



**Navigating the Waves of Lagos
An Insightful Journey Through
Consumption Tax, Eco fiscal System,
and the LIRS Landscape**

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Introduction to Lagos Waves

Welcome to an insightful journey through the dynamic hospitality sector of Lagos

In this presentation, we will unveil the intricacies of the Consumption Tax, the importance of an Ecofiscal System, and the role of the Lagos State Internal Revenue Service (LIRS) in sculpting the hospitality landscape.

Let's dive into the vibrant world of taxation and discover its profound impact on our daily lives.



Understanding Consumption Tax

The hospitality sector in Lagos, a cornerstone of the state's economy, not only attracts local and international visitors but also generates significant revenue, thereby contributing to the state's overall prosperity.

One of the crucial aspects of the hospitality sector is the consumption tax. This tax, levied on end-users of hospitality services, is a means of revenue generation that ensures the provision of public services and social infrastructures, which are essential for the growth and sustainability of the sector.

Consumption Tax is a tax levied on goods and services consumed within hotels, service apartments, meeting rooms, function halls, hotel facilities, restaurants or events centre in Lagos State.

Consumption tax is administered at a rate of tax of 5% by the Lagos State Internal Revenue Service on behalf of the Lagos State Government.

Lagos State sets the consumption tax at 5%, which is distinct from the federal VAT rate of 7.5%. This differentiation is important to understand, as it demonstrates that this is not a case of multiple taxation. While the federal VAT applies broadly to various goods and services across the country, the consumption tax specifically targets end-users within the hospitality sector in Lagos.

The Hotel Occupancy, Restaurant and Consumption Tax referred to as the HORC Law 2009, upon its enactment, automatically appointed any individual who owns, manages, or controls a business or provides goods or services in various sectors—such as hotels, serviced apartments, meeting rooms, function halls, restaurants, supermarkets, food courts, delis, malls, and confectioneries—as Collecting Agents for the Lagos State Internal Revenue Service (LIRS).

This law mandates these Collecting Agents to adhere to its provisions, ensuring compliance in tax collection and remittance. Each Collecting Agent is obligated to deduct and remit the amounts collected to the LIRS by the 20th day of each calendar month.

This remittance must be made to the designated state government account for the previous reporting period.

Additionally, Collecting Agents are required to file a tax return, providing necessary documentation of their financial activities, thereby contributing to the state's revenue and ensuring transparency in fiscal operations.

Understanding Consumption Tax

The tax filing must be accompanied by a detailed report stating the total amount of payments made for all chargeable transactions during the preceding reporting period.

This includes the amount of tax collected by the agent during the reporting period, as well as any other information required by LIRS to be included in the report.

Every collecting agent is required to keep, maintain, and preserve comprehensive records, books, and accounts in respect of all transactions chargeable under the law.

These records should be easily accessible for review and audit purposes. Where a Collecting Agent fails to make a return or remittances as and when due, LIRS may make an estimate of the total amount due. Such an estimate shall become due not later than 21 days of service of such a notice. It is crucial for agents to stay compliant with these regulations to avoid penalties and ensure smooth operations.



When a hotel, restaurant or other facility covered by this Law is sold or otherwise disposed of, the transferee shall withhold such amount of the purchase price or other consideration as is sufficient to offset all payments already due to the Government under the provisions of this Law, unless the transferor has first provided a receipt issued by the Service showing that the amount due at the date of transfer had been paid or that no amount was due. Section 12(1) HORC LAW, 2009.

Challenges in Tax Compliance

Non-remittance and under-remittance of Consumption Tax present significant challenges, primarily in the form of tax evasion. Collecting Agents often withhold this tax but may fail to remit it on time.

Misinterpretation of the HORC law leads some to mistakenly view it as a tax on business income, neglecting that the end consumer bears the cost.

Collecting Agents serve as representatives of the state, and adhering to the 3R's of the HORC law—registration, remittance, and returns—is crucial.

The LIRS is actively combating tax evasion through enforcement actions and the introduction of innovative technologies like the Ecofiscal System (EFS). Additionally, the Agency has launched various public awareness initiatives to educate citizens about tax compliance and the benefits of the EFS, aiming to reduce tax evasion.



The Role of Eco Fiscal System (EFS) for Hotel Occupancy and Restaurants Consumption Tax

The incorporation of technology into tax collection is transforming Lagos significantly. Digital platforms and mobile applications are not only facilitating taxpayer compliance but also enhancing overall efficiency and transparency in the tax system.

