

Tax Compliance 101: What Every Nigerian SME Needs to Know About FIRS, VAT, and PAYE

Staying tax compliant isn't just good business — it protects your brand, keeps you out of legal trouble, and opens doors to funding and partnerships. Yet many small businesses in Nigeria unknowingly break tax laws simply because they don't understand the basics. Here's what every Nigerian SME needs to know about **FIRS**, **VAT**, and **PAYE**.

Register with the FIRS

The **Federal Inland Revenue Service (FIRS)** is Nigeria's federal tax authority. Once your business is registered with the **Corporate Affairs Commission (CAC)**, you're legally required to:

- Register for tax with FIRS
- Obtain a **Tax Identification Number (TIN)**
- File returns — even if your business made no income

Penalty: Failure to file attracts penalties of ₦25,000 for the first month and ₦5,000 for each month of default

Understand VAT (Value Added Tax)

If your business earns ₦25 million or more annually, you must register for VAT with FIRS. You are required to:

- Charge **7.5% VAT** on all VATable goods/services
- Remit VAT monthly to FIRS (by the 21st of the next month)
- File monthly VAT returns even if you made no sales

Penalty: Penalties include fines and interest for late or non-remittance

Handle PAYE for Your Employees

Pay-As-You-Earn (PAYE) is a tax you deduct from employee salaries and remit to the **State Internal Revenue Service**.

- You must register for PAYE if you have staff
- Deduct monthly based on salary levels (refer to state tax rates)
- Remit to your state IRS (e.g., LIRS for Lagos)

Penalty: Failure to deduct/remit PAYE can attract fines **up to ₦500,000** for corporate bodies

File Your Annual Returns

Even if you're a small business, you must:

- File your annual tax returns with FIRS
- File annual CAC returns as well

Penalty: Late filing or non-filing attracts fines and possible deregistration by CAC.

Final Thought

Tax compliance may sound scary, but it's easier when you break it down. Start by registering with FIRS, understanding what taxes apply to you, and keeping simple monthly records.

If you're ever unsure, consult a tax professional — it's a small price to pay for peace of mind and business credibility.