



# LAGOS STATE GOVERNMENT

## PUBLIC NOTICE



### ALLOWABLE INTEREST DEDUCTIONS ON OWNER OCCUPIED RESIDENTIAL HOUSES

The Lagos State Inland 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

An "owner-occupied residential house" is any residential property (i.e. not a commercial property) which an individual has incurred expenditure on the purchase, construction, or conversion for his/her occupation. It excludes all the temporary fixture components such as paintings, furniture, electricals etc. It must be qualifying residential property that is used by the individual as his or her sole/main residence.

#### Legal basis

Section 20 (1)b of the Personal Income Tax, Act (PITA) as amended 2011, allows the deduction of interest on mortgage loans obtained for developing an owner occupied house.

#### Compliance Requirements

1. Tax relief is only available for the first owner occupied property: A taxpayer can only get the tax relief for his first application. If the first application is for multiple properties, mortgage interest deduction will be restricted to the property which the taxpayer occupies. Where the taxpayer has used one mortgage loan to develop more than one house or flat, the interest deduction should be applied on a pro-rata basis based on the proportion of the property occupied by him/her.
2. Tax Relief available for interest on Mortgage where an individual lives in more than one property: The mortgage deduction will be granted for the first application and if there are multiple applications, only on the property which has the lowest mortgage value at the beginning of the tax period.
3. Stage of completion of the property to qualify for the relief: The relief will only be available upon actual occupation of the property. The LIRS is flexible to accommodate interest incurred at the development phase on a case by case basis.
4. Note: In all cases, the applicant must provide evidence that he/she occupied the property for at least a 1 year period at the end of the year which will be validated by the LIRS. The individual must have declared the property as owner occupied in the "Claims for Allowances and Relief (FORM A)" filed in accordance with section 34 of PITA.

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

Thank You

Signed

Ayodele Subair

**Executive Chairman**

Lagos Internal Revenue Service

### Lagos State Internal Revenue Service

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