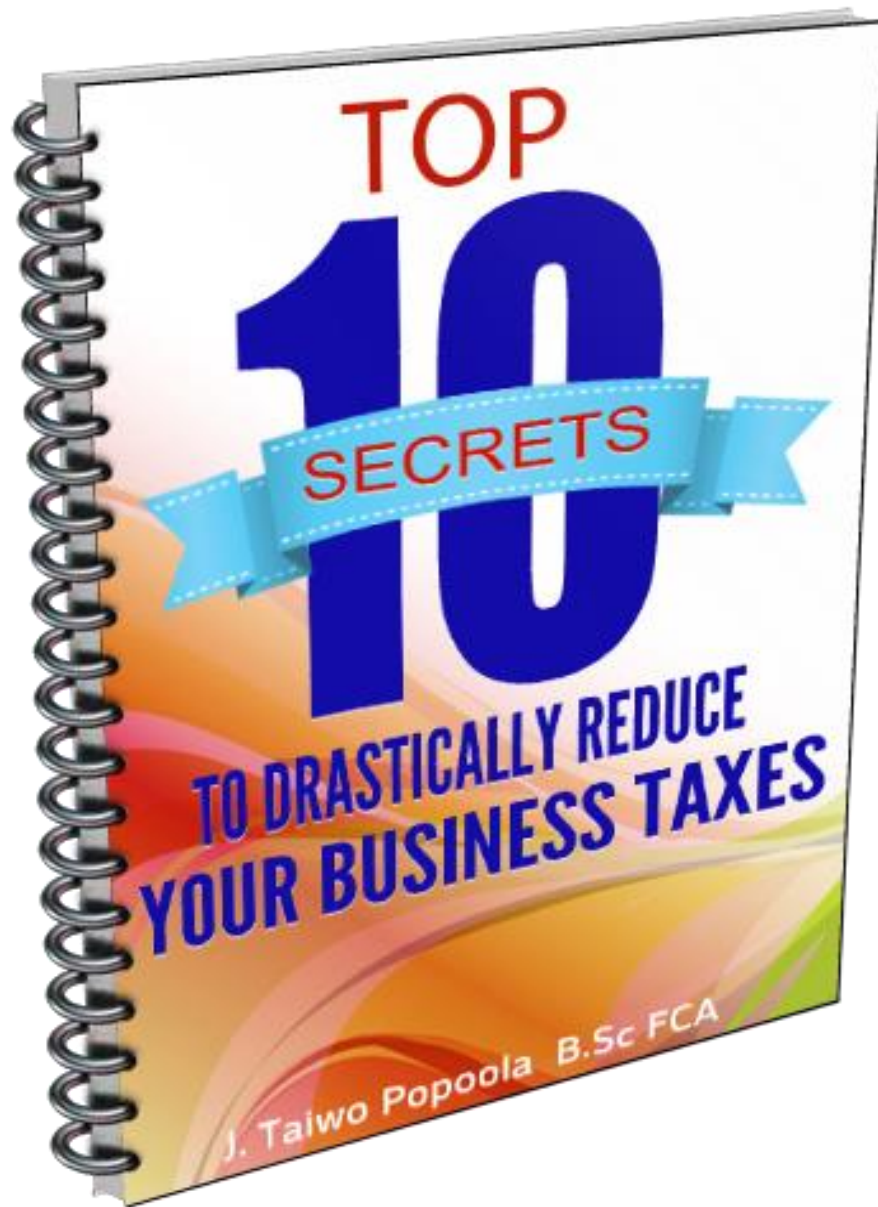


TOP 10 SECRETS TO DRASTICALLY REDUCE YOUR BUSINESS TAXES



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Introduction

Taxes are obliged by law to be paid by every taxable persons, and that's why some people believed that two things are certain in life 'Taxes and Death'.

But in business taxes are certain. Payment of taxes run parallel with managing a business.

The law makes the payment of taxes compulsory for every taxable persons; whether living or artificial persons like enterprises and companies.

