

PENSION, NHF & STATUTORY DEDUCTIONS POLICY

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1. PURPOSE

This policy outlines the Company's compliance with Nigerian statutory requirements for pension contributions, National Housing Fund (NHF), and other mandatory deductions as required by Nigerian law.

2. LEGAL FRAMEWORK

This policy ensures compliance with: - **Pension Reform Act 2014** (as amended) - **National Housing Fund Act 1992** (Cap N45 LFN 2004) - **Nigeria Social Insurance Trust Fund (NSITF) Act** - **Industrial Training Fund (ITF) Act** - **Personal Income Tax Act (PITA)** - **Employee Compensation Act 2010**

3. SCOPE

This policy applies to all employees who: - Are employed under a contract of employment - Have been in employment for a minimum period as specified by law - Meet the eligibility criteria for each statutory scheme

PART A: CONTRIBUTORY PENSION SCHEME (CPS)

4. OVERVIEW

The Contributory Pension Scheme is regulated by the National Pension Commission (PenCom) and is mandatory for all employees in organizations with 3 or more employees.

5. ELIGIBILITY

- All employees in the private sector
- Minimum age: 18 years
- No maximum age for contributions
- Contributions cease upon retirement (minimum age 50)

6. CONTRIBUTION RATES

Contributor	Minimum Rate	Company Rate
Employee	8% of monthly emolument	8%
Employer	10% of monthly emolument	12%
Total	18%	20%

The Company contributes 12% (above the statutory minimum of 10%) as an enhanced benefit.

7. DEFINITION OF MONTHLY EMOLUMENT

Monthly emolument includes: - Basic salary - Housing allowance - Transport allowance - Other regular allowances

Excluded from emolument: - Overtime payments (irregular) - Bonuses (discretionary) - Reimbursable expenses - Benefits in kind

8. PENSION FUND ADMINISTRATOR (PFA)

8.1 Employee Choice

- Employees choose their own PFA from PenCom-licensed administrators
- Provide PFA details and RSA PIN within 30 days of employment
- May transfer RSA to another PFA once per year

8.2 Company Obligations

- Remit contributions within 7 working days after salary payment
- Maintain records of all contributions
- Provide employees with contribution statements
- Report to PenCom as required

9. RETIREMENT SAVINGS ACCOUNT (RSA)

9.1 RSA PIN

- Unique identifier for each contributor
- Employees must provide RSA PIN to HR
- New employees without RSA should open one within 6 months

9.2 RSA Registration To open an RSA, employees need: - Completed PFA registration form - Valid means of identification (NIN, Passport, Driver's License) - Passport photographs - Birth certificate or age declaration - Employment letter

10. ACCESSING PENSION BENEFITS

10.1 Retirement

- Minimum retirement age: 50 years
- Or after 35 years of employment
- Entitled to:
 - Programmed withdrawal, or
 - Annuity purchase, or
 - Lump sum (if balance is N550,000 or less)

10.2 Pre-Retirement Access (25% Withdrawal) Eligible after: - 4 months of unemployment (resignation/job loss) - Not yet secured new employment - Only 25% of RSA balance accessible

10.3 Death

- 100% of RSA balance paid to named beneficiaries
- Employees should update beneficiary forms regularly

11. GROUP LIFE INSURANCE

As required by Section 4(5) of the Pension Reform Act: - Minimum coverage: 3x annual total emolument - Paid entirely by employer - Beneficiaries receive payout upon employee death

PART B: NATIONAL HOUSING FUND (NHF)

12. OVERVIEW

The NHF is a mandatory contribution scheme administered by the Federal Mortgage Bank of Nigeria (FMBN) to enable Nigerian workers access affordable housing.

13. ELIGIBILITY

Mandatory for all Nigerian employees who: - Earn ₦3,000 or more per month (basic salary) - Are 21 years or older - Are employed in the public or private sector

14. CONTRIBUTION RATE

Contribution	Rate
Employee	2.5% of basic salary
Employer	Nil (no employer contribution)

15. NHF BENEFITS

Contributors are entitled to:

15.1 National Housing Fund Loan

- Maximum loan: ₦15 million
- Interest rate: 6% per annum
- Repayment period: Up to 30 years
- Purpose: Home purchase or construction

15.2 Eligibility for NHF Loan

- Minimum 6 months continuous contribution
- Regular contributor in good standing
- Property must be in Nigeria
- Must not have benefited from NHF loan before

16. REGISTRATION

- Employer registers with FMBN
- Each employee receives NHF number
- Contributions remitted monthly via FMBN portal

17. REFUND OF CONTRIBUTIONS

Contributors may claim refund: - Upon retirement (age 60) - Withdrawal from scheme (with conditions) - Death (paid to next of kin)

Refund includes principal plus interest earned.

