

**LAGOS STATE GOVERNMENT**  
**MINISTRY OF FINANCE**  
**(BOARD OF INTERNAL REVENUE)**

**PERSONAL INCOME TAX ACT 1993 (NO 104) OPERATION OF PAYE AS YOU  
EARN (PAYE) REGULATIONS 2003**

The Lagos State Board of Internal Revenue hereby publishes the PAYE guideline for 2003 as follows:

**1. REGISTRATION OF EMPLOYERS WITH LAGOS STATE BOARD OF  
INTERNAL REVENUE.**

All employers are mandated to register with the LSBIR Tax Office nearest to them for the purpose of deducting income tax from their employees. The Tax Offices are listed below:

<b>S/N</b>	<b>TAX OFFICE</b>	<b>ADDRESS</b>
1.	Headquarters	Block 19, Secretariat, Alausa, Ikeja.
2.	Victoria Island Tax Office	Itirin Court, Bishop Aboyade Cole, V/Island.
3.	Ikeja Tax Office	Block 9, Old Secretariat, Ikeja.
4.	Mushin Tax Office	13, Town Planning Way, Ilupeju
5.	Agege Tax Office	Ipaja Road, Agege.
6.	Surulere Tax Office	17A, Alhaji Tokan Street, W/Avenue, Surulere
7.	City-Hall Tax Office	City-Hall Building, Lagos.
8.	Ajegunle Tax Office	151, Kirikiri Road, Ajegunle.
9.	Oyingbo Tax Office	1, Market Street, Ebute – Metta.
10.	Oko – Awo Tax office	13, Idoluwo Street, Lagos.
11.	Epe Tax Office	G.R.A. Road, Epe.
12.	Sogunle Tax Office	Old Secretariat, Ikeja.
13.	Apapa Tax Office	2, Plateau Road, Apapa.
14.	Ebute-Metta Tax Office	20, Jebba Street, (West), Ebute-Metta.
15.	Badagry Tax Office	Market Street, Badagry
16.	Ikorodu Tax Office	64, Obafemi Awolowo Way, Ota Ona, Ikorodu
17.	Ketu/Ojota Tax Office	582, Ikorodu Road, Ketu, Lagos.
18.	Egbe Tax Office	121, Isolo Road, Egbe, Lagos.
19.	Ojo Tax Office	151, Olojo Drive, Ojo, Lagos.
20.	Ibeju-Lekki Tax Office	40, Ogunlusi Road
21.	Tinubu Tax office	7Up Building, 33, Balogun Street, Lagos.
22.	Olowogbowo Tax Office	19, Elegbeta Street, Lagos.
23.	Akwonjo Tax Office	15, Shasha Road, Akwonjo
24.	Oshodi/Mafoluku Tax Offices	26, Afariogun Street, Oshodi, Lagos.
25.	Somolu Tax Office	33/35, Salami Saibu Street, Somolu.
26.	Aguda – Ijesha Tax Office	13, Olunmi Alonge Street, Aguda, Lagos.
27.	Alakuko Tax Office	Km. 34, Lagos-Abeokuta Exp way, Alagbado
28.	Imota/Erinkorodo Tax Office	Imota, Lagos.
29.	Ogba/Aguda Tax Office	Bamboo Plaza, Ojodu.

30.	Ereko/Anikantamo Tax Office	Nnamdi Azikwe Shopping Centre, Tinubu.
31.	Iju Tax Office	73, College Road, Iju.
32.	Oregun Tax Office	43, Oregun Road, Oregun, Lagos.
33.	Orile-Iganmu Tax Office	Orile, Lagos.
34.	Agbowa/Ikosi Tax Office	Agbowa, Lagos.
35.	Ikoyi Tax Office	65, Norman Williams Street, S.W. Ikoyi.
36.	Alausa Tax office	158, Obafemi Awolowo Way, Ikeja.

The Registration Requirements are as follows:

1. A copy of certificate of incorporation.
2. List of staff and their annual salaries.
3. The Directors' Tax Clearance Certificates (now Electronic Tax Clearance Certificate).
4. Letter of application for registration.

