



WEBINAR SERIES

CIPM & YOU

JULY EDITION

55TH ANNIVERSARY

CHARTERED INSTITUTE OF PERSONNEL MANAGEMENT OF NIGERIA

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3:00 PM - 4.30 PM, WAT

THEME

**STATUTORY DEDUCTIONS:
TAX, PENSIONS AND OTHERS**

Overview

Statutory deductions are compulsory and legally backed subtractions made by employers from employees' earnings on behalf of the employees for the benefit of the employees. The statutory deductions have always provided a source of financing to nations and to a large extent can also be quite beneficial for the citizens of that nation where it is well used.

Statutory deductions are divided into two:

1. **Statutory deductions on Employees' Earnings:** These include:
 - a. Personal Income Tax popularly known as "Pay As You Earn (PAYE) based on the approved rate table.
 - b. Pension Contribution (a minimum of 8% of Basic pay, Housing and Transport Allowances) paid to the preferred Pension Fund Administrator
 - c. National Housing Fund: Now optional for private organisations but now 2.5% of monthly gross pay for those who want to contribute. This is based on the provision of Business Facilitation and Miscellaneous Act 2023.
 - d. National Health Insurance Scheme: This is common with the public service where 5% of monthly basic salary is deducted. The organized Private Sector (OPS) employees enjoy this as a perk of employment (no subtraction) as HMO.



2. **Statutory deductions from Employers:** These are borne as Cost To Company (CTC) and include:
 - a. Industrial Training Fund (ITF): 1% of annual gross pay payable before 31st March of the subsequent year.
 - b. Employee Compensation Scheme: Payable to NSITF, 1% of the annual gross pay and 1% of BHT (for NECA members)
 - c. Pension: 10% contribution to the preferred Pension Fund Administrator (PFA) of the employees.
 - d. National Health Insurance Scheme (NHIS): 10% of employee monthly basic contribution to the scheme
 - e. Group Life Assurance: This is to assure the beneficiary of the deceased employee to give them succour when their breadwinner is no more. This came about as a result of the PENCOM Act 2014.

Statutory deductions are compulsory without any deviation and evasion as non-compliance attracts penalties and jail sentences.

PAY AS YOU EARN (PAYE)

PAYE is an acronym for “Pay as You Earn”. It is a method of collecting personal income tax from employees’ salaries and wages through deduction at source by an employer as provided by the relevant sections of the Personal Income Tax Act (PITA) (S.81 of Personal Income Tax Act Cap P8 LFN 2011)

The due date for remitting PAYE is the 10th day of every month following the month of deduction to the relevant Tax Authority (RTA) of the residential place of the tax payer.

The current rates applicable to the chargeable (taxable) income are as follows:

- 1st N300,000 @ 7%
- Next N300,000 @ 11%
- Next N500,000 @ 15%
- Next N500,000 @ 19%
- Next N1,600,000 @ 21%
- Above N3,200,000 @ 24%

Comprehensive list of employees from whom PAYE deductions were made is continuously submitted on a monthly basis each time. PAYE is deducted and remitted to the Federal Inland Revenue Service (FIRS – IRS) for residents of FCT, police, members of the armed forces, officers of the Nigerian Foreign Service and non-residents that derive income/profit in Nigeria and to the States Boards of Internal Revenue (SBIR) for residents of the respective States.



FREQUENTLY ASKED QUESTIONS (FAQs)

1. **Are there any exemptions that would apply to SMEs, NGOs, contract staff, etc.**

The Business Facilitation Act for Small and Medium Enterprises gave exemptions to only the National Housing Fund. The statutory deductions are for employment and not for business. Private organisations are considered to be optional in subscribing to the National Housing Fund (NHF). However, every registered and resident organisation in Nigeria is expected to remit statutory deductions because that is where the government generate revenue for the provision of structure for the creation of greater Nigeria.

In line with Finance Act 2020, PAYE was exempted for staff or worker who earns the Minimum Wage (N30,000.00 per month or N360,000.00 per annum).

