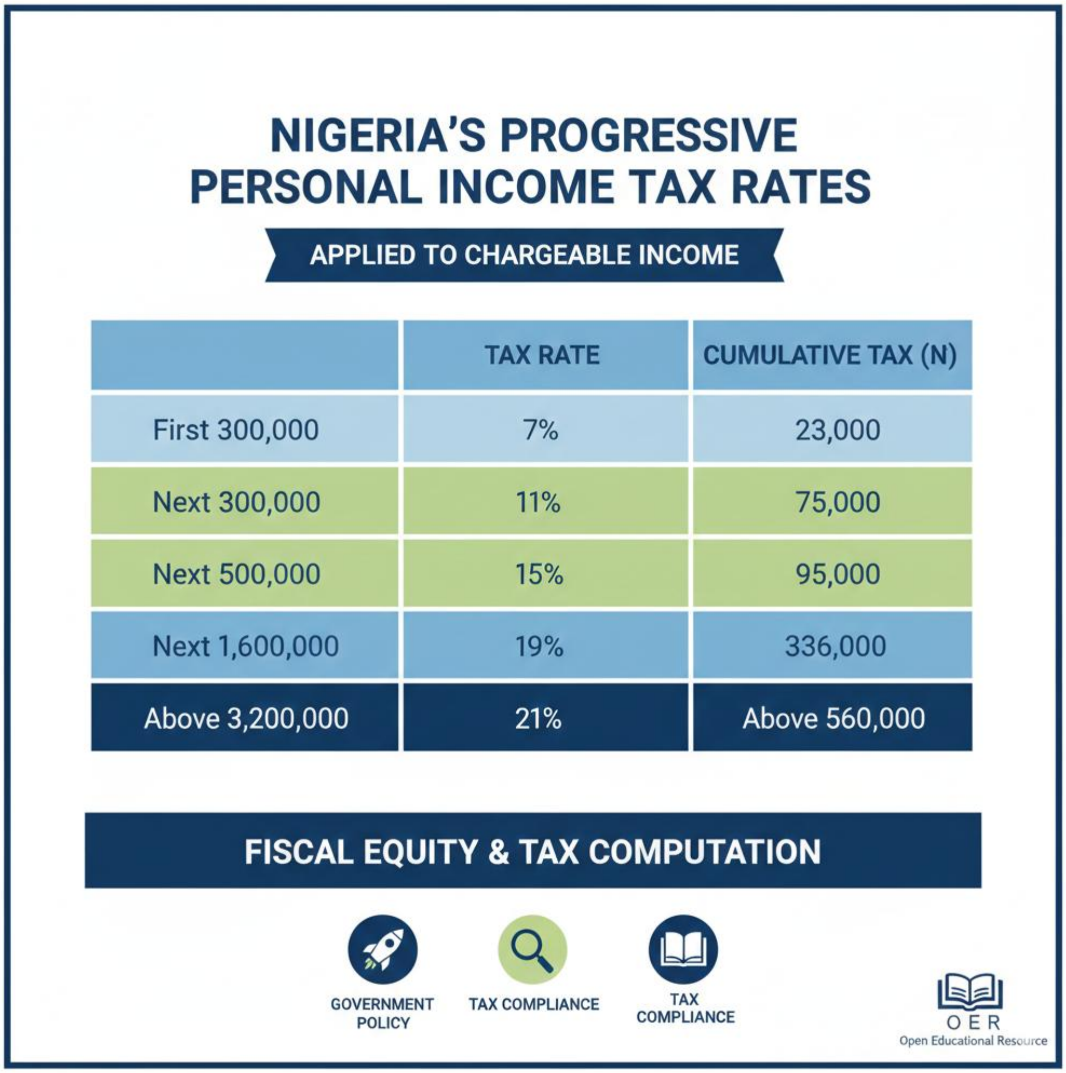
3.3.2 Allowable deductions and reliefs
Allowable deductions are expenses that can be subtracted from assessable income to arrive at chargeable income.
Reliefs are statutory allowances granted to taxpayers to reduce their taxable burden. Examples include:
- Personal allowance.
- Dependent relative relief.
- Pension contributions.
- Life assurance premiums.

Fill in the blank: Expenses that can be subtracted from assessable income to arrive at chargeable income are called __________.

Caption: Box 3.3 Examples of allowable deductions and reliefs
Short description: Box summarising common deductions and reliefs under personal income tax.

3.3.3 Calculation of chargeable income and tax payable
Chargeable income is the income remaining after deductions and reliefs have been applied. Tax payable is then calculated by applying the relevant tax rates to the chargeable income. Nigeria uses a progressive tax rate system, where higher income levels are taxed at higher rates.

Fill in the blank: The income remaining after deductions and reliefs have been applied is called __________ income.



NIGERIA'S PROGRESSIVE PERSONAL INCOME TAX RATES

APPLIED TO CHARGEABLE INCOME

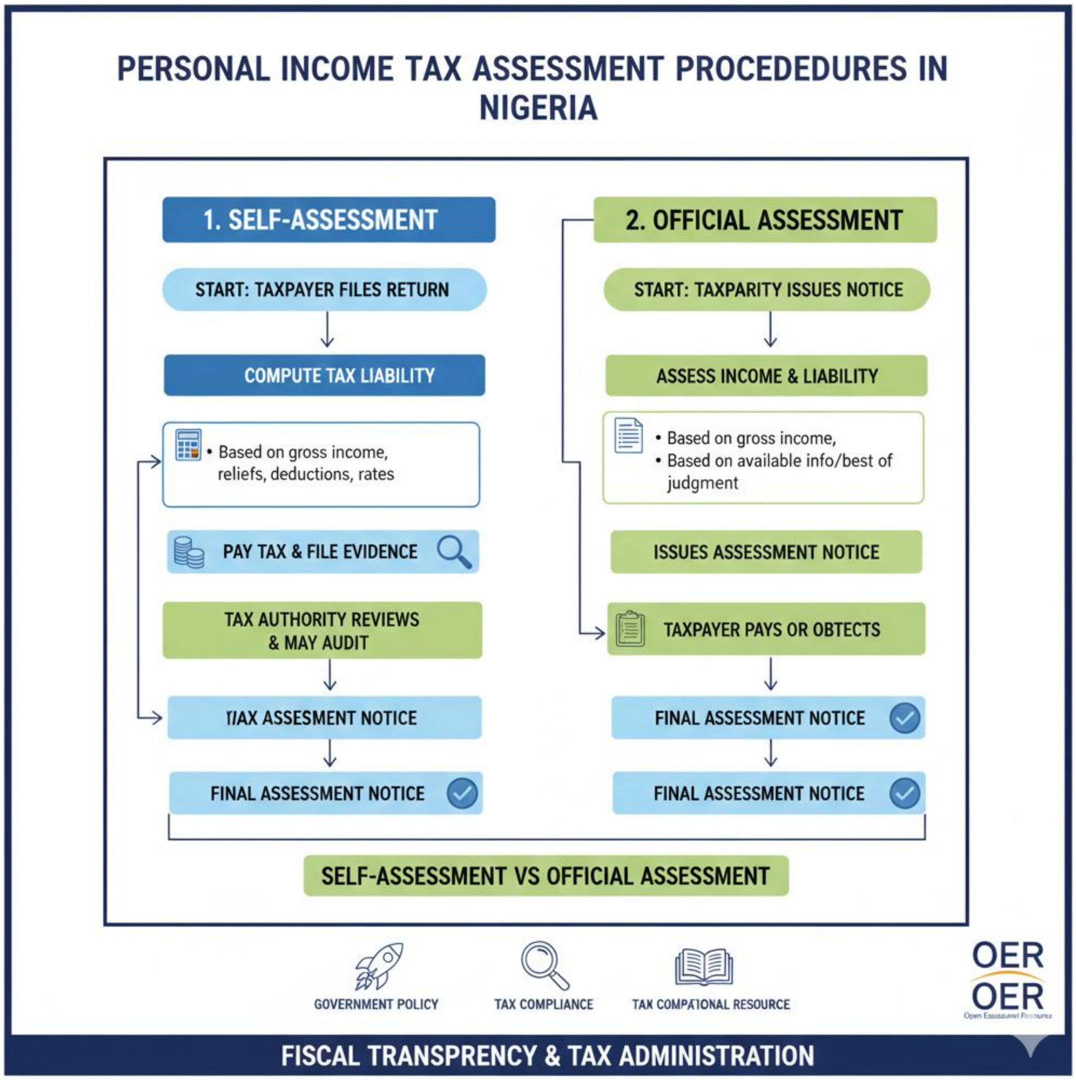
	TAX RATE	CUMULATIVE TAX (N)
First 300,000	7%	23,000
Next 300,000	11%	75,000
Next 500,000	15%	95,000
Next 1,600,000	19%	336,000
Above 3,200,000	21%	Above 560,000

Caption: Table 3.3 Progressive tax rates for personal income tax in Nigeria
Short description: Table showing Nigeria's progressive tax rates applied to chargeable income.

Pilot questions 3.3
1. What is assessable income?
2. Give two examples of allowable deductions.
3. What is chargeable income?
4. How is tax payable calculated?
5. What type of tax rate system does Nigeria use for personal income tax?
3.4 Administration Of Personal Income Tax

3.4.1 Assessment procedures
Personal income tax assessment can be carried out in two main ways:
- **Self-assessment**: Taxpayers compute their own tax liability and submit returns to the tax authority.
- **Official assessment**: The tax authority determines the taxpayer's liability based on available information.

Fill in the blank: When taxpayers compute their own tax liability and submit returns, it is called __________ assessment.