The Registration will facilitate the issuance of Employers Identification Number. An employers who fails or refuses to register commits an offence and is liable on conviction to pay N25,000 in addition to the payment of arrears of the tax due.

## **2. DEDUCTION OF TAX**

The employer must within six months of commencing a business deduct tax from emoluments of his employees and remit the amount so deducted to any of LASG designated collecting banks. Where an employee works under the supervision or management of a person who is not his employer, that person (hereinafter referred to as the "manager") must furnish the particulars of the employee's emoluments to the Tax Office nearest to the company and the manager must deduct the tax due from the employee's emoluments and remit same to any of the designated collecting banks.

The following banks are currently designated as Authorised Collecting Banks for the Lagos State Government (LASG).

1. Access bank
2. Chartered bank
3. Citizens bank
4. City express bank
5. EIB International
6. Equatorial trust bank
7. Equity Bank Plc
8. Fidelity bank
9. First Atlantic bank ltd
10. First Bank of Nigeria Plc
11. First city merchant bank
12. Guaranty trust bank
13. Gateway bank
14. Gulf bank
15. Intercontinental bank
16. Lead Bank Plc
17. Magnum trust bank
18. MBC International bank
19. Metropolitan bank

20. NAL bank
21. National bank
22. Oceanic international bank
23. Prudent bank
24. Reliance bank
25. Standard trust bank
26. Union Bank of Nigeria Plc
27. United bank for Africa
28. Universal trust bank
29. WEMA Bank Plc
30. Zenith bank

The remittance procedures are as follows:

### **TAX PAYER**

1. Taxpayer goes to the Tax Station to obtain Tax Assessment and Bank Payment Advice
2. Taxpayer goes to the bank with the assessment/ Bank Payment Advice, obtains the customised teller, completes the set correctly and pays to the bank
3. Taxpayer drops the Accountant General's copy of the teller in the box while he/she goes away with two (2) copies of the teller temporarily.
4. Taxpayer goes back to the bank after Value Date to collect the receipt.
5. Taxpayer presents the Original Receipt at the Tax Station/Agency to complete the transaction for which assessment was obtained (if necessary).

NB: Only one receipt will be issued per teller.

### **BANK**

1. The bank ensures that the tellers are properly completed and receives deposits from the Taxpayers.
2. The bank transmits information of daily transactions to Alpha-Beta Consulting Limited in the specified format.
3. The bank returns to Alpha-Beta Consulting Limited to collect receipts for delivery to respective Taxpayers.
4. Bank obtains the Agency Copy of the teller before release of the receipt to the Taxpayer.
5. The bank returns the Agency copy to the Agency through Alpha-Beta Consulting Limited.

NB: The Bank must ensure that both the Accountant General's and Agency's copies of the tellers are clear and legible.

### **TAX AGENCY**

1. Copy of daily manifest will be sent to the agency for record purposes.
2. Any problem should be referred to Alpha-Beta Consulting Limited for prompt resolution.

Please note that delay in the issuance of receipts is usually due to the fact that Taxpayers do not provide correct information to the banks or the banks fail to transmit the information to Alpha-Beta Consulting Limited promptly.

### **3. RECORDS OF DEDUCTION**

An employer must provide the following particulars regarding emoluments of each employee on a monthly basis:

The name of the employee

The Taxpayer's Identification Number

The address of the employee

The month of payment

The amount of emolument for the month

The contribution by the employee to approved pension funds in the month

The cumulative tax free emoluments year-to-date

The cumulative net emoluments year-to-date

The cumulative taxable emoluments year-to-date

The corresponding cumulative tax and

The tax, if any, deducted or repaid on making the payment for the month.

This information may be sent to the LSBIR through the collecting bank in an electronic format.

Where an employee ceases to be in employment, the employer must send to relevant tax office, the following particulars about the employee:

The name of the employee

The Taxpayer's Identification Number

The address of the employee

The date on which the employment commenced

The date on which the employment ceased

A Relief from income tax, if any

The cumulative emoluments at the date of leaving and

The corresponding cumulative tax.

#### **4. CHANGE OF EMPLOYMENT**

The employer must give to an employee two copies of detail of tax deducted from his emoluments as at the date the employment ceases.

