



LAGOS STATE GOVERNMENT

PUBLIC NOTICE



ADMINISTRATIVE OBLIGATIONS AND TREATMENT OF COMPENSATION FOR LOSS OF OFFICE UNDER THE CAPITAL GAINS TAX ACT

The Lagos State Internal Revenue Service (LIRS) is issuing this Public Notice to all employers, company owners or their representatives, employees, high net worth individuals and other members of the public. It is to provide clarifications on additional statutory obligations for administration of Capital Gains Tax (CGT) and treatment of exemption threshold on compensation for loss of office as enacted under Finance Act (FA) 2020. This Public Notice is not intended to amend or override the provisions of any law in force in Nigeria including but not limited to Capital Gains Tax Act (CGTA) as amended.

Statutory Obligations for CGT Administration

Legal Basis:

Section 2 of the CGTA is amended by Section 2 of FA 2020 to insert a new sub-section (4) after the sub-section (3) which provides thus:

"Subject to the provisions of section 31 of this Act, every person having disposed a chargeable asset shall, not later than 30 June and 31 December of that year, compute the capital gains tax, file self-assessment return, and pay the tax computed in respect of the chargeable assets disposed in the periods".

Explanation:

Any person who disposes of a chargeable asset, is now obligated to compute CGT due, pay the computed CGT and file a return of the computed CGT on chargeable gains derived from the disposal of asset, by 30 June and 31 December of the same year to the Relevant Tax Authority (RTA). It is immaterial whether the chargeable asset qualifies for roll over relief or not.

Compliance Requirements

1. All taxpayers that dispose of chargeable assets must compulsorily compute, file returns and pay CGT due on such disposed chargeable asset not later than 30 June and 31 December of the same year of disposal of asset.

Application of CGT on Compensation for Loss of Office

Legal Basis:

Section 36 (2) of the Act was amended by Section 4 of Finance Act 2020, to include a new sub-section (2) and inserting after sub-section (2), new sub-sections (3) and (4) which all together provides thus:

"(2) Sums obtained by way of compensation for loss of office, up to a maximum of N10,000,000.00, shall



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not be chargeable gains and subject to tax under this Act.

Provided that any sum in excess of N10,000,000.00 shall not be so exempt but the excess amount shall be chargeable gains and subject to tax accordingly; and

(3) For the purpose of sub-section (2), any person who pays compensation for loss of office to an individual is required, at the point of payment of such compensation, to deduct and remit the tax due under this section to the relevant tax authority.

(4) The tax so deducted shall be remitted within the time specified under the Pay-As-You-Earn regulations issued pursuant to the Personal Income Tax Act.”

Explanation:

This clarifies the application of CGT on compensation for loss of office, by clearly stating that only amounts in excess of **N10,000,000.00 (Ten million Naira)** received as compensation for loss of office will be liable to CGT under the Act.

The obligation to promptly deduct, remit and file schedules of CGT due on compensation paid for loss of office has been squarely placed on the payer of such compensation.

Compliance Requirements

1. All employers of labour are now obligated to deduct and remit CGT due on compensation for loss of office paid to beneficiaries within ten days of the end of every month as prescribed under the PAYE Regulations.
2. All employers of labour are obligated to file schedule of such deductions and payment made to the beneficiaries, alongside with PAYE remittance schedules at the end of the month of payment.

STRICT COMPLIANCE IS HEREBY ADVISED.

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

Signed

Ayodele Subair
Executive Chairman

Lagos State Internal Revenue Service

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