

JOINT TAX BOARD GUIDELINES FOR THE OPERATION OF PAYE SCHEME

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1. INTRODUCTION

Employers of labour are expected to use these PAYE guidelines as the standard for making tax deductions and tax payments to tax offices in respect of their employees on a monthly basis.

The guidelines apply to all incomes (i.e. emoluments which includes salary and allowances) of an employee derived or deemed to be derived from Nigeria whether or not such income is received in Nigeria.

All Employers of Labour, Agents and Consultants should ensure that all employees make full disclosure of all their incomes at the beginning of the year (whether or not such income is received in Nigeria or nor) when tax forms 'A' are completed by them before returning same to the tax office.

Such disclosure should encompass as required by law all incomes earned, accruable, derived or accumulated in Nigeria. This includes disclosure of income paid both in Nigeria and outside Nigeria as well as full disclosure of **ALL** salaries and allowances paid either in cash or in kind.

Employers of Labour, Tax Agents and Consultants, and Employees who engage in incomplete disclosure of income are liable to being charged for concealment of information with intent to defraud the Government of Nigeria, an act chargeable under the criminal code of Nigeria.

The Board hereby urges all employers of labour both in the public and private sectors, to fully implement the contents of these guidelines in order to ensure a hitch free Pay-As-You-Earn (PAYE) Tax Scheme operation.

2. **DEFINITION OF TERMS**

2.1 **"Assessable Income"** refers to the income of an employee for each year of assessment from each and every source of his income.

2.2 **"Employment"** includes any service rendered by any person in return for any gains or profits including appointment or office, whether public or otherwise, for which remuneration is payable, and "employee" and "employer" shall be constructed accordingly: the gain or profit from an employment shall be deemed to be derived from Nigeria if the duties of the employment are wholly or partly performed in Nigeria, or the employer is in Nigeria, whether the gains or profits are received in Nigeria or not.

2.3 **"Emoluments"** means total emoluments including all allowances, salaries, wages, perquisites, bonuses, and compensation;

2.4 **“Fringe Benefits or Benefits-in-kind”** means benefits accruable to an employee when an:

- (a) Employer’s asset is put in the Employee’s use (For tax purposes, the deemed value of such benefit accruing to the employee is 5% of the acquisition cost if known or 5% of the market value of the asset at the time of acquisition)
- (b) Employer rents or hires an asset which he puts into the use of an employee (For tax purposes, the employee will be charged with the difference between the amount incurred by the employers and any amount refunded to the employer by the employee)

2.5 **“Income Tax Reliefs”** in relation to any year of assessment, means the sum of personal allowances and other reliefs given to an employee in a year of assessment;

2.6 **“Taxable Emolument”** means emoluments reduced by tax-free emoluments;

2.7 **“Tax Deduction Cards”** means a tax deduction card in the form prescribed by the relevant tax authority or such other document as may be authorized by the relevant tax authority

2.8 **“Total Income”** means in relation to an individual for a year of assessment, his aggregate assessable income for that year after the additions and deductions as allowed in the statute are factored in

2.9 **“Year of Assessment”** means the period of 12 months commencing on the first day of January of a year

3. **INCOME CHARGEABLE TO TAX**

In line with section 3(1) of PITA, LFN 2004

3.1 An employee’s income chargeable to tax is the income for the year, from **ALL** sources inside or outside Nigeria, including any **salary, wage, fee, allowance or other gain or profit from employment**

compensations, bonuses, premiums, benefits and other perquisites allowed, given or granted by any person to an employee other than:

