



Federal Republic of Nigeria Official Gazette

No. 00

Lagos - 00th June, 2013

Vol. 100

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**STATEMENT OF TAXATION STANDARD
(STS 1 - 8)**

ISSUED BY : THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA (CITN)

THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

(Chartered by Act No. 76 of 1992)

VISION

To be one of the foremost referenced professional associations in Africa and beyond.

MISSION STATEMENT

To build an Institute which will be a citadel of taxation in Africa and contribute to the advancement of science and practice of taxation in all its ramifications worldwide.

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Integrity and Service

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PREFACE

The Chartered Institute of Taxation of Nigeria (CITN) was established by Act No. 76 of 1992 now CAP C10, LFN 2004 as amended. Part of its aims and objects are to raise, maintain and regulate the standard of taxation practice amongst its members (*section 1 of the Act*).

In pursuance of this mandate, this publication sets forth the tax practice standards to be followed in the course of the practice of taxation in Nigeria by members of the CITN.

In developing these standards, care has been taken to consult far and wide and to ensure that they are simple and objective.

We are grateful to acknowledge that we leveraged extensively on the Statement of Standards for Tax Services of the Chartered Institute of Taxation and the Association of Taxation Technicians both of the United Kingdom.

STS ONE

PART I—INTRODUCTION

Know Your
client.

(i) When acting for a client, a member of the Institute places his professional expertise at the disposal of that client and, in so doing, the member assumes a duty of care towards the client. A member must, therefore, exercise *reasonable skill and care* when acting for a client. Failure to exercise such *reasonable skill and care* may cause a member to be liable for negligence in the discharge of his professional duties.

(ii) A member of the Institute must understand the duties and responsibilities in respect of the client and the risks associated with failure to adequately discharge those duties and responsibilities. The member must manage the risks associated with advising a particular client. In order to do so, the member must assess his ability to discharge his duty of care to that client in respect of the matters on which advice is sought or the work to be undertaken.

(iii) For the purposes of this Standard, a taxpayer is a member's client. This Standard does not apply to a member acting for his employer.

Interpretation

(iv) *The Institute* means the Chartered Institute of Taxation of Nigeria ; *Member* means a member of the Chartered Institute of Taxation of Nigeria ; *Taxpayer* means a member's client.

PART II—EXPLANATORY NOTES

2.1. A member has a duty of care to the taxpayer both in contract and tort when he accepts instructions from his clients. The duty of care in contract will exist whether or not an engagement letter is issued. If a member fails to properly exercise his duty of care he may be held to be negligent and liable to the taxpayer for the damage or harm he has caused as a result of the negligence.

2.2. A member should *insist on or instigate* a letter of engagement to clearly delineate the scope of his responsibilities. As a professional, there will be expectation that he takes the initiative to do this.

2.3. By taking steps to ensure a taxpayer is acceptable as a client a member will safeguard his own interest and *minimize* his liability.

PART III—TAXATION STANDARD

3.1 The following standards are expected of a member when accepting taxpayers to whom professional services are to be Provided :

3.1.1. A member should confirm in writing the person /client for whom he will be acting and the person from whom he will be taking instructions.

3.1.2. A member should carry out identity checks to confirm that a taxpayer is who he (the taxpayer) claims to be.

3.1.3. A member should consider taking references including references from a previous tax consultant, if a member is to confirm taxpayer's suitability as a client.

3.1.4. A member should identify and resolve any potential conflict of interest which might prejudice his appointment.

3.2. Once appointed to act for a taxpayer but *before providing services*, it is important that a member takes steps to know his client. Knowing the client can be achieved by understanding the following :

3.2.1. The scope of the services to be provided ; and

3.2.2. To the extent that it is relevant to the scope of services :

(a) The taxpayer's financial and business affairs ; and

(b) The taxpayer's attitude to risk ;

3.3. When acting for intermediaries including other firms of tax consultants, a member should clarify whether :

3.3.1. The appointment is with the intermediary and without any direct contact with the taxpayer ; or

3.3.2. By introduction directly to the taxpayer by the intermediary.

3.4. If the member is introduced directly to the taxpayer by the intermediary, then the standards in paragraphs 3.2 and 3.3 above should be adhered to.

3.5. If the member does not have direct contact with the taxpayer then the member should confirm the scope of what is required and whether and how the advice is to be disclosed to the client of the intermediary. Such arrangements and terms of business should be confirmed in writing.

