

Payroll in Nigeria

With a population of over 200 million, Nigeria offers numerous possibilities for finding top-tier remote workers for your business. However, hiring contractors or employees in Nigeria requires you to understand the payroll system in Nigeria. You may need to get acquainted with the local taxes, compensations and benefits, and pensions.

Navigating this process can be challenging for employers. One of the best ways to ensure compliance with the Nigerian payroll policies is to outsource your payroll tasks to a global payroll company like [Skuad](#).

This guide delves into everything you need to know about payroll in Nigeria.



Introduction to Payroll in Nigeria

Nigeria is the most populous country in Africa. It's a [member state of the African Union, with English as its official language](#). Its largest city, Lagos, is home to some burgeoning tech companies. Here, the primary currency is the naira (₦), and the standard value-added tax (VAT) rate is 7.5%.

Though the payroll frequencies vary among companies in Nigeria, the most common are monthly and biweekly.

The Nigerian Labour Act classifies [workers](#) into two categories:

- **Workers** — Those who perform manual labor or clerical work
- **Employees (or non-workers)** — Those who occupy technical or professional roles, often requiring additional skills or education

The Labour Act only covers the employment terms and conditions for workers, but not for employees. As such, the terms for employees are subject to what their employers deem suitable.

Before hiring a remote employee in Nigeria, you must draw up an official contract for reference purposes. To do this, you need an efficient payroll process compliant with currency rates and labor laws.

Looking to get started with payroll management in Nigeria? [Skuad](#) is your go-to global payroll provider for all payroll needs.

Payroll Process in Nigeria

The payroll process in Nigeria can be divided into three phases.

Pre-payroll phase

In this phase, you'll be required to:

- Prepare a contract for your employee. This contract must provide details such as the names of the employee and your company, nature of employment, and duration of the contract.
- Gather relevant employee information such as their tax identification number (TIN).
- Determine gross pay for the employee — comprising earnings, allowances, and merit-based bonuses.
- Decide on a payment day. This can help the employee with financial planning.
- Agree on relevant work policies.

Payroll calculation phase

Once you have determined all deductibles you can calculate your employee's net pay and input this into your payroll system. Employees in Nigeria receive a payslip that provides the details of their net pay.

Post-payroll phase

You'll want to make sure that you take the steps necessary to ensure your financial transactions are transparent and compliant. These could include:

- Keeping a payroll record of all payments. Salary payment is often the largest expense of a company — ensure that all the employee salaries are recorded correctly.
- Ensuring payment of all deductions. In Nigeria, the due date for each deduction is dependent on the agency receiving it. Taxes, for instance, must be remitted [before the 10th day of the month](#) following the payment month.

Run your payroll in Nigeria with [Skuad](#). We manage payroll for multiple companies in one click.

Payroll Processing in Nigeria

Employers in Nigeria can choose from any of these four payroll processing options:

- **Remote** — You can compensate employees remotely by adding them to your company's primary payroll. However, for this, you'll have to be intimately familiar with the local payroll laws.
- **In-house** — This requires setting up a subsidiary branch in Nigeria, a tedious process for most employers.
- **Local payroll company** — You can outsource your payroll obligations to a payroll company in Nigeria. As with the remote route, you must be familiar with local laws to ensure compliance.
- **Global payroll company** — Outsourcing to a global payroll company like Skuad will ensure compliance with all payroll laws.



Payroll Management in Nigeria

Payroll management is the preparation of all your remote workers' payroll information. This guarantees compliance with government regulations within the country. The basic information covers gross and net pay, taxes, and statutory remittances.

Payroll Compliance in Nigeria

Employers in Nigeria must comply with the laws and deadlines regarding filing of different taxes. Defaulting could incur costly penalties. The following are important taxes and deadlines for payroll compliance.

- Value Added Tax (VAT), due 21st of the month following the payment month.
- Withholding Tax (WHT), due 21st of the month.
- Pension Contributions, due 22nd of the month.
- Pay-As-You-Earn (PAYE) returns. Employers should file this with the State Board of Internal Revenue Services (SBIRS) in the employee's state of residence.
- Capital Gains Tax (C.G.T). Accrues on a yearly basis.

Payroll Components in Nigeria

For employers in Nigeria, the components of payroll are different from those of any other country. For instance, did you know that employees are entitled to one rest day following six days of consecutive work? Acquaint yourself with these other payroll components.

