



RIRS VALUE ADDED TAX (VAT)

WHAT IS VALUE ADDED TAX (VAT)?

Value Added Tax (VAT) is a tax levied on consumption of goods and services.

ON WHAT TYPE OF GOODS AND SERVICES DO YOU PAY VAT?

The Rivers State **VAT Act NO 4 OF 2021** requires that you pay VAT on all goods manufactured / assembled in or imported into Rivers State, and all services rendered by any person in Rivers State except those specifically exempted under the law as follows: basic (raw) food items, baby products, medical services and services rendered by Community Banks etc.

WHAT IS THE DUE DATE OF FILING VAT RETURNS?

On or before the 21st day of the month following the month of transaction.

WHAT ARE THE RELEVANT DOCUMENTS REQUIRED FOR FILING VAT RETURNS?

- i. Evidence of payment such as bank teller, e-ticket, e-acknowledgement etc. from an RIRS designated revenue collecting bank
- ii. Completed VAT Returns Form 002 (for individuals, enterprises and companies)
- iii. Schedule of VAT collected indicating the: Name, Rivers State Tax Identification Number (RIVTIN) of company or individual on whose transaction the VAT was charged and the related amount.

WHO SHOULD REGISTER FOR VAT?

Both individual and corporate bodies so long as they are trading in goods and services.

HOW DO YOU REGISTER FOR VAT COLLECTION?

Once you register with the RIRS by completing Taxpayer Registration Input Form, submit copies of prescribed documents and obtain Taxpayer Identification Number (TIN), you are automatically registered and authorized to collect VAT.

WHEN SHOULD A TAXABLE PERSON REGISTER FOR VAT?

All taxable persons are expected to register for VAT immediately they are registered with Corporate Affairs Commission (CAC) or commencement of business.

CAN MINISTRIES, DEPARTMENTS, AGENCIES (MDAS) EXEMPT FOREIGN INVESTORS FROM PAYING VAT?

No. Ministries do not have statutory power to exempt a taxpayer from payment of tax or to amend the tax laws.

WHO IS A VATABLE PERSON?

A VATable person under Value Added Tax Act Rivers State **VAT Act NO 4 OF 2021** is "a person (other than a Public Authority acting in that capacity) who independently carries out in any place an economic activity as a producer, wholesaler, trader, supplier of services (including mining, and other related activities) or person exploiting tangible or intangible property for the purpose of obtaining income by way of trade or business". In other words, a VATable person is one who trade in VATable goods and services for a consideration.

IS IT COMPULSORY FOR A VATABLE PERSON TO REGISTER FOR VAT?

Every VATable person has an obligation to register for VAT payment.

WHO IS A VAT AGENT?

VAT AGENT: - Are agents of Revenue Collection with regards to Value Added Tax. They facilitate the deduction and remittance of VAT to the Revenue Office e.g. Ministries/Government Agencies/Parastatals and Oil companies

WHAT ARE VATABLE SERVICES?

All services rendered by any person in Rivers State except those specifically exempted under the law. Examples of VATable services are, services rendered by Lawyers, Engineers, Accountants, Contractors and Consultants etc.

HOW CAN INPUT/OUTPUT VAT BE RESOLVED AT THE MINISTRY OR PARASTATAL LEVEL?

The issue of input/output VAT cannot be resolved by Government Ministries/Departments/Agencies. However, for further clarification RIRS should be consulted.

ARE THE SERVICES OF A MOTOR MECHANIC VATABLE?

Services provided by mechanics are VATable. Even the motor or vehicle spare parts used for the services are subject to VAT.

IS IT COMPULSORY FOR A VATABLE PERSON TO REGISTER FOR VAT?

Every VATable person has an obligation to register for VAT payment.

WHEN A CONTRACTOR/SUPPLIER SUPPLIES GOODS THAT ARE EXEMPTED FROM VAT, SHOULD VAT BE PAID?

Goods exempted from VAT are not VATable.

WHAT ARE EXEMPTED GOODS UNDER VALUE ADDED TAX (VAT) ACT?

Exempted goods are those goods which are not subject to VAT. These include:

1. All medical and pharmaceutical products;
2. Basic food items;
3. Books and Educational materials;
4. Baby products;
5. Fertilizer (locally produced), agricultural and veterinary medicine, farming machinery and farming transportation equipment;

6. Plant and Machinery imported for use in the Export Processing Zone or Free Trade Zone; provided that 100% production of such company is for export
7. Plant, machinery and equipment purchased for utilization of gas in down-stream petroleum operations.
8. Tractors, plough and agricultural equipment and implements purchased for agricultural purposes.
9. Proceeds from the disposal of Short-Term Federal Government of Nigeria Securities and Bonds.
10. Proceeds from the disposal of Short-Term State, Local Government and Corporate Bonds

WHY IS VAT ON CERTAIN GOODS AND SERVICES PAID IN FOREIGN CURRENCY?

