



# FREQUENTLY ASKED QUESTIONS ON TAX OBLIGATIONS OF HIGH NET WORTH INDIVIDUALS

**1. Am I a High Net Worth Individual (HNWI)?**

Yes, if you are a professional or/ and entrepreneur, owner, or manager of establishment(s), and or owns investment assets from which you derive substantial income and your assets exceed liability. Also a person of considerable of influence within the society can also be classified as High Net worth Individual.

**2. Are High Net worth Individuals taxed differently from other Individuals?**

No. Their income is subjected to tax like other individuals in line with the provisions of the Personal Income Tax Act. However, because of the peculiarity and complexity of HNWI income and tax profile and to ensure administrative efficiency in dealing with this category of tax payers and their consultants, Lagos State Internal Revenue Service (LIRS) has a dedicated unit that manages the tax return and assessment of HNWI.

**3. As an HNWI when am I supposed to file my tax returns?**

You must file returns of your income from all sources and claims for reliefs and allowances relating to the preceding year with LIRS within 90 days from the beginning of every year (i.e. on or before the 31st of March).

**4. what happens if I fail to file returns of my income within 90 days?**

LIRS will assume your income based on appropriate economic and social variables applicable to you, and ascertain your tax liability in accordance with Section 54(3) of the Personal Income Tax Act, as amended. I.e. raise Best of Judgement Assessment on you.

**5. Which documents do I need to file my tax returns?**

- \* Duly completed and signed Income Tax Form for Return of Income and claims for allowances and reliefs (Tax Form 'A')
- \* Financial Statements (where applicable)
- \* Your own Tax Computation/ Position
- \* Evidence of payment/ contribution to Pension, Life Assurance Premium, National Health Insurance Scheme
- \* Evidence of tax paid at source (PAYE, Direct Assessment, Withholding taxes).

**6. Can I file my returns and pay tax under Self Assessment?**

Yes. All you need do is fill self assessment form and pay your tax at any branch of Lagos State Government designated revenue collecting bank. However, LIRS will subject such returns to review to ascertain the correctness of information provided therein and tax paid.

**7. I am an Individual in paid employment PAYE is deducted by my employer from my salary income; can I still be assessed as a High Net worth Individual?**

Yes, if you earn income from other sources other than the employment income. Such income includes Director's Fees, Rental Income, Sitting Allowances, Bonus, Benefits in Kind etc.

**8. Why do I need to declare my income from Dividend and Interest I am aware that withholding taxes on these sources of income deducted at source are final tax?**

Sections 41(3) & 36 of the Personal Income Tax Act (as amended) make it mandatory for you to declare income from all sources. However in doing this, all relevant documents relating to such income with the relevant withholding tax credit notes should be submitted along with the tax returns.

**9. Can I use withholding tax credit to offset my tax liability?**

Yes, Withholding tax credit can be used to offset tax liability with evidence of income, tax deducted and remitted.

**10. What are the remedies available to me if I dispute a tax assessment?**

You must file notice of objection to the assessment in writing to our office within the statutory time limit of thirty days of the receipts of such notice of assessment and the precise grounds of objection must be clearly stated.

**11. What happens if I fail to object to or pay assessed tax within 30days?**

If an assessment based on your tax returns or best of judgement is not objected to or paid within 30days;

*For further enquiries, please contact*

## LAGOS STATE INTERNAL REVENUE SERVICE

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**Itesiwaju Ipinle Eko Lo Je Wa Logun**

## Frequently Asked Questions on Tax Obligations of High Net Worth Individuals

- a. The LIRS will raise and serve on you a demand notice which includes tax due plus penalty and interest.
- b. If the liability as contained in the Demand Note is not paid after 30days, the liability becomes final and conclusive.
- c. LIRS will thereafter institute legal measure either under the civil or criminal proceeding as provided for by the relevant section of the Personal Income Tax and the Criminal code to recover the tax liability.

**12. I filed annual tax returns and paid my taxes as and when due in the past 6years but recently I received additional assessments for these years from LIRS. Does LIRS have powers to raise additional assessments and am I liable to pay such liability.**

LIRS has the power in line with the provision of Section 55 of Personal Income Tax if it discovers or is of the opinion that a taxable person's income tax has not been assessed or has been assessed at a less amount than that which ought to have been charged, may within the year of assessment or within six years after the expiration thereof as often as may be necessary, assess the taxable person at such amount or additional amount as ought to have been charged.

**13. What if I have not filed tax returns nor pay taxes in the last 6 six years am I liable?**

Yes. Same provision as above applies.

**14. Is there any other penalty or sanctions that might be imposed on me under the provision of the Personal Income Tax Act**

Yes. The sanctions and penalties include:

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| <b>Making False statement and Returns</b>                                | <b>=N=500,000 for Corporate<br/>=N= 50,000 for Individuals and<br/>imprisonment of 6 months</b> | <b>96(1)(b)</b> |
| <b>False statement by person in relation to tax payable or repayable</b> | <b>=N=10,000 or imprisonment not more than 6 months</b>   | <b>96(1)</b>    |
| <b>Offences by authorized and unauthorized persons</b>                   | <b>=N= 100,000 or 3 years imprisonment or both</b>  | <b>97</b>       |

**15: When can I apply for an electronic tax clearance certificate (e-TCC)?**

Your e-TCC will be issued to you within 48 hours of payment of your taxes or updated immediately in case of renewal.

**16. Do I have any other tax obligation to Government**  
Yes.

**(a) Pay as You Earn (PAYE) -** As an employer of Labour, you are required to deduct appropriate tax from the income of your employees and pay same to LIRS on or before 10th of the following month.

**(b) Withholding Tax:** Whenever you or your firm pays an individual or an unincorporated entity any of the under listed, appropriate withholding tax must be deducted and remitted to LIRS through any of the designated revenue collecting banks. You are also expected to ensure that your clients effect withholding tax deduction and remittance as appropriate.

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| <ul style="list-style-type: none"> <li>* Rent</li> <li>* Management / Professional Fees</li> <li>* Technical Service</li> <li>* Dividend</li> <li>* Tenancy Agreement</li> </ul> | <ul style="list-style-type: none"> <li>* Commission</li> <li>* Consultancy Fees</li> <li>* Directors' Fees</li> <li>* Agency Arrangements/Agreements</li> <li>* Supplies.</li> </ul> |
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**(See FAQ on Withholding Taxes for Details)**

**© Capital Gains Tax and Stamp Duties:** Whenever you disposed off any asset attracting capital gains tax or perfect agreement/document in respect of which Stamp duties payment becomes due you are expected to submit the transaction for proper assessment and make payment directly to Lagos State Government Account at any of the Lagos State Government designated revenue collecting bank.

**(See FAQ on Capital Gain Tax and Stamp Duties for Details)**

Please be reminded that patronizing touts and or possession of fake documents is a criminal offence and offenders will be prosecuted.