Short description: Flowchart showing self-assessment and official assessment procedures.
Caption: Figure 3.4 Assessment procedures for personal income tax

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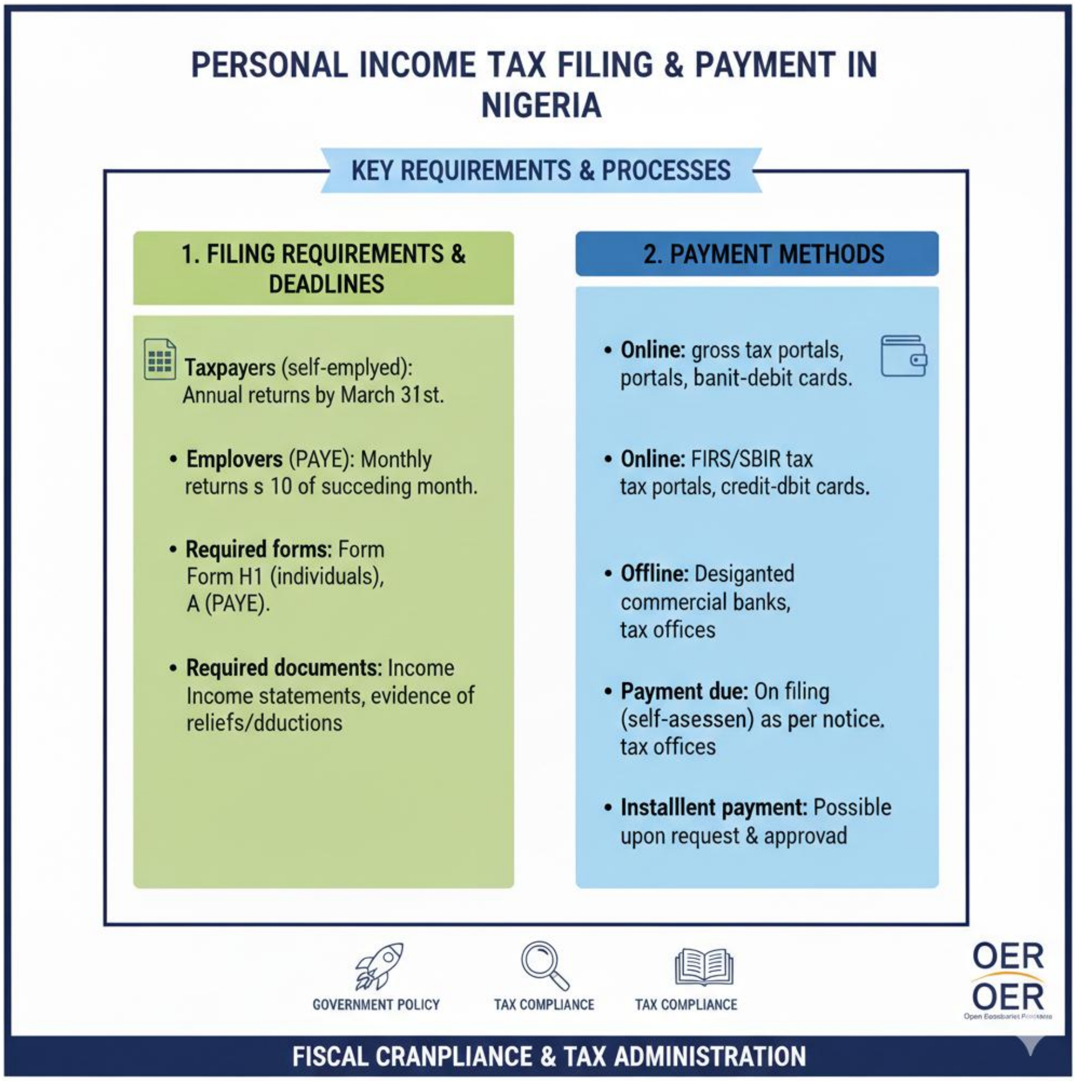
3.4.2 Filing of returns and payment procedures
Taxpayers are required to file annual returns declaring their income, deductions, and reliefs. Returns must be submitted within the statutory deadline. Payment of tax is made either directly to the tax authority or through designated banks. Compliance with filing and payment procedures ensures transparency and accountability.

Fill in the blank: Taxpayers are required to file __________ returns declaring their income, deductions, and reliefs.

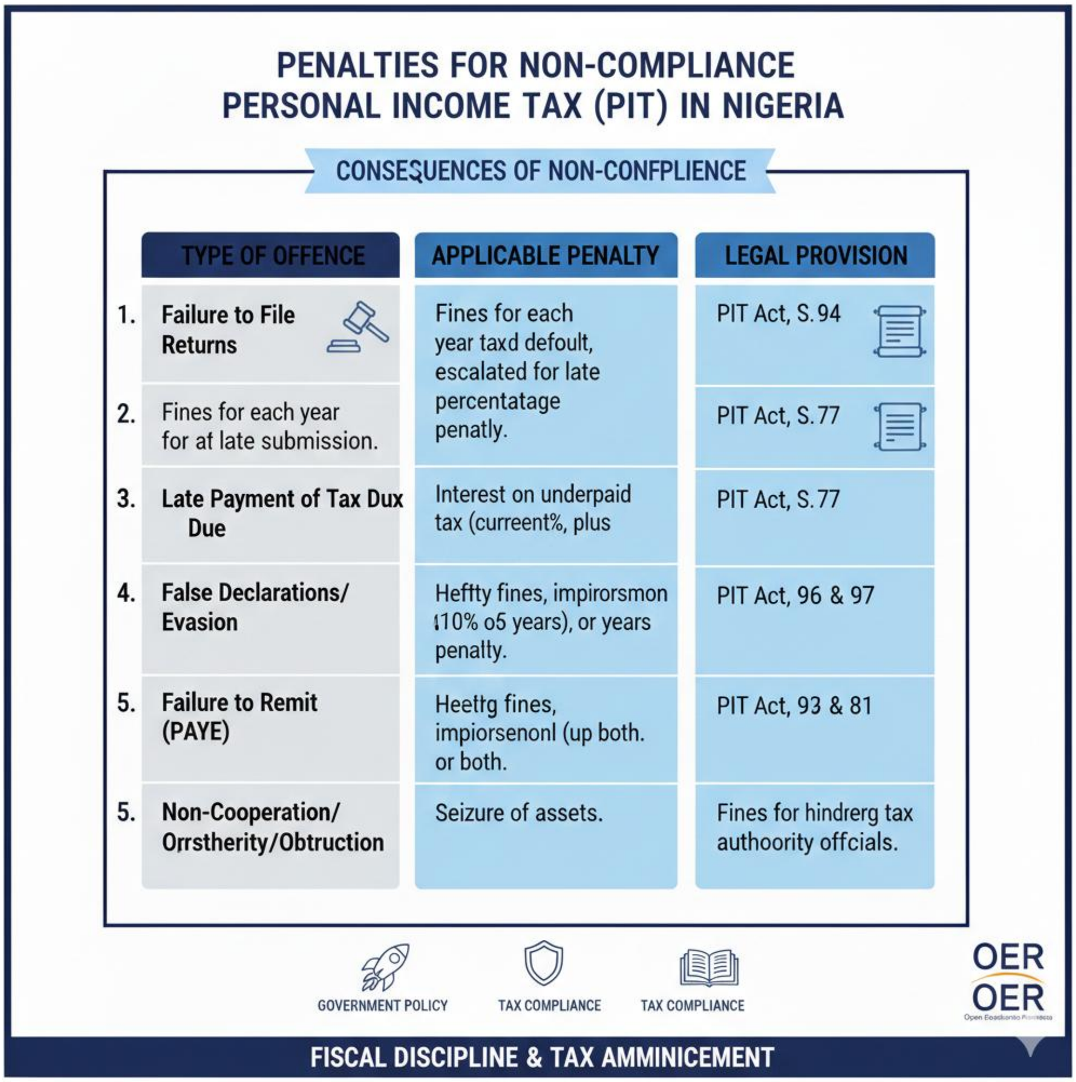


Caption: Box 3.4 Filing and payment procedures for personal income tax
Short description: Box summarising filing requirements, deadlines, and payment methods.

3.4.3 Enforcement and penalties for non-compliance
Tax authorities have powers to enforce compliance. Penalties for non-compliance include:
- Fines for late filing or non-filing of returns.
- Interest charges on unpaid taxes.
- Prosecution of offenders.
- Seizure of assets in extreme cases.

These measures ensure that taxpayers fulfil their obligations and discourage evasion.

Fill in the blank: One penalty for non-compliance with personal income tax obligations is __________ charges on unpaid taxes.


PENALTIES FOR NON-COMPLIANCE
PERSONAL INCOME TAX (PIT) IN NIGERIA

CONSEQUENCES OF NON-CONFPLIENCE

	TYPE OF OFFENCE	APPLICABLE PENALTY	LEGAL PROVISION
1.	**Failure to File Returns**	Fines for each year taxd defoult, escalated for late percentatage penatly.	PIT Act, S.94
2.	Fines for each year for at late submission.		PIT Act, S.77
3.	**Late Payment of Tax Dux Due**	Interest on underpaid tax (curreent%, plus	PIT Act, S.77
4.	**False Declarations/ Evasion**	Heftty fines, impirorsmon ı10% o5 years), or years penalty.	PIT Act, 96 & 97
5.	**Failure to Remit (PAYE)**	Heettg fines, impiorsenonl (up both. or both.	PIT Act, 93 & 81
5.	**Non-Cooperation/ Orrstherity/Obtruction**	Seizure of assets.	Fines for hindrerg tax authoority offcials.

Caption: Table 3.4 Penalties for non-compliance with personal income tax
Short description: Table listing fines, interest charges, prosecution, and asset seizure as enforcement measures.

Pilot questions 3.4
1. What is self-assessment in personal income tax?
2. What is official assessment?
3. Why must taxpayers file annual returns?
4. Name two penalties for non-compliance with personal income tax.
5. How do enforcement measures benefit the tax system?