PART IV—COMPLIANCE WITH LEGAL REQUIREMENTS

The requirements of this Standard are complimentary to any disclosure requirements of The Chartered Institute of Taxation of Nigeria Act, CAP C10, LFN 2004 as amended to date, Money Laundering (Prohibition) Act, 2011, and other relevant tax laws in Nigeria.

This Standard becomes effective from 1st January, 2013.

Effective
Date.

STS TWO

PART I—INTRODUCTION

Tax Returns
Position.

This Statement sets out the applicable standards for members when recommending tax return positions and preparing or signing tax returns (including claims for refund, and information returns) filed with any tax authority. For purposes of these standards, a *tax return position* is :

1.1. A position reflected on the tax return as to which the taxpayer has been specifically advised by a member , or

1.2. A position about which a member has knowledge of all material facts and, on the basis of those facts, has concluded whether the position is appropriate. For purposes of these standards, a taxpayer is a client, a member's employer, or any other third party recipient of tax services. Whilst this explanation has been issued specifically with self assessment returns in mind, the same principles apply to any returns submitted to the Federal Inland Revenue Service (FIRS) and any State Internal Revenue Service (SIRS).

PART II—EXPLANATORY NOTES

2.1. The self-assessment tax system can function effectively only if taxpayers file tax returns that are true, correct and complete. A tax return is primarily a taxpayer's representation of facts, and the taxpayer has the final responsibility for positions taken on the return.

2.2. In addition to a duty to the taxpayer, a member has a duty to the tax system. However, it is well established that the taxpayer has no obligation to pay more taxes than are legally owed, and a member has a duty to the taxpayer to assist in achieving that aim. The standards contained in paragraphs 3.2, 3.3, and 3.4 recognize the members' responsibilities to both taxpayers and to the tax system.

2.3. In order to meet the standards contained in paragraph 2, a member should be satisfied as a matter of professional judgment that the filing position is based on or supported by tenable argument based on existing law, known policy and practice of the relevant tax authority. A position would not fail to meet these standards merely because it is later abandoned for practical or procedural considerations during an administrative hearing or in the litigation process.

2.4. In determining whether a realistic possibility exists, a member should do all of the following :

- Establish relevant background facts.
- Extract the appropriate questions from those facts.
- Seek for authoritative answers to those questions.
- Resolve the questions by weighing the authorities uncovered by that search

- Arrive at a conclusion supported by the authorities Relevant authorities will include legislation, case law and prevailing practice of the Federal Inland Revenue Service or State Internal Revenue Service.

2.5. Apart from the relevant legislation which has to be complied with, a member should consider the weight of other authorities to conclude whether a position meets the realistic standard. In determining the weight of such authority, a member should consider its persuasiveness, relevance, and source. Thus, the type of authority is a significant factor. Other important factors include whether the facts stated by the authority are distinguishable from those of the taxpayer and whether the authority contains an analysis of the issue or merely states a conclusion.

2.6. In some cases, a member may conclude that a tax position is not warranted under the standard set out in paragraph 2.1. A taxpayer is also entitled to take such a position. Where the taxpayer takes such a position, the member may prepare the sign the return provided the position is appropriately, disclosed on the return or claim for refund and the position is one that is knowingly advanced in bad faith and is patently improper.

2.7. A member's determination of whether information is appropriately disclosed by the taxpayer should be based on the facts and circumstances of the particular case and the authorities regarding disclosure in the applicable tax jurisdiction. If a member recommending a position, but not engaged in preparing or signing of the related tax return, advises the taxpayer concerning appropriate disclosure of the position, then the member shall be deemed to meet these standards bearing in mind the consequences that follow.

2.8. If particular facts and circumstances lead a member to believe that a taxpayer's penalty might be asserted, the member should so advise the taxpayer and should discuss with the taxpayer the opportunity to avoid such penalty by disclosing the position on the tax return. Although a member should advise the taxpayer with respect to disclosure, it is the taxpayer's responsibility to decide whether and how to disclose.

2.9. For purposes of this Standard, preparation of a tax return includes giving advice in writing on events that have occurred at the time the advice is given, if the advice is directly relevant to determining the existence, character, or amount of a schedule, entry, or other portion of a tax return.

