

Major Amendments to the PITA under the Finance Act, 2020

The recently enacted Finance Act 2020 (“the Act”) which amends Fourteen (14) of our tax statutes including the Personal Income Tax Act (PITA), Cap P8, LFN, 2007 (as amended to date) is refer. We have provided below major amendments to the PITA and its effect on the payroll.

1. Section 33 of PITA

- a. Definition of Gross Income for computing Consolidated Relief Allowance (CRA): Section 33(2) of the PITA was substituted with “For the purposes of this Section, “gross income” means income from all sources less all non-taxable income, income on which no further tax is payable, tax-exempt items listed in paragraph (2) of the Sixth Schedule and all allowable business expenses and capital allowances”.

What this means is that non- taxable income (such as reimbursable), franked investment income (such as dividend) and tax-exempt items (contribution by employee to the National Housing Fund Scheme, National Health Insurance Scheme, Life Assurance Premium and National Pension Scheme) will be deducted from income from all sources for the purpose of computing Consolidated Relief Allowance (CRA). The outcome of this is a reduced CRA which will translate to a higher PAYE tax and a reduced Net pay.

- b. Life Assurance Premium: Section 33(3) of the PITA which was deleted by the enactment of the Finance Act 2019 has now been reinstated. The section provides that “There shall be allowed a deduction of the annual amount of any premium paid by the individual during the year preceding the year of assessment to any insurance company in respect of insurance on his life or the life of his spouse, or of a contract for a deferred annuity on his own life or the life of his spouse”.
- 14 days, contrary to the 42 days provided for by both the 1990 and 2020 CAMA.

What this means is that any such premium paid in 2020 is claimable in 2021 as a relief to the taxpayer.

- c. Exemption of minimum wage earners currently at N360,000 annually or less, from payment of personal income tax.

Please note that the amendments took effect from the first day of January 2021. Do endeavour to get in touch if you required further clarification.

Contact s:

Femi Wright

+234 908 0000 358

fwright@wyzeassociates.com

Wale Ogunsola

+234 908 0000 358

wogunsola@wyzeassociates.com

Kehinde Adeyemi

+234 908 0000 358

kadeyemi@wyzeassociates.com

Gbenga Akinsulere

+234 908 0000 358

gakinsulere@wyzeassociates.com