3.5 Contemporary Issues In Personal Income Tax

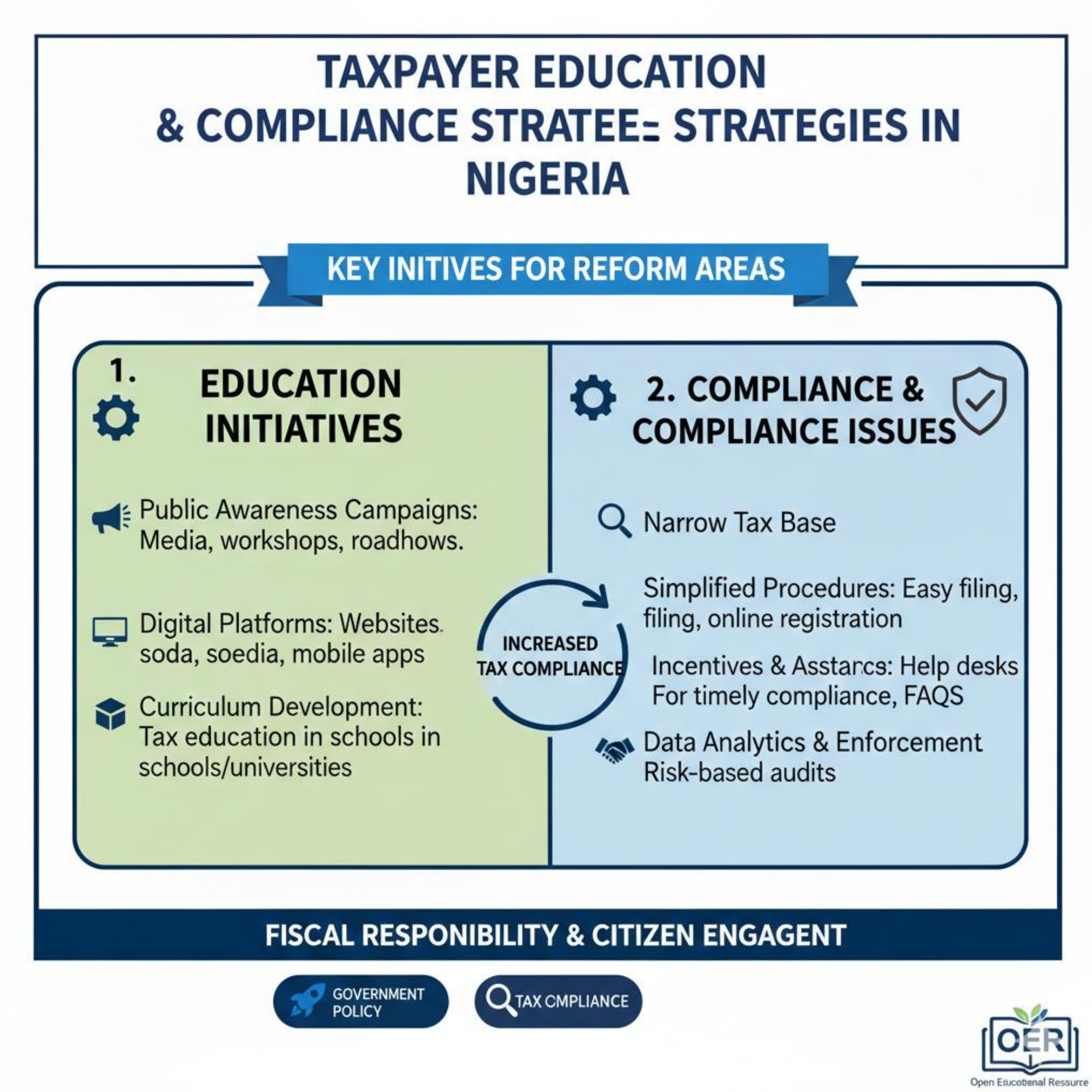
3.5.1 Challenges in personal income tax administration
Personal income tax administration in Nigeria faces several challenges, including:
- Widespread tax evasion and avoidance.
- Inadequate taxpayer education.
- Weak enforcement mechanisms.
- Limited use of technology in tax administration.

Fill in the blank: One major challenge in personal income tax administration is widespread __________.

Caption: Box 3.5 Challenges in personal income tax administration
Short description: Box summarising common challenges in administering personal income tax in Nigeria.

3.5.2 Taxpayer education and compliance strategies
Taxpayer education is essential to improve compliance. Strategies include:
- Public awareness campaigns.
- Simplification of tax laws and procedures.
- Use of digital platforms for filing and payment.
- Incentives for voluntary compliance.

Fill in the blank: One strategy to improve compliance is the simplification of __________ laws and procedures.



Short description: Diagram showing strategies for taxpayer education and compliance.
Caption: Figure 3.5 Taxpayer education and compliance strategies

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3.5.3 Reforms and innovations in personal income taxation in Nigeria
Recent reforms aim to modernise personal income tax administration. These include:
- Introduction of electronic filing and payment systems.
- Strengthening enforcement through technology.
- Expanding the tax net to capture informal sector income.
- Continuous review of tax laws to reflect economic realities.

Fill in the blank: One reform in personal income tax administration is the introduction of __________ filing and payment systems.

RECENT REFORMS & INNOVATIOS IN PERSONAL INCOME (PIT) ADMINI'TRATION IN NIGERIA

KEY INITIATIVES & IMPACT

	REFORM/INNOVATION	DESCRIPTION	IMPACT
1.	Joint Tax Board (TIN)	Harmazozed Taxpayyer Inlentfication Number	Single taxparyer view, improved data sharing
2.	Fines for each year for at late submission.	FIRS & SBIRs portals for across all tax authorities.	Simplified procedures data sharince
3.	Online Tax Portals Due	FIRS & SBIRs portal e-filing, e-payment s.	Simplified procedures convenience
4.	Simplified Filing for Small Businesses	Presumstative tax regime and simplized	Reduced compliance burden for MSMEs
6.	Automated PAYE PAYE System	Presumstive tax regime burden for MSMES	Enhance efficiency, reduced leakages
5.	Data Analytics & Orrstherity/Obtruction	Enhance efficienogy for reduc-based audits	Targeted enforcement, improved both, audits

Caption: Table 3.5 Recent reforms in personal income tax administration
Short description: Table listing reforms such as e-filing, enforcement technology, informal sector inclusion, and law reviews.

Pilot questions 3.5
1. Mention one challenge in personal income tax administration.
2. Why is taxpayer education important?
3. Give one strategy to improve compliance.
4. Name one reform introduced in personal income tax administration.
5. How does technology support enforcement in personal income tax?
Series summary – Series 3: Personal Income Taxation

In this Series, we examined the principles and practices of personal income taxation in Nigeria.

We began with an **introduction to personal income tax**, defining its meaning, scope, and objectives, and reviewing the legal framework provided by the Personal Income Tax Act (PITA).

Next, we studied **taxable persons and income**, identifying who is liable to pay tax, the categories of taxable income (employment, business, and investment), and the exemptions and reliefs available to taxpayers.

We then explored the **computation of personal income tax**, covering the determination of assessable income, allowable deductions and reliefs, and the calculation of chargeable income and tax payable under Nigeria's progressive tax rate system.

Following this, we analysed the **administration of personal income tax**, focusing on assessment procedures (self-assessment and official assessment), filing of returns, payment procedures, and enforcement measures including penalties for non-compliance.

Finally, we discussed **contemporary issues in personal income tax**, such as challenges in administration, taxpayer education, compliance strategies, and reforms aimed at modernising the system through technology and inclusion of the informal sector.

By completing this Series, you should now be able to explain the meaning and objectives of personal income tax (SLO 3.1), identify taxable persons and income (SLO 3.2), compute tax payable (SLO 3.3), describe administration procedures (SLO 3.4), and evaluate contemporary issues and reforms (SLO 3.5).
Glossary of terms – Series 3: Personal Income Taxation

Assessable income: The total income of a taxpayer before deductions and reliefs are applied.

Chargeable income: The income remaining after allowable deductions and reliefs have been subtracted from assessable income.

Employment income: Earnings from wages, salaries, bonuses, and allowances.

Exempt income: Income that is not subject to personal income tax under Nigerian law, such as certain pensions or diplomatic earnings.

Investment income: Earnings from dividends, interest, rents, and royalties.

Official assessment: Tax liability determined by the tax authority based on available information.

Personal allowance: A statutory deduction granted to taxpayers to reduce taxable income.

Personal Income Tax Act (PITA): The Nigerian law that governs personal income tax, including assessment, collection, exemptions, and penalties.

Progressive tax rate system: A system where higher levels of income are taxed at higher rates.

Reliefs: Deductions granted to taxpayers to reduce their taxable burden, such as dependent relative relief or pension contributions.

Self-assessment: A system where taxpayers compute their own tax liability and submit returns to the tax authority.

Taxpayer education: Efforts to inform and guide taxpayers about their rights, obligations, and procedures to improve compliance.

Concept check questions – Series 3: Personal Income Taxation

1. (Linked to SLO 3.1) Define personal income tax and explain its objectives in Nigeria.

2. (Linked to SLO 3.1) Which law provides the legal framework for personal income tax in Nigeria?

3. (Linked to SLO 3.2) Identify three categories of persons liable to personal income tax.

4. (Linked to SLO 3.2) Give two examples of taxable income and one example of exempt income.

5. (Linked to SLO 3.2) What is the difference between taxable income and reliefs?

6. (Linked to SLO 3.3) Explain the meaning of assessable income.

7. (Linked to SLO 3.3) List two allowable deductions under personal income tax.

8. (Linked to SLO 3.3) What is chargeable income, and how is tax payable determined?

9. (Linked to SLO 3.3) What type of tax rate system is used in Nigeria for personal income tax?

10. (Linked to SLO 3.4) Distinguish between self-assessment and official assessment.

11. (Linked to SLO 3.4) Why must taxpayers file annual returns?

12. (Linked to SLO 3.4) State two penalties for non-compliance with personal income tax obligations.

13. (Linked to SLO 3.5) Mention one challenge in personal income tax administration in Nigeria.

14. (Linked to SLO 3.5) Suggest one strategy to improve taxpayer compliance.

15. (Linked to SLO 3.5) Name one reform introduced to modernise personal income tax administration in Nigeria.

16. (Linked to SLOs 3.1–3.5) Imagine you are advising a new employee in Nigeria. Summarise what they need to know about liability, computation, filing, and compliance with personal income tax.
Answers to pilot questions – Series 3: Personal Income Taxation

Answers to pilot questions 3.1
1. Personal income tax is a levy imposed on the income of individuals.
2. Employment, business, and investment income.
3. To redistribute wealth and promote social equity.
4. Personal Income Tax Act (PITA).
5. To reflect changes in economic conditions and policy priorities.

Answers to pilot questions 3.2
1. Residents, non-residents earning income in Nigeria, trustees, executors, and partnerships.
2. Salaries or wages.
3. Dividends and rents.
4. Exempt income is not taxed, while reliefs are deductions from taxable income.
5. Diplomatic personnel.

Answers to pilot questions 3.3
1. The total income of a taxpayer before deductions and reliefs.
2. Pension contributions and life assurance premiums.
3. The income remaining after deductions and reliefs.
4. By applying progressive tax rates to chargeable income.
5. Progressive tax rate system.

Answers to pilot questions 3.4
1. Self-assessment is when taxpayers compute their own tax liability.
2. Official assessment is when the tax authority determines liability.
3. To declare income, deductions, and reliefs for transparency.
4. Fines and interest charges.
5. They ensure compliance and discourage evasion.

Answers to pilot questions 3.5
1. Tax evasion.
2. It helps improve compliance and awareness.
3. Public awareness campaigns.
4. Electronic filing and payment systems.
5. By strengthening enforcement and monitoring through digital tools.

References and attributions – Series 3: Personal Income Taxation

Figure 3.1 Scope of personal income tax in Nigeria
- Placeholder type: Figure
- Description: Diagram showing categories of personal income subject to tax (employment, business, investment).
- AI prompt: "Generate a diagram illustrating categories of personal income subject to tax in Nigeria, including employment, business, and investment income."
- Search string: "scope of personal income tax Nigeria diagram OER"

Box 3.1 Objectives of personal income tax
- Placeholder type: Box
- Description: Box summarising the major objectives of personal income tax in Nigeria.
- AI prompt: "Create a text box summarising the objectives of personal income tax in Nigeria."
- Search string: "objectives of personal income tax Nigeria OER"

Table 3.1 Key provisions of the Personal Income Tax Act
- Placeholder type: Table
- Description: Table listing provisions of PITA such as taxable persons, taxable income, exemptions, reliefs, and penalties.
- AI prompt: "Generate a table summarising key provisions of the Personal Income Tax Act in Nigeria."
- Search string: "Personal Income Tax Act Nigeria provisions table OER"

Figure 3.2 Persons liable to personal income tax
- Placeholder type: Figure
- Description: Diagram showing categories of persons liable to personal income tax (residents, non-residents, trustees, partnerships).
- AI prompt: "Generate a diagram illustrating categories of persons liable to personal income tax in Nigeria."
- Search string: "taxable persons Nigeria personal income tax diagram OER"

Table 3.2 Types of taxable income in Nigeria
- Placeholder type: Table
- Description: Table listing employment, business, and investment income with examples.

