



LAGOS STATE GOVERNMENT

PUBLIC NOTICE



TREATMENT OF SAVINGS ELEMENT ON INSURANCE PREMIUM

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.

Definition

A life insurance is a contract where the insurer promises to pay a beneficiary a designated sum of money in exchange for a premium, upon the death of an insured person. An annuity life contract provides for the annuitant to be paid a fixed monthly amount until death or benefits are exhausted.

Legal basis

Section 33(4)(d) of Personal Income Tax Act (PITA) allows a deduction of the annual amount of any premium paid by an individual in respect of insurance on his life or that of his spouse, premium paid for a contract for a deferred annuity on his own life or that of his spouse. The law only allows as tax relief the insurance premiums paid during the year preceding the year of assessment (YOA)

Compliance Requirements

1. Only the insurance premium relating to the life insurance or deferred annuity on life are deductible in computing personal income tax. Any savings scheme element which sometimes forms part of the life insurance premium or contract should not be included in the deduction. For any life insurance policy to qualify for tax relief, it must include the following:
 - A cover for the death of the insured or their spouse: or
 - It must not include or anticipate a payment to the insured before the age of 50 i.e. for deferred annuity contracts.
2. Deferred annuity contracts in line with the provisions of the Pension Reform Act (PRA), 2014 are tax exempt where the holder has no control over the funds (i.e. it must be completely locked in until retirement age).
3. Reporting Obligation: Every employer/taxpayer is required to submit the Claims for Allowances and Relief (FORM A) for each relevant tax year detailing the life insurance and qualifying deferred annuity contributions. Also, the taxpayers will be required to submit a certificate from their Life Assurance companies specifying the portion of the premium relating to death policy and the portion relating to the savings element.

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

Thank You

Signed

Ayodele Subair

Executive Chairman

Lagos Internal Revenue Service

Lagos State Internal Revenue Service

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