



# Tax Alert

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## **LIRS issues public notice on amendments to PITA introduced by Finance Act, 2020**

The Lagos State Internal Revenue Service (LIRS) has issued a Public Notice to provide clarifications on the revised definition of gross income and exemption of minimum wage or lower employment income from Personal Income Tax (PIT). This is pursuant to the amendments introduced by Finance Act, 2020 to the PIT Act Cap.P8 LFN 2004 (as amended) [PITA].

Based on the definition of gross income in Section 33(2) of PITA, taxpayers are required to deduct tax-exempt items listed in paragraph 2 of the Sixth Schedule, non-taxable income, and all allowable business expenses and capital allowance, in determining the applicable gross income for computing consolidated relief allowance. However, these items will still qualify for deduction in determining the chargeable income. Further, Section 37 of PITA exempts individuals earning the national monthly minimum wage of ₦30,000 or less from the payment of PIT. The Public Notice, however, provides that any additional income earned by taxable persons on national minimum wage from other sources, excluding salaried employment, will be subject to PIT accordingly.

The LIRS urges taxpayers to ensure that their payroll register or application in use for pay-as-you-earn tax computations complies with the new definition of gross income, and the exemption of minimum wage. The LIRS also enjoins all taxable persons to submit their statutory annual income tax returns via the e-Tax platform.

### **Comments**

The clarifications on the definition of gross income and PIT exemptions are consistent with the provisions of the Finance Act, 2020. Please read our comments on the effect of the new definition of gross income

and exemption of minimum wage earners from paying PIT in our publication on the Finance Act, 2020: Impact Analysis e-book [\*Issue No. 2.2 of 12 February 2021.\*](#)

It, therefore, behoves on taxpayers to ensure that they comply with the statutory provisions of PITA to avoid unnecessary sanctions from the LIRS.

Please click [here](#) to read the LIRS' Public Notice.

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