

TAX TECHNOLOGY IMPLICATIONS OF THE FINANCE ACT 2023

The tax law changes in Nigeria as effected by the Finance Act 2023 can have several implications for tax technology. Here are some possible implications:

01. Tax Calculation and Compliance:

Tax technology systems will need to be updated to incorporate the new tax rates, deductions, and exemptions introduced by the amendments. This includes updating tax calculation engines, formulas, and algorithms to accurately calculate tax liabilities under the revised laws.

02. Tax Law Depository/ Compilation:

Businesses, consultants and practitioners (or tax stakeholders generally) who make use of tax law depository / compilation apps will need to update the laws/ apps with the amended provisions of the law. Tax Law Book App (on Apple Store and Google Play) by Vi-M, Nigeria's first compendium of tax and related laws in a mobile app, is currently being updated with the amended laws, to serve Nigerian tax stakeholders.

03. Audit and Risk Management

Changes in tax laws often lead to increased scrutiny from tax authorities. Tax technology solutions can facilitate efficient record-keeping, document management, and audit trail generation, which can help businesses respond to tax audits effectively. Moreover, implementing tax technology can enhance internal controls, reduce errors, and mitigate tax-related risks.

04. Reporting and Documentation

Changes in tax laws may require adjustments to tax reporting and documentation processes. Tax technology solutions should be modified to enable tax documents/ file uploads, generate updated tax forms, reports, and invoices that comply.

05. Digital Asset Taxation

The introduction of capital gains tax on gains from digital assets and cryptocurrencies requires tax technology to incorporate mechanisms to track and calculate these gains accurately. This may involve integrating cryptocurrency tracking tools or APIs (Application Programming Interfaces) to capture relevant transaction data and determine the tax liability associated with digital asset transactions.

06. Transfer Pricing and General Anti-Avoidance Rules:

The introduction of general anti-avoidance transfer pricing rules for VAT purposes necessitates tax technology solutions to incorporate mechanisms to identify and analyze transactions between connected persons.

These solutions should be able to detect and flag any artificial arrangements or transactions aimed at tax avoidance.

07. Data Management and Analysis:


With the changes in tax laws, tax technology systems should be capable of managing and analyzing the increased amount of data required for compliance. This includes capturing and organizing transaction data, managing financial records, and providing robust analytics capabilities for tax planning and reporting purposes.

08. Integration and Data Exchange:

Tax technology systems may need to be integrated with other financial and enterprise systems, such as accounting software and ERP systems, to facilitate seamless data exchange and ensure consistent tax treatment across different functions. This integration enables efficient data transfer for tax calculations, reporting, and compliance purposes.

09. VAT Compliance and E-commerce

The amendments related to VAT compliance for online purchases and services require tax technology



to support the verification and tracking of VAT charges by non-resident suppliers. This includes integrating systems with e-commerce platforms and implementing mechanisms to verify and validate VAT charges for goods purchased online.

10. **Automation and Process Efficiency:**

Tax technology can help automate tax compliance processes, reducing manual effort and minimizing the risk of errors. The implementation of tax technology solutions can streamline tax calculations, data collection, and reporting, enhancing overall process efficiency and accuracy.

11. **Communication and Collaboration:**

Tax technology platforms can facilitate communication and collaboration between tax professionals, finance teams, and other stakeholders within the organization. These platforms enable seamless sharing of information, data, and reports, ensuring a coordinated approach to tax compliance and reporting.

12. **Tax Planning and Forecasting:**

Changes in tax laws can impact tax planning strategies and require businesses to reassess their tax positions. Tax technology tools can help analyze the financial impact of tax law changes, model different scenarios, and provide insights for tax planning and forecasting purposes. This can aid businesses in making informed decisions and optimizing their tax positions.

It is important to note that the specific tax technology implications will depend on the existing technology infrastructure and systems within each organization. Adapting to the changes in tax laws will likely require a combination of software updates, system integrations, data management enhancements, and process optimizations to ensure efficient and accurate compliance with the amended regulations.

Click [here](#) to view or download the full copy of the Finance Act 2023.

For enquiries about how these changes might affect your business, or the tax technology updates your business may require in order to proactively align with or manage the new changes, do not hesitate to contact us via email – clients@vi-m.com.