Taxes are to be paid in the currency of transaction.

HOW DO YOU PAY VAT?

VAT is paid through all RIRS designated revenue collecting banks into the VAT Pool Account.

WHAT IS ZERO-RATED VAT?

Zero-rated VAT means whereas the goods and services are VATable, the applicable rate is zero percent (0%).

WHICH TRANSACTIONS ARE ZERO-RATED?

The following transactions are zero-rated. These are:-

- i. Non-oil exports
- ii. Goods and Services purchased by Diplomats
- iii. Goods and Services purchased by humanitarian donor-funded projects

ARE CATERING SERVICES VATABLE?

Yes. Catering services are VATable.

ARE ENTERTAINMENT SERVICES VATABLE?

Yes. They are VATable services except as contained in the exempted services list.

WHAT ARE THE PENALTIES OF NON REGISTRATION FOR VAT?

A penalty of N20,000 for the first month in which the failure occurs and N10,000 for each subsequent month. If this persists, the business premises will be sealed up after a considered reasonable period.

WHAT ARE THE PENALTIES OF NON REMITTANCE OF VAT?

A penalty of a sum equal to 5% per annum plus interest at a commercial rate payable within 30 days of notification by the Tax Authority.

WHAT ARE THE PENALTIES FOR NON - DEDUCTION OF VAT?

Non deduction or failure to collect tax by a taxable person attracts a penalty of 150% of the uncollected tax plus 5% interest above the CBN's rediscount rate.

WHAT ARE EXEMPTED SERVICES UNDER VAT ACT?

Exempted services are services that are not VATable, i.e. not subject to 7.5% VAT. These include:

- Medical services
- Services rendered by Community Banks,
- People's Banks and Mortgage Institutions,

- Plays and performance conducted by the educational institutions as part of learning.
- All exported services

WHAT DOES "VAT INCLUSIVE" MEAN?

VAT inclusive means that VAT is already included in the cost of transaction (i.e. goods and services contract). However, the term is being discouraged as it is always advised that VAT be isolated and not included as part of the total invoice value.

HOW IS VAT ON GOODS SOLD TREATED?

VAT element on goods sold is deducted and remitted to the RIRS through any of the approved collecting bank on or before the 21 day of the month following the month of sales.

WHAT IS INPUT VAT?

Input VAT is VAT paid on raw materials or goods and services used for production purposes or goods for resale or goods imported directly for resale.

WHAT IS OUTPUT VAT?

Output VAT is VAT charged by taxable persons on goods and services supplied.

Where output VAT is more than the Input VAT, the difference is paid to RIRS, but where Input VAT is more than output VAT, the taxable person claims a refund.

DO MORTGAGE INSTITUTIONS PAY VAT?

VAT is exempted only on the primary duties of mortgage institutions. Any other activity (e.g. contract execution) outside their primary banking function attracts VAT.

WHAT HAPPENS IN THE CASE OF ELECTRICITY CONSUMPTION? WHO DEDUCTS VAT AND HOW?

VAT is charged on the consumer by PHCN or the electricity company and is collected also by the company who is expected to remit same to RIRS

IS VAT A MULTIPLE TAXATION?

No. VAT is not a multiple taxation, but a multi-stage tax; it is a consumption tax

SHOULD VAT BE PAID ON COMMERCIAL RENT?

Yes VAT at 5% should be paid by the tenant on rent paid for use of property for commercial purposes.

IS VAT PAYABLE ON NON-OIL PRODUCT EXPORT?

All non-oil exports are zero rated i.e. tax rate applicable is 0%. This means that all input VAT incurred in the production process up to the point of export is refundable

WHEN SHOULD A TAXABLE PERSON REGISTER FOR VAT?

A taxable person is required to register for VAT within six (6) months of commencement of the Act or within six (6) months of commencement of business, whichever is earlier

SOME CONTRACTORS CHARGE 10% FOR VAT. IS IT ALLOWABLE?

No. The 10% charged on VAT is wrong. The Correct rate is 7.5%. The contractor should not assume 10% to mean 5% for VAT and 5% for WHT. The two should be treated separately. WHT is deduct from the contract sum and therefore paid by the contractor, while VAT is paid as an addition to the contract sum by the consumer of the goods/services.

IT PAYS TO PAY YOUR TAX