- a) So much of any such sums as may be admitted by the relevant tax authority to represent **reimbursement** to the employee or expenses incurred by him in the performance of his duties, and from which it is not intended that the employee should make any profit or gain;
- b) Medical or dental expenses incurred by the employee;
- c) The cost of any passage to or from Nigeria incurred by the employee;
- d) Any sum paid in respect of the maintenance or education of a child if any provision of this Act provides that any sum received by the employee during a year of assessment shall be deducted from the personal relief to be granted to him for the next following year;
- e) So much of any amount of rent the employee is treated as being in receipt equal to the annual amount deemed to be incurred by the employer under the provisions of sections 4 of the Act;
- f) So much of any amount of rent the employee is treated as having received under the provisions of section 5 of the Act;
- g) So much of the amount of rent subsidy or rent allowance paid by the employer, to or on account, for the employee not exceeding ₦150,000 per annum;
- h) The amount not exceeding ₦20,000 per annum paid to an employee as transport allowance;
- i) Meal subsidy or meal allowance, subject to a maximum of ₦5,000 per annum;
- j) Utility allowance of ₦10,000 per annum;

- k) Entertainment allowance of ₦6,000 per annum;
- l) Leave grant, subject to a maximum of ten percent of annual basic salary

3.2 The Board emphasizes that fringe benefits and/or benefits in kind of an employee **are taxable** whether they are monetized or in kind.

4. TAX RATES, RELIEFS AND ALLOWANCES

4.1 Personal Income Tax Rate Structure:

The tax rates in the table below are applicable to an employee's taxable income with effect from 1st January, 2001 after reliefs have been deducted. The minimum tax rate payable is 0.5% for any emolument below ₦30,000.00 per annum while the maximum tax rate is 25%

The detailed Tax rates are as follows:

Employers of labour are required to adhere strictly to this tax rate structure unless new rates are issued by the Joint Tax Board, which will be only after the National Assembly has passed the amendments of relevant sections of PITA, LFN 2004

Income to be taxed	Taxable Band	Income rate of Tax	Percentage
For every naira	First ₦30,000	5k per ₦	5%
For every naira	Next ₦30,000	10k per ₦	10%
For every naira	Next ₦50,000	15k per ₦	15%

For every naira	Next ₦50,000	20k per ₦	20%
For every naira above	Next ₦160,000	25k per ₦	25%

4.2 Tax Reliefs (Allowances)

An employee enjoys certain reliefs (allowances) which are normally deducted from his salary before the balance is subjected to tax. Such reliefs are stated in the table below:

Type	Relief	Remarks
1. Personal relief	20% of Earned Income + ₦5,000	
2. Children's relief	₦2,500 per child up to a maximum of 4 children	Attach Evidence
3. Dependant Relatives relief	₦2,000 per dependant subject to a maximum of two (2) dependants	
4. Life Assurance	100% of sums paid	Attach Evidence
5. Pension Contribution	100% of sum paid	
6. Rent Allowance	Where the employer pays directly to the employee the law allows what is paid to the employee up to a maximum of ₦150,000 per annum with effect from 1/1/2001	Where free accommodation is provided by the employer to the employee, the ratable value of the property will continue to be used in arriving at the Benefit-in-kind of the employee for tax purpose
7. Transport Allowance	The maximum non taxable allowance with effect from 1 st January, 2001 is ₦15,000 per annum	
8. Leave Allowance	A maximum sum of 10% of annual basic salary	Any amount in excess of this is therefore taxable
9. Meal Subsidy Allowance	Meal subsidy/allowance is ₦5,000 per annum with effect from 1/1/99	Any excess is taxable
10. Utility Allowance	Utility allowance is ₦10,000 per annum with effect from 1/1/99	Any excess is taxable
11. Entertainment	Entertainment allowance is	Any excess is taxable

allowance	₦6,000 per annum with effect from 1/1/99	
12. Interest on loan in respect of owner-occupier premises	100% subject to the approval of the Board and the relevant tax authority	
13. Meal in the employer's canteen or non-transferable luncheon vouchers	100%	
14. Disability allowance	Disability allowance is ₦3,000 for the disabled	Limited to 10% of earned income if it is less than 3,000
15. Compensation for loss of office	100% subject to approval by the Board	Effective from January 1, 1996
16. Retirement Gratuities	100% subject to approval by the Board after ascertainment	Effective from January 1, 1996
17. All other allowances paid to an employee	Nil	All are taxable

5. PROCEDURES FOR ADMINISTERING PAYE

5.1 The law stipulates that an employer is answerable for PAYE taxes deducted or to be deducted and paid to government.

5.2 Collection of Tax Form A by Employers:

Tax Forms 'A' will be supplied free of charge to employees through their employers. Employers should approach the relevant Tax Offices in their various States (including the FCT) where they operate to collect tax Form 'A', for distribution to their employees.