On commencement of another employment, the employee must deliver the two copies of detail of tax deducted from his former employment to the new employer who must

1. Insert on the two copies
  - Staff Number
  - The date on which the employment commenced and
  - The address of the employee (if the employee has changed his address before his new employment)
2. Send a copy to the Tax Office where the employer has registered and retain a copy.
3. Prepare a tax deduction card in accordance with the detail of tax deductions from his former employment and record on the card the cumulative tax-free emoluments, if any and corresponding cumulative tax as from the month the employee left his former employment.

#### **5. DEATH OF EMPLOYEE**

On the death of an employee, the employer must send to the Tax Office (where he is registered) the particulars of the employee including name and address of the personal representative of the deceased employee.

If any emoluments are paid by employer to the deceased employee's next of kin, the employer must in making such payment, deduct tax applicable.

#### **6. REMITTANCE OF TAX DEDUCTED**

Within ten days of the end of every month, an employer must pay all deductions made from his employees as well as all other taxes due to the nearest tax office or to any of the aforementioned designated banks.

Government shall give the employer a receipt (note that all receipts are now automated i.e. computer generated) for the total amount paid.

If Lagos State Board of Internal Revenue discovers or is of the opinion that an employer has not been remitting taxes, it may within the year of assessment or within six years after the expiration thereof assess the employer.

An employer who fails to make proper tax deduction or fails to account properly for deductions made commits an offence and is liable on conviction to a penalty of the total sum of taxes due and 10% per annum thereon. Employer are also liable to interest and penalty for late or non-remittance.

#### **7. RETURNS FORM H1**

Not later than 30 days after the end of each year, an employer must render to BIR or Tax Office where he is registered Form H1, a return in respect of each employee showing the

total emoluments of each employee during the year, the tax relief, if any and the total tax deducted from the employee.

## 8. INSPECTION OF RECORDS

Every employer must produce for inspection at the employer's premises, all wages records, tax deduction cards, vouchers and other documents and records relating to payments of emoluments to his employees and the deductions of tax thereof.

## 9. FAILURE TO KEEP RECORDS

An employer who fails to keep proper records or fails to collect and pay tax or fails to submit returns to the Tax Office commits an offence and liable on conviction to a penalty of N5,000.00.

## 10. OFFENCE BY BODY CORPORATE

Where an offence under these regulations is committed by a body corporate, firm or other association of individuals:

Every Director, Manager, Secretary or Officer of the body corporate;

Every Partners or Officer of the firm or

Every person concerned in the management of the affairs of the body corporate is severely liable for the commission of the offence.

## 11. INSPECTION OF PREMISES

An authorised officer or appointed representative of LSBIR may at any time within working hours enter without warrant any business premises in order to ascertain whether these regulations are being complied with and on entry may carry out necessary inspections as may be specified by Lagos State Board of Internal Revenue.

Such authorised Officer may take with him such persons, as he considers necessary for carrying out his functions under these regulations.

## 12. TAX RELIEF AND ALLOWANCES

### A. TAX RELIEFS

#### 2002 - 2003

- |       |                                  |   |
|-------|----------------------------------|---|
| i)    | Personal Allowance               | 20% of Earned Income + N5000                            |
| ii)   | Claims for Children              | N2500 per child maximum of 4 Children.                  |
| iii). | Dependant Relative               | N2000 per dependant subject to Maximum of 2 dependants. |
| iv)   | Earned Income exempted from tax. | Up to N30000.   |

All claims for children allowance shall continue to be supported by photocopies of birth certificates or payment of School fees.

**B. LIFE ASSURANCE AND CONTRIBUTION TO PENSION SCHEME.**

The restriction on approved claims has been removed for the year. It should be carefully noted that taxpayers are expected to attach the photocopies and receipts as proof of their claims while the originals should be made available for inspection at the tax office (s).

**C. FRINGE BENEFITS.**

These are taxable whether they are monetised or in kind

- I. (a) Employer's assets put in the employees' use: 5% of the acquisition cost if known or 5% of the market value of the asset at the time of acquisition.
- (b) Where an employer rents or hires an asset which he puts into use of an employee, the employee will be charged with the difference between the amount incurred by the employer and any amount refunded to the employer by the employee.
- (c) The following benefits are exempted from tax.
  - i. Meals in the employer's canteen or non-transferable luncheon vouchers.
  - ii. Uniforms, overall or protective clothing and
  - iii. Removal expenses.

