

# NEWS LETTER



## **ALL YOU NEED TO KNOW ABOUT ANNUAL RETURNS WITH CAC**

Filing of annual returns hold a crucial role in maintaining transparency and compliance within the corporate sector. As contained in Section 417 of CAMA 2020 of the Company and Allied Matters Act (CAMA), every business name, company, or incorporated trustee is mandated to submit annual returns to the Corporate Affairs Commission (CAC) at least once a year except a company with only one member. The primary objective of this statutory requirement is to update the CAC about the company's status that it is still active, still in business, and in full operation.

Contrary to popular misconceptions, annual returns are not the profit a company made in a year, it is not a financial document, and it is not a tax. Instead, they represent a legal obligation to inform the CAC of the company's operational status and provide a means to keep abreast of its activities. By submitting these returns, companies provide essential information about the company, its structure, directors, shareholders, and registered address, among other details, thereby fostering transparency and accountability

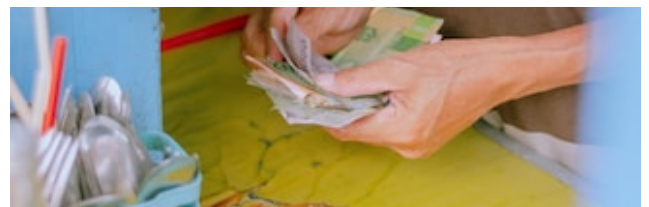
## The Importance of Filing Annual Returns

- a. **Legal Compliance:** Compliance with the annual returns filing is not optional; it is a legal mandate. Companies failing to meet this requirement may face penalties, fines, or other legal consequences, affecting both the company and its officers S.425 CAMA
- b. **Transparency and Public Records:** Annual returns are part of the public record of registered companies. Accessible information promotes transparency and allows stakeholders, including investors and the public, to gain insights into a company's basic structure and activities.
- c. **Verification of Information:** By requiring companies to submit annual returns, the government can verify the accuracy and currency of crucial details, such as registered office addresses and directorship information.
- d. **Assessment of Company Activity:** Consistent filing of annual returns indicates a company's active status. Inactive or dormant companies may face specific regulatory requirements or potential deregistration

## Consequences of Non-Compliance

Failure to file annual returns can lead to severe consequences for businesses:

- a. **Delisting:** Companies that repeatedly fail to file annual returns may face delisting from the CAC database, if it fails to file for a period of 10 years, its name will be struck out of the companies register losing their legal status and privileges S. 425 (3) CAMA, 2020.
- b. **Government Contracts:** Non-compliance can result in the loss of opportunities for government contracts, bids, and grants, as these are often awarded to companies with up-to-date filings with the CAC.
- c. **Name Reassignment:** A name that was chosen as a preferred business name can be reassigned to another entity if the company fails to file its annual returns.
- d. **Visa Denial:** Visa applications may be rejected upon background check if an applicant's company profile is found to be inactive



## Filing Deadlines for Different Entities

Different types of entities have specific deadlines for filing their annual returns.

- a. Newly registered companies, the requirement to file annual returns starts 18 months after their incorporation. S.417 CAMA
- b. Limited liability companies, both private and public, must submit their returns within 42 days after conducting their annual general meeting (AGM) for the year S. 421 of CAMA 2020
- c. Business names such as sole proprietorships and partnerships, are required to file their returns not later than 30th day of June each year, except the year it was registered S.822(1) CAMA 2020
- d. Incorporated trustees are required to file between 30th June and 31st December annually, except the year it was incorporated S.848 (1) CAMA 2020

## Conclusion

The filing of annual returns is a fundamental responsibility that Nigerian companies, business names, and incorporated trustees must take seriously. It not only holds significant legal implications but also plays a vital role in promoting transparency and accountability in the corporate landscape. To ensure compliance with all regulations and deadlines, it is advisable for businesses to seek guidance from accredited lawyers. By fulfilling this obligation promptly and accurately, companies can maintain their status, adhere to legal requirements, and contribute to a robust and trustworthy business environment in Nigeria.

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