



LAGOS STATE GOVERNMENT

PUBLIC NOTICE



PAYMENT OF PERSONAL INCOME TAX ON PROFIT FROM BONDS AND SHORT-TERM GOVERNMENT SECURITIES

The Lagos State Internal Revenue Service (LIRS) is issuing this Public Notice to the general public, particularly operators within the Stock Exchange and Financial Securities Market.

Background

Pursuant to Paragraph 31A of the Third Schedule to the Personal Income Tax Act, 2004 (as amended), income earned from -

- i. Bonds issued by Federal, State and Local Governments and their Agencies;
- ii. Bonds issued by corporate including supra-nationals; and
- iii. Interests earned by holders of the bonds and short-term securities listed above are exempted from personal income tax.

However, the Honourable Minister for Finance in exercise of the powers conferred on her in Section 19 of PITA issued a Notice titled Personal Income Tax Exemption of Holders of Bonds and Short-Term Government Securities Notice of 2 January 2012 clarified that the above exemption shall also apply to all short-term Federal Government Securities such as Treasury Bills and Promissory Notes. The Notice further stated that the exemption from Personal Income Tax is for a period of ten (10) years, from the date of signing of the Notice except for Federal Government Bonds, which shall continue to enjoy the exemption as provided under the Personal Income Tax Act 2004 (as amended).

Legal Basis

1. Section 19 of the Personal Income Tax Act, 2004 (as amended);
2. Personal Income Tax Exemption of Holders of Bonds and Short-Term Government Securities Notice, 2011.

Implication

Thus, the exemption granted under the Notice expired on 1 January 2022. Personal Income Tax therefore becomes applicable to income derived and interest earned by individuals and non-limited liability entities resident in Lagos State from bonds and short-term securities effective from 2 January 2022, except for Bonds issued by Federal Government.

The taxpaying public is hereby notified of this new development. All parties involved in such transactions are expected to comply with the law by including such income in their annual income tax returns and pay taxes due therefrom. Similarly, agents of collection are to note the above for deduction of WHT on interest and other payments made to any individual or non-limited liability entity resident in Lagos State on account of income from bonds, treasury bills and other securities.

Compliance Requirements

1. Responsibility for Deductions Made Agents for collection of withholding taxes shall now be responsible for deductions of WHT at the rate of 10% on interests accruing on short term securities as mentioned above before payment is made to beneficiaries. All sums withheld must be remitted to LIRS within 30days of such deduction, preferably through our e-Tax platform, with the link www.etax.lirs.net

2. Compulsory filing of returns

Schedule of such deductions and payment made to the beneficiary must now be filed at the end of the month of payment through our e-Tax platform, with the link www.etax.lirs.net

All beneficiaries are also obligated to declare such incomes in their annual income tax returns with LIRS and pay tax due therefrom where applicable.

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

Thank You

Signed

Ayodele Subair

Executive Chairman

Lagos State Internal Revenue Service

Lagos State Internal Revenue Service

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