

## Personal Taxes in Nigeria

Cumulative income	Tax rate	Tax due
N30,000	5%	N1,500
N60,000	10%	N3,000
N110,000	15%	N7,500
N160,000	20%	N10,000

Withholding tax is applicable to both residents and non-residents. They are final taxes for non-residents and withholding tax on dividend is final tax for resident companies

### Education tax ( Act of 1993)

This is a tax chargeable on the Adjusted or assessable profit of companies.

The applicable rate is 2% of the assessable profit of companies and the revenue that accrue from this source is being channel to the development of educational institutions in Nigeria

Education Trust Fund administers the fund

### Value Added Tax (Amendment Act 2007)

VAT is a consumption tax and the applicable rate in Nigeria on goods and services is 5%.

The relevant Authority to collect VAT is Federal Inland Revenue Service.

Companies to issue tax invoice for all supplies of taxable goods and services. The tax invoice must contain the following

- a) Tax payers identification number
- b) Name and Address
- c) VAT registration number
- d) The date of supply
- e) Name of purchaser or client
- f) Gross amount of transaction
- g) Tax charged and rate applied

Vat returns must be filed latest on the 21st day following the month of supply of the taxable goods and services.

Failure to submit returns to the relevant tax Authority attracts a fine of N5,000 for every month the failure continues.

Companies in the oil and gas sector are to deduct VAT at source.

Government agencies are to deduct VAT at source

Non remittance of VAT attracts a penalty at 5% of the VAT amount due plus interest at commercial rate.

Registration of companies for VAT is to be done: Six months of the commencement of business

## Exempted Goods and Services

### Goods Exempt

- a) All medical and pharmaceutical products
- b) Basic goods items
- c) Baby products
- d) All exports
- e) Name of purchaser or client
- f) Fertilizer, locally produced agricultural and veterinary medicine, farming transportation equipment.
- g) Plant, machinery and goods imported for use in the Export Processing Zone.
- h) Tractors, plough and agricultural equipment and implements purchased for agricultural purposes.
- i) Plant, Machinery and Equipment purchased for utilization of gas in down stream petroleum operations.

### Services Exempt

- a) Medical services
- b) Services rendered by Micro finance banks, Peoples banks and Mortgage institutions
- c) Play and performance conducted by educational institutions as part of learning
- d) All exported services

### Zero Rated Goods and Services

- a) Non oil exports
- b) Goods and services purchased by Diplomats
- c) Goods purchased for use in humanitarian donor funded projects.

Zero Rated Goods and Services are tax exempt but in addition any input tax suffered on the goods and services will be refunded

## Oil and Gas Companies (Petroleum profit tax Act 1990)

Only the profit of petroleum exploration and operations companies are chargeable to tax under the petroleum profit tax act 1990 as amended.

The applicable rate of tax on the profit of petroleum operations companies is 85% and these companies are classified under upstream sector

While the Downstream sector comprises of Major oil marketing companies, Independent oil marketers, Oil servicing companies.

The profit of companies under downstream sector is chargeable to tax under companies income tax amendment act of 2007 and the applicable rate is 30%

### National Information Technology Development Agency Act 2007

This a levy of 1% of the profit before tax of companies and enterprises with an annual turnover of N100,000,000 and such paid by the companies shall be tax deductible.

Companies under these sectors are affected in NITDA

- a) GSM service providers and all telecommunication companies
- b) Cyber companies and internet providers
- c) Pension managers and pension related companies
- d) Banks and other financial institutions
- e) Insurance companies

### Personal Income Tax (PITA No 104 of 1993)

Personal income tax is a tax on the income of individuals, partnership and unincorporated bodies. The act identifies taxable persons and determines their assessable income and tax that income.

It also determines the residence of the tax payers and the source of origin of his income.

Two forms of taxes are administered under this act namely Pay as you earn (PAYE) for instance, taxes from employment income and taxes from business income

### Graduated Rates of Tax

Chargeable income

1st N30,000

Next N30,000

Next N50,000

Next N50,000

Above N160,000

### Tax Exemptions and Reliefs

#### Reliefs

a) Personal Allowance 20% of Earned income plus N5,000

b) Disabled Person Allowance- This is an additional personal allowance for disabled persons which is N3,000 or 20% of Earned income (Whichever that is higher)

- c) Children Allowance N2,500 per child, maximum of four children
  - d) Dependant Relatives N2,000 per dependant subject to maximum of two Dependants
- Life Assurance Policy Actual premium paid in the year

Non Taxable Allowances

- a) Housing Allowance the maximum non taxable allowance is N150,000 per annum
- b) Transport Allowance the maximum non taxable allowance is N20,000
- c) Leave Allowance The maximum sum is 10% of annual basic salary of the taxpayer is not taxable
- d) Meal subsidy/allowance the maximum non taxable allowance is N5,000 per annum
- e) Utility allowance the maximum non taxable allowance is N10,000 per annum
- f) Entertainment allowance the maximum non taxable allowance is N6,000 per annum
- g) Pension the maximum sum is 7.5% of the annual total emolument is not taxable. Total emolument comprises of; Basic salary, Housing allowance and Transport allowance

*Provided by Sola Oyetayo & Co, Nigeria*