It also creates room for tax payers to exploit the tax laws, to reduce their tax liabilities.

This is the reason why there is tax avoidance, a situation whereby you can take advantage of the tax laws.

It is in the light of this we want to discuss **Top 10 Secrets to Drastically Reduce Your Business Taxes in Nigeria.**

Secret 1: Change Your Attitude towards Tax

Most small and medium enterprises are paying high tax because of their wrong and negative attitude towards taxes. Some do not even believe they need to pay tax.

They do not consider payment of tax as part of management of their businesses. This is making a lot of them to pay huge sums of money as penalty, when the arm of the law catch up with them.

A correct attitude towards payment of tax would make you to save on tax through help from contemporaries and consultants.



Secret 2: Know and Understand the Tax System

There is a saying that “what you don’t know may kill you”. Knowledge is power. That is why the taxman will tell you ‘ignorance is no excuse’.

You need to know the tax system and its workings.

Understanding the tax system will enable you to know which taxes are you supposed to pay and to which tax authority.

This will also assist you in knowing when your obligations to tax authority are due and what needs to be done.



Secret 3: Choose a Tax Friendly Business Structure

For a start-up business, it is better to pay attention to the details of tax benefits of different types of business organizational structures. Some forms of business entities require that the business pay taxes on the money it earns throughout the year AND that the business owner pay taxes on the income he or she receives.

This results in a double taxation scheme that costs the business twice. Most types of business entities, however, do not have to pay double taxes, and any tax owed is paid by the owner who receives the income.

This is beneficial because it keeps money in the company and the business owner pays no more tax than would have been paid originally.

When structuring your business then, make sure you choose a form of business that will avoid double taxation and help you meet your tax saving goals.



Secret 4: Know the Type of Tax You Are Liable To And The Tax Authority

Payment of Tax is part and parcel of managing a business. But in Nigeria, many SME businessmen do not always see it that way.

Some business owner-managers do not know the type of business taxes that they supposed to pay, when and how to pay it.

Some do not even bother to consult with a Tax consultant.

Knowing the type of business taxes you are liable to pay, when and how to pay it will eliminate payment of penalty and interest on your tax liability.

As a fall out from this, most owner-managers do not know that not all their expenses are allowable for tax purposes, exemptions.

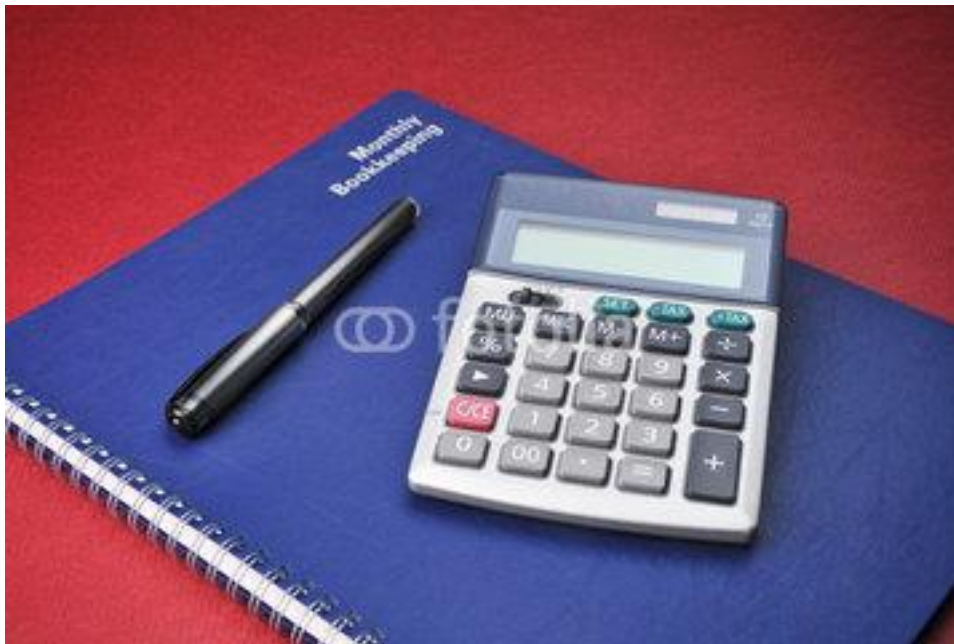


Secret 5: Maintain Proper Book and Records of Accounts

Even though you may use a casual approach to recordkeeping for your personal taxes, you can't do this for business. "The tax law specifically requires certain records in order to take deductions," Weltman says. "Without these records, legitimate expenditures may not be deductible."