- AI prompt: "Generate a table listing types of taxable income in Nigeria with examples under employment, business, and investment categories."
- Search string: "types of taxable income Nigeria table OER"

Box 3.2 Exempt income and reliefs under personal income tax
- Placeholder type: Box
- Description: Box summarising examples of exempt income and reliefs in Nigeria.
- AI prompt: "Create a text box summarising examples of exempt income and reliefs under personal income tax in Nigeria."
- Search string: "exempt income reliefs Nigeria personal income tax OER"

Figure 3.3 Determination of assessable income
- Placeholder type: Figure
- Description: Flowchart showing steps in determining assessable income.
- AI prompt: "Generate a flowchart illustrating the steps in determining assessable income for personal income tax in Nigeria."
- Search string: "assessable income Nigeria personal income tax flowchart OER"

Box 3.3 Examples of allowable deductions and reliefs
- Placeholder type: Box
- Description: Box summarising common deductions and reliefs under personal income tax.
- AI prompt: "Create a text box listing examples of allowable deductions and reliefs under personal income tax in Nigeria."
- Search string: "allowable deductions reliefs Nigeria personal income tax OER"

Table 3.3 Progressive tax rates for personal income tax in Nigeria
- Placeholder type: Table
- Description: Table showing Nigeria's progressive tax rates applied to chargeable income.
- AI prompt: "Generate a table showing Nigeria's progressive tax rates for personal income tax applied to chargeable income."
- Search string: "progressive tax rates Nigeria personal income tax table OER"

Figure 3.4 Assessment procedures for personal income tax
- Placeholder type: Figure
- Description: Flowchart showing self-assessment and official assessment procedures.
- AI prompt: "Generate a flowchart illustrating self-assessment and official assessment procedures for personal income tax in Nigeria."
- Search string: "personal income tax assessment Nigeria flowchart OER"

Box 3.4 Filing and payment procedures for personal income tax
- Placeholder type: Box
- Description: Box summarising filing requirements, deadlines, and payment methods.
- AI prompt: "Create a text box summarising filing requirements, deadlines, and payment methods for personal income tax in Nigeria."
- Search string: "personal income tax filing payment Nigeria OER"

Table 3.4 Penalties for non-compliance with personal income tax
- Placeholder type: Table
- Description: Table listing fines, interest charges, prosecution, and asset seizure as enforcement measures.
- AI prompt: "Generate a table listing penalties for non-compliance with personal income tax in Nigeria."
- Search string: "personal income tax penalties Nigeria table OER"

Box 3.5 Challenges in personal income tax administration
- Placeholder type: Box
- Description: Box summarising common challenges in administering personal income tax in Nigeria.
- AI prompt: "Create a text box summarising challenges in personal income tax administration in Nigeria."
- Search string: "challenges personal income tax Nigeria OER"

Figure 3.5 Taxpayer education and compliance strategies
- Placeholder type: Figure
- Description: Diagram showing strategies for taxpayer education and compliance.
- AI prompt: "Generate a diagram illustrating strategies for taxpayer education and compliance in Nigeria."
- Search string: "taxpayer education compliance Nigeria diagram OER"

Table 3.5 Recent reforms in personal income tax administration
- Placeholder type: Table
- Description: Table listing reforms such as e-filing, enforcement technology, informal sector inclusion, and law reviews.
- AI prompt: "Generate a table listing recent reforms and innovations in personal income tax administration in Nigeria."
- Search string: "personal income tax reforms Nigeria table OER"

COURSE CODE:ACC 305
COURSE TITLE: Taxation I
COURSE UNIT LOAD(3 Units C: LH 30; PH 45)
SERIES LIST
Series 1: Principles and Concepts of Taxation
Series 2: Administration of the Nigerian Tax System
Series 3: Tax Procedures and Compliance
Series 4: Personal and Employment Income Taxation
Series 5: Taxation of Business, Investment, and Trusts
4 Company Income Taxation

Part 4.1: Introduction to company income tax
  4.1.1 Meaning and scope of company income tax
  4.1.2 Objectives of company income tax in Nigeria
  4.1.3 Legal framework governing company income tax

Part 4.2: Taxable companies and income
  4.2.1 Companies liable to company income tax
  4.2.2 Types of taxable income (profits, dividends, royalties)
  4.2.3 Exemptions and reliefs available to companies

Part 4.3: Computation of company income tax
  4.3.1 Determination of assessable profits
  4.3.2 Allowable deductions and reliefs
  4.3.3 Calculation of chargeable profits and tax payable

Part 4.4: Administration of company income tax
  4.4.1 Assessment procedures and filing of returns
  4.4.2 Payment procedures and deadlines
  4.4.3 Enforcement and penalties for non-compliance

Part 4.5: Contemporary issues in company income tax
4.5.1 Challenges in company income tax administration
4.5.2 Tax planning and compliance strategies
4.5.3 Reforms and innovations in company income taxation in Nigeria
Introduction – Series 4: Company Income Taxation

Company income tax is a major source of government revenue in Nigeria, levied on the profits of incorporated companies. Unlike personal income tax, which targets individuals, company income tax focuses on corporate entities and plays a crucial role in regulating business activities, ensuring fairness, and funding public services.

The aim of this Series is to provide learners with a comprehensive understanding of company income tax in Nigeria, covering its scope, computation, administration, and contemporary issues.

We shall begin by introducing the meaning, scope, and objectives of company income tax, along with the legal framework that governs it. Next, we will examine taxable companies and income, identifying which companies are liable, what types of income are taxable, and the exemptions and reliefs available. Following this, we will study the computation of company income tax, including the determination of assessable profits, allowable deductions, and calculation of chargeable profits and tax payable. Afterwards, we will explore the administration of company income tax, focusing on assessment procedures, filing of returns, payment processes, and enforcement measures. Finally, we will conclude with contemporary issues in company income taxation, such as challenges in administration, tax planning, compliance strategies, and ongoing reforms.
Series learning outcomes – Series 4: Company Income Taxation

By the end of this Series, you should be able to:

SLO 4.1: Explain the meaning, scope, and objectives of company income tax in Nigeria, including its legal framework.

SLO 4.2: Identify companies liable to company income tax and distinguish between taxable and exempt income.

SLO 4.3: Compute company income tax by determining assessable profits, applying allowable deductions and reliefs, and calculating chargeable profits and tax payable.

SLO 4.4: Describe the administration of company income tax, including assessment procedures, filing of returns, payment processes, and enforcement measures.

SLO 4.5: Evaluate contemporary issues in company income taxation, including challenges, tax planning, compliance strategies, and reforms in Nigeria.
4.1 Introduction To Company Income Tax

4.1.1 Meaning and scope of company income tax
Company income tax is a levy imposed on the profits of incorporated companies operating in Nigeria. It applies to both resident companies (registered in Nigeria) and non-resident companies that earn income within Nigeria. The scope covers profits from trade, business, investments, and other corporate activities.

Fill in the blank: Company income tax is a levy imposed on the __________ of incorporated companies.
Short description: Diagram showing categories of company profits subject to tax (trade, business, investment).
Caption: Figure 4.1 Scope of company income tax in Nigeria

4.1.2 Objectives of company income tax in Nigeria
The objectives of company income tax include:
- Raising revenue for government expenditure.
- Ensuring corporate accountability and compliance.
- Redistributing wealth through fair taxation of companies.
- Supporting economic development by regulating corporate profits.

Fill in the blank: One objective of company income tax is to ensure corporate __________ and compliance.
Caption: Box 4.1 Objectives of company income tax
Short description: Box summarising the major objectives of company income tax in Nigeria.

4.1.3 Legal framework governing company income tax
Company income tax in Nigeria is governed by the **Companies Income Tax Act (CITA)**. This Act provides the legal basis for assessment, collection, and enforcement of company income tax. It outlines taxable companies, taxable profits, exemptions, reliefs, and penalties for non-compliance. The Act is regularly amended to reflect changes in economic conditions and policy priorities.

Fill in the blank: The law that governs company income tax in Nigeria is the __________ Act.
Caption: Table 4.1 Key provisions of the Companies Income Tax Act
Short description: Table listing provisions of CITA such as taxable companies, taxable profits, exemptions, reliefs, and penalties.

Pilot questions 4.1
1. What is company income tax?
2. Name two categories of profits subject to company income tax.
3. State one objective of company income tax.
4. Which law governs company income tax in Nigeria?
5. Why is the Companies Income Tax Act amended periodically?
4.2 Taxable Companies And Income

4.2.1 Companies liable to company income tax
Company income tax applies to:
- Resident companies incorporated in Nigeria.
- Non-resident companies earning income from Nigeria.
- Companies engaged in trade, business, or investment activities within Nigeria.

Liability is determined by incorporation status and the source of profits.

Fill in the blank: Company income tax liability in Nigeria is determined by incorporation status and the source of __________.

Short description: Diagram showing categories of companies liable to company income tax (resident, non-resident, trading companies).
Caption: Figure 4.2 Companies liable to company income tax

4.2.2 Types of taxable income
Taxable income for companies includes:
- **Business profits**: earnings from trade, profession, or vocation.
- **Investment income**: dividends, interest, royalties, rents.
- **Other corporate income**: gains from property or services.

Fill in the blank: Dividends, interest, and royalties are examples of __________ income for companies.

Caption: Table 4.2 Types of taxable income for companies in Nigeria
Short description: Table listing business profits, investment income, and other corporate income with examples.

4.2.3 Exemptions and reliefs available to companies
Certain types of income are exempt from company income tax, such as:
- Profits of cooperative societies.
- Profits of charitable organisations.
- Income specifically exempted by law.

Reliefs are deductions granted to companies to reduce taxable profits, such as capital allowances, investment allowances, and donations to approved bodies.

Fill in the blank: Deductions granted to companies to reduce taxable profits are called __________.
Caption: Box 4.2 Exemptions and reliefs under company income tax
Short description: Box summarising examples of exempt income and reliefs for companies in Nigeria.