5.3 Completion of Tax Forms collected by employees

5.3.1 Employers should certify the correctness of the **salaries** and **allowances** declared in the forms by their employees to ensure that correct reliefs are granted the employee.

5.3.2 Employees whose forms are not fully completed and certifies by their employers may experience delay in getting their tax deduction cards

5.4 Returns of Completed Tax Forms A by Employers

5.4.1 All Tax Deduction Cards (TDC) used in operation of the PAYE Scheme and End of Year returns should be returned to the relevant tax authorities not later than **January 31st** of the next year

5.4.2 Employer Annual Declaration **Form H1** for use in any year should be returned not later than **31st January of that year**

5.4.3 Tax Deduction Cards shall continue to be treated strictly as security documents when returned to the Tax Office

5.4.4 Only authorized officers shall endorse the Cards. Employers labour are therefore requested to familiarize themselves with the specimen signatures of the authorized officers in the relevant tax stations in the State where they operate or the Federal Capital Territory where applicable

5.4.5 Where an employer of labour is found operating PAYE system with forged of fake Tax Deduction Cards, appropriate sanctions will be imposed on such employer. Such employers are also liable for prosecution under the Criminal Act of Nigeria

5.5 Submission of End of Year Returns

5.5.1 End of Year Returns must be submitted along with Tax Deduction Cards not later than **31st January of that year**. The year's returns

must show the name of employees, total emoluments, total reliefs granted and tax paid by the employees

5.5.2 Submission of evidence of payment (Receipts) to the tax office

5.5.3 Granting of reliefs for employees on Tax Deduction Cards and return of same to employers

5.6 Remittance of PAYE Deductions

5.6.1 Remittances must be done **within 10 days of the end of each month** in order to prevent payment of interest and penalty for late payment. A receipt must be collected by the employer for any remittance made

6. PROCEDURES FOR OBTAINING TAX CLEARANCE CERTIFICATE

6.1. Any employee who wants a Tax Clearance Certificate (**TCC**) should submit an application for a TCC accompanied with a certificate of payment and tax (Form H2) showing 3 years tax payment for the 3 preceding years.

6.2 A Tax Clearance Certificate will be issued to all employees **on request** subject to the return of annual Tax Deduction Cards (TDC's) and End of Year Returns for that year showing evidence of payment of tax for the three preceding years.

6.3 The Tax office will issue a TCC within 14 days from the date of receipt of the application from an employee **or** state reasons for denial

6.4 Applications for Tax Clearance Certificates by employers on behalf of employees should be accompanied by fully completed and

certified Forms H2. **Only the relevant tax offices are authorized to process such applications**

- 6.5 Such applications should reach the Tax Offices at least **two weeks** in advance of collection. Applications must be accompanied by, among other basic requirements, the relevant tax returns in respect of these employees
- 6.6 Please note that unless the above requirements are met, applications made will not be processed.

7. **PROCEDURES FOR OBTAINING TAX REFUNDS IN THE EVENT OF OVERPAYMENT**

Where an overpayment of tax by an employee is established, he is entitled to tax refund as may be directed by the tax authority. The employer may be directed to refund the overpayment to the employee within the year of assessment during which period the employee obtained his tax relief. Set-off overpayment in a current year may also be available in the next year of assessment provided that full taxes have been paid and remitted for the current and previous years of assessment.

