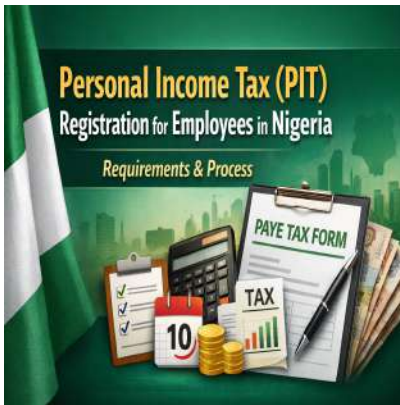




Personal Income Tax (PIT) Registration for Employees in Nigeria: Complete Guide to PAYE Registration, Requirements, Costs & Process

Description

Introduction

Personal Income Tax (PIT) registration for employees; commonly implemented through the **Pay As You Earn (PAYE)** system, is a statutory obligation for every employer operating in Nigeria. Under this framework, employers are legally required to deduct tax from employees' salaries and remit same to the relevant State Internal Revenue Service (SIRS).

Whether you are a startup, SME, NGO, or large corporation, failure to properly register for PIT/PAYE can expose your business to penalties, interest, audits, and reputational risk.

This comprehensive guide explains everything you need to know about **Personal Income Tax (PIT) Registration for Employees in Nigeria**, including:

- Meaning of PIT and PAYE
- Who must register
- Requirements and documentation

- Step-by-step registration process
- Employee TIN creation
- Monthly remittance procedures
- Costs and timelines
- Common mistakes
- Frequently asked questions

This is your complete compliance handbook.

What Is Personal Income Tax (PIT)?

Personal Income Tax is a tax imposed on individuals' earnings, including salaries, wages, allowances, and benefits in kind.

For employees, PIT is administered through the **Pay As You Earn (PAYE)** system, where employers act as collecting agents by deducting tax at source and remitting to the appropriate State Internal Revenue Service.

The legal basis is the **Personal Income Tax Act (PITA)** (as amended).

Who Must Register for PIT/PAYE?

Employers

Every employer of labour in Nigeria must:

- Register with the State Internal Revenue Service

- Deduct PAYE from employee salaries
- Remit deductions monthly
- File statutory returns

This applies to:

- Limited liability companies
- Business names
- NGOs
- Partnerships
- Sole proprietors with staff

Employees

Every employee must be registered as an individual taxpayer and issued a **Taxpayer Identification Number (TIN)**, usually generated via the state e-tax portal using BVN or NIN.

Which Tax Authority Handles PIT Registration?

Unlike Company Income Tax (handled by FIRS), PIT is administered by **State Internal Revenue Services**, including:

- Lagos State Internal Revenue Service (LIRS)

- FCT Internal Revenue Service (FCTIRS)
- Enugu State IRS
- Edo State IRS
- Abia State IRS
- Ogun State IRS

Employers operating in multiple states may be required to register separately in each state where employees work.

Requirements for PIT Registration (Employer)

To register as a PAYE employer, you will typically need:

Corporate Documents

- CAC Certificate / RC Number
- Company address and contact details
- Nature of business
- Director's TIN (mandatory on many portals)

Employee Information

For each staff member:

-
- Full name
 - Date of birth
 - BVN and/or NIN
 - Residential address
 - Employment start date
 - Salary structure (basic, allowances, benefits)
-

Step-by-Step Process for Personal Income Tax Registration for Employees

Although portals differ slightly by state, the general workflow is consistent nationwide.

Step 1: Register Company on State e-Tax Portal

Create a corporate taxpayer profile on your state IRS portal (e.g., Lagos eTax or FCTIRS Self Service).

You will provide:

- RC number
 - Company email
 - Director's TIN
-

- Business address

Upon approval, your company receives an **Employer Tax ID**.

Step 2: Apply as PAYE Remitting Agent

Complete the PAYE employer registration module or prescribed forms (commonly H2 or portal equivalent).

This formally authorises your company to deduct and remit employee PIT.

Step 3: Register Employees / Generate Individual TINs

Each employee must have a Taxpayer ID.

Most portals allow TIN creation using:

- BVN or NIN
- Date of birth

Employers can batch-upload staff data or register individually.

Step 4: Complete Tax Form A

At commencement of employment or annually, employees complete **Tax Form A**, declaring personal details and relief claims.

This supports correct tax coding.

Step 5: Configure Payroll for PAYE

Payroll must reflect:

-
- Gross pay
 - Statutory reliefs
 - Taxable income
 - PAYE deduction
-

Step 6: Begin Monthly Deductions and Remittance

Employers must:

1. Deduct PAYE from salaries
2. Remit total deductions to the State IRS
3. Generate receipt/evidence of payment
4. File monthly returns on the portal

Remittance is typically due **on or before the 10th day of the following month.**

Step 7: Annual Returns and Coding (Forms H1 & H3)

At year-end, employers submit:

- **Form H3** – employee income details
- **Form H1** – annual employer returns

These enable proper tax assessment for the Year of Assessment.

Cost of PIT Registration in Nigeria

Most State Internal Revenue Services provide **free online registration**.

However:

- Some states charge small administrative fees (usually ~~₦~~4,000–~~₦~~10,000 range)
- Professional or consultant fees are separate
- The actual PAYE remittance is not a fee, it is employee tax deducted from salaries

Always confirm costs directly on your state IRS portal.

Monthly Compliance Cycle (Summary)

Activity	Responsibility
Deduct PAYE	Employer
Remit PAYE	Employer
File monthly return	Employer
Issue payslip	Employer
Maintain records	Employer

Common Mistakes Employers Make

1. Delaying employer registration
 2. Failing to register employees
 3. Missing BVN/NIN data
-

-
4. Incorrect allowance classification
 5. Late remittance
 6. Poor record keeping
 7. Assuming one national PAYE portal

Avoid these to prevent penalties and audits.

Frequently Asked Questions (FAQs)

Is PIT registration compulsory?

Yes. Every employer must register and remit PAYE for employees.

Can employees register themselves?

Yes, but employers are responsible for ensuring all staff are properly registered.

Is PAYE different from PIT?

PAYE is simply the collection method for PIT on employment income.

What happens if PAYE is not remitted?

Penalties, interest, enforcement actions, and possible prosecution.

Can one company register in multiple states?

Yes, if employees work in different states.

Do contract staff require PAYE?

Yes, if they qualify as employees under PITA.

Common Misconceptions About PIT Registration

“Only big companies need PAYE”

False. Even one employee triggers PAYE obligations.

“Employees handle their own tax”

False. Employers are legally responsible for deductions and remittance.

“There is one national PAYE portal”

False. Each state operates its own system.

Sample 30-Day Employer Compliance Timeline

Week 1

- Gather CAC, director TIN, staff BVN/NIN

Week 2

- Register company on state portal
- Apply as PAYE agent

Week 3

- Register employees
-

-
- Complete Tax Form A

Week 4

- Configure payroll
 - Make first remittance
-

Final Thoughts

Personal Income Tax (PIT) Registration for Employees is not optional, it is a core legal responsibility of every Nigerian employer.

With modern state e-tax platforms, the process is now largely digital, straightforward, and affordable. What matters most is timely registration, accurate payroll configuration, and consistent monthly compliance.

Done correctly, PIT registration protects your business, supports your employees, and ensures smooth operations during audits or financial transactions.

Category

1. Industry Insights