ACME PROFESSIONALS (CHARTERED ACCOUNTANTS)

DETERMINATION OF TAX RESIDENCY IN NIGERIA FOR INDIVIDUALS HOLDING FOREIGN EMPLOYMENT

(First Schedule, NTAA 2025)

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Introduction

This section of the NTAA basically answers the question: “If you work for a foreign employer, how will you be taxed in Nigeria?”

What is residency in Nigeria Tax?

In the context on the Nigeria Tax Laws, residency refers to the place where an individual lives or usually lives.

Why is residency important?

Where you are resident as an individual will determine the scope of your taxation in Nigeria.

What is Scope of taxation?

Scope of taxation refers to the extent or range of an individual's income that a tax authority has the legal right to tax

- **Resident Individual**: will be taxed on worldwide income
- **Non-resident Individual**: will be taxed only on income derived from Nigeria

When is a person considered resident in Nigeria for tax?

A person is tax resident in Nigeria if:

- They live in Nigeria, or
- They spend a significant amount of time in Nigeria (continuous or cumulative), or
- Nigeria is their base or usual place of living/working

How is Residency determined for individuals with foreign employment?

According to the First Schedule of the NTAA, 2025, an individual who holds a foreign employment on 1st January of a year or started a foreign employment during the year shall;

1. Where the duties are fully performed outside Nigeria, be considered resident in the country in which the principal office of the employer is located on that day.

Example: You work for a UK company and live/work fully in the UK → You are tax resident in the UK.

What you should do to stay complaint

- Ensure you are properly registered for tax in that foreign country
- Keep documentation of your employment, residence, and tax payments abroad
- Confirm whether you still have any Nigerian-sourced income (if yes, it may still be taxable in Nigeria)
- Check for any tax treaty (DTA) benefits between Nigeria and that country

2. Where the duties are performed from Nigeria (remote workers), be considered resident in Nigeria, in the state where you live or usually lives.

Example: You work remotely from Lagos for a US company - You are tax resident in Lagos, Nigeria.

<u>What you should do to stay compliant</u>

- Register with your State Internal Revenue Service (SIRS) and obtain a taxid
- Pay monthly tax under the PAYE (if structured) or Direct Assessment on or before 10th of the following month
- File your annual Personal Income Tax returns on or before 31st March of the following year
- Declare your foreign employment income
- Keep proper records of income inflows (domiciliary accounts, etc.)

THANK YOU!

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