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**DEDUCTION OF TAX AT SOURCE
(WITHHOLDING) REGULATIONS, 2024**



ARRANGEMENT OF REGULATIONS

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S. I. No. 34 of 2024

**DEDUCTION OF TAX AT SOURCE
(WITHHOLDING) REGULATIONS, 2024**

[30th Day of September, 2024]

Commence-
ment

In exercise of the powers conferred upon me by section 81(9) of the Companies Income Tax Act, Cap C21, LFN, 2004, section 56 of the Petroleum Profits Tax Act, Cap P13, LFN, 2004, section 73(6) of the Personal Income Tax Act, Cap. P8, Laws of the Federation of Nigeria, 2004, and of all other powers enabling me in that behalf, I, Wale Edun, Minister of Finance and Coordinating Minister of the Economy, hereby make the following Regulations —

1. The objectives of these Regulations are to —

Objectives

(a) set out the rules for the deduction of tax at source from payments to taxable persons under the Capital Gains Tax Act, the Companies Income Tax Act, Petroleum Profits Tax Act, and the Personal Income Tax Act in relation to specified transactions ;

(b) remove complexities in the deduction of tax at source ;

(c) reduce the rates of deduction for sectors with low margins ;

(d) provide exemptions for small businesses and manufacturers ;

(e) promote the ease of tax compliance and administration ;

(f) curb tax evasion ;

(g) reduce arbitrage between corporate and non-corporate business structures ; and

(h) adopt global best practices in the deduction of tax at source.

Modification
of Part I of
the First
Schedule to
the Principal
Act

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2. These Regulations apply to taxes deductible at source from payments to taxable persons as defined under the Capital Gains Tax Act, the Companies Income Tax Act, Petroleum Profits Tax Act, and the Personal Income Tax Act.

Application

3.—(a) The eligible transactions and the applicable rates at which deductions shall be made at source are as specified in the “First Schedule” to these Regulations.

Tax to be
deducted at
source

(b) Reduced rates as specified under a Treaty between Nigeria and any other country for the avoidance of Double Taxation shall apply to an eligible recipient who is resident in a treaty country to the extent that such reduced rates are contained in the relevant Treaty or protocol duly ratified by the National Assembly.

(c) In the case of supply of goods, rendering of services or any eligible transaction involving non-passive income, the amount to be deducted at source shall be twice the rate specified in the Schedule where the Recipient has no Tax Identification Number.

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Persons
required to
make
deductions
at source

4.—(1) For the purpose of regulation (3) of these Regulations, the following persons are required to deduct tax at source on eligible transactions —

- (a) a body corporate or unincorporate, other than an individual ;
- (b) a Government Ministry, Department or Agency ;
- (c) a statutory body ;
- (d) a public authority ;
- (e) any other institution, organisation, establishment or enterprise including those exempt from tax ; and
- (f) a payment agent representing any person under paragraphs (a)-(e) of this sub-regulation.

(2) Notwithstanding the provisions of this regulation, a body corporate, being a small company as defined under section 105 of the Companies Income Tax Act and a body unincorporate of equivalent attributes are exempt from the requirement to deduct tax at source from any transaction, provided that the —

- (a) supplier has a valid Tax Identification Number (TIN) ; and
- (b) value of the transaction is ₦2,000,000.00 or less during the relevant calendar month.

Deduction
not a
separate tax
or an extra
cost

5. A deduction made from a payment shall not be —

- (a) regarded as a separate tax or an additional cost of the contract transaction ; or
- (b) included in the contract price,

but treated as an advance or final tax of the supplier, as the case may be.

Deduction at
source

6.—(1) The obligation to deduct at source shall arise at the earlier of when —

- (a) payment is made, or
- (b) the amount due is otherwise settled.

(2) In the case of a payment due between related parties, deduction shall be made at the time of payment or when the liability is recognised, whichever is earlier.

(3) The amount deducted on any payment to a non-resident person shall be the final tax except where the income is liable to further tax by reason of a taxable presence in Nigeria.

Remittance
of amount
deducted at
source

7.—(1) The amount deducted at source shall be remitted to the relevant tax authority as follows —

- (a) in the case of payment to the Federal Inland Revenue Service, not later than the 21st day of the month following the month of payment ; and

(b) in the case of payment to a State Internal Revenue Service —

(i) with respect to Capital Gains Tax and Pay-As-You-Earn, not later than the 10th day of the month following the payment, and

(ii) with respect to any other deduction, not later than the 30th day of the month following the month of payment.

(2) Where an amount is deducted at source, the person making the deduction shall submit a return to the relevant tax authority with the evidence of remittance of the amount deducted, in the format prescribed in the Second Schedule to these Regulations or as may be prescribed by the relevant tax authority from time to time.

