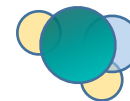


# COVID-19: FIRS announces waiver of interest and penalty on outstanding tax liabilities



## Overview

The Federal Inland Revenue Service (FIRS) earlier issued a Public Notice on 30 April 2020 announcing its decision to waive interest and penalties on outstanding tax liabilities arising from desk reviews, tax audits and investigations. In order to be eligible for the relief, the Service stated that the affected taxpayers must settle their outstanding tax debts in full by 31 May 2020.

However, one month down the line, the Service assessed that the deadline of 31 May 2020 to make full payment of outstanding tax debts appeared challenging as most businesses are currently experiencing loss of revenue and cashflow constraints due to the persistent effect of COVID-19 pandemic.

Consequently, the Federal Inland Revenue Service (FIRS) on 2 June 2020, extended the deadline for waiver of penalty and interest (P&I) on outstanding tax liabilities arising from desk reviews, tax audits and investigation to Tuesday, 30 June 2020.

The announcement follows the Service's earlier palliative measures and those of other agencies of the Federal Government to mitigate the impact of the Coronavirus (COVID-19) pandemic on taxpayers.

## Additional Considerations by the Service

In addition to the above, the FIRS has expanded the scope of the outstanding tax liabilities covered in the earlier notice to include liabilities from self-assessments and the approved instalment payment plans under the concluded voluntary assets and income declaration scheme (VAIDS). Taxpayers in default of the approved VAIDS instalment payment plan are encouraged to take advantage of the extension, or risk withdrawal of the waivers granted to them on approval of their VAIDS applications, such as waiver of penalty and interest and exemption from tax audit and investigations.

## Comments

We commend the Service for extending the deadline for waiver of interest and penalty on outstanding tax liabilities. This is necessary as some companies are still facing cashflow challenges after returning to partial business operations following the easing of the lockdown imposed to curb the spread of the COVID-19 pandemic.

However, by including liabilities arising from VAIDS, the FIRS obviously did not consider the provisions of the Executive Order (on the VAIDS) of 2017, which grant taxpayers a maximum period of three years to spread payments made under the VAIDS. Therefore, it is uncertain how the FIRS intends to enforce the withdrawal of the exemption granted to taxpayers who have approved payment plan that spans beyond the 30 June 2020 deadline.

The updated notice also did not address the category of taxpayers with disputed tax liabilities who have ascertained their undisputed tax positions and may wish to take advantage of the relief pending resolution of their disputes with the FIRS.

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