



S.O Oloruntimehin & Co.



TAXES IN NIGERIA (2)



www.soloruntimehin.com



This is the concluding part about our Taxes in Nigeria series. In this concluding part, we shall be discussing the tax regime for individuals in Nigeria

Tax Regime for Individuals

1. The Finance Act 2020 (the Act) amended some sections of the Personal Income Tax Act (PITA). The Act provides for tax rates applicable to the income of individuals and unincorporated entities. The Act also provides for consolidation relief allowance of NGN200,000 subject to a minimum of 1 percent of gross income whichever is higher plus 20 percent of the gross income and the balance shall be taxable.
2. Individuals resident in Nigeria are taxable on their worldwide income. Irrespective of where you earn your income, once you are resident in Nigeria, you are taxed under the Nigerian law. The principal basis of liability to tax under the Personal Income Tax Act is residency. A person is considered resident if one is physically in Nigeria for at least 183 days (including leave and temporary absence) in any 12-month period or serves as a diplomat or diplomatic agent of Nigeria abroad.
3. Employees who earn not more than the National Minimum Wage (currently N30,000) are no longer liable to tax or deduction of monthly PAYE. Only individuals who earn more than the minimum wage are expected to pay for Pay as You Earn (PAYE).

4. Gains accruing to a person from a disposal of such asset by the Nigerian government securities shall not be a chargeable gain under the amended Capital Gains Act. Section 30 of the Capital Gains Tax Act (Amended).
5. **Minimum Income Tax** – Where a taxpayer has no taxable income because of personal reliefs and allowances or total income produces a tax lower than the minimum tax, a minimum tax rate of 1% of the total income is payable.
6. Foreign persons earning business profits from Nigeria are taxed under Section 6 of PITA once a fixed base/taxable presence is created subject to existing treaties.
7. Section 6(A) of the Personal Income Tax Act introduces the Significant Economic Presence (SEP) rules to the taxation of non-resident individuals, executors or trustees carrying on a trade or business comprising Technical, Professional Management or Consultancy (TPMC) services to persons resident in Nigeria. The Minister of Finance may by order define what constitutes SEP for this purpose.
8. **Personal Income Tax Rate** – The table below shows a summary of the taxable income tax bands and applicable rates of tax on an annual basis.

<i>Annual income (NGN)</i>	<i>Personal income tax (PIT) rate (%)</i>
First 300,000	7
Next 300,000	11
Next 500,000	15
Next 500,000	19
Next 1,600,000	21
Above 3,200,000	24

9. A non-resident person in Nigeria is liable to tax in Nigeria if the duties of employment are wholly or partly performed in Nigeria, unless:
- the duties are performed on behalf of an employer who is in a country other than Nigeria,
 - the remuneration of the employee is not borne by a fixed base of the employer in Nigeria, and
 - The remuneration of the employee is liable to tax in that other country under the provisions of the avoidance of double taxation treaty (DTT) with that other country.

10. National Housing Funds contributions are applicable to Nigerian employees earning a minimum of NGN 3,000 per annum. The employer is required to deduct 2.5% of basic salary from employees earning more than NGN 3,000 per annum and remit it to the Federal Mortgage Bank of Nigeria within one month of deduction.
11. Pension Contributions – The Pension Act signed on 1 July 2014 provides that employers with at least 15 employees are required to participate in a contributory pension scheme for their employees. The minimum contribution under the Pension Act is 18% of monthly emolument (with a minimum contribution of 10% by the employer and 8% by the employee). If the employer decides to bear all the contribution, the minimum contribution is 20% of monthly emolument. Mandatory and/or voluntary contributions by the employers and employees to schemes approved by the Pension Act are deductible for tax purposes.

Do you need further information on taxes applicable to individuals in Nigeria?

Why not **contact us** today.