Compensation

Employee compensation varies with job description and organization structure. The minimum wage for a Nigerian worker is ₦30,000.

The monthly wage of any worker is often a fixed sum agreed upon at the initiation of the work contract. Employees in Nigeria are rarely paid at hourly rates, but they may be paid monthly, biweekly, or weekly. For monthly agreements, payments should be made before or on the last day of a calendar month.

Expats working in Nigeria are eligible for a Combined Expatriate Residence Permit and Aliens Card (CERPAC), which allows them to [live and work in Nigeria](#). Employers who hire expats should ensure that their workers have a CERPAC.

Working hours

Nigeria's Labour Act doesn't specify working hours. The regular hours are between 9 a.m. and 5 p.m. on Monday to Friday, which totals to a maximum of 40 hours per week.

Some companies employ a hybrid structure, where employees come into the office two to three times a week and work from home on the other days.

Overtime laws

No stipulated laws regarding overtime work for employees exist in Nigeria. Therefore, companies are required to reach a mutual agreement with their employee regarding overtime.

Likewise, working the night shift is subject to the decision of both the employee and employer. In Nigeria, the night shift starts at 10 p.m. and ends at 5 a.m. Per week, an employee is allowed to work for 11 hours on the night shift.

Sick leave

Employers may require proof of illness from employees before granting sick leave. An employee is entitled to 12 sick days per year.

Parental leave

Expecting mothers are allowed up to 12 weeks of maternity leave, which can be taken starting six weeks before the due date. Payment during this leave depends on the company's in-house rules, but the minimum payment for maternity leave is 50% of the net salary.

Paternity leave is subject to the company's inclination. On average, paternity leave in Nigeria spans 14 days, with all days paid for.

Nigeria's labor law, however, doesn't recognize LGBTQ+ relationships.

Public holidays

In Nigeria, most employees are entitled to at least 15 public holidays:

- New Year's Day
- Good Friday
- Easter Monday
- Labor Day
- Eid al-Fitr (two days)
- Democracy Day
- Eid al-Adha (three days)
- Independence Day
- Mawlid (two days)
- Christmas Day
- Boxing Day

Employees may be required to [work on a public holiday](#). However, they are entitled to extra payments.

Payroll taxes

Employers and employees contribute to tax obligations, with employers deducting income tax from employee's gross pay. Income tax is processed through the Pay-As-You-Earn system. The following contributions are made.

Employer

- 10% — Pension Fund
- 10% — Health Insurance
- 1% — Workers' Compensation

Employee

- 8% — Pension Fund
- 5% — Health Insurance
- 2.5% — National Housing Fund (NHF)

Employee Income Tax

The Pay-As-You-Earn (PAYE) tax varies with individual states in Nigeria. However, all rates range from 7% to 30%. The federal rates are:

- Up to ₦300,000: 7%
- ₦300,000 to ₦600,000: 11%
- ₦600,000 to ₦1.1 million: 15%
- ₦1.1 million to ₦1.6 million: 19%
- ₦1.6 million to ₦3.2 million: 21%
- More than ₦3.2 million: 24%

Other laws

Employees are entitled to:

- Six days of paid leave per year (if the employee has worked for the employer for 12 months)
- One rest day (after six consecutive workdays)
- One rest hour (after every six hours of continuous work)

Worried about keeping up with the facts and figures? Skuad can handle the payroll of your employees and contractors in more than 160 countries. [Book a demo today!](#)

Conclusion

While in-house payroll management may look appealing, navigating local laws and regulations can be daunting for any HR team. You can outsource your payroll processes — for workers in Nigeria and anywhere else — to Skuad, a leading payroll provider, and reap several benefits.

100% Compliance

Skud's payroll experts are familiar with local laws in multiple countries. With clientele in over 160 countries, we know what you need to know about payroll in Nigeria.

Payroll Consolidation

We help you manage all your payment records in one place.

Payment in Local Currency

Skud's payroll system features 100+ currencies, including the naira. You can pay your employees in the currency of your choice. As of May 2022, US\$1 exchanges for ₦415.25.

A Global Workforce Creation

Given our global reach, Skud has the right talent to help you build an impressive workforce. It's premium hiring flexibility for you and your company.

Ready to begin a rewarding payroll partnership? [Call us today](#) and find out how Skud can help a business owner like you with payroll processing.