Pilot questions 4.2
1. Which companies are liable to company income tax in Nigeria?
2. Give one example of business profits.
3. Name two examples of investment income for companies.
4. What is the difference between exempt income and reliefs?
5. Which category of organisations may be exempt from company income tax?
4.3 Computation Of Company Income Tax

4.3.1 Determination of assessable profits
Assessable profits refer to the total profits of a company before deductions and reliefs are applied. They include business profits, investment income, and other corporate earnings during the year of assessment. The process involves aggregating all sources of corporate income to form the assessable base.

Fill in the blank: The total profits of a company before deductions and reliefs are applied are called __________ profits.

Short description: Flowchart showing steps in determining assessable profits.
Caption: Figure 4.3 Determination of assessable profits

4.3.2 Allowable deductions and reliefs
Allowable deductions are expenses that can be subtracted from assessable profits to arrive at chargeable profits. Reliefs are statutory allowances granted to companies to reduce their taxable burden. Examples include:
- Capital allowances.
- Investment allowances.
- Donations to approved bodies.
- Research and development expenses.

Fill in the blank: Expenses that can be subtracted from assessable profits to arrive at chargeable profits are called __________.

Caption: Box 4.3 Examples of allowable deductions and reliefs
Short description: Box summarising common deductions and reliefs under company income tax.

4.3.3 Calculation of chargeable profits and tax payable
Chargeable profits are the profits remaining after allowable deductions and reliefs have been applied. Tax payable is then calculated by applying the relevant tax rate to the chargeable profits. In Nigeria, the standard company income tax rate is 30% of chargeable profits, with reduced rates for small companies under certain conditions.

Fill in the blank: The profits remaining after deductions and reliefs have been applied are called __________ profits.

Caption: Table 4.3 Company income tax rates in Nigeria
Short description: Table showing Nigeria's company income tax rates applied to chargeable profits, including standard and reduced rates.

Pilot questions 4.3
1. What are assessable profits?
2. Give two examples of allowable deductions for companies.
3. What are chargeable profits?
4. How is company income tax payable calculated?
5. What is the standard company income tax rate in Nigeria?
4.4 Administration Of Company Income Tax

4.4.1 Assessment procedures
Company income tax assessment can be carried out in two main ways:
- **Self-assessment**: Companies compute their own tax liability and submit returns to the Federal Inland Revenue Service (FIRS).
- **Official assessment**: FIRS determines the company's liability based on submitted information or available records.

Fill in the blank: When companies compute their own tax liability and submit returns, it is called __________ assessment.
Short description: Flowchart showing self-assessment and official assessment procedures for companies.
Caption: Figure 4.4 Assessment procedures for company income tax

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4.4.2 Filing of returns and payment procedures
Companies are required to file annual returns declaring their profits, deductions, and reliefs. Returns must be submitted within the statutory deadline (usually six months after the end of the company’s financial year). Payment of tax is made directly to FIRS or through designated banks. Compliance ensures transparency and accountability.

Fill in the blank: Companies are required to file __________ returns declaring their profits, deductions, and reliefs.

Caption: Box 4.4 Filing and payment procedures for company income tax
Short description: Box summarising filing requirements, deadlines, and payment methods for company income tax.

4.4.3 Enforcement and penalties for non-compliance
FIRS has powers to enforce compliance. Penalties for non-compliance include:
- Fines for late filing or non-filing of returns.
- Interest charges on unpaid taxes.
- Prosecution of offenders.
- Seizure of assets in extreme cases.

These measures ensure that companies fulfil their obligations and discourage tax evasion.

Fill in the blank: One penalty for non-compliance with company income tax obligations is __________ charges on unpaid taxes.

Caption: Table 4.4 Penalties for non-compliance with company income tax
Short description: Table listing fines, interest charges, prosecution, and asset seizure as enforcement measures.

Pilot questions 4.4
1. What is self-assessment in company income tax?
2. What is official assessment?
3. Why must companies file annual returns?
4. Name two penalties for non-compliance with company income tax.
5. How do enforcement measures benefit the tax system?

4.5 Contemporary Issues In Company Income Tax

4.5.1 Challenges in company income tax administration
Administration of company income tax in Nigeria faces several challenges, including:
- Tax evasion and avoidance by companies.
- Inadequate monitoring of multinational corporations.
- Weak enforcement mechanisms.
- Limited adoption of digital tools for tax administration.

Fill in the blank: One major challenge in company income tax administration is inadequate monitoring of __________ corporations.

Caption: Box 4.5 Challenges in company income tax administration
Short description: Box summarising common challenges in administering company income tax in Nigeria.

4.5.2 Tax planning and compliance strategies
Tax planning helps companies manage their tax liabilities legally and efficiently. Compliance strategies include:
- Proper record-keeping and transparent reporting.
- Use of tax consultants and professionals.
- Adoption of digital filing and payment platforms.
- Voluntary compliance incentives.

Fill in the blank: Proper __________ keeping and transparent reporting are essential compliance strategies for companies.

Short description: Diagram showing tax planning and compliance strategies for companies.
Caption: Figure 4.5 Tax planning and compliance strategies

4.5.3 Reforms and innovations in company income taxation in Nigeria
Recent reforms aim to modernise company income tax administration. These include:
- Introduction of electronic filing and payment systems.
- Strengthening enforcement through digital monitoring.
- Expanding the tax net to include informal sector businesses.
- Continuous review of CITA to reflect economic realities.

Fill in the blank: One reform in company income tax administration is the introduction of __________ filing and payment systems.
Caption: Table 4.5 Recent reforms in company income tax administration
Short description: Table listing reforms such as e-filing, enforcement technology, informal sector inclusion, and law reviews.

Pilot questions 4.5
1. Mention one challenge in company income tax administration.
2. Why is tax planning important for companies?
3. Give one compliance strategy for companies.
4. Name one reform introduced in company income tax administration.
5. How does technology support enforcement in company income tax?

Series summary – Series 4: Company Income Taxation

In this Series, we examined the principles and practices of company income taxation in Nigeria.

We began with an **introduction to company income tax**, defining its meaning, scope, and objectives, and reviewing the legal framework provided by the Companies Income Tax Act (CITA).

Next, we studied **taxable companies and income**, identifying which companies are liable to pay tax, the categories of taxable income (business profits, investment income, and other corporate earnings), and the exemptions and reliefs available to companies.

We then explored the **computation of company income tax**, covering the determination of assessable profits, allowable deductions and reliefs, and the calculation of chargeable profits and tax payable under Nigeria's tax rate system.

Following this, we analysed the **administration of company income tax**, focusing on assessment procedures (self-assessment and official assessment), filing of returns, payment procedures, and enforcement measures including penalties for non-compliance.

Finally, we discussed **contemporary issues in company income tax**, such as challenges in administration, tax planning, compliance strategies, and reforms aimed at modernising the system through technology and inclusion of informal sector businesses.

By completing this Series, you should now be able to explain the meaning and objectives of company income tax (SLO 4.1), identify taxable companies and income (SLO 4.2), compute tax payable (SLO 4.3), describe administration procedures (SLO 4.4), and evaluate contemporary issues and reforms (SLO 4.5).

Glossary of terms – Series 4: Company Income Taxation

Assessable profits: The total profits of a company before allowable deductions and reliefs are applied.

Capital allowances: Deductions granted to companies for wear and tear of fixed assets, reducing taxable profits.

Chargeable profits: The profits remaining after allowable deductions and reliefs have been subtracted from assessable profits.

Companies Income Tax Act (CITA): The Nigerian law that governs company income tax, including assessment, collection, exemptions, reliefs, and penalties.

Exempt income: Income that is not subject to company income tax under Nigerian law, such as profits of charitable organisations.

Investment income: Earnings from dividends, interest, royalties, and rents received by companies.

Official assessment: Tax liability determined by the Federal Inland Revenue Service (FIRS) based on submitted information or available records.

Reliefs: Statutory allowances granted to companies to reduce their taxable burden, such as donations to approved bodies or research expenses.

Resident company: A company incorporated in Nigeria and liable to company income tax on worldwide income.

Self-assessment: A system where companies compute their own tax liability and submit returns to FIRS.

Tax evasion: Illegal practices by companies to avoid paying taxes, such as underreporting profits.

Tax planning: Legal strategies used by companies to manage and minimise tax liabilities efficiently.
Concept check questions – Series 4: Company Income Taxation

1. (Linked to SLO 4.1) Define company income tax and explain its objectives in Nigeria.

2. (Linked to SLO 4.1) Which law provides the legal framework for company income tax in Nigeria?

3. (Linked to SLO 4.2) Identify three categories of companies liable to company income tax.

4. (Linked to SLO 4.2) Give two examples of taxable income for companies and one example of exempt income.

5. (Linked to SLO 4.2) What is the difference between exempt income and reliefs?

6. (Linked to SLO 4.3) Explain the meaning of assessable profits.

7. (Linked to SLO 4.3) List two allowable deductions under company income tax.

8. (Linked to SLO 4.3) What are chargeable profits, and how is tax payable determined?

9. (Linked to SLO 4.3) What is the standard company income tax rate in Nigeria?

10. (Linked to SLO 4.4) Distinguish between self-assessment and official assessment.

11. (Linked to SLO 4.4) Why must companies file annual returns?

12. (Linked to SLO 4.4) State two penalties for non-compliance with company income tax obligations.

13. (Linked to SLO 4.5) Mention one challenge in company income tax administration in Nigeria.

14. (Linked to SLO 4.5) Suggest one compliance strategy for companies.

15. (Linked to SLO 4.5) Name one reform introduced to modernise company income tax administration in Nigeria.

16. (Linked to SLOs 4.1–4.5) Imagine you are advising a new company in Nigeria. Summarise what they need to know about liability, computation, filing, and compliance with company income tax.
Answers to pilot questions – Series 4: Company Income Taxation

Answers to pilot questions 4.1
1. Company income tax is a levy imposed on the profits of incorporated companies.
2. Trade profits and investment income.
3. To raise revenue for government expenditure.
4. Companies Income Tax Act (CITA).
5. To reflect changes in economic conditions and policy priorities.

Answers to pilot questions 4.2
1. Resident companies, non-resident companies earning income in Nigeria, and trading companies.
2. Earnings from trade or business.

3. Dividends and royalties.
4. Exempt income is not taxed, while reliefs are deductions from taxable profits.
5. Charitable organisations.

Answers to pilot questions 4.3
1. The total profits of a company before deductions and reliefs.
2. Capital allowances and donations to approved bodies.
3. The profits remaining after allowable deductions and reliefs.
4. By applying the relevant tax rate to chargeable profits.
5. 30% of chargeable profits (standard rate).

Answers to pilot questions 4.4
1. Self-assessment is when companies compute their own tax liability.
2. Official assessment is when FIRS determines liability.
3. To declare profits, deductions, and reliefs for transparency.
4. Fines and interest charges.
5. They ensure compliance and discourage tax evasion.