2. **What legislation backs statutory deductions [State relevant laws including federal, state & local government variations]. Give examples of government policy and priorities influence on taxes e.g., Lagos State's development goals & funding obligations.**

As professionals, we are expected to respect the laws of the land which is part of our code of conduct in CIPM. You are not only expected to know the law that supports or regulates your practice but must also respect and put into practice the provisions of the law. All the deductions are supported by one Act or the other as follows:

- a. **PAYE:** Taxes applicable to employees or workers are regulated by the Personal Income Tax Act (2011) (Amended). This Act provides for an interval in basis and everything that need to be done when adopting Personal Income Tax which is popularly known as PAYE.
- b. **Pension:** This is regulated by the Pension Reform Act (2014) (amended) which makes adequate provision for pension. The Pension Reform Act provides that contribution of 10% should be made by the employer and 8% by the employee. It also provides for voluntary contributions which you may decide out of the 10% and 8%, to contribute whatever percentage of your choice. The voluntary contribution has its own advantages as provided for by the Act that regulates pension practice in Nigeria. So, professionals responsible for compensation and payroll must be familiar with the Pension Reform Act (2014) as amended.
- c. **National Housing Fund (NHF):** This is the Act of 2018 as amended and it provides for who is eligible to contribute to the fund which is 2.5% of employee's basic salary. The law expects that 2.5% of employee's basic salary be deducted and remitted to the Federal Mortgage Bank who will keep custody of the fund and advance mortgage facility to the concerned at the appropriate time.

Some professionals do not have clue about these laws; hence put their organisations into problems. Meanwhile, your job as a professional is to provide solutions to your organisation and not to add to their problems. You must know the provisions of the Acts that regulates these deductions and put them into practice.



3. **How do we reconcile statutory deductions made on employee's salary, but not remitted?**

With your knowledge of computations of statutory deductions,

- a. Discuss with your employer on the need and importance of remitting them, and the consequences of non-remittance
- b. After option (a) fails, meet with the state internal revenue service officers/statutory offices nearest to the organisation and have a discussion on these non-remittances and they will be willing to help.

4. **For the NSITF scheme, are organisations expected to pay backlog from when the law came into being?**

Yes, organisations are expected to remit from when the law came to being (Employee Compensation Act 2010) as NSITF do move around to conduct back duty audits for compliance.

5. **In a situation when the employer deducted pension and tax but refused to remit the money to the relevant bodies. what can an employee do to ensure the employer does the needful especially tax remittance?**

With your knowledge of computations of statutory deductions;

- a. Discuss with your employer on the need and importance of remitting them and the consequences of non-remittance.
- b. After option a fails, meet with the state internal revenue service officers nearest to the organisation and have a discussion on these non-remittances and they will be willing to help.

6. **What do you do in a situation whereby your employer deducts but does not remit to your PFA? With your knowledge of computations of statutory deductions;**

- a. Discuss with your employer on the need and importance of remitting them, and the consequences of non-remittance
- b. After option (i) fails, meet with Pension Fund Administrator of employee's choice/PENCOM office closest to the organisation and have a discussion on these non-remittances and they will be willing to help e.g. (Lagos Address: 88 Oduduwa Cres, Ikeja GRA 101233, Ikeja, Lagos).

7. **Is Group life assurance same thing with life policy? If yes, is it paid by the employee or employer**

No, Group Life Assurance is mandated by law and part of the employer's responsibilities based on the provision of PENCOM Act 2014 as amended, while an employee can also choose to subscribe to personal life policy on his own volition to mitigate against risk and to reduce the PAYE payable for the subsequent year of tax assessment.



8. Throw more light about being a member of NECA and the basis for deductions depending on your membership of the body.

Nigeria Employers' Consultative Association (NECA) is the umbrella organisation of employers in the Organised Private Sector of Nigeria. Members enjoy certain privileges on statutory deductions while non-members do not e.g On NSITF, NECA members are charged 1% of basic pay, Housing and Transport Allowances while non-members are charged 1% of gross pay.

9. Are medical sectors such as laboratory or rehabilitation homes meant to pay these statutory deductions?

Yes, every entity where employment exist must pay statutory deductions.

10. Does a school with staff earning between N15000-28000 remit PAYE?

According to the Finance Act 2020 as amended till date, those earning below the minimum wage (N30,000) are exempted from paying personal income tax and the Business Facilitation (Miscellaneous) Act 2023 exempts them from National Housing Fund. the organisation can remit pension but be mindful that every employee must go home with two-third of their earnings (Labour Act Section 5(7)).

11. How is Personal Income Tax (PIT) calculated for a school owner?

Personal Income Tax for school Owner is calculated the normal way PIT is calculated based on the income of the school Owner monthly and annually using the rate table below after determining the Gross Income and Taxable Income:

First	N300,000	at	7%
Next	N300,000	at	11%
Next	N500,000	at	15%
Next	N500,000	at	19%
Next	N1,600,000	at	21%
Above	N3,200,000	at	24%

12. Why should the VC be taxed having been deducted from the already taxed salary of an employee for those whose VC is done by an Employer as a result of being re-employed after retirement?

A VC re-employed after retirement is entering into a new employment contract and earning income and must be taxed on the new earnings.