PART III—TAXATION STANDARD

3.1. A member should not recommend to a client acceptance of a tax return position with respect to any item unless the member is convinced that the position enjoys the backing of the relevant tax laws and can be effectively defended if challenged by the relevant tax authority.

3.2. A member should not prepare or sign a return that he/she cannot recommend and/or defend under the standard expressed in (3.1) above.

3.3. Notwithstanding the foregoing standards on tax return position, a member may recommend and/or prepare or sign a tax return position that the member concludes is not false as long as the member advises the taxpayer appropriately.

3.4. When recommending tax return positions and when preparing or signing a return on which a tax return position is taken, a member should, when relevant, advise the taxpayer regarding potential penalty consequences of such tax return position and the opportunity, if any, to avoid such penalties through disclosure.

3.5. A member should not recommend a tax return position or prepare or sign a return reflecting a position that the member knows :

3.5.1 Exploits the audit selection process of a tax authority.

3.5.2 Serves as mere arguing position advanced solely to obtain leverage in the bargaining process of settlement negotiation with a tax authority.

3.6 When recommending a tax return position, a member has both the right and responsibility to be an advocate for the taxpayer with respect to any position satisfying the aforementioned standards.

PART IV—SPECIFIC ILLUSTRATIONS

The following illustrations deal with general fact patterns. Accordingly, the application of the guidance discussed in this Statement to variations in such general facts or to particular facts or circumstances may lead to different conclusions. In each illustration there is no authority other than that indicated.

4.1. *Illustration 1*—A taxpayer is faced with an issue involving the interpretation of a new statute. Following its passage, the statute was widely recognized to contain a drafting error, and a technical correction proposal has been introduced. The tax authority issues a pronouncement indicating how it will administer the provision. The pronouncement interprets the statute in accordance with the proposed technical correction.

Conclusion : Return positions based on the existing statutory language satisfies the realistic possibility standard.

4.2. *Illustration 2*—A tax form published by a tax authority is correct, but completion of the form as published provides a benefit to the taxpayer. The member knows that the tax authority has published an announcement acknowledging the error.

Conclusion : In these circumstances, a return position in accordance with the published for is a frivolous position.

4.3. *Illustration 3*—A taxpayer wants to take a position that a member has concluded as frivolous. The taxpayer maintains that even if the tax authority examines the return, the issue will not be raised.

Conclusion : The member should not consider the likelihood of audit or detection when determining whether the realistic possibility standard has been met. The member should not prepare or sign a return that contains a frivolous position even if it is disclosed.

4.4. *Illustration 4*—A statute is passed requiring the capitalization of certain expenditure. The taxpayer believes, and the member concurs, that to comply fully, the taxpayer will need to acquire new computer hardware and software and implement a number of new accounting procedures. The taxpayer and member agree that the costs of full compliance will be significantly greater than the resulting increase in tax due under the new provision. Because of these cost considerations, the taxpayer makes no effort to comply. The taxpayer wants the member to prepare and sign a return on which the new requirement is simply ignored.

Conclusion : The return position desired by the taxpayer is false, and the member should neither prepare nor sign the return.

This Standard becomes effective from 1st January, 2013.

Effective
Date.

STS THREE

PART I—INTRODUCTION

Procedural
Aspect of
Filing
Returns.

This statement sets out guidance on the applicable standards for members when recommending tax return filing positions and preparing returns.

For purposes of this guidance, a tax return filing position is :

(a) a position reflected on the tax return as to which the taxpayer has been specifically advised by a member ; or

(b) a position about which a member has knowledge of all material facts and on the basis of those facts, has concluded whether the position is appropriate. For the purposes of this guidance, a taxpayer is a client, a member's employer.

Whilst this guidance has been issued specifically with self-assessment returns in mind the same principles apply to any returns submitted to the Federal Internal Revenue Service (FIRS) or any other relevant tax authority.

PART II—EXPLANATORY NOTES

1. It has been observed that members are often faced with challenges in filing returns. Often, they adopt different approaches ; there is therefore the need to standardize the approach to ensure uniformity of purpose.

2. The need to produce a guideline that specifies minimum requirements in filing tax returns which ensures a fair standard throughout the Federation has driven the production of this guideline. Filing of tax returns is a fundamental process in Tax Collection. Tax Collection starts from the point a taxpayer files in a tax return. This guidance recognises the member's responsibilities to both the taxpayers and the tax system.