The Lagos State Internal Revenue Service (LIRS) has established comprehensive guidelines for tax administration specifically in the hospitality sector. This initiative allows for effective oversight through the use of an automated invoicing solution.

The Fiscalization system, an automated invoicing solution, was introduced in January 2018 and upgraded to the EcoFiscal System (EFS) in November 2023.

The Eco Fiscal system, an automated invoicing solution developed by the Lagos State Internal Revenue Service (LIRS), is designed to revolutionize how consumption tax collection is managed in Lagos State. It is a digitized payment solution that ensures prompt collection and remittance of consumption taxes, offering a more efficient and transparent process for all stakeholders.

Based on the 2017 Hotel Occupancy and Restaurants Consumption Tax (HORCT) regulations, EFS integrates with Point of Sales (POS) systems to record transactions in real time and transmit these records to the LIRS Online Tax System (OTS).



The Role of Eco Fiscal System (EFS) for Hotel Occupancy and Restaurants Consumption Tax

LIRS Online Tax System (OTS): The LIRS Online Tax System (OTS) is a real-time database that monitors live transactions. All invoices from collection agents are visible in real time on the OTS. EFS transmits transaction records to OTS, and LIRS officials involved in consumption tax collection can access the system.

LIRS POS Application: The LIRS POS application is a point of Sale system integrated with EFS, making sales immediately visible on OTS.

The application can be web-based, mobile, or hosted on handheld POS devices. It is designed for collecting agents who do not have existing infrastructure, providing them with a user-friendly and efficient tool to record and manage their sales transactions.

Compliance with EFS: Compliance with EFS and fiscalization is mandated by the 2017 HORC regulations and the 2009 HORCT Law of Lagos State. The system ensures efficiency and transparency in consumption tax collection and helps collecting agents track their daily transactions.

Classes of Collecting Agents:

1. **With Existing Infrastructure:** Agents with existing POS systems and inventory management systems like Oracle, QuickBooks, and EposNow. These POS systems will be integrated with EFS.
2. **Without Existing Infrastructure:** Agents without POS systems or inventory management systems, relying on manual methods like Excel sheets and logbooks. These agents will use the LIRS POS application.

Minimum Requirements for Compliance:

1. Integration of EFS with existing POS systems.
2. Internet connectivity for invoice upload.
3. Use of the LIRS POS application for agents without existing POS systems.

EFS is designed to seamlessly integrate with collecting agents' invoicing or accounting systems, ensuring that their existing processes are not disrupted.

EFS can be installed on MAC, Linux, and Windows (32 & 64-bit) operating systems.

The Role of Eco Fiscal System (EFS) for Hotel Occupancy and Restaurants Consumption Tax

Benefits of the Eco Fiscal System (EFS)

1. **For Collecting Agents:** Provides unhindered access to sales transaction information, ensuring transparency regardless of the location of owners or approved personnel.
2. **For Consumers:** Fiscalization ensures that consumption taxes charged on purchases are appropriately remitted to the government, contributing to the development of public services and infrastructure.

In addition, the system paves the way for a future consumer reward program, which will incentivize tax compliance and benefit the public.

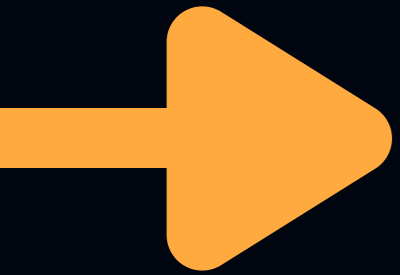


Penalties for Non-Compliance

Non-compliance with fiscalization, as mandated by the 2017 HORC regulations and the 2009 HORCT Law of Lagos State, is a serious offense. It may result in imprisonment, a fine of Two Million Naira (=N= 2,000,000.00), or both.

These penalties are designed to ensure strict adherence to the tax laws and the EFS requirements.

Conclusion: Navigating the Waves



Efficient tax management is imperative. It streamlines processes, cuts costs, and supports community benefits through improved infrastructure and social services. These practices are vital for the prosperity and stability of the hospitality industry and the wider community. Compliance is not just a requirement; it's a responsibility we all share for the benefit of the industry and the community.



Understanding consumption tax, the Eco Fiscal System (EFS), and the LIRS landscape is crucial for the hospitality sector in Lagos State.

Compliance with these tax regulations is non-negotiable, ensuring entities operate within the legal framework. As a powerhouse, the hospitality industry drives tourism and catapults economic growth to new heights, making compliance essential for the State's development.



*Thank
you*