13. Have members of PENGASSAN and NUPENG agreed that NHF deduction be made from their members' salaries.



There are no news reports on any disagreement on the NHF deductions.

14. **How do we determine what percent that should be allocated to BHT on the payroll?**

There is no standard for BHT allocation and this is organisational specific.

15. **Can someone get his NHF fund in cash if he is not able to get the loan throughout his service year?**

Yes, you can. It is paid into your bank account at retirement

16. **Due to the recent Business Facilitation Act that makes the NHF deduction optional for private businesses, can businesses now stop the deduction/remittances of the NHF contributions?**

Yes, they can stop the deduction/remittances of the NHF contributions

17. **Does the Pension Reform Act, 2014 not allow the Employer to elect to make full contribution into the Employee's PFA and must it be at least 20% remittance?**

What the Act said was a "minimum of 10% Employer contribution and a minimum of 8% Employee contribution", an Employer can choose to do more than 20% remittance if it has the financial capacity to be consistent in remittance

18. **Please is Group life not a statutory payment on the part of employer? If yes, how is it deducted and does the employee take part of this as deduction?**

Employee does not take part in the payment of Group Life, its sole responsibility of the employer for the benefit the employees and it is calculated $0.006 \times \text{Annual Gross Pay} \times 3$ paid as annual premium.

19. **How can HR professionals in charge of payroll and compensation compute and remit the tax of remote employees?**

By regularly updating themselves via trainings and apply them to their daily job descriptions

20. **Is it right for an organisation to deduct the pension contributed for her employees when he or she resigns?**

Yes, and they should remit it to the preferred Pension Fund Administrator (PFA) of the resigned.

21. **Is it mandatory to split elements of employees' salary to Basic, Housing and Transport? Are there penalties for employers who operate a different compensation structure?**

No, there is no mandatory law that requires organisation to split salary into BHT. Some organisations can have "clean wage" where the salary is not split, but statutory compliance like PFA will be based on total package.



22. **What is the percentage of Tax (Payee) to be remitted?:**
The percentage should be in line with the tax table stated above
23. **What are the laws supporting the NHIS, NSITF and Group Life Assurance?**
NHIS – National Housing Insurance Act 2022
NSITF – Employee Compensation Act 2010
Group Life Assurance – Pension Reforms Act 2014
24. **With the new Business facilitation Act, there has been controversies around the statutory deduction being a percentage of the gross monthly income and not basic salary particularly with the new amendment, which makes it optional for private companies. Can you expatiate on this?**
There are no controversies at all as the Act was specifically for the Micro, Small and medium Enterprises (MSME) and the National Housing Fund part is very clear devoid of any misunderstanding.
25. **How do we check that our employers are remitting tax on our behalf and how can we ensure compliance?**
You should be request for evidence of your remittance of taxes and you can validate on the relevant authorities websites.
26. **In an organisation, do these statutory deductions and remittance apply to contract staff/workers?**
Yes, withholding tax applies to them on their earnings, pension and NHF depends on their contract.
27. **How one can retrieve deducted pension not credited to staff pension account after leaving an organisation?**
Speak with your Pension Fund Administrator and by extension visit the PENCOM zonal office closest to you for assistance.
28. **Please, what are the consequences of not remitting the deductions like PAYE and Pension on time?**
Fines and penalties, for PAYE, it can attract jail time
29. **Is the employee responsible for ensuring that his/her tax is remitted using his/her tax ID or is it the responsibility of the employer?**
It is the responsibility of both the Employer & employees.
30. **One of the challenges is getting providers of contract staff to be diligent in remitting the taxes of their staff. What plan does the tax authority have to ensure compliance?**



There is a provision in the Personal Income Tax Act 2011 that providers of contract staff should deduct and remit 5% of earnings as withholding Tax, the tax authority are moving around for strict compliance, it may take time but 100% will be achieved.

31. Are NGOs exempted from statutory deductions, especially ITF remittances?

No, they are not exempted, they must abide with statutory deductions

32. A situation whereby an employee leaves an organisation and has been registered and has a tax ID card, will the tax ID card still be useful in the new origination or a new tax ID card should be made?

The tax ID card will still be useful in the new organisation and anywhere the employee goes, same tax ID will be in use provided that there is no changes in the State of Residence with the new employer.

33. If an employee, who works in hotel earns net salary of N60, 000. How is the PAYE and Pension be computed?

The actual amount to pay as PAYE depends on certain things like, the salary structure of the split in the BHT which will affect the amount deducted pension. Using the PAYE computation, the monthly is ₦2682.75 and Pension will be ₦4,916.29

34. For the computation of PAYE, is this based on gross or the basic salary while for the Pension deduction of 8%, is it from employee gross or basic salary?