**II. RENT ALLOWANCES.**

- (a) Where the employer provides free accommodation to the employee, the rateable value of the property is to be used in arriving at the Benefit in kind of the employee for tax purpose.
- (b) Where the employer pays directly to the employee the law remains 28% of the salary but now subject to a maximum of N150,000.00 per annum with effect from 1/1/2001.

**III. TRANSPORT ALLOWANCES**

The maximum non-taxable allowance with effect from 1<sup>st</sup> January 2002 is N20,000 per annum.

**IV. LEAVE ALLOWANCE.**

A maximum sum of 10% of annual basic salary of the taxpayer is allowed from 1/1/99. Any amount in excess of this is therefore taxable.

**V. MEAL SUBSIDY/ ALLOWANCE**

The upper limit of tax exemption for meal subsidy/Allowance is N5,000 00 per annum effective from 1/1/99.

## **VI. UTILITY ALLOWANCE**

The maximum limit of tax exemption for utility allowance with effect from 1/1/99 is N10,000.00

## **VII. DISABILITY ALLOWANCE.**

Disability allowance of N2,000.00 is granted to a disabled person per annum if the person should be using special equipment and the service of an attendants in the course of his employment.

### **D. COMPENSATION FOR LOSS OF OFFICE.**

From January 1,1996 payment for loss of office or employment is totally exempted from tax.

### **E. RETIREMENT GRATUITIES**

From January 1, 1996 all retirement gratuities are exempted from tax.

In respect of these exemptions companies are to apply to the office of the chairman, LSBIR for approval. For the avoidance of doubt, no company should make any such payment without obtaining the necessary clearance from the office of the Chairman of the Board of Internal Revenue.

### **F. PENSION FOR SELF-EMPLOYED INDIVIDUALS.**

Tax exemption is to be granted in respect of premium paid to an insurance company in respect of pension or annuity paid by a self employed person provided that such premium does not exceed 10% of the self employed person's total income. This is in addition to any premium paid in respect of life assurance scheme.

### **G. ENTERTAINMENT ALLOWANCE.**

The upper limit of tax exemption on Entertainment Allowance is N6,000.00 per annum with effect from 1/1/99.

### **H. ALLOWANCE FOR INTEREST ON LOAN IN RESPECT OF OWNER-OCCUPIER PREMISES.**

All applications for the allowance should be forwarded through the Tax Offices to the Office of the Chairman, LSBIR.

## **13. (A) PERSONAL INCOME TAX RATE STRUCTURE.**

The table below is applicable with effect from 1<sup>st</sup> January 2001. The Maximum tax rate is still 25%.

**The rates are as follows:**

<b>Income to be taxed</b>	<b>Rate of Tax</b>	<b>Percentage</b>
For every Naira of the first N30, 000	5k per N	5%
For every Naira of the next N30, 000	10k per N	10%
For every Naira of the next N50, 000	15k per N	15%
For every Naira of the next N50. 000	20k per N	20%
For every Naira above N160, 000	25k per N	25%

Employers of labour are enjoined to adhere strictly to this tax rate structure.



#### **14. TAX CLEARANCE CERTIFICATE**

Lagos State has changed from paper-based Tax Clearance Certificate to Electronic Tax Clearance Certificate (e-TCC).

All workers in Lagos State either in paid employment or otherwise must obtain or renew their e-TCC every year. All employers are mandated to process e-TCC applications together at once on behalf of their employees. Each employee must have completed e-TCC application form to enable his/her employer to process the e-TCC. Self-employed persons are to apply for their e-TCC directly.

The e-TCC application forms are obtainable from:

1. Tax offices.
2. Lagos State Board of Internal Revenue Headquarters and
3. Could be downloaded from EBS-RCM website ([www.lasg-eps-rcm.net](http://www.lasg-eps-rcm.net))

#### **15. LEGAL PROCEEDINGS**

Proceeding may be brought against any employer for the recovery of all arrears of taxes outstanding against his employees.