Answers to pilot questions 4.5
1. Tax evasion.
2. It helps companies manage liabilities legally and efficiently.
3. Proper record-keeping and transparent reporting.
4. Electronic filing and payment systems.
5. By strengthening enforcement and monitoring through digital tools.

References and attributions – Series 4: Company Income Taxation

Figure 4.1 Scope of company income tax in Nigeria
- Placeholder type: Figure
- Description: Diagram showing categories of company profits subject to tax (trade, business, investment).
- AI prompt: "Generate a diagram illustrating categories of company profits subject to tax in Nigeria, including trade, business, and investment."
- Search string: "scope of company income tax Nigeria diagram OER"

Box 4.1 Objectives of company income tax
- Placeholder type: Box
- Description: Box summarising the major objectives of company income tax in Nigeria.
- AI prompt: "Create a text box summarising the objectives of company income tax in Nigeria."
- Search string: "objectives of company income tax Nigeria OER"

Table 4.1 Key provisions of the Companies Income Tax Act
- Placeholder type: Table
- Description: Table listing provisions of CITA such as taxable companies, taxable profits, exemptions, reliefs, and penalties.
- AI prompt: "Generate a table summarising key provisions of the Companies Income Tax Act in Nigeria."
- Search string: "Companies Income Tax Act Nigeria provisions table OER"

Figure 4.2 Companies liable to company income tax
- Placeholder type: Figure
- Description: Diagram showing categories of companies liable to company income tax (resident, non-resident, trading companies).
- AI prompt: "Generate a diagram illustrating categories of companies liable to company income tax in Nigeria."
- Search string: "taxable companies Nigeria company income tax diagram OER"

Table 4.2 Types of taxable income for companies in Nigeria
- Placeholder type: Table
- Description: Table listing business profits, investment income, and other corporate income with examples.
- AI prompt: "Generate a table listing types of taxable income for companies in Nigeria with examples under business, investment, and other categories."
- Search string: "types of taxable income Nigeria company tax table OER"

Box 4.2 Exemptions and reliefs under company income tax
- Placeholder type: Box
- Description: Box summarising examples of exempt income and reliefs for companies in Nigeria.
- AI prompt: "Create a text box summarising examples of exempt income and reliefs under company income tax in Nigeria."
- Search string: "exempt income reliefs Nigeria company income tax OER"

Figure 4.3 Determination of assessable profits
- Placeholder type: Figure
- Description: Flowchart showing steps in determining assessable profits.
- AI prompt: "Generate a flowchart illustrating the steps in determining assessable profits for company income tax in Nigeria."
- Search string: "assessable profits Nigeria company income tax flowchart OER"

Box 4.3 Examples of allowable deductions and reliefs
- Placeholder type: Box
- Description: Box summarising common deductions and reliefs under company income tax.
- AI prompt: "Create a text box listing examples of allowable deductions and reliefs under company income tax in Nigeria."
- Search string: "allowable deductions reliefs Nigeria company income tax OER"

Table 4.3 Company income tax rates in Nigeria
- Placeholder type: Table
- Description: Table showing Nigeria's company income tax rates applied to chargeable profits, including standard and reduced rates.
- AI prompt: "Generate a table showing Nigeria's company income tax rates applied to chargeable profits, including standard and reduced rates."
- Search string: "company income tax rates Nigeria table OER"

Figure 4.4 Assessment procedures for company income tax
- Placeholder type: Figure
- Description: Flowchart showing self-assessment and official assessment procedures for companies.
- AI prompt: "Generate a flowchart illustrating self-assessment and official assessment procedures for company income tax in Nigeria."
- Search string: "company income tax assessment Nigeria flowchart OER"

Box 4.4 Filing and payment procedures for company income tax
- Placeholder type: Box
- Description: Box summarising filing requirements, deadlines, and payment methods for company income tax.
- AI prompt: "Create a text box summarising filing requirements, deadlines, and payment methods for company income tax in Nigeria."
- Search string: "company income tax filing payment Nigeria OER"

Table 4.4 Penalties for non-compliance with company income tax

- Placeholder type: Table
- Description: Table listing fines, interest charges, prosecution, and asset seizure as enforcement measures.
- AI prompt: "Generate a table listing penalties for non-compliance with company income tax in Nigeria."
- Search string: "company income tax penalties Nigeria table OER"

Box 4.5 Challenges in company income tax administration
- Placeholder type: Box
- Description: Box summarising common challenges in administering company income tax in Nigeria.
- AI prompt: "Create a text box summarising challenges in company income tax administration in Nigeria."
- Search string: "challenges company income tax Nigeria OER"

Figure 4.5 Tax planning and compliance strategies
- Placeholder type: Figure
- Description: Diagram showing tax planning and compliance strategies for companies.
- AI prompt: "Generate a diagram illustrating tax planning and compliance strategies for companies in Nigeria."
- Search string: "tax planning compliance strategies Nigeria company tax diagram OER"

Table 4.5 Recent reforms in company income tax administration
- Placeholder type: Table
- Description: Table listing reforms such as e-filing, enforcement technology, informal sector inclusion, and law reviews.
- AI prompt: "Generate a table listing recent reforms and innovations in company income tax administration in Nigeria."
- Search string: "company income tax reforms Nigeria table OER"

COURSE CODE:ACC 305
COURSE TITLE: Taxation I
COURSE UNIT LOAD(3 Units C: LH 30; PH 45)
SERIES LIST
Series 1: Principles and Concepts of Taxation
Series 2: Administration of the Nigerian Tax System
Series 3: Tax Procedures and Compliance
Series 4: Personal and Employment Income Taxation
Series 5: Taxation of Business, Investment, and Trusts

5 Petroleum Profits Taxation

Part 5.1: Introduction to petroleum profits tax
  5.1.1 Meaning and scope of petroleum profits tax
  5.1.2 Objectives of petroleum profits tax in Nigeria
  5.1.3 Legal framework governing petroleum profits tax

Part 5.2: Taxable companies and petroleum operations
  5.2.1 Companies liable to petroleum profits tax
  5.2.2 Types of petroleum operations subject to tax
  5.2.3 Exemptions and reliefs available to petroleum companies

Part 5.3: Computation of petroleum profits tax
  5.3.1 Determination of assessable profits from petroleum operations

5.3.2 Allowable deductions and reliefs
5.3.3 Calculation of chargeable profits and tax payable

Part 5.4: Administration of petroleum profits tax
5.4.1 Assessment procedures and filing of returns
5.4.2 Payment procedures and deadlines
5.4.3 Enforcement and penalties for non-compliance

Part 5.5: Contemporary issues in petroleum profits taxation
5.5.1 Challenges in petroleum profits tax administration
5.5.2 Tax planning and compliance strategies for petroleum companies
5.5.3 Reforms and innovations in petroleum profits taxation in Nigeria

Introduction – Series 5: Petroleum Profits Taxation

Nigeria's economy relies heavily on petroleum, and the taxation of profits from petroleum operations is one of the most significant sources of government revenue. Understanding how petroleum profits tax works is crucial for appreciating the broader tax system, especially given the unique nature of the oil and gas industry and its impact on national development.

The aim of this Series is to provide you with a clear understanding of petroleum profits taxation in Nigeria, focusing on its scope, computation, administration, and contemporary issues.

We shall commence this Series by introducing the meaning, scope, and objectives of petroleum profits tax, along with the legal framework that governs it. Next, we will examine taxable companies and petroleum operations, identifying which companies are liable and what types of operations are subject to tax, as well as exemptions and reliefs. Following that, we will study the computation of petroleum profits tax, including the determination of assessable profits, allowable deductions, and calculation of chargeable profits and tax payable. Afterwards, we will explore the administration of petroleum profits tax, focusing on assessment procedures, filing of returns, payment processes, and enforcement measures. Finally, we will conclude with contemporary issues in petroleum profits taxation, such as challenges in administration, tax planning, compliance strategies, and reforms aimed at modernising the system.
Series Learning Outcomes – Series 5: Petroleum Profits Taxation

Upon completing this Series, you should be able to:

SLO 5.1 define the meaning, scope, and objectives of petroleum profits tax in Nigeria, including its legal framework,

SLO 5.2 identify companies liable to petroleum profits tax and classify petroleum operations subject to tax,

SLO 5.3 compute petroleum profits tax by determining assessable profits, applying allowable deductions and reliefs, and calculating chargeable profits and tax payable,

SLO 5.4 describe the administration of petroleum profits tax, including assessment procedures, filing of returns, payment processes, and enforcement measures, and

SLO 5.5 evaluate contemporary issues in petroleum profits taxation, including challenges, compliance strategies, and reforms in Nigeria.
5.1 Introduction To Petroleum Profits Tax

5.1.1 Meaning and scope of petroleum profits tax
Petroleum profits tax (PPT) is a levy imposed on the profits of companies engaged in petroleum operations in Nigeria. Petroleum operations include the exploration, drilling, production, and sale of crude oil and natural gas. This tax is unique because it targets only companies in the oil and gas sector, reflecting the strategic importance of petroleum to Nigeria's economy.

Fill in the blank: Petroleum profits tax is imposed on the profits of companies engaged in __________ operations in Nigeria.
Short description: Diagram showing categories of petroleum operations subject to tax (exploration, drilling, production, sale).
Caption: Figure 5.1 Scope of petroleum profits tax in Nigeria

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5.1.2 Objectives of petroleum profits tax in Nigeria
The objectives of petroleum profits tax include:
- Raising substantial revenue for government expenditure.
- Ensuring that petroleum companies contribute fairly to national development.
- Regulating the petroleum industry through fiscal measures.
- Promoting accountability and transparency in petroleum operations.

Fill in the blank: One objective of petroleum profits tax is to promote __________ and transparency in petroleum operations.

Caption: Box 5.1 Objectives of petroleum profits tax
Short description: Box summarising the major objectives of petroleum profits tax in Nigeria.

5.1.3 Legal framework governing petroleum profits tax
Petroleum profits tax in Nigeria is governed by the **Petroleum Profits Tax Act (PPTA)**. This Act provides the legal basis for assessment, collection, and enforcement of petroleum profits tax. It specifies taxable companies, taxable profits, exemptions, reliefs, and penalties for non-compliance. The Act is regularly amended to reflect changes in global oil markets and national policy priorities.

Fill in the blank: The law that governs petroleum profits tax in Nigeria is the __________ Act.

Caption: Table 5.1 Key provisions of the Petroleum Profits Tax Act
Short description: Table listing provisions of PPTA such as taxable companies, taxable profits, exemptions, reliefs, and penalties.