PAYE is on Gross pay, Pension is on basic pay, housing and transport allowances

35. I understand that NSITF is not a statutory deduction from employees' remuneration, However, it is statutory remittance organisations are required to make. Can more light be shed on this, its benefits for the employees, etc.

NSITF is to compensate insured employees who suffer occupational diseases, sustain injuries or disability from accident at the workplace. It is 1% of annual gross pay.

36. Please is Leave Allowance taxable?

Leave allowance is taxable for any income (it must be taxed)

37. Is there any consequences in the future for any organisation that did not deduct tax from her employee?

The consequence of being embarrassed with lock out, jail terms for its management and inability to vie for contracts for business.

38. Can an employer or company relief losses from such employee statutory deductions?

No, relief losses cannot be applied on employee statutory deductions.



39. Is remittance of pension compulsory for expatriate working in Nigeria?

No it is not compulsory except the expatriate has taken up the citizenship of Nigeria.

40. There was a webinar held on CIPM platform on May 19, 2022 that National Health Insurance Authority now replace National Health Insurance Scheme. Please can you speak more on this in terms of implementation and compliance?

National Health Insurance Act provides the framework of providing effective and efficient health services to Nigerians. The employer is to contribute 10% and employee 5% of the basic pay payable to a preferred healthcare provider of choice, mainly patronised by public servants, while private organisations have the health management organisations (HMOs), which forms part of perks enjoyed by the employees.

41. Some organisations delay the payment of pension till after staff's confirmation, 3 - 6 months. Is this right?

This is not right; it is illegal and should be discouraged

42. What pay element ought to be taxed on an employees pay. Should allowances such as car, leave and others be taxed?

Every income accrued by an employee is taxed leave, (car, accommodation (benefit in kind) is taxed

43. Are employees required to also register with other relevant organisations like the Pension Custodians?

Employees are to register with Pension Fund Administrators (PFAs) and not Pension Fund Custodians (PFCs)

44. In a situation whereby your company is remitting your HMO regularly but you are not getting quality treatment from the selected hospitals. Can such employee request for personal remittance to his/her private hospital account for proper treatment?

Based on the provision of the National Health Insurance Act, 2022. Every employee is expected to access and get quality healthcare, employees can request for a change of healthcare facility and if there are none, the employee can discuss with the employer first before using a private hospital on personal account.

45. Are there any employee benefits that are exempt from tax?

Yes, Meal served, telephone recharge directly to phone, provision of other statutory benefits like HMO, Group Life, Compensation of loss of office that is less than N10m (any amount N10m will be subjected to Capital Gain Tax at 10%)



46. **What happens when the revenue service platform of a state is not working? What can the company do?**
Every state has an internally generated revenue, so the revenue service agency will have a physical office(s).
47. **Are employers of NGOs with 2 employees required to pay PAYE?**
Yes. Employers are required to, even if, it is an employee, PAYE must be remitted.
48. **Please in the calculation of the CRA, would the 20% deduction from the gross emoluments be minused from the allowances. Example: Gross emolument- (pension or NHF if included) / 100 * 20 or from the gross emolument itself.**
One part of CRA Calculation: It is 20% X Gross Income (Gross Pay Minus Pension Minus NHF)
49. **Please is it mandatory to have one or both of NSITF scheme or/and Group Life Assurance as a private organisation.**
Yes, both are mandatory
50. **What presently constitute Tax relief and the Finance Act 2022 seems confusing?**
a. Those who earns the minimum wage (N360,000 annually) or below are exempted from tax
b. Those who subscribe to life Assurance are exempted from PAYE in subsequent year
c. Pension and NHF and Interest paid on Owner Occupied House that is on Mortgage serve as Tax reliefs as part of computation of CRA
51. **Please I will want to know if is okay to make remittance to the company's preferred PFA prior to the staff getting their PIN?**
Yes, but ensure you have a clear communication with the preferred PFA on ensuring allotting properly when the Personal Information Number (PIN) is available.
52. **As we have determined that the obligation to deduct is with the employer. With pioneer companies, dividends are exempted from tax. Are employees of a pioneer company exempt from statutory deductions too?**
Salaries and allowances of employees of a pioneer company are not exempted from PAYE.
53. **For business owners whose salary are not regular, how do they pay tax?**
They are expected to be pick a "self-assessment form" from the nearest state internal revenue service where they input income and other relevant details for PAYE computation.
54. **Some organisations deferred pension payment of their staff till after confirmation. Is this right?**



This is not right as it is against the Law.

