

IMPLICATION OF COVID-19 ON TAX OBLIGATIONS

By: Awawu Adeniran

While searching for the cure to Covid-19, governments across the world have taken necessary steps to reduce the spread of the virus both at the national and international level, through restrictions of movement, prohibition of social gathering and eventual shutting down of cities. These measures have invariably affected the global economy at large as domestic and international trade, business and other forms of international relations have been reduced to the barest minimum if not brought to a complete halt. This has a lot of implications on Nigerian citizens including their tax obligation which is the primary concern of this article.

TAX AND TAX OBLIGATION

Tax is a compulsory financial charge or levy imposed on a taxpayer by government and administered by government agencies. It is a mandatory obligation on citizens to their country and failure to discharge this obligation attracts penal sanctions. Compliance with payment of tax is essential to the development of an economy as it forms one of the major sources of revenue to the government which the government in turn uses for the benefit of citizens as a whole. There are various types of taxes levied on taxable persons in Nigeria including, Value Added Tax, Personal Income Tax, Companies Income Tax, Petroleum Profit Tax, amongst others. However, in the wake of COVID-19, what becomes of the obligation of taxable persons in respect of these taxes?

COVID-19 AND TAX OBLIGATION

In the wake of the pandemic resulting in actions and policies which have occasioned a drastic decline and change in all sectors of the economy, taxable persons in Nigeria are still mandated and required to fulfill their obligation to pay tax. Notwithstanding the fact that payment of taxes is still mandatorily required, the obligation to pay tax is contingent upon the generation of the taxable income by taxable persons in the first place.

For instance, Personal Income Tax is chargeable out of aggregate amount of income of taxable persons, subject to exceptions provided by the law.

THE EDITOR'S CORNER

The outbreak of covid-19 has heralded an unforeseen era that has affected every aspect of life and well being. Notwithstanding the bravado with which one must fight the pandemic, one is not oblivious of the damaging effects the consequences of our fight against the pandemic are likely to bring.

This issue focuses on these consequences which cut across economy, taxes and employments. One's mind may also be averted to likely affected areas as Lease and Tenancy Relations and Commercial Contracts which are just as important as that covered by this issue.

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Rehoboth Juwah

The implication for tax amid Covid-19 is that, a taxable person who does not earn or make any income following close of business or loss of employment in view of the harsh reality of the pandemic, will not be obligated to pay it. This in turn implies reduced personal income tax revenue for the Government.

Furthermore, Value Added Tax is tax payable on goods and services consumed. Being a tax based on taxpayers' consumption rather than their income, it is expected that once there is no supply and demand for VAT-able goods and services, there would be no obligation to file returns of Value Added Tax.

Obligation to pay Companies Income Tax on the other hand seems to be unaffected by the pandemic. This is because, according to the Companies Income Tax Act, such tax is payable either out of profits made by companies or out of gross profit or net assets or paid up capital or turnover of the companies where no profit is made by the company. Thus, the implication of the above is that taxpayers are liable to pay their taxes once the obligation arises regardless of whether profits are made or not.

Admittedly, as can be gleaned from discussion above, the impact of the Covid-19 pandemic on tax obligations differs depending on the type of tax for which the obligation has arisen. As has been discussed, it will seem that the obligations to pay Value Added Tax and Personal Income Tax are more affected than that in respect of Companies Income Tax. This position remains same for other kind of taxes not discussed.

PALLIATIVE MEASURES IN RESPONSE TO COVID-19

The Federal Inland Revenue Service on 23rd March, 2020 announced the extension of time for filing Value Added Tax and Withholding Tax from 21st day of the month to the last working day of the month, following the month of deduction. Also, the due date for filing Companies Income Tax returns has also been extended by one month. In addition, taxpayers are given the privilege to file returns using unaudited...

accounts but must subsequently submit audited accounts within two months after the revised due date of filing.

At the state level, the Lagos State Internal Revenue service has extended the deadline for filing of annual tax returns for employees and self-employed persons by two months from 31 March 2020.

It is commendable that the Nigerian governments have taken steps to relieve the burden of taxpayers during this difficult time. However, can one conclude that these concessions are enough?

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Swearing-in ceremony of our Chukwudi Enebeli MCI Arb. & Bolu Agbaje MCI Arb. as Notaries Public.



COVID-19 PANDEMIC: IMPLICATIONS ON EMPLOYMENT RELATIONS.

By: R. Juwah & N. Dele-Alufe

The corresponding adverse pressure of measures to fight Covid-19 on business revenues will mean that businesses may not be able to sustain current payroll costs. Employers will therefore, have to take tough decisions to wit, pay cuts, downsizing, retrenchment, etc to manage this challenge. This trying time which definitely, is going to impact on employment relationships, will be based on the kind of services required by employers and rendered by employees.

Basically, there are two kinds of services provided by the labour force namely; essential services and non-essential services. To understand the impact of the pandemic on employment relations, it is important to distinguish between essential services employments and non-essential services employments.

EMPLOYEES PROVIDING ESSENTIAL SERVICES:

Essential services employees fulfil a wide variety of roles in the economy, including health care services, energy provision, food service, etc. With the exemption of these employees which allows for them to continue to work and earn from the comfort of their respective offices, these employees are unaffected by the worry of loss of cash flow, remuneration and job insecurity. Notwithstanding, as they continue to fulfil their duties, they risk contracting the disease and dying. What happens to them in the event that they contract the virus and probably lose their lives?