Pilot questions 5.1
1. What is petroleum profits tax?
2. Name two categories of petroleum operations subject to tax.
3. State one objective of petroleum profits tax.
4. Which law governs petroleum profits tax in Nigeria?
5. Why is the Petroleum Profits Tax Act amended periodically?
5.2 Taxable Companies And Petroleum Operations

5.2.1 Companies liable to petroleum profits tax
Petroleum profits tax applies to companies engaged in petroleum operations within Nigeria. These include resident companies incorporated in Nigeria and non-resident companies that carry out petroleum activities in Nigeria. Liability is determined by whether the company is involved in exploration, drilling, production, or sale of crude oil and gas.

Fill in the blank: Petroleum profits tax liability is determined by whether a company is involved in __________ operations in Nigeria.

Short description: Diagram showing categories of companies liable to petroleum profits tax (resident petroleum companies, non-resident petroleum companies).
Caption: Figure 5.2 Companies liable to petroleum profits tax

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5.2.2 Types of petroleum operations subject to tax
Petroleum operations subject to tax include:
- **Exploration**: searching for petroleum deposits.
- **Drilling**: extracting crude oil and gas from reservoirs.
- **Production**: refining and processing petroleum products.
- **Sale**: marketing and exporting crude oil and gas.

Fill in the blank: The marketing and exporting of crude oil and gas are classified as __________ operations subject to petroleum profits tax.

Caption: Table 5.2 Types of petroleum operations subject to tax
Short description: Table listing exploration, drilling, production, and sale as taxable petroleum operations.

5.2.3 Exemptions and reliefs available to petroleum companies
Certain categories of income are exempt from petroleum profits tax, such as profits from operations outside Nigeria or income specifically exempted by law. Reliefs are deductions granted to petroleum companies to reduce taxable profits. Examples include capital allowances, investment allowances, and deductions for research and development.

Fill in the blank: Deductions granted to petroleum companies to reduce taxable profits are called __________.

Caption: Box 5.2 Exemptions and reliefs under petroleum profits tax
Short description: Box summarising examples of exempt income and reliefs for petroleum companies in Nigeria.

Pilot questions 5.2
1. Which companies are liable to petroleum profits tax in Nigeria?
2. Give one example of a petroleum operation subject to tax.
3. Name two types of petroleum operations subject to tax.
4. What is the difference between exempt income and reliefs?
5. Give one example of a relief available to petroleum companies.
5.3 Computation Of Petroleum Profits Tax

5.3.1 Determination of assessable profits from petroleum operations
Assessable profits are the total profits derived from petroleum operations before deductions and reliefs are applied. They include income from exploration, drilling, production, and sale of crude oil and gas. The process involves aggregating all petroleum revenues and adjusting for allowable expenses to form the assessable base.

Fill in the blank: The total profits derived from petroleum operations before deductions and reliefs are applied are called __________ profits.

Short description: Flowchart showing steps in determining assessable profits from petroleum operations.
Caption: Figure 5.3 Determination of assessable profits

5.3.2 Allowable deductions and reliefs
Allowable deductions are expenses that can be subtracted from assessable profits to arrive at chargeable profits. Reliefs are statutory allowances granted to petroleum companies to reduce their taxable burden. Examples include:
- Capital allowances for equipment and infrastructure.
- Investment allowances for new projects.
- Deductions for research and development.
- Donations to approved institutions.

Fill in the blank: Expenses that can be subtracted from assessable profits to arrive at chargeable profits are called __________.

Caption: Box 5.3 Examples of allowable deductions and reliefs
Short description: Box summarising common deductions and reliefs under petroleum profits tax.

5.3.3 Calculation of chargeable profits and tax payable
Chargeable profits are the profits remaining after allowable deductions and reliefs have been applied. Tax payable is then calculated by applying the relevant petroleum profits tax rate to the chargeable profits. In Nigeria, the petroleum profits tax rate is generally higher than company income tax, reflecting the strategic importance of petroleum revenues.

Fill in the blank: The profits remaining after deductions and reliefs have been applied are called __________ profits.

Caption: Table 5.3 Petroleum profits tax rates in Nigeria

Short description: Table showing Nigeria's petroleum profits tax rates applied to chargeable profits, including standard and special rates.

Pilot questions 5.3
1. What are assessable profits in petroleum operations?

2. Give two examples of allowable deductions for petroleum companies.
3. What are chargeable profits?
4. How is petroleum profits tax payable calculated?
5. Why is the petroleum profits tax rate higher than company income tax?

5.4 Administration Of Petroleum Profits Tax

5.4.1 Assessment procedures and filing of returns
Petroleum profits tax assessment can be carried out in two ways:
- **Self-assessment**: Petroleum companies compute their own tax liability and submit returns to the Federal Inland Revenue Service (FIRS).
- **Official assessment**: FIRS determines the company’s liability based on submitted information or available records.

Companies are required to file annual returns declaring their profits, deductions, and reliefs. These returns must be submitted within the statutory deadline, usually five months after the end of the company’s accounting period.

Fill in the blank: When petroleum companies compute their own tax liability and submit returns, it is called __________ assessment.

Short description: Flowchart showing self-assessment and official assessment procedures for petroleum profits tax.
Caption: Figure 5.4 Assessment procedures for petroleum profits tax

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5.4.2 Payment procedures and deadlines
Payment of petroleum profits tax is made directly to FIRS or through designated banks. Companies must pay the tax due within the statutory deadline to avoid penalties. Payments are often made in instalments during the year of assessment, with a final balance settled after filing returns.

Fill in the blank: Petroleum companies must pay their tax due within the statutory __________ to avoid penalties.

Caption: Box 5.4 Filing and payment procedures for petroleum profits tax
Short description: Box summarising filing requirements, deadlines, and payment methods for petroleum profits tax.

5.4.3 Enforcement and penalties for non-compliance
FIRS has powers to enforce compliance with petroleum profits tax obligations. Penalties for non-compliance include:
- Fines for late filing or non-filing of returns.
- Interest charges on unpaid taxes.
- Prosecution of offenders.
- Seizure of assets in extreme cases.

These measures ensure that petroleum companies fulfil their obligations and discourage tax evasion.

Fill in the blank: One penalty for non-compliance with petroleum profits tax obligations is __________ charges on unpaid taxes.

Caption: Table 5.4 Penalties for non-compliance with petroleum profits tax
Short description: Table listing fines, interest charges, prosecution, and asset seizure as enforcement measures.

Pilot questions 5.4
1. What is self-assessment in petroleum profits tax?
2. What is official assessment?
3. Why must petroleum companies file annual returns?
4. Name two penalties for non-compliance with petroleum profits tax.
5. How do enforcement measures benefit the tax system?

5.5 Contemporary Issues In Petroleum Profits Taxation

5.5.1 Challenges in petroleum profits tax administration
Administration of petroleum profits tax in Nigeria faces several challenges, including:
- Tax evasion and avoidance by petroleum companies.
- Inadequate monitoring of multinational oil corporations.
- Weak enforcement mechanisms.
- Limited adoption of digital tools for tax administration.

Fill in the blank: One major challenge in petroleum profits tax administration is inadequate monitoring of __________ oil corporations.

Caption: Box 5.5 Challenges in petroleum profits tax administration
Short description: Box summarising common challenges in administering petroleum profits tax in Nigeria.

5.5.2 Tax planning and compliance strategies for petroleum companies
Tax planning helps petroleum companies manage their tax liabilities legally and efficiently. Compliance strategies include:
- Proper record-keeping and transparent reporting.
- Use of tax consultants and professionals.
- Adoption of digital filing and payment platforms.
- Voluntary compliance incentives.

Fill in the blank: Proper __________ keeping and transparent reporting are essential compliance strategies for petroleum companies.
Short description: Diagram showing tax planning and compliance strategies for petroleum companies.
Caption: Figure 5.5 Tax planning and compliance strategies

5.5.3 Reforms and innovations in petroleum profits taxation in Nigeria
Recent reforms aim to modernise petroleum profits tax administration. These include:
- Introduction of electronic filing and payment systems.
- Strengthening enforcement through digital monitoring.
- Expanding the tax net to include marginal field operators.

- Continuous review of the Petroleum Profits Tax Act to reflect global oil market realities.

Fill in the blank: One reform in petroleum profits tax administration is the introduction of __________ filing and payment systems.

Caption: Table 5.5 Recent reforms in petroleum profits tax administration

Short description: Table listing reforms such as e-filing, enforcement technology, marginal field inclusion, and law reviews.

Pilot questions 5.5
1. Mention one challenge in petroleum profits tax administration.
2. Why is tax planning important for petroleum companies?
3. Give one compliance strategy for petroleum companies.
4. Name one reform introduced in petroleum profits tax administration.
5. How does technology support enforcement in petroleum profits tax?

Series summary – Series 5: Petroleum Profits Taxation

This Series has focused on the taxation of petroleum profits, a critical area of Nigeria's fiscal system given the central role of oil and gas in the economy. The purpose was to help you understand how petroleum profits tax operates, why it is important, and how it is administered, thereby reinforcing its relevance to the overall study of taxation.

We began by defining the meaning, scope, and objectives of petroleum profits tax and examining the legal framework that governs it. Then we identified the companies liable and classified the petroleum operations subject to tax, while also considering exemptions and reliefs. Following that, we explored the computation of petroleum profits tax, including the determination of assessable profits, allowable deductions, and calculation of chargeable profits and tax payable. We continued with the administration of petroleum profits tax, covering assessment procedures, filing of returns, payment processes, and enforcement measures. Finally, we analysed contemporary issues such as challenges in administration, compliance strategies, and reforms. By completing this Series, you should now be able to define petroleum profits tax and its legal framework (SLO 5.1), identify taxable companies and operations (SLO 5.2), compute tax payable (SLO 5.3), describe administration procedures (SLO 5.4), and evaluate contemporary issues and reforms (SLO 5.5).

Glossary of terms – Series 5: Petroleum Profits Taxation

Assessable profits: The total profits derived from petroleum operations before allowable deductions and reliefs are applied.

Capital allowances: Deductions granted to petroleum companies for wear and tear of fixed assets, reducing taxable profits.

Chargeable profits: The profits remaining after allowable deductions and reliefs have been subtracted from assessable profits.

Exempt income: Income that is not subject to petroleum profits tax under Nigerian law, such as profits from operations outside Nigeria.

Investment allowances: Additional deductions granted to petroleum companies for new projects or investments in petroleum operations.

Official assessment: Tax liability determined by the Federal Inland Revenue Service (FIRS) based on submitted information or available records.

Petroleum operations: Activities including exploration, drilling, production, and sale of crude oil and natural gas.

Petroleum Profits Tax (PPT): A levy imposed on the profits of companies engaged in petroleum operations in Nigeria.

Petroleum Profits Tax Act (PPTA): The Nigerian law that governs petroleum profits tax, including assessment, collection, exemptions, reliefs, and penalties.

Reliefs: Statutory allowances granted to petroleum companies to reduce their taxable burden, such as research and development deductions.

