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# FIRS NOTICE ON THE IMPLEMENTATION OF WITHHOLDING TAX REGULATIONS 2024: ADDRESSING THE EMERGING CONCERNS

The Federal Inland Revenue Service (FIRS) has by a public notice issued on October 3, 2024, advised that **The Deduction of Tax at Source Withholding (WHT) Regulations, 2024** recently published in the Federal Government Gazette takes effect from January 1, 2025. This briefing brings this latest development to light with annotations on what this means to taxpayers for compliance.

## What has Happened:

In July 2024, a publication captioned "Deduction at Source (Withholding) Tax Regulations 2024" was reportedly issued by the Minister of Finance pursuant to powers conferred on him under various tax laws. The objective of the new Regulations was to revamp the entire framework for the regulation of withholding tax obligations by individuals and companies, including the introduction of changes to the deduction rates. The Regulations indicated that the commencement date was July 1, 2024, prompting companies to begin applying the new withholding tax rates from the month of July 2024.

However, the official gazette copy which was recently made available to the public cites a commencement date of September 30, 2024, and in a new development a few days later, the FIRS issued the above-referenced public notice (on the strength of the government official gazette corroborating same) indicating that the implementation of the Regulations will not take effect until January 1, 2025, and that the current withholding tax regime (1997 Regulations) remains valid until December 31, 2024. This notice comes after most companies had already made adjustments and commenced compliance with the Regulations published in July. Naturally, the resulting inconsistencies between actual deductions and the applicable legal framework triggered unintended financial impacts for many organizations. Some of these are discussed below.

## Impact on Businesses:

*Under-Deductions and Potential Reconciliation: Companies that implemented the new rates early may have under-deducted taxes from their transactions as the new rates are generally lower in value. This creates the need for reconciliation with vendors and the tax authorities to rectify these errors. Misaligned deductions can also increase the tax liabilities and impact contractual relationships, particularly where tax deductions are accounted for in financial reports.*

*Regulatory Uncertainty: The inconsistency between the initial publication and subsequent FIRS notice highlights a common issue in Nigeria's regulatory environment—misalignment in government communication and timing of policy enforcement. This inconsistency puts a strain on companies, which often act based on the best available information, only to be left exposed to regulatory corrections later on.*

*Impact on Vendors/Beneficiaries: From the vendors' perspective, the premature application of the new withholding tax rates means they received payments with lower tax deductions than required under the old regulations.*

## What Businesses Should Do:

1. *Revert to Old Rates: Companies who had commenced the application of the new withholding tax rates from July 2024 are advised to revert to the old rates under the WHT Regulations of1997 rates until the new regulations officially take effect on January 1, 2025.*

2. *Prepare for 2025: While the new regulations will not be enforced until next year, this is a good time to familiarize your team with the upcoming changes. Ensure that your financial systems and compliance officers are ready for the January 2025 transition.*

3. *Book- Keeping: Sub- Vendor Ledger: In light of this new development, taxpayers are advised to maintain accurate and complete records of their transactions and vendors to ensure full compliance with the updated WHT regulations. The maintenance of a sub-ledger system for all vendors transacted with irrespective of value is critical to compliance. It is best practice for taxpayers to keep vendor sub-ledgers to facilitate the proper analysis of vendors' activities and transactions, which can be crucial during an examination by the FIRS. Beyond the tax compliance value of operating a sub-ledger system, normal accrual accounting which is a main accounting principle demands this protocol.*

4. *Transactions Batch and representation to FIRS: all transactions consummated between 1st July 2024 and 2nd October, 2024 with vendors should be batched and forwarded to the FIRS under the cover of a representation for record purposes. This will be used as defense in any potential desk review or audit.*

For further assistance in managing this transition, do not hesitate to reach out to our team.


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