



## LAGOS STATE GOVERNMENT PUBLIC NOTICE



### WHAT CONSTITUTES "REASONABLE REMOVAL EXPENSES FOR THE PURPOSE OF TAX EXEMPTION

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

"Reasonable removal expenses" constitutes any expense which an employee incurs to move to a new employment location and the payment made by the employer towards the expenses results in no net overall benefit to the employee. It is also any payments made to or on behalf of an employee taking up employment with a new employer such as relocation allowance. The reasonable amount should not be more than the amount incurred by the employee in relocating.

#### Legal basis

Section 4 (3)c of the Personal Income Tax, Act (PITA) as amended 2011, exempts "reasonable removal expenses" from taxes. The section goes further to provide that these expenses may or may not include a temporary subsistence allowance incurred by the employer by reason of a change of the employee's employment which requires such employee to change his place of residence, and the employee shall not be treated as being in receipt of any remuneration in respect of the allowance.

#### Compliance Requirements

1. Reasonable removal expenses can only be tax deductible in the following instances:
  - a. The reimbursement to the employee or payment directly by the employer is with respect of removal/relocation expenses actually incurred
  - b. The expenses is of a reasonable amount
  - c. The payment of the expenses must be properly documented
  - d. Moving house must be necessary in the circumstances.
2. The following documents/details must be kept to substantiate the removal/relocation expenses: the name and address of the employee; the date of the relocation/removal the reason for the removal/relocation; the distance (km) involved; and receipts to vouch the actual expenses.
3. Any amount paid to the employee as temporary subsistence allowance which covers expenses already incurred by the employer shall be taxed as it would lead to duplication.

In order to obtain certainty for such removal expenses and temporary subsistence allowances, corporates and business enterprises may submit their staff policy and guidelines as well as their per diem rates for pre-approval by the LIRS.

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

Thank You

Signed

**Ayodele Subair**

**Executive Chairman**

**Lagos Internal Revenue Service**

#### Lagos State Internal Revenue Service

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