Resident company: A company incorporated in Nigeria and liable to petroleum profits tax on its petroleum operations within the country.

Self-assessment: A system where petroleum companies compute their own tax liability and submit returns to FIRS.

Tax evasion: Illegal practices by petroleum companies to avoid paying taxes, such as underreporting profits.

Tax planning: Legal strategies used by petroleum companies to manage and minimise tax liabilities efficiently.
Concept Check Questions – Series 5

Objective questions
1. Petroleum profits tax is imposed on the profits of companies engaged in __________ operations in Nigeria. (Linked to SLO 5.1)
2. The law that governs petroleum profits tax in Nigeria is the __________ Act. (Linked to SLO 5.1)
3. When petroleum companies compute their own tax liability and submit returns, it is called __________ assessment. (Linked to SLO 5.4)
4. Expenses that can be subtracted from assessable profits to arrive at chargeable profits are called __________. (Linked to SLO 5.3)
5. One reform in petroleum profits tax administration is the introduction of __________ filing and payment systems. (Linked to SLO 5.5)

Short-answer questions
6. Define petroleum profits tax and explain its scope. (Linked to SLO 5.1)
7. Identify two categories of companies liable to petroleum profits tax. (Linked to SLO 5.2)
8. Give two examples of allowable deductions under petroleum profits tax. (Linked to SLO 5.3)
9. State two penalties for non-compliance with petroleum profits tax obligations. (Linked to SLO 5.4)
10. Mention one challenge in petroleum profits tax administration in Nigeria. (Linked to SLO 5.5)

Long-answer questions
11. Describe the process of computing petroleum profits tax, from assessable profits to tax payable. (Linked to SLO 5.3)

12. Analyse the administration of petroleum profits tax, highlighting assessment procedures, filing requirements, payment processes, and enforcement measures. (Linked to SLO 5.4)
13. Evaluate contemporary issues in petroleum profits taxation, including challenges, compliance strategies, and reforms. (Linked to SLO 5.5)

Answers to Concept Check Questions – Series 5

Objective questions
1. Petroleum operations.
2. Petroleum Profits Tax Act.
3. Self-assessment.
4. Allowable deductions.
5. Electronic.

Short-answer questions
6. Petroleum profits tax is a levy imposed on the profits of companies engaged in petroleum operations such as exploration, drilling, production, and sale of crude oil and gas in Nigeria.
7. Resident petroleum companies and non-resident petroleum companies operating in Nigeria.
8. Capital allowances and investment allowances.
9. Fines and interest charges.
10. Tax evasion or inadequate monitoring of multinational oil corporations.

Long-answer questions
11. *Basic response*: Computation begins with determining assessable profits from petroleum operations. Allowable deductions and reliefs are then subtracted to arrive at chargeable profits. The petroleum profits tax rate is applied to chargeable profits to calculate tax payable.
Value-added response: Outstanding learners may also note that computation involves careful record-keeping, adjustments for capital allowances, and consideration of investment incentives. They may highlight that the higher tax rate reflects the strategic importance of petroleum revenues to Nigeria.

12. *Basic response*: Administration involves self-assessment or official assessment, filing of annual returns within statutory deadlines, payment of tax due, and enforcement through penalties for non-compliance.
Value-added response: Outstanding learners may add that administration is strengthened by electronic filing systems, monitoring of multinational corporations, and enforcement measures such as prosecution and asset seizure. They may also discuss how administration ensures transparency and accountability in petroleum operations.

13. *Basic response*: Contemporary issues include challenges such as tax evasion, compliance strategies like proper record-keeping, and reforms such as electronic filing.
Value-added response: Outstanding learners may evaluate how global oil market fluctuations, digital innovations, and inclusion of marginal field operators affect petroleum profits taxation. They may also discuss the importance of continuous review of the Petroleum Profits Tax Act to align with international best practices.
Answers to Pilot Questions – Series 5

Answers to pilot questions 5.1
1. Petroleum profits tax is a levy imposed on the profits of companies engaged in petroleum operations in Nigeria.
2. Exploration and drilling.
3. To promote accountability and transparency in petroleum operations.
4. Petroleum Profits Tax Act (PPTA).
5. To reflect changes in global oil markets and national policy priorities.

Answers to pilot questions 5.2
1. Resident petroleum companies and non-resident petroleum companies operating in Nigeria.
2. Exploration.
3. Drilling and production.
4. Exempt income is not taxed, while reliefs are deductions from taxable profits.
5. Capital allowances.

Answers to pilot questions 5.3
1. The total profits derived from petroleum operations before deductions and reliefs.
2. Capital allowances and investment allowances.
3. The profits remaining after allowable deductions and reliefs.
4. By applying the petroleum profits tax rate to chargeable profits.
5. Because petroleum revenues are strategically important to Nigeria’s economy.

Answers to pilot questions 5.4
1. Self-assessment.
2. Official assessment.
3. To declare profits, deductions, and reliefs for transparency and compliance.
4. Fines and interest charges.
5. They ensure compliance and discourage tax evasion.

Answers to pilot questions 5.5
1. Inadequate monitoring of multinational oil corporations.
2. It helps petroleum companies manage liabilities legally and efficiently.
3. Proper record-keeping and transparent reporting.
4. Electronic filing and payment systems.
5. By strengthening enforcement and monitoring through digital tools.
References and attributions – Series 5: Petroleum Profits Taxation

Figure 5.1 Scope of petroleum profits tax in Nigeria
- Placeholder type: Figure
- Description: Diagram showing categories of petroleum operations subject to tax (exploration, drilling, production, sale).
- AI prompt: "Generate a diagram illustrating categories of petroleum operations subject to tax in Nigeria, including exploration, drilling, production, and sale."
- Search string: "scope of petroleum profits tax Nigeria diagram OER"

Box 5.1 Objectives of petroleum profits tax
- Placeholder type: Box
- Description: Box summarising the major objectives of petroleum profits tax in Nigeria.
- AI prompt: "Create a text box summarising the objectives of petroleum profits tax in Nigeria."
- Search string: "objectives petroleum profits tax Nigeria OER"

Table 5.1 Key provisions of the Petroleum Profits Tax Act
- Placeholder type: Table
- Description: Table listing provisions of PPTA such as taxable companies, taxable profits, exemptions, reliefs, and penalties.
- AI prompt: "Generate a table summarising key provisions of the Petroleum Profits Tax Act in Nigeria."
- Search string: "Petroleum Profits Tax Act Nigeria provisions table OER"

Figure 5.2 Companies liable to petroleum profits tax

- Placeholder type: Figure
- Description: Diagram showing categories of companies liable to petroleum profits tax (resident petroleum companies, non-resident petroleum companies).
- AI prompt: "Generate a diagram illustrating categories of companies liable to petroleum profits tax in Nigeria."
- Search string: "taxable companies Nigeria petroleum profits tax diagram OER"

Table 5.2 Types of petroleum operations subject to tax
- Placeholder type: Table
- Description: Table listing exploration, drilling, production, and sale as taxable petroleum operations.
- AI prompt: "Generate a table listing types of petroleum operations subject to tax in Nigeria, including exploration, drilling, production, and sale."
- Search string: "types of petroleum operations Nigeria petroleum profits tax table OER"

Box 5.2 Exemptions and reliefs under petroleum profits tax
- Placeholder type: Box
- Description: Box summarising examples of exempt income and reliefs for petroleum companies in Nigeria.
- AI prompt: "Create a text box summarising examples of exempt income and reliefs under petroleum profits tax in Nigeria."
- Search string: "exempt income reliefs Nigeria petroleum profits tax OER"

Figure 5.3 Determination of assessable profits
- Placeholder type: Figure
- Description: Flowchart showing steps in determining assessable profits from petroleum operations.
- AI prompt: "Generate a flowchart illustrating the steps in determining assessable profits for petroleum profits tax in Nigeria."
- Search string: "assessable profits Nigeria petroleum profits tax flowchart OER"

Box 5.3 Examples of allowable deductions and reliefs
- Placeholder type: Box
- Description: Box summarising common deductions and reliefs under petroleum profits tax.
- AI prompt: "Create a text box listing examples of allowable deductions and reliefs under petroleum profits tax in Nigeria."
- Search string: "allowable deductions reliefs Nigeria petroleum profits tax OER"

Table 5.3 Petroleum profits tax rates in Nigeria
- Placeholder type: Table
- Description: Table showing Nigeria's petroleum profits tax rates applied to chargeable profits, including standard and special rates.
- AI prompt: "Generate a table showing Nigeria's petroleum profits tax rates applied to chargeable profits, including standard and special rates."
- Search string: "petroleum profits tax rates Nigeria table OER"

Figure 5.4 Assessment procedures for petroleum profits tax
- Placeholder type: Figure
- Description: Flowchart showing self-assessment and official assessment procedures for petroleum profits tax.
- AI prompt: "Generate a flowchart illustrating self-assessment and official assessment procedures for petroleum profits tax in Nigeria."
- Search string: "petroleum profits tax assessment Nigeria flowchart OER"

Box 5.4 Filing and payment procedures for petroleum profits tax
- Placeholder type: Box
- Description: Box summarising filing requirements, deadlines, and payment methods for petroleum profits tax.

- AI prompt: "Create a text box summarising filing requirements, deadlines, and payment methods for petroleum profits tax in Nigeria."
- Search string: "petroleum profits tax filing payment Nigeria OER"

Table 5.4 Penalties for non-compliance with petroleum profits tax
- Placeholder type: Table
- Description: Table listing fines, interest charges, prosecution, and asset seizure as enforcement measures.
- AI prompt: "Generate a table listing penalties for non-compliance with petroleum profits tax in Nigeria."
- Search string: "petroleum profits tax penalties Nigeria table OER"

Box 5.5 Challenges in petroleum profits tax administration
- Placeholder type: Box
- Description: Box summarising common challenges in administering petroleum profits tax in Nigeria.
- AI prompt: "Create a text box summarising challenges in petroleum profits tax administration in Nigeria."
- Search string: "challenges petroleum profits tax Nigeria OER"

Figure 5.5 Tax planning and compliance strategies
- Placeholder type: Figure
- Description: Diagram showing tax planning and compliance strategies for petroleum companies.
- AI prompt: "Generate a diagram illustrating tax planning and compliance strategies for petroleum companies in Nigeria."
- Search string: "tax planning compliance strategies Nigeria petroleum profits tax diagram OER"

Table 5.5 Recent reforms in petroleum profits tax administration
- Placeholder type: Table
- Description: Table listing reforms such as e-filing, enforcement technology, marginal field inclusion, and law reviews.
- AI prompt: "Generate a table listing recent reforms and innovations in petroleum profits tax administration in Nigeria."
- Search string: "petroleum profits tax reforms Nigeria table OER"