



GUIDE TO PERSONAL INCOME TAX COMPUTATION

1. CONSOLIDATED SALARY / GROSS EMOLUMENT

Determine the consolidated salary which is the gross emolument of the Tax Payer Per Annum. That is Basic Salary, Housing, Transport, Leave, Utility, Furniture, Meal Allowances etc.

Multiply by 12 to get the gross Per Annum
E.G Basic Salary ₦50,000, Housing ₦20,000, Transport ₦10,000, Meal ₦10,000 and Furniture ₦10,000. Total = ₦100,000 Per Month. Therefore ₦1,200,000 Per Annum (₦100,000X12)

2. CONSOLIDATED RELIEF ALLOWANCE [CRA]

A Tax relief of N200,000.00 or 1% of the Consolidated Salary, whichever is higher, plus 20% of the Consolidated Salary is given.

Less N200,000 from the N1,200,000

Also less 20% from ₦1,200,000 = N240,000.

Therefore CRA = ₦200,000 + ₦240,000 = ₦440,000.

3. TAX EXEMPT ITEMS

Check Tax payer's contribution in any of the following:

- **National Housing Fund Contribution (Mandatory contribution of 2.5% of monthly income of Nigerians earning N3000 and above per annum);**
- **National Health Insurance Scheme (5%)**
- **Life Assurance Premium (Tax deductibility applies if withdrawn within 5 years)**
- **National Pension Scheme (8% of Basic, Housing and Transport)**

4. ASCERTAIN CHARGEABLE INCOME

Compute taxable income based on steps 1 to 3 which is less CRA from consolidated salary.

Eg. Less N440,000 (CRA) from N1,200,000 = N760,000. For earnings of N1,200,000 the chargeable income therefore is N760,000.

5. INCOME TAX RATES

Apply the Tax Band to the Chargeable Income to arrive at the tax payable per annum:

First	₦300,000	@	7%	N21,000
Next	₦300,000	@	11%	N33,000
Next	₦500,000	@	15%	N75,000
Next	₦500,000	@	19%	N95,000
Next	₦1,600,000	@	21%	N336,000
Over	₦3,200,000	@	24%	

Therefore, for a Chargeable Income of N760,000 the Tax will be:

1st N300,000 @ 7% = N21,000 (Remaining N460,000)

Next N300,000@11% = N33,000 (Remaining N160,000)

Next N500,000 @ 15% = N75,000 X 15% = N11,250

Total Tax payable per Annum = N21,000+N33,000+N11,250 = N65,250

6. MONTHLY TAX PAYABLE

The Tax Payable Per Annum is divided by 12 eg. N78,000 divide by 12 = N6,500 Per Month. Therefore the tax payable every month shall be N6,500 on the PAYE Scheme.

7. MINIMUM TAX DETERMINATION

Where the Chargeable Income obtained is lower than 1% of the consolidated or gross emolument then 1% of the consolidated salary shall be the Tax Payable Per Annum.