



LAGOS STATE GOVERNMENT

PUBLIC NOTICE



DEFINITION OF GROSS INCOME AND EXEMPTION OF MINIMUM WAGE OR LOWER EMPLOYMENT INCOME FROM PERSONAL INCOME TAX

The Lagos State Internal Revenue Service (LIRS) is issuing this Public Notice to all employers, company owners or their representatives, employees, high net worth individuals and other members of the public. It is to provide clarifications on the revised definition of Gross Income, exemption of certain level of employment income from tax as enacted under Finance Act (FA) 2020 and demonstrate the implications of these on computation of tax due, through simple schema. The Public Notice is not intended to amend or override the provisions of any law in force in Nigeria including but not limited to Personal Income Tax Act (PITA) 2004 as amended.

Definition of Gross Income

Legal Basis:

Section 33(2) of PITA as amended by Section 29(2) of FA 2020 provides thus:

"For the purposes of this section, "Gross Income" means income from all sources, less all non-taxable income, income on which no further tax is payable, tax-exempt items listed in paragraph (2) of the Sixth Schedule and all allowable business expenses and capital allowances".

Explanation:

Based on the above stated provision, all statutory contributions to National Housing Fund, National Health Insurance Scheme, National Pension Scheme, Life Assurance Premium and Gratuities as enjoyed or subscribed to, by the taxpayer, non-taxable items and tax-exempt items are to be deducted from the Total Income from all sources, to arrive at the Gross Income of a taxpayer which serves as basis for computation of Consolidated Relief Allowance (CRA).

Restriction on Application of Minimum Tax

Legal Basis:

a) Section 37 of PITA as amended by Section 30 of FA 2020 states thus:

"Provided that minimum tax under this section or as provided for under the Sixth Schedule to this Act shall not apply to a person in any year of assessment where such person earns the National Minimum Wage or less from an employment."

b) Paragraph 33 was added to the Third Schedule of PITA (as per Section 33 FA 2020). The Third Schedule is a catalogue of tax exempt items. Paragraph 33 to the Third Schedule PITA states as under:

"The income of a person from an employment where such person earns gross income of National Minimum Wage or less from such employment."

Explanation:

a) All taxable persons in employment earning the gross income of national minimum wage (currently set at **N 30,000=** monthly i.e. **N 360,000=** per annum) or less are expressly exempted from paying Personal Income Tax on the employment income.

b) Additional Income from other sources excluding salaried employment of taxable persons on national minimum wage or less, shall be subject to tax at applicable rate(s)

Compliance Requirements

1. All taxable persons (whether in salaried employment or self-employed) within the State are required to file their statutory annual income tax returns via the e-Tax platform;
2. PAYE Operators including Employers of Labour are required to **ensure their payroll register or application in use, reflect the new definition of Gross Income and exemptions of employment income at minimum wage threshold from tax (minimum tax inclusive), in their tax computations.**

Simplified schematic formats to guide PAYE and Direct/Self-Assessment tax computations in accordance with FA 2020 are attached as appendices A & B respectively, for ease of reference.

STRICT COMPLIANCE IS HEREBY ADVISED.

For further enquiries, please call **0700-CALL LIRS (0700 2255 5477)** or visit www.lirs.gov.ng

Signed

Ayodele Subair
Executive Chairman

Lagos State Internal Revenue Service

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Alausa, Ikeja, Lagos State. E: info@lirs.gov.ng Tel: 0700-CALL LIRS (0700 2255 5477)

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Appendix A

PAYE Schema*		
Description	N	N
Employment Income from All Sources		XXXX
Less: Non-Taxable Income		
Pension	XX	
National Housing Fund (If applicable)	XX	
National Health Insurance Scheme (If applicable)	XX	
Life Assurance (If applicable)	XX	
Gratuity (If applicable)	XX	(XXX)
Gross Income		XXXX
Less: Consolidated Relief Allowance (CRA)		
20% of Gross Income + (N200,000 or 1% of Gross Income, whichever is higher)		(XX)
Chargeable Income		XXX

*Graduated tax rates shall be applied on the Chargeable Income in accordance with the Sixth Schedule of PITA to determine Tax Payable.

Appendix B1

Direct / Self-Assessment Schema **		
Description	N	N
Earned Income from Employment	XXXX	
Earned Income from Trading/Business ** (see B2 below)	XX	
Franked Investment Income	XXX	
Gross Unearned Income	XXX	
Total Income		XXXX
Less:		
Franked Investment Income	XXX	
Less: Non-Taxable Income/Items		
Pension	XX	
National Housing Fund (If applicable)	XX	
National Health Insurance Scheme (If applicable)	XX	
Life Assurance (If applicable)	XX	
Gratuity (If applicable)	XX	(XXX)
Gross Income		XXXX
Less: Consolidated Relief Allowance (CRA)		
20% of Gross Income + (N200,000 or 1% of Gross Income, whichever is higher)		(XX)
Chargeable Income		XXX
*Tax Payable		XXX
Less: Withholding Tax Credit		(X)
Less: PAYE Remittance (If applicable)		(X)
Tax Outstanding/(Refundable)		X/(X)

**Graduated tax rates shall be applied on the Chargeable Income in accordance with the Sixth Schedule of PITA to determine Tax Payable.

Appendix B2

Trading Income ***		
FINANCIAL DETAILS	N	N
Revenues		XXXX
Cost of Sales		(XX)
Gross Profit		XXX
Other Income		XX
Operating Income		XXXX
Operating Expenses	XX	
Capital Allowances	XX	
Loss Relief	XX	
Total Allowable Deductions		(XX)
Earned Income from Trading		XX

***Earned Income from Trading/Business is calculated by aggregating income from gross profit and all other sources relating to the enterprise, from which allowable business expenses and capital allowances are deducted.