(3) The return shall be accompanied with a statement in the format prescribed in the Second Schedule to these Regulations and containing the following information in respect of the person from whom the amount was deducted, that is, the —

(a) name and address ;

(b) TIN, National Identification Number (NIN), RC Number or its equivalent ;

(c) nature of transaction in respect of which the payment was made ;

(d) gross amount paid or payable ;

(e) amount of tax deducted ; and

(f) calendar month to which the payment relates.

8.—(1) A person who makes a deduction from any payment shall, upon remittance to the relevant authority, issue a receipt for the tax so deducted and a statement in the format prescribed in the Third Schedule to these Regulations or as may be prescribed by the relevant tax authority from time to time, containing the following information, that is the —

(a) name, address and the TIN of the person from whom the deduction was made ; provided that where the beneficiary has no TIN, such a person shall provide, in the case of —

(i) an individual, a NIN, and

(ii) a company, an RC number ;

(b) nature of transaction in respect of which the payment was made ;

(c) gross amount payable or settled ;

(d) amount deducted ; and

(e) month to which the payment relates.

(2) A person from whom a deduction has been made may submit the receipt under sub-regulation (1) of this regulation to the relevant tax authority as evidence of the amount deducted for the purpose of claiming tax credit for the amount so deducted.

Deductions
to be
received

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(3) Where a person issues a receipt for any amount deducted and yet to be remitted to the relevant authority, the beneficiary shall nevertheless be credited by the relevant tax authority and the amount so unremitted shall be treated as the tax liability of the person who made the deduction, and shall be recoverable with applicable penalty and interest.

Offences

9.—(1) A person required to make a deduction at source under the relevant Act or under these Regulations who fails to do so, is liable to a penalty prescribed in section 40 of the Federal Inland Revenue Service (Establishment) Act or section 74 of the Personal Income Tax Act, as may be applicable.

(2) Where a person who is required to deduct at source fails to do so and has paid such a portion representing the required deduction to the recipient, only an administrative penalty shall be due and payable.

(3) Where a person has deducted an amount at source and failed to remit to the relevant tax authority, the amount so deducted in addition to an administrative penalty and annual interest shall be payable in line with applicable legislation.

10.—(1) The following transactions are exempt from deduction at source —

(a) compensating payments under a Registered Securities Lending Transaction in line with section 81(8) of the Companies Income Tax Act;

(b) any distribution or dividend payment to a Real Estate Investment Trust or Real Estate Investment Company as provided under section 80(5) of the Companies Income Tax Act ;

(c) across-the-counter transactions as defined under these Regulations ;

(d) interest and fees paid to a Nigerian bank by way of direct debit of the funds which are domiciled with the bank ;

(e) goods manufactured or materials produced by the person making the supply ;

(f) imported goods where the transaction does not create a taxable presence in Nigeria for the foreign supplier ;

(g) any payment in respect of income or profit which is exempt from tax ;

(h) telephone charges, internet data and airline tickets ;

(i) out-of-pocket expense that is normally expected to be incurred directly by the supplier and is distinguishable from the contract fees ;

(j) insurance premium ;

(k) supply of Liquefied Petroleum Gas (LPG), Compressed Natural Gas (CNG), Premium Motor Spirits (PMS), Automotive Gas Oil (AGO), Low Pour Fuel Oil (LPFO), Dual Purpose Kerosene (DPK), and JET-A1 ;

(l) commission retained by a broker from money collected on behalf of the principal in line with the industry norm for such transactions ; and

(m) winnings from a game of chance or a reality show with contents designed exclusively to promote entrepreneurship, academics, technological or scientific innovation.

(2) An exemption from deduction at source in this regulation shall not be deemed as an exemption from the relevant income tax except as provided in the enabling law.

11.—(1) The implementation of these Regulations shall be effective from the 1st day of January, 2025.

Implementa-
tion

(2) The relevant tax authority may, with the approval of the Minister —

(a) issue guidelines for the effective implementation of these Regulations, and

(b) where the circumstances warrant, prescribe modalities permitting early application of the provisions of these Regulations from 1st July, 2024.

12.—(1) These Regulations revoke all existing Regulations in respect of deductions at source or Withholding Tax.

Revocation

(2) The revocation under sub-regulation (1) of this regulation shall not invalidate anything done under the revoked Regulations.