8. **OFFENCES, PENALTIES AND SANCTIONS**

An attempt to willfully cover, conceal or evade taxes is a criminal act and therefore, offences are as prescribed under the Criminal Code of Nigeria. In addition, there are specific offences as stated in the tax laws and stiff penalties prescribed where an employer or employee commits such an offence. Some of such offences include:

8.1 **Some Offences and related sanctions**

Offence	Penalty
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Under Deduction	10% penalty plus interest at prevailing bank commercial rate
Non Remittance	10% penalty plus interest at prevailing bank commercial rate
Non Deduction	10% penalty plus interest at prevailing bank commercial rate
Late Remittance	10% penalty plus interest at prevailing bank commercial rate
False and incorrect	₦5,000 and/or 5 years imprisonment
Statement or returns	

8.2 An employer commits an offence when he fails to register with a tax office within six months of commencing a business for the purpose of deducting income tax from his employees with or without formal notification or direction by the relevant tax authority.

8.3 It is an offence to make to incorrect or false statements and returns or failing to comply with the requirements of a notice served on an employer. It also includes understating any income liable to tax, preparing false accounts, unlawfully refusing or neglecting to pay tax.

8.4 Regulation 19 of the PAYE Regulations 2002, stipulates that: 'where an offence under these Regulations or the Act is committed by a body corporate or firm or other association of individuals

- (a) every director, manager, secretary or officer of the body corporate;
- (b) every partner or officer of the firm; or
- (c) every person concerned in the management of the affairs of the body corporate;

shall be severally liable for the commission of the offence

9. ADDITIONAL PAYE ASSESSMENT

Where an employer fails to disclose all emoluments paid to an employee or under deducts, or under remits tax from employees, the tax authority may assess such income to tax for the proceeding six (6) years in the hands of the employer.

10. RIGHTS OF OBJECTION AND APPEAL

An employee can object and/or appeal against an assessment raised by the tax office if he is aggrieved within 30 days from the service upon him of a notice of assessment. Such an aggrieved employee must state his grounds of objection before the tax authority can review the assessment and make amendments where necessary.

11. RELEVANT TAX AUTHORITIES

For the purpose of Personal Income Tax Administration (PAYE):

- 11.1 The Federal Inland Revenue Service has jurisdiction over the following:
 - 11.1.1 Residents of the Federal Capital Territory
 - 11.1.2 Staff of the Armed Forces, Nigeria Police, Ministry of Foreign Affairs and non residents
- 11.2 The States Boards of Internal Revenue have jurisdiction over individuals within their State
- 11.3 Contact information for the relevant tax authorities in the Federation are as stated below:

S/N	State	Addresses
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1.	Abia	Abia State Board of Internal Revenue HQ, Finbarr's Road, Umuahia.
2.	Adamawa	Adamawa State Board of Internal Revenue HQ, Former Accountant General Office, Near Post Office, Yola.
3.	Akwa Ibom	Akwa Ibom State Board of Internal Revenue HQ,Block 9, State Secretariat HQ, Uyo.
4.	Anambra	Anambra State Board of Internal Revenue HQ, Government House , Awka.
5.	Bauchi	Bauchi State Board of Internal Revenue HQ, Ahmadu Bello Way, Bauchi.
6.	Bayelsa	Bayelsa State Board of Internal Revenue HQ, Revenue House, Lambert Eradiri Road, Onapa, Yenagoa.
7.	Benue	Benue State Board of Internal Revenue HQ, State Secretariat, Makurdi.
8.	Borno	Borno State Board of Internal Revenue HQ, Jos Road, Maiduguri.
9.	Cross River	Cross- River State Board of Internal Revenue HQ, New State Secretariat, Calabar.
10.	Delta	Delta State Board of Internal Revenue HQ, 64 Okumagba Avenue, Warri.
11.	Ebonyi	Ebonyi State Board of Internal Revenue HQ, No. 1 Town Planning Way, Abakaliki.
12.	Edo	Edo State Board of Internal Revenue HQ, 80 New Lagos Road, Benin City.
13.	Ekiti	Ekiti State Board of Internal Revenue HQ, Old Governor's Office, G.R.A., Ado- Ekiti
14.	Enugu	Enugu State Board of Internal Revenue HQ, 7 Richway Road, Government Secretariat, Enugu
15.	Federal Capital Territory, Abuja (Asokoro, Nyanya, Karu, Jikwoyi, Garki II, Apo and Durumi Areas.)	FIRS, Garki ITO, 12 Port Harcourt Crescent , Area 11, Garki.
16.	Federal Capital Territory,	FIRS Wuse ITO, Plot 48 Sudan Street, Zone 6, Wuse, Abuja.