3. The self assessment regime can function effectively only if taxpayers file tax returns that are true, correct, complete and therefore reliable. A self-assessment return is primarily a taxpayer's representation of the facts, and the taxpayer has final responsibility for positions taken on the return.

In addition to a duty to the taxpayer, a member has a duty to the tax system. However, it is well established that the taxpayer has no obligation to pay more tax than legally owed, and a member has a duty to the taxpayer to assist in achieving that result. For purposes of this standard, preparation of a self-assessment return includes giving advice on events that have occurred at the time the advice is given if the advice is directly relevant to determining the existence, character, or amount of a schedule, entry, or other portion of a return.

4. A member is not required to examine or verify supporting data. However, a distinction should be made between :

(a) the need either to determine by enquiry that a specifically required condition, such as maintaining books and records or substantiating

documentation, has been satisfied or to obtain information when the material furnished appears to be incorrect or incomplete ; and

(b) the need for a member to examine underlying information. In fulfilling his or her obligation to exercise due diligence in preparing a self assessment return, a member may rely on information furnished by the taxpayer unless it appears to be incorrect, incomplete or inconsistent. Although a member has certain responsibilities in exercising due diligence in preparing a return, the taxpayer has the ultimate responsibility for the contents of the return. Thus, if the taxpayer presents unsupported data in the form of lists of tax information, such as dividends and interest received, charitable donations and motor expenses, such information may be used in the preparation of a return without verification unless it appears to be incorrect, incomplete, or inconsistent either on its face or on the basis of other facts known to a member.

5. A member should give guidance to a taxpayer on relevant sources of income and gains, for example, by use of a questionnaire to obtain information.

A member should understand the affairs of the taxpayer and give guidance to the taxpayer on the nature and extent of income and gains that need to be disclosed on his return.

6. Even though there is no requirement to examine underlying documentation including personal bank statements, dividend and interest vouchers etc., a member should encourage the taxpayer to provide all supporting data where appropriate. For example, a member should encourage the taxpayer to submit underlying documents for use in self assessment return preparation to permit full consideration of income and deductions and capital gains.

7. A member should make use of a taxpayer's returns for one or more prior years in preparing the current return whenever feasible. Reference to prior returns and discussion of prior year tax liabilities with the taxpayer should provide information to determine the taxpayer's general tax status, avoid the omission or duplication of items, and afford a basis for the treatment of similar or related transactions.

8. While a member is not required to check personal bank statements and other original documents when preparing a return, the member should notify the taxpayer that under the self-assessment regime the relevant tax authorities are likely to request such documents during the course of an enquiry into the self assessment return.

Similarly, sighting of supporting documents may be requested when examining other returns. Accordingly, a member should notify a taxpayer that all records should be retained.

A member should make the taxpayer aware of powers of discovery of the relevant tax authorities and therefore the need to retain records in the event of such enquiries.

9. A member should make the taxpayer aware that the various tax authorities have statutory powers to request such information as may be required to substantiate entries on tax returns, and that they have the power to call for further returns. In the event of non-compliance the tax authorities may enforce these powers by applying distraint or the search and seizure process.

10. A member has a responsibility for ensuring that a return is completed with due care, notwithstanding that the taxpayer has ultimate responsibility for signing the declaration on the return form confirming that the return is true, correct and complete to the best of the taxpayer's knowledge.

PART III—TAXATION STANDARD

The following standards apply to a tax practitioner (hereby referred to as "a member"), when providing professional services that involve tax return filing positions.

(a) A member should not recommend that a tax return filing position be taken with respect to any item unless the member is satisfied that the position has a realistic possibility of being sustained on its merits if challenged by the relevant tax authority.

(b) A member should not prepare a return that the member is aware is contrary to the relevant tax laws.

(c) When advising on a filing position and when preparing a return on which a filing position is taken, a member should, when relevant, advise the taxpayer regarding potential penalty, consequences of such a position and the opportunity, if any, to avoid such penalties through disclosure.

(d) When recommending a filing position, a member has both the right and responsibility to be an advocate for the taxpayer with respect to any position satisfying the aforementioned guidance.

PART IV—COMPLIANCE WITH LEGAL REQUIREMENTS

Complies with any disclosure requirement of the Companies Income Tax Act CAP C21 of the Laws of Federation of Nigeria 2004 as amended to date, the Personal Income Tax Act and any other relevant laws.