Here's what you need to comply with tax rules:

- A system to track your income and expenses. This is easily done with computer-based recordkeeping solutions that enable you to handle this matter yourself.
- Procedures to collect and store required receipts and other proof of expenditures. Set up file systems to categorize your receipts (e.g., car-related expenses, meals and entertainment costs, and capital expenditures)



Secret 7: Proper Documentation and Filing of Tax Returns

You can drastically reduce your business taxes by ensuring that your business transactions are properly documented through the use of good source documents like invoice, payment vouchers, petty cash vouchers, goods received notes, receipts, etc.

All these will be useful to defend your business in case of any issue with the tax authority.

Closely related to this, is maintenance of good tax records. Ensuring that all correspondence, returns (VAT, Withholding Tax, etc), tax clearance certificate and others are filed in a safe place.

Then, make sure, all returns are filed as at when due. This is because lateness in filing returns increases tax liabilities through penalty.

In most cases the penalty can be mind boggling.



Secret 8: Use Expert Tax Planning

This is an advanced way of reducing your tax liability. This can only be done with your tax consultant.

It involves meeting certain conditions like:

- a.) A good business and accounting system with proper records and necessary controls.
- b.) A good budgetary systems.

The above are necessary because tax planning involves taking advantage of the provisions of the tax law as it affects your sector, industry and business so that you can pay a small amount of tax in compliance with the law.

The payment of low tax can be done if we engage in expert tax planning. Yet, in many cases, especially those which involve business taxes, expert tax planning is a must.

Expert tax planning can be done by an in house tax expert. If there is no such expert, it would be wise and practical to hire someone to do the tax planning.

The payment of low tax can highly benefit your company. Doing it legally and as allowed by law gives you all the more right and reason to do it.

In this country Nigeria, there are numerous tax exemptions that can apply to certain enterprises and companies.

The only problem comes when an enterprise or a company has the lack of knowledge in the possible tax breaks and cuts which can be maximized.

Secret 8: Use Expert Tax Planning (Contd)

Consider tax planning not as simply a mechanical procedure that you need to fulfill.

Expert tax planning can be to your great benefit because of low tax obligations.



Secret 9: Join a Trade Association

A Trade association provides a good platform for members to discuss issues that general affects them. They can fight for their own common interest and be able to present common issues to the government in order to get a concession.

It also provides avenue to share experiences. This can be of tremendous benefit in the area of taxation. We have instances whereby trade association were able to present their case to tax authorities and they were able to get concession for their members.

This helps the members to be paying low tax compared with people in other trade.



Secret 10: Engage a Good Tax Consultant

Entrepreneurial journey is not a journey to be undertaken alone. One of the professionals you need along the line is a good tax consultant.

In as much as it good to have knowledge and understanding of the system, there are technicalities that will be beyond your comprehension.

You will need a tax consultant to handle your tax planning and administration.

Be careful who you appoint as your tax consultant. There are touts around tax offices that are causing havoc to people thereby putting them in deeper problems.



Conclusion

The ability to pay low taxes is not based on illegal means, contrary to popular belief.

Sufficient knowledge about certain tax laws can be given to you if you only know where to look.

Imagine the benefits that you can have with reduced taxes. You fulfill your obligation as a taxpayer yet you are not burdened by very heavy tax obligations.

With this kind of tax setting, you can have a brighter future for your business. More money can be saved, thus, providing you with enough financial freedom to use what you earn in things of your choice.



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