	Abuja (Wuse, Wuse II, Mabushi, Life Camp, Utako, Jabi, Kado,, Gwagwa, Idu Karimu, Deidie Areas)	
17.	Federal Capital Territory, Abuja (Central Business District, Airport Road, Lugbe, Dutse, Maitama, Bwari, Kubwa, and Gwarimpa Areas.)	FIRS Central ITO, Owena House, Central Business District, Abuja .
18.	Federal Capital Territory, Abuja (Federal Ministries, Parastals, Agencies and Non Residents)	FIRS Large Tax Office, NACB Building, Airport Road, Central District, Abuja .
19.	Federal Capital Territory, Abuja (Gwagwalada, Abaji, Kwali, and Kuje)	FIRS Gwagwalada ITO, FCT Secretariat, Gwagwalada .
20.	Gombe	Gombe State Board of Internal Revenue HQ, Jeka-da-Fari Road, Gombe .
21.	Imo	Imo State Board of Internal Revenue HQ, Block 4, 3 rd Floor, New Secretariat, Port-Harcourt Road, Owerri .
22.	Jigawa	Jigawa State Board of Internal Revenue HQ, Dutse Old Secretariat, Duste .
23.	Kaduna	Kaduna State Board of Internal Revenue HQ, Olusegun Obasanjo House, Yakubu Gowon Way, Kaduna .
24.	Kano	Kano State Board of Internal Revenue HQ, Bank Road, Kano
25.	Katsina	Katsina State Board of Internal

		Revenue HQ, Justice Muhammadu Bello Road, G.R.A. Katsina.
26.	Kebbi	Kebbi State Board of Internal Revenue HQ, Sultan Abubakar Road, Birnin Kebbi.
27.	Kogi	Kogi State Board of Internal Revenue HQ, Along Marie Road, Lokoja.
28.	Kwara	Kwara State Board of Internal Revenue HQ, No. 2 Layorin Street, Adjacent Police HQ, Ilorin.
29.	Lagos	Lagos State Internal Revenue Service, Good Shepherd Building, Opposite Lagos State Secretariat Main Gate, Alausa, Ikeja.
30.	Nasarawa	Nassarawa State Board of Internal Revenue HQ, Opposite Emir's Palace, Lafia.
31.	Niger	Niger State Board of Internal Revenue HQ, Niger State Old Secretariat, Minna.
32.	Ogun	Ogun State Internal Revenue Service, Oke – Mosan, Abeokuta.
33.	Ondo	Ondo State Board of Internal Revenue HQ, Ministry of Finance & Economic Planning, Alagbaka, Akure,
34.	Osun	Osun State Board of Internal Revenue HQ, New Governor's Office, Gbongan Road, Osogbo.
35.	Oyo	Oyo State Board of Internal Revenue HQ, Government Secretariat, Agodi, Ibadan.
36.	Plateau	Plateau State Board of Internal Revenue HQ, 7 Beach Road, Jos
37.	Rivers	Rivers State Board of Internal Revenue HQ, 22 William Jumbo Street, Old G.R.A. Port Harcourt.
38.	Sokoto	Sokoto State Board of Internal Revenue HQ, Ibrahim Dasuki Road, Sokoto
39.	Taraba	Taraba State Board of Internal Revenue HQ, 56, Hamaruwa Way, Jalingo.
40.	Yobe	Yobe State Board of Internal Revenue HQ, Kano Road, Damaturu.
41.	Zamfara	Zamfara State Board of Internal Revenue HQ, Sani Abacha Way, Opposite Tudun Wada Juma'at Mosque, Gusau.

Signed:

Femi Edgal

Secretary

Joint Tax Board

It pays

To pay your

Tax!!