Effective
Date.

This Standard becomes effective from 1st January, 2013.

STS FOUR**PART I—INTRODUCTION**

1. This guidance sets out the applicable standards for members in recommending a tax return position that departs from the position determined in an administrative proceeding or in a court decision with respect to the taxpayer's prior return.

Previously
Agreed Tax
Return
Filing
Position.

2. For the purposes of this guidance an "administrative proceeding" includes any ruling arising from the Tax Appeal Tribunal (TAT) or from examination by any tax authority of a tax return in the course of an enquiry, determination or assessment by the tax authority of a tax position in relation to a return or a claim for refund, tax offset or carry forward of tax credit. It also includes authority having jurisdiction over tax matters, and including the Tax Appeal Tribunal.

3. For the purposes of this guidance, a "Court Decision" means a decision by any court of competent jurisdiction.

4. For the purposes of this guidance, a taxpayer is a client.

PART II—EXPLANATORY NOTES

1. If an administrative proceeding or court decision has resulted in a determination concerning a specific tax treatment of an item in a prior year's return, a member will usually recommend the same tax treatment in subsequent years. However, departures from consistent treatment may be justified in such circumstances as the following :

(a) Tax authorities tend to act consistently in the disposition of an item that was the subject of a prior administrative proceeding but generally are not bound to do so. Similarly, a taxpayer is not bound to follow the tax treatment of an item as consented to in an earlier administrative proceeding.

(b) The determination in the administrative proceeding or the court's decision may have been caused by a lack of documentation. However, such supporting data may be available in later year.

(c) A taxpayer may have conceded in the administrative proceeding for settlement purposes or not appealed the court decision, even though the position is tenable and realistically possible to defend.

(d) Court decisions, rulings or other authorities that are more favourable to a taxpayer's current position may have developed since the prior administrative proceeding was concluded or the prior court decision was held.

2. The consent in an earlier administrative proceeding and the existence of an unfavourable court decision are factors that the member should consider when advising a client on tax return filing positions.

PART III—TAXATION STANDARD

A tax return position with respect to an item as determined in an administrative proceeding or court decision does not restrict a member from recommending a different tax position in a later year's return, unless the taxpayer is bound to a specified treatment in the later year, such as by a written agreement or dispensation. Therefore the member may recommend a tax return position that departs from the treatment of an item as concluded in an administrative proceeding or court decision with respect to a prior return of the taxpayer.

PART IV—COMPLIANCE WITH LEGAL REQUIREMENTS

Conforms with all the Tax Laws in Nigeria

Effective
Date.

This Standard becomes effective from 1st January, 2013.

STS FIVE

PART I—INTRODUCTION

This standard sets out guidance for members on certain aspects of providing advice to a client. It also considers the circumstances in which a member has a responsibility to communicate with a client when subsequent developments affect advice previously provided. However, this standard does not cover a member's responsibilities when the expectation is that the advice rendered is likely to be relied upon by parties other than the client.

Form and
Content of
Tax Advice/
Opinion.

PART II—EXPLANATORY NOTES

1. The form of advice may be oral or written and the subject matter may range from routine to complex. Because the range of advice is so extensive and because advice should meet the specific needs of a taxpayer, neither a standard format nor guidelines for communicating or documenting advice to the taxpayer can be established to cover all situations.

2. Although oral advice may serve a client's needs appropriately in routine matters or in well-defined areas, written communications are recommended in important, unusual, or complicated transactions. The member may use professional judgment about whether, subsequently, to document oral advice in writing.

3. In deciding on the form of advice to be provided to a taxpayer, a member should exercise professional judgment and should consider such factors as the following :

- (a) the importance of the transaction and amounts involved ;
- (b) the specific or general nature of the taxpayer's inquiry ;
- (c) the time available for development and submission of the advice ;
- (d) the technical complications presented ;
- (e) the existence of authorities and precedents ;
- (f) the tax sophistication of the client ; and
- (g) the need to seek other professional advice.

4. A member may assist a taxpayer in implementing procedures or plans associated with the advice offered. When providing such assistance, the member should review and revise such advice as warranted by new developments and other factors affecting the transaction.

