MERCANS

Nigeria Standard Operating Procedure (CSOP)

Policies & Procedure Guide **V 1.0**

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Nigeria Standard Operating Procedure (CSOP)

1. Introduction

1.1. Purpose and Scope

This Country Standard Operating Procedure (CSOP) details the specific statutory requirements and processes for payroll in Nigeria. It is a supplement to the Universal SOP (USOP) and applies to all managed payroll services delivered within the country. This document should be used as the primary reference for local compliance.

The procedural framework is governed by a multi-layered legal structure, including key legislation such as the Labour Act, 2004, the Pension Reform Act, 2014, the Personal Income Tax Act (PITA), as amended, the Employees' Compensation Act, 2010, the National Housing Fund (NHF) Act, 1992, the Industrial Training Fund (ITF) Act, as amended, and the National Minimum Wage Act, 2019.

Compliance is enforced by several key government bodies, including the Federal Ministry of Labour and Employment, the Federal Inland Revenue Service (FIRS) and respective State Internal Revenue Service (SIRS), the National Pension Commission (PenCom), the Nigeria Social Insurance Trust Fund (NSITF), the Federal Mortgage Bank of Nigeria (FMBN), the Industrial Training Fund (ITF), and the Corporate Affairs Commission (CAC).

1.2. Key Assumptions and Nigeria's Compliance Ecosystem

This SOP operates under the standard key assumptions outlined in the USOP, including the Client's sole responsibility for its legal entity, the provision of timely and accurate data, and seeking its own professional legal and tax advice.

In the context of Nigeria, the compliance framework is characterized by its fragmented multi-portal digital ecosystem. An employer must interact with several distinct government bodies through separate and largely unconnected systems. These agencies have independently developed their digital platforms without a central, unifying framework, leading to a complex compliance landscape. Key online portals include:

- **FIRS TaxPro-Max:** For federal-level taxes and PAYE for specific federal employees.

- **PenCom Pension Contribution Remittance System (PCRS):** For uploading pension schedules and remitting contributions via approved Pension Solution Service Providers (PSSPs).

- **NSITF ECSA Portal**: The Employees' Compensation Scheme Application portal for registration and compliance.

- **FMBN NHF Portal:** For employer and employee registration and remittance of NHF contributions.

- **ITF Portals:** The ITF operates multiple, separate portals for different services like e-collections, which can be challenging for users to navigate.

This structure creates a significant latent compliance risk because of the lack of data interoperability between portals, which results in "compliance silos." A successful filing on one portal does not validate or cross-reference data on another. For example, an employer might remit monthly pension contributions for an employee via the PCRS portal with a declared salary of NGN 200,000. Concurrently, due to a manual error, the same employer could declare a salary of NGN 250,000 when remitting PAYE tax to the State Internal Revenue Service (SIRS) through a separate state-level portal. As these systems do not communicate, this discrepancy would go undetected. The issue would only surface during a tax or pension audit, potentially years later, exposing the company to significant penalties for under-remitted taxes or pensions, which can be as high as 2% per month on outstanding pension contributions. Therefore, the assumption that the Client will provide and maintain timely and accurate access to all separate government portals is the absolute cornerstone of operational viability and risk mitigation in Nigeria. This includes providing user credentials and ensuring the availability of its personnel to approve transactions, as detailed in the next section.

1.3. Digital Identity and Portal Access

Access to most government online services in Nigeria is secured through a national digital identity system, though its application for corporate compliance portals is not yet universal.

- **System Name:** National Identification Number (NIN).

- **Issuing Authority:** National Identity Management Commission (NIMC).

- **Description:** The NIN is Nigeria's foundational digital identity, linking an individual's demographic and biometric data into a single, verifiable number. It is increasingly a prerequisite for individuals to access government and financial services. However, it does not function as a universal "single sign-on" system for employer compliance portals. Access to platforms like TaxPro-Max, the NSITF portal, and state-level tax portals is managed through separate, entity-specific credentials (e.g., Employer Code, TIN, username/password) rather than a personal digital pass of a legal representative.

- **Requirements to Obtain:** The NIN is personal and mandatory for all Nigerian citizens and legal residents. Obtaining it requires biometric and demographic data capture at a designated NIMC enrolment center.

- **Client Responsibility for Access:** The Client is solely responsible for all aspects of obtaining and managing its entity-specific access credentials for each government portal. This includes:
    - **Obtaining Entity Credentials:** The Client must complete the registration process with each authority (FIRS, PenