



LAGOS STATE GOVERNMENT

PUBLIC NOTICE



TAX RELIEF ON VOLUNTARY PENSION CONTRIBUTIONS

The Lagos State Internal Revenue Service (LIRS) is issuing this Public Notice to all employers, company owners or their representatives, employees and other members of the public.

Definition

Voluntary Pension Contributions are extra fund contributions in addition to the mandatory pension contributions made by an employee through his/her statutory pension scheme which allows an employee to save additional amounts for retirement. An employee can opt to make withdrawals, at any time, from such contributions which is a tax free benefit.

Legal basis

Section 10 gives the necessary guidelines for the application of tax exempt granted for pension contribution and withdrawals. Section 10(1) of Pension Reform Act, 2014 (PRA) states that contributions to the pension scheme shall form part of tax deductible expenses in the computation of tax payable by an employer or employee under the relevant tax law.

Section 16 of the PRA gives certain conditions that must be adhered to before withdrawals from a Retirement Savings Account (RSA) can be tax deductible. These conditions includes:

1. An employee shall not be allowed to make withdrawal from his RSA before attaining the age of 50 years.
2. Where the employee retires, disengages on the required advice that the employee is no longer capable of carrying out the function of his office, due to total or permanent disability before the age of 50 years in accordance with the terms of his engagement.
3. An employee, who disengages or is disengaged from employment before the age of 50 years is unable to secure another employment within four (4) months, may make withdrawals from the RSA.

Compliance Requirements

1. ANY payments made by Pension Fund Administrators to individuals that do not meet the relevant conditions specified in Section 16 of the PRA 2014 will be considered to fall outside the tax exemption granted in Section 10(3) of the Act.
2. The LIRS will periodically audit withdrawals of voluntary pension contributions authorized by the respective PFAs and will be relying on the provisions of Section 17 of PITA.
3. The LIRS will enforce the law with respect to recovery of any tax due which will include: applying interest and penalties on any resulting tax due on the employer under the PAYE scheme in line with Paragraph 8 of the Fourth Schedule of PITA.
4. The LIRS is also willing to defend its position with each taxpayer or employer through the available judicial process.
5. Reporting Obligation: On an annual basis, individuals claiming tax relief on voluntary pension contributions must submit alongside their income tax return, a copy of their RSA statements for the relevant tax year and any other period requested by the LIRS.

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

Thank You

Signed

Ayodele Subair

Executive Chairman

Lagos Internal Revenue Service

Lagos State Internal Revenue Service

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