5. Sometimes a member is requested to provide tax advice but does not assist in implementing the plans adopted. Although such developments as legislative or administrative changes or future judicial interpretations may affect the advice previously provided, a member cannot be expected to communicate subsequent developments that affect such advice unless the member undertakes this obligation by specific agreement with the taxpayer.

6. Taxpayers should be informed that advice reflects professional judgment based on an existing situation and that subsequent developments could affect previous professional advice. Members may use precautionary language to the effect that their advice is based on facts as stated and authorities that are subject to change.

7. In providing tax advice, a member should take cognisance of applicable confidentiality privileges.

8. The engagement letter should outline, among other things, issues of the extent and applicability of confidentiality privileges as protected by the law. Although advice is given to a client confidentially the member should be aware that, subject to any claim for privilege that may be asserted by the client, such advice could be discovered by the tax authorities through proper exercise of their powers in the course of an enquiry. A member should advise the client where this becomes a relevant issue.

9. Where a member has taken specialist advice from a third party on a particular topic and relays this to the client the member assumes responsibility for the advice in the context of the client's requirements.

PART III—TAXATION STANDARD

1. Before giving advice to a client, it is important that the member identifies/clarifies the following issues :

- 1.1 The purpose of the advice
- 1.2 The scope of the advice
- 1.3 Who is to rely on the advice
- 1.4 The risk of reliance

The above issues should be reflected in the engagement letter confirming the client's instructions to the member and the terms on which the advice is to be provided.

2. A member should use judgment to ensure that tax advice provided to a taxpayer reflects professional competence and appropriately serves the taxpayer's need. A member is not required to follow a standard format or guidelines in communicating written or oral advice to a taxpayer.

3. A member should assume that tax advice provided to a taxpayer will affect the manner in which the matters or transactions considered would be reported on the taxpayer's tax returns. Thus, for all tax advice given to a taxpayer, a member should follow Statement of Taxation Standard (STS) No. 3, Procedural Aspects of *Tax Returns*.

4. A member has no obligation to communicate with a taxpayer when subsequent developments affect advice previously provided with respect to significant matters, except while assisting a taxpayer in implementing procedures

or plans associated with the advice provided or when a member undertakes this obligation by specific agreement.

This Standard becomes effective from 1st January, 2013.

Effective
Date.

STS SIX

PART I—INTRODUCTION

Knowledge
of error :
Administra-
tive
Procedures.

1. This statement sets out guidance on the applicable standards for a member who becomes aware of an error in a return that is the subject of an administrative proceeding, such as an examination by any tax authority.

2. For the purposes of this standard, an “administrative proceeding” includes :

(a) Any ruling arising from examination by a tax authority of a tax return in the course of an enquiry ;

(b) Determination or assessment by a tax authority of a tax position in relation to a return or a claim for refund.

3. The term “*administrative proceeding*” does not include criminal proceeding.

4. The term “*error*” includes any position, omission, or method of accounting that, at the time the return is filed, fails to meet the standards set out in the Statement of Taxation Standard.

5. The term “*error*” also includes a position taken on a prior year’s return that no longer meets these standards due to legislation or judicial decisions having a retrospective effect on the taxpayer’s liability. However, an error does not include an item that has an insignificant effect on the taxpayer’s tax liability.

6. For the purposes of this guidance, a taxpayer is a client, or a member’s employer.

7. This guidance applies whether or not the member prepared the return that contains the error. Special considerations may apply when a member has been engaged by legal counsel to provide assistance in a matter relating to the counsel’s client.

PART II—EXPLANATORY NOTES

1. When the member is engaged to represent the taxpayer in an administrative proceeding with respect to a return containing an error of which the member is aware, the member should advise the taxpayer to disclose the error to the tax authority. Such recommendation may be given orally. If the member believes that the taxpayer could be charged with fraud or other criminal misconduct, the taxpayer should be advised to consult legal counsel before taking any action.

2. It is the taxpayer’s responsibility to decide whether to correct the error or not. If the taxpayer does not correct the error a member should consider whether to withdraw from representing the taxpayer in the administrative proceeding and whether to continue a professional or employment relationship with the taxpayer. While recognizing that the taxpayer may not be required by

statute to correct an error by filing an amended return, a member should consider whether a taxpayer's decision not to disclose the error may predict future behaviour that might require termination of the relationship.

