

Finance Act 2020: LIRS public notice on changes in personal income tax law

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Taxable persons under the Personal Income Tax Act in Nigeria will use a new basis to determine chargeable income. The changes in personal income tax law are in line with the Finance Act 2020 which came into force on 1 January 2021. As personal income tax is payable to the State Government, the Lagos State Internal Revenue Service (LIRS) has released guidelines to taxpayers. LIRS public notice covers the new definition of gross income, persons exempt, and a format for payroll tax computation.

Revised definition of gross income

The gross income for calculating Consolidated Relief Allowance (CRA) is the total income from all sources less contribution to the National Housing Fund, National Health Insurance Scheme, and Pension Fund. Other deductions are premium on a life assurance policy and gratuity by the taxpayer, non-taxable items as well as tax-exempt items. For enterprises, it includes allowable business expenses and capital allowances.

Minimum tax on employment income

Employees with an annual gross income of national minimum wage (NGN360,000) or less are exempt from paying Personal Income Tax. However, where the exempt employee derives income from other sources, such income shall be subject to tax at the applicable rate.

Compliance requirements

1. All taxable persons in Lagos State shall file their tax returns via the e-Tax platform.
2. Payroll tax computation should reflect the revised definition of gross income and exempt persons with minimum wage.

LIRS, through its public notice, aims to reiterate the changes to the personal income tax section in FA 2020. Lagos State Internal Revenue Service will also monitor compliance with the new law. Employers, business owners, employees, high net worth individuals, and other stakeholders should therefore take note of the changes in PIT law to avoid penalties. To download a copy of the LIRS public notice and the new format for PAYE and self-assessment tax computation, click [here](#).