PART C: OTHER STATUTORY DEDUCTIONS

18. PAY AS YOU EARN (PAYE) TAX

18.1 Legal Basis Personal Income Tax Act (PITA) as amended

18.2 Tax Bands (2024)

Annual Income (₦)	Tax Rate
First 300,000	7%
Next 300,000	11%
Next 500,000	15%
Next 500,000	19%
Next 1,600,000	21%
Above 3,200,000	24%

18.3 Tax-Free Allowances

- Consolidated Relief Allowance (CRA): 20% of gross income + ₦200,000
- Pension contributions (up to statutory limit)
- NHF contributions
- Life insurance premiums
- National Health Insurance contributions

18.4 Employer Obligations

- Deduct PAYE monthly
- Remit to State Internal Revenue Service (SIRS) by 10th of following month
- File annual returns by January 31st
- Issue tax deduction cards to employees

19. NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)

19.1 Purpose Provides compensation for work-related injuries, disabilities, and death under the Employee Compensation Act 2010.

19.2 Contribution Rate

Contributor	Rate
Employer	1% of monthly payroll
Employee	Nil

19.3 Benefits

- Medical treatment for work injuries
- Temporary disability payments
- Permanent disability payments
- Death benefits to dependents
- Funeral expenses

19.4 Employer Obligations

- Register with NSITF
- Remit contributions monthly
- Report workplace accidents within 7 days
- Maintain accident register

20. INDUSTRIAL TRAINING FUND (ITF)

20.1 Applicability Mandatory for employers with: - 5 or more employees, OR - Annual turnover of ₦50 million or more

20.2 Contribution Rate

Contributor	Rate
Employer	1% of annual payroll
Employee	Nil

20.3 Employer Benefits

- 50% reimbursement for approved training
- Access to ITF training programs
- Tax deductibility of contributions

PART D: ADMINISTRATION

21. PAYROLL DEDUCTIONS SUMMARY

Deduction	Rate	Paid By	Remit To
Pension (Employee)	8%	Employee	PFA
Pension (Employer)	12%	Employer	PFA

Deduction	Rate	Paid By	Remit To
NHF	2.5% of basic	Employee	FMBN
PAYE Tax	Per tax table	Employee	SIRS
NSITF	1% of payroll	Employer	NSITF
ITF	1% of payroll	Employer	ITF

22. REMITTANCE DEADLINES

Contribution	Deadline
Pension	Within 7 working days of salary
NHF	By end of month
PAYE Tax	By 10th of following month
NSITF	Monthly
ITF	Annually

23. EMPLOYEE RESPONSIBILITIES

- Provide accurate RSA PIN and PFA details
- Update personal information promptly
- Report discrepancies in deductions
- Keep copies of payslips
- Update beneficiary information

24. EMPLOYER RESPONSIBILITIES

- Register with all statutory bodies
- Accurate calculation of contributions
- Timely remittance of all deductions
- Maintain proper records for 6 years
- Provide employees with contribution statements
- File required returns and reports

25. NON-COMPLIANCE PENALTIES

Offence	Penalty
Late pension remittance	2% of unpaid amount per month
Non-remittance of pension	Prosecution + penalties
Late PAYE remittance	10% penalty + interest
NHF non-compliance	N50,000 fine + 5% monthly
NSITF non-registration	Prosecution

26. DISPUTES AND QUERIES

For deduction queries: 1. Contact Payroll Department first 2. Escalate to HR if unresolved 3. External: Contact relevant regulatory body

Regulatory Contacts: - PenCom: www.pencom.gov.ng - FMBN (NHF): www.fmbn.gov.ng - FIRS (Tax): www.firs.gov.ng - NSITF: www.nsitf.gov.ng - ITF: www.itf.gov.ng

27. POLICY REVIEW

This policy is reviewed annually and updated to reflect: - Changes in contribution rates - New legislation or regulations - Regulatory guidance updates

HR Director: [Name] **Finance Director:** [Name] **Approved by:** Managing Director **Date:** December 15, 2024

All employees must acknowledge understanding of statutory deductions within 14 days of employment.