EMPLOYEES PROVIDING NON-ESSENTIAL SERVICES:

This class of employees are those whose services do not impact lives, health and public safety. The impact of the pandemic on this type of employment will relate to

1. Are employees entitled to remuneration during the lockdown/isolation period?
2. Can the pandemic serve as a ground for layoff or termination of employment?
3. Is the notice of termination of employment required?
4. Is an employer legally justified for deducting an employee's remuneration following sick leave amid lockdown?
5. Can employees compensation for injury suffered during lockdown?

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RESPONSE TO COVID-19: INFLUENCE ON THE GLOBAL AND NIGERIAN ECONOMY

By: Damilola Ojeniran & Mopelola Aina

The world at different times has survived and recovered from impacts of wars diseases and terrorist attacks which at one time or the other had affected human life. However, it appears and does seem that the fiercest threat the world has had to grapple with is one presenting an avenue for the extinction of mankind and every point of living.

The health measures the world has had to consider and put in place to with social distancing, closure of state borders and in the extreme, a total lock-down within a state or country affected by the virus has almost brought the world economy to a standstill and more importantly, has not left the global economy without the adverse consequences of the measures resorted to, to contain and eradicate the plague.

The corresponding adverse pressure of measures to fight Covid-19 on business revenues will mean that businesses may not be able to sustain current payroll costs. Employers will therefore, have to take tough decisions to wit, pay cuts, downsizing, retrenchment, etc to manage this challenge. This trying time which definitely, is going to impact on employment relationships, will be based on the kind of services required by employers and rendered by employees.

It is common knowledge that Nigeria places major reliance on oil and is still gradually recovering from the 2015/2016 economic recession which was a fall out of global oil price crash and insufficient foreign exchange earnings to meet imports. With the emergence of COVID-19 and its increasing incidence in Nigeria, the state of the recovery of the economy is fraught with difficulties ahead as the oil price is currently below \$30 with projections that it will drop further, going by the price war among key players in the industry.

Also, although efforts were already being made to bolster aggregate demand through increased government spending and tax cuts for businesses, there are increasing signs of a fall in all components of aggregate demand. Unless Nigeria gets lucky and the heat does temper the virus, Nigeria which is already cash strapped will get hit and hard, with the need for large new subsidies in the face of loss of revenue, it would easily slip into its own version of the great depression.

COVID-19'S IMPACT ON THE GLOBAL ECONOMY:

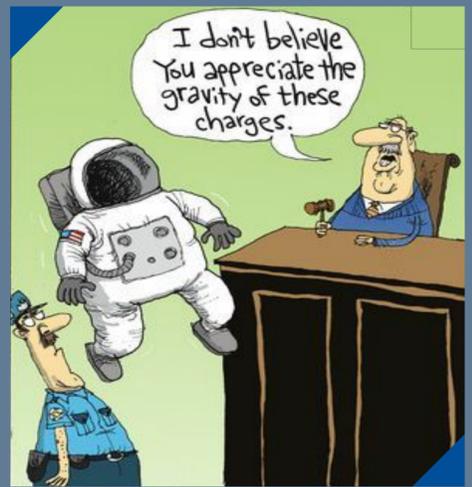
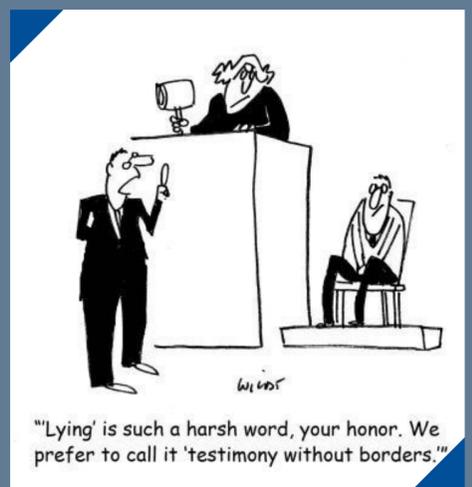
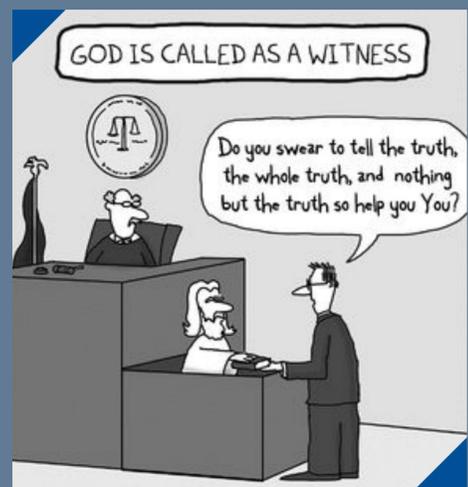
The slowdown in the global economy and lockdown in affected countries and beyond, as a result of COVID-19 has also taken its toll on the global demand for oil. The decline in oil demand is estimated to surpass the loss of nearly 1 Million barrels per day recorded during the 2008 recession.

Furthermore, the COVID-19 outbreak has generated both demand and supply shocks reverberating across the global economy and although the extraordinary fiscal actions as reduction in interest rates and costs of

borrowing, tax cuts and tax holidays etc. are quite remarkable, these conventional policy measures are quite potent when there are only demand shocks.

Given the near-shutdown of many economies following imposed lockdown measures to contain the rapidly spreading virus that has infected over a million people across the world and killed thousands still counting, the outlook for global growth is negative, and the International Monetary Fund (IMF) is forecasting a global recession in 2020. In this vein, IMF Managing Director, Kristalina Georgieva, warned that 2020 world growth would be below the 2.9 percent rate seen in 2019.

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