



## **TAX POLICY AND LEGISLATION DEPARTMENT**

### **PUBLIC NOTICE**

#### **Clarification on the Taxability of Investment Incomes Earned by Government Institutions and Corporate Entities Exempted by Law from Taxation**

The Federal Inland Revenue Service (FIRS) has in recent time been inundated with inquiries from Banks, Companies under Pioneer Status, Ministries, Departments and Agencies of Governments to make clarification on their tax status in relation to incomes earned from investment sources. The thinking by officials of those organisations which are exempted from income tax or companies whose profits are being exempted from income tax is that such profit/income exemption status granted to them should also qualify them for exemption from all forms of corporate or personal taxes, including consumption taxes, particularly the Value Added Tax (VAT). This view is erroneous and completely at variance with the intention of the law.

2. The provisions of Section 23(1)(n) of the Companies Income Tax Act, CAP C21, LFN,2004 clearly provides that "nothing in this section shall be construed to exempt from deduction at source, the tax which a company making payments is to deduct under Sections 78,79 or 80 of this Act ...shall apply to a dividend, interest, rent or royalty, which is a part of the profits or income referred to in subsection (1)(a) to (f) and (h) to (i) of this Section". The reference to 'company' in the law means any company or corporation, established by or under any law in force in Nigeria or elsewhere and it is on a "company" that the duty to deduct withholding tax is placed, since it is the company that is making payments to various beneficiaries. The 10% WHT charged on such investment incomes shall become the final tax in the hand of the beneficiary.

3. For the purpose of clarity, FIRS wishes to inform the public and all our stakeholders, Banks, Ministries, Departments and Agencies of Government, including Corporations and Regulatory Agencies that all investment incomes in the nature of interests/royalties, rent and dividends are subject to Withholding taxes (WHT) at the prescribed tax rate of 10% in line with Sections 78, 79, 80 of Companies Income Act. No organisation or company is exempted from the payment of Withholding Tax on any investment incomes, even though these organisations may be under a tax exemption regime or pioneer exemption status. It should be understood that such tax exemption status relates only to profit/income from businesses but does not include passive or unearned incomes.

4. The general public is hereby requested to note the contents of this public notice for compliance and guidance. FIRS will henceforth no longer issue individual letters on inquiries relating to this subject from stakeholders, taxpayers/tax agents, Banks and Government Institutions for clarification on taxability or otherwise of investment incomes accruable to any investors, including government agencies which have placed funds with financial institutions or deriving dividends from companies where they have some shareholdings.

5. Any inquiry in connection with this publication should be referred to the Office of the Executive Chairman/ FIRS, Headquarters, Revenue House, Wuse Zone 5, Abuja or visit our website: [www.firs.gov.ng](http://www.firs.gov.ng); email: [enquiries@firs.gov.ng](mailto:enquiries@firs.gov.ng); telephones: 08159490002, 08159490001, 08159490000.

Signed: **Kabir M. Mashi**  
Acting Executive Chairman  
Federal Inland Revenue Service