13. Unless otherwise defined in these Regulations or where the context otherwise requires, a word or an expression has the same meaning assigned to it in the relevant Act —

Interpretation

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“*across-the-counter transaction*” means any transaction carried out between parties without an established contractual relationship or any prior formal contracting arrangement and in which payment is made instantly in cash or on the spot via electronic means ;

“*connected persons*” shall have the definition under the Income Tax (Transfer Pricing) Regulations, 2018 ;

“*manufacturing*” or “*production*” means the assembling of a final product or the making of a part or component of a product utilising raw materials or other inputs including labour and production overheads; and for the purpose of these Regulations, the production of energy, including electricity, gas, and petroleum products shall qualify as manufacturing ;

“*Minister*” means Minister responsible for Finance ;

“*professional fees*” refer to payments for services which are occupations in the tertiary sector of the economy requiring special training in the arts, technology or sciences, which services are regulated and normally require holding a professional licence such as those of architects, accountants, engineers, doctors, surveyors, stockbrokers, tax practitioners or lawyers, and include payments for technical, management and consultancy services ;

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“*relevant Act*” means the Capital Gains Tax Act, Companies Income Tax Act, Petroleum Profits Tax Act, or the Personal Income Tax Act, as may be applicable ; and

“*winning*” for the purpose of these Regulations means the net payout to a participant in a game of chance, provided that where a winning involves a series of payments, the net payout shall be determined at the end of a session, not exceeding one calendar month.

Citation

14. These Regulations may be cited as the Deduction of Tax at Source (Withholding) Regulations, 2024.

SCHEDULES

FIRST SCHEDULE

[regulation 3(a)]

ELIGIBLE TRANSACTIONS AND APPLICABLE RATES

<i>Transactions</i>	<i>Corporate Recipients</i>		<i>Non-Corporate Recipients</i>		<i>Remarks</i>
	<i>Resident</i>	<i>Non-resident</i>	<i>Resident</i>	<i>Non-resident</i>	
Dividend, Interest	10%	10%	10%	10%	<i>Rates as specified in the law</i>
Royalty	10%	10%	5%	5%	<i>Rates as specified in the law</i>
Rent, Hire or Lease	10%	10%	10%	10%	<i>Rates as specified in the law</i>
Commission, consultancy, technical, management, and professional fees	5%	10%	5%	10%	<i>Higher rate for non-residents to serve as final tax</i>
Supply of goods or materials other than by the manufacturer or producer	2%	N/A	2%	N/A	<i>Simplified description and reduced rate to address low margin</i>
Co-location and telecommunication tower services	2%	5%	2%	5%	<i>Lower rate to reflect low industry margins</i>
Supply or rendering of services other than those specifically listed in this Schedule	2%	5%	2%	5%	<i>Simplified description and reduced rates</i>
Construction of road, bridges, building and power plants	2%	5%	2%	5%	<i>Further rate reduction to reflect lower margin</i>
Any other form of construction and related activities	5%	10%	5%	10%	<i>Amount due from non-resident is final</i>
Brokerage fee	5%	10%	5%	10%	<i>Subject to Paragraph 10(1)(l)</i>

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Directors' fees	N/A	N/A	15%	20%	<i>Rates reflect marginal PIT rate for directors</i>
Compensation for loss of employment	N/A	N/A	10%	10%	<i>Section 36 of the CGT Act</i>
Entertainers and sports persons	N/A	15%	N/A	15%	<i>Applies on amounts earned in Nigeria</i>
Winnings from lottery, gaming, reality shows, etc.	N/A	N/A	5%	15%	<i>With effect from 1 January 2025</i>

SECOND SCHEDULE

[regulation 7(2) and (3)]

TEMPLATE FOR REMITTANCE AND RETURNS OF AMOUNTS DEDUCTED AT SOURCE

Name of Payer :

Tax Identification Number of Payer :

Month Covered :

Relevant Tax Authority :

Currency of Remittance :

<i>S/N</i>	<i>Name and address of beneficiary</i>	<i>TIN</i>	<i>Nature of transaction</i>	<i>Gross amount</i>	<i>Rate</i>	<i>Amount deducted</i>

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Declaration :

I,, being an authorised personnel of the paying entity, hereby certify that the information provided in this schedule is true, correct and complete to the best of my knowledge.

Name :

Designation :

Signature :

Date :

THIRD SCHEDULE

[regulation 8(1)]

TEMPLATE OF RECEIPT FOR TAX DEDUCTED AT SOURCE

Serial Number of receipt :
Date :
Name of payer :
Tax Identification Number of payer :
Name of beneficiary :
Tax Identification Number of beneficiary :
Month covered :
Amount deducted :
Date of remittance to relevant tax authority :
.....

Made at Abuja this 30th day of September, 2024.

WALE EDUN
*Honourable Minister of Finance
and Coordinating Minister of the Economy*

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EXPLANATORY NOTE

*(This note does not form part of these Regulations,
but is intended to explain its purport)*

These Regulations seek to complement the applicable statutory provisions and replace all prior rules in respect of deduction of tax at source other than Pay-As-You-Earn tax.