



# SUMMARY OF GUIDELINE ON THE TAX TREATMENT OF NON-GOVERNMENTAL ORGANISATIONS

- ❑ The Federal Inland Revenue Service on 31st March 2021 released the Guideline on Tax Treatment of Non-Governmental Organisations (NGOs) to provide clarification to the extent to which NGO's are liable to taxation in Nigeria.
- ❑ For the purpose of taxation, the circular classified NGOs to include companies limited by guarantee registered under Part A and Incorporated Trustees registered under part C of CAMA qualify as NGOs.

The circular states several tax regulations to which NGOs may be subject. They are:

## 1. Companies Income Tax Act:

- According to Section 23(1)(c) of the Companies Income Tax Act (CITA) profits of statutory, charitable, ecclesiastical, educational and similar associations such as subscription fees by members, donations, grants, offerings, tithe, funds raised for launchings etc., are exempted from CITA.
- However, where such profits are derived from a trade or business carried on by such organisation such as from sale of goods, provision of consultancy, professional or other services for a fee and investment income such as royalty, rent, interest, dividend and similar income, they will be subject to CITA.

- Payers of these income are to deduct from source as WHT and pay to the FIRS while NGOs are to deduct WHT on contract awarded to contractors and remit to relevant tax authority.

- **Companies Income Tax Relief for NGOs**

NGOs which make donations to organisations listed in the Fifth Schedule of the CITA such as the Boys Brigade of Nigeria, The National Library etc., are entitled to deduct the amount contributed for the period by that NGO for the purpose of calculating profit and loss provided that the donation is made out of its profits for that year of assessment, the total donation is not more than 10% of its total profits for the year of assessment and the donation is not of capital nature except where the donations are made to tertiary institutions which should not exceed 15% of total profits or 25% of tax payable.

## 2. Personal Income Tax

- The income of individual promoters and employees of NGOs are not exempted from PIT. NGOs are required to pay Personal Income Tax in respect of Emoluments, Salaries, Fees, and other remuneration or benefits in kind to trustees of the NGO.

## 3. Capital Gains Tax

- To be exempted from remitting Capital Gains Tax, NGOs must ensure the gains from the disposal of the asset is not derived from assets acquired in connection with any trade or business carried on by the NGO and the gains are used purely for activities of the NGO.

#### 4. Value Added Tax

- Where goods are purchased by NGOs for use in humanitarian projects, VAT on such goods they are zero-rated. Where such goods are not used directly in humanitarian donor-funded projects, VAT will apply at the prevailing rate. In the same vein, services procured by NGOs are subject to VAT at the prevailing rate unless such service is exempt from VAT.
- Where NGOs supply taxable goods or services, they are to charge and remit VAT to the FIRS when due.

- Where NGOs purchase or procure services from persons not liable to charge VAT or from a non-resident company, the NGO is to self-account for VAT and remit to the FIRS.
- VAT returns must be filed by NGOs on or before the 21<sup>st</sup> day of the following month from the date the purchase or supply was made.

According to the Guideline, NGOs are required to file tax returns as well as maintain accurate record of employees and have proper books of accounts failing which, they will be penalized under the applicable tax laws.



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