55. Please how do tax rebate work for someone that remits life insurance?

If an employee takes an assurance policy in 2024 and pays premium on his own, he can present documents to HR for tax rebate for the 2025 tax year.

56. Please where is it written that you do not pay tax if you earn less than N30k? Its either you pay the calculated tax and if the computation is negative, then you are to remit 1% of the annual salary (whichever is more)

It is written in the Finance Act 2023 as amended till date.

57. A Company I worked for has not remitted my pension for 20 months (March 2020 to October 2021). It is almost 2 years since I left the Company yet not a word from the Company. What steps should I take to have the monies deducted from my salary remitted to my PFA?

Meet with your Pension Fund Administrator and also PENCOM office closest to the organisation and have a discussion on these non-remittances and they will be willing to help e.g (Lagos Address: 88 Oduduwa Cres, Ikeja GRA 101233, Ikeja, Lagos).

58. If an employee once registers to tax and stop work for a long period (5 years) and starts working again but could not provide the tax Id, how should case be address?

Go to the tax office closest to the employer where the employee once worked and seek the tax ID created, if not found, another tax ID can be created.

59. Why is tax benefit claim from employee difficult in Nigeria?

It is because of the bureaucratic nature of our government business but things are getting better.

60. Where an outsourcing firm does not remit the accurate tax for employees deployed to a company X, if the infraction is discovered by tax authorities, is it only the outsourcing firm that bears the sanction or both the outsourcing firm and the company X?

The tax authorities have business with the outsourcing firm ONLY and the sanctions will be for the outsourcing firm only.

61. What are the diverse options for PF form 10?

This is software specific. On tally, it is called PF 10, it is a monthly report that provides the details of the employees exiting from the Provident Fund scheme (something similar to Pension here in Nigeria) during the given month. This is for employees who attain the retirement age of 60 years or 50 years as stipulated by the PENCOM Act 2014.



62. **Please, what is the importance of ITF to employers or employees.**
They provide training services for the employees/employers
63. **Can you please relate the statutory deductions to outsourced staff management?**
This depends on the contract of/for employment but they are expected to make statutory deductions (PAYE through withholding tax from outsourced staff)
64. **How do an HR who is newly employed in an organisation who do not pay statutory deduction and employee is paid Basic without splitting the salary into housing, transport, utility etc.**
The HR professional should do the re-alignment of the basic into the basic pay, housing and transport segments for the purpose of statutory deductions.
65. **Kindly clarify if other allowances like leave allowance, 13th month, one off bonus are taxable? And at what percentage?**
They are all taxable based on the graduated rate below of
- First N300,000 at 7%
 - Next N300,000 at 11%
 - Next N500,000 at 15%
 - Next N500,000 at 19%
 - Next N1,600,000 at 21%
 - Next N3,200,000 at 24%
66. **What is the fate of casual workers or staff regarding benefits from tax?**
Their fate lies in the enacting of amended labour law that forbids casualization of labour.
67. **NHF, now they say is no longer mandatory...how does this tie into the deductions....i.e. impact on tax now?**
There is no or little impact on taxes , the higher your gross pay , the higher your PAYE .
68. **The WILL, does it address Land Matters as it is quite a delicate matter?**
The Will is a legal and binding document that will address all matters and clear any misgiving about the properties of testator.
69. **As regards NSITF/Group Life Assurance should it be paid by the outsourced company as regards handling contract staff for its client, or the client?**
Yes, it is the responsibility of the outsourced company to pay NSITF/Group Life Assurance on the outsourced staff.



70. How will an organisation that has employees in different states of the Federation remit their tax for their employees?

Each State has a State Internal Revenue Service and Abuja has the FIRS- IRS where an organisation can remit taxes for their employees.

71. Group life insurance is claimed from NSITF or commercial Insurance company? please help put more clarity to this.

Group life Assurance is not claimed unless the said employee is deceased and is based on the provision of the PENCOM 2014 as amended till date. the employer must subscribe promptly from a registered insurance company in Nigeria.

72. Kindly explain the difference between NHIS and NHF?

NHIS – National Health Insurance Scheme - To provide effective and efficient health services to Nigerians.

NHF – National Housing Fund - To provide affordable houses for Nigerian Employees

73. If your employer is deducting and failed to comply with remittance, you get them reported to the regulatory enforcement especially in terms of pension which has to be your retirement savings otherwise you may not have access to your retirement savings
Yes, this is in order.

74. What percentage of the gross pay is not taxable?

None

75. Is there a percentage for computing housing, transport etc.

No, there is no percentage. It is company-specific