3. A member should consider consulting with his or her own legal counsel before deciding on recommendations to the taxpayer and whether to continue a professional or employment relationship with the taxpayer. The potential for breaching client confidentiality or infringing tax law and the potential adverse impact on a taxpayer of a member's withdrawal, and other considerations may create a conflict between the member's interests and those of the taxpayer.

4. The potential for violating the tax law and regulations, laws on privileged communications, potential adverse impact on a taxpayer of a member's withdrawal, and other considerations may create a conflict between the member's interests and those of the taxpayer.

5. Once disclosure is agreed upon, it should not be delayed to such a degree that the taxpayer or member might be considered to have failed to act in good faith or to have, in effect, provided misleading information. In any event, disclosure should be made before the conclusion of the administrative proceeding.

6. A member should advise the taxpayer that if an error is not disclosed, it may prejudice the basis of an assessment or determination made, or any contract of settlement he reaches with the tax authority. In addition there may be implications in regard to any Certificate of Disclosure that the taxpayer may be requested to give, by the tax authority as a condition of a settlement.

7. Whether an error is that which has no more than an insignificant effect on the taxpayer's liability is left to the professional judgment of the member based on all the facts and circumstances known to the member. In judging whether an error has more than an insignificant effect a member should consider the method's cumulative effect as well as its effect on the return that is the subject of the administrative proceeding.

PART III—TAXATION STANDARD

1. If a member is representing a taxpayer in an administrative proceeding with respect to a return that contains an error of which the member is aware, the member should inform the taxpayer promptly upon becoming aware of the error. The member should recommend the corrective measures to be taken. The member is not obliged to inform the tax authority, nor allowed to do so without the taxpayer's permission, except when required by law.

2. A member should request the taxpayer's agreement to disclose the error to the relevant tax authority. Lacking such agreement, the member should consider whether to withdraw from representing the taxpayer in the administrative proceeding and whether to continue a professional or employment relationship with the taxpayer.

PART IV—COMPLIANCE WITH LEGAL REQUIREMENTS

Complies with all relevant Nigerian Tax laws

Effective
Date.

This Standard becomes effective from 1st January, 2013.

STS SEVEN

PART I—INTRODUCTION

1. The purpose of this statement is to guide members on how to conduct themselves when error is detected in a taxpayer's previously submitted tax return or a taxpayer's failure to submit a required return. Within this guidance, the term error includes any position, omission, or method of accounting that, at the time the return was submitted, fails to meet the standards set out in STS 2. The term error also includes a position taken on the prior year's return that no longer meets these standards due to new law or judicial pronouncements having retrospective effect. Any item that does not have significant effect on taxpayer's tax liability does not constitute an error.

Knowledge
of Error
return
Preparation.

2. This standard shall apply whether or not the member prepared the return that contained the error.

3. For the purpose of this guidance, a taxpayer is a client; or a member/ tax practitioner's employer.

4. This guidance has primarily been prepared in respect of the preparation of self assessment tax return.

PART II—EXPLANATORY NOTES

1. While performing services for a taxpayer, a member may become aware of an error in a previously submitted return or may become aware that the taxpayer failed to submit a required return. The member should advise the taxpayer of the error and the measures to be taken. If the member believes that the taxpayer could be subject to criminal prosecution, the taxpayer should be advised to seek legal advice.

2. It is taxpayer's responsibility to decide whether to correct the error. If the taxpayer does not correct an error, a member should consider whether to continue a professional or employment relationship with the taxpayer. Where contrary to a member's advice a taxpayer decides not to inform the tax authority of the error, it is unlikely that a member can continue to act for the taxpayer. A member should consider taking legal advice before deciding upon recommendations to the taxpayer and whether to continue a professional or employment relationship with the taxpayer.

3. A member may advise a taxpayer to correct an error either orally or in writing. Should the taxpayer not follow the member's advice and it becomes necessary to withdraw from a professional or employment relationship with the taxpayer, the member should confirm his advice in writing.

4. A member should consider whether a taxpayer's decision not to inform the tax authority of such error may predict future behaviour that might require

termination of the relationship. The potential for violating the tax law and regulations or laws on privileged communications and other considerations may create a conflict between the member's interests and those of the taxpayer.

5. If a member decides to continue a professional or employment relationship with the taxpayer and is requested to prepare a tax return for a year subsequent to that in which the error occurred, the member should take reasonable steps to ensure that the error is not repeated. If the subsequent year's tax return cannot be prepared without perpetuating the error, the member should consider withdrawal from the return preparation. If a member learns that the taxpayer is using an erroneous method of accounting and it is past the due date to request permission to change to a method meeting the standards of STS No.3, the member may sign a tax return for the current year, provided the tax return includes appropriate disclosure of the use of the erroneous method.

6. Whether an error has no more than an insignificant effect on the taxpayer's liability is left to the professional judgment of the member based on all the facts and circumstances known to the member.

7. If a member becomes aware of the error while performing services for the taxpayer that do not involve return preparation, the member's responsibility is to advise the taxpayer preferably in writing of the existing error and to recommend that the error be discussed with the taxpayer's tax adviser.

PART III—TAXATION STANDARD

1. A member should inform the taxpayer promptly upon becoming aware of an error in a previously submitted return or upon becoming aware of a taxpayer's failure to submit a required return. A member should recommend the corrective measures to be taken. The member is not obliged to inform the tax authorities and a member may not do so without the taxpayer's permission, except when required by law.

2. If a member is requested to prepare the current year's return and the taxpayer has not taken appropriate action to correct an error in a prior year's return, the member should consider whether to withdraw from preparing the return and whether to continue a professional or employment relationship with the taxpayer. If the member does prepare such current year's return, the member should take reasonable steps to ensure that the error is not repeated.

PART IV—COMPLIANCE WITH LEGAL REQUIREMENTS

Complies with the relevant tax laws.

Effective
Date.

This Standard becomes effective from 1st January, 2013.

STS EIGHT

PART I—INTRODUCTION

1. This statement sets out guidance on the applicable standards for member when using the taxpayer's estimates in the preparation of a self assessment return. A member may advise on estimates used in the preparation of a return, but the taxpayer has the responsibility to provide the estimated data. Valuations are not considered estimates for the purposes of this statement.

Use of
Estimates.

For the purposes of these standards, a taxpayer is a client, a member's employer, or any other third party recipient of tax services. Whilst this guidance has primarily been drafted in respect of the preparation of self assessment tax returns, certain aspects are also relevant to the preparation of returns for submission to the relevant tax authority.

PART II—EXPLANATORY NOTES

1. Accounting requires the exercise of professional judgement and, in many instances, the use of approximations based on judgement. The application of such accounting judgements, as long as not in conflict with recognised accounting standards or methods recognised by the Federal Inland Revenue Service or State Internal Revenue Service, is acceptable. Such judgements are not estimates in the context of this guidance.

2. Where a taxpayer's records do not accurately reflect information related to small expenditure, accuracy in recording some data may be difficult to achieve. Therefore, the use of estimates in determining the amount to be deducted for such an item may be appropriate.

3. Where the use of estimate in the preparation of tax returns is statutorily required, a member is to base the preparation and filing of the returns on the taxpayer's estimated data. An instance of this is section 33(1) of Petroleum Profits Tax Act, CAP P13, LFN 2004 which states "*Not later than two months after the commencement of each accounting period of any company engaged in petroleum operations, the company shall submit to the Board a return ... of its estimated tax for such accounting period*"

4. When records are missing or precise information about a transaction is not available at the time the returns are to be filed, a member may prepare a tax return using a taxpayer's estimate of the missing data.

5. Estimated amounts should not be presented in a manner that provides a misleading impression about the degree of factual accuracy.

PART III—TAXATION STANDARD

1. Unless prohibited by statute or by rule, a member may use the taxpayer's estimates in the preparation of a self assessment return if it is not practical to obtain exact data and if the member determines that the estimates

are reasonable based on the facts and circumstances known to the member. If the taxpayer's estimates are used, they should be presented in a manner that does not imply greater accuracy than exists.

2. The disclosure of the use of estimates should be consistent with the relevant tax authorities' self assessment procedures.

Effective
Date.

This Standard becomes effective from 1st January, 2013.

Printed and Published by The Federal Government Printer, Lagos, Nigeria
FGP ???/072013/650 (OL ??)

Annual Subscription from 1st January, 2013 is Local : ₦15,000.00 Overseas : ₦21,500.00 [Surface Mail]
₦24,500.00 [Second Class Air Mail]. Present issue ₦1,000.00 per copy. Subscribers who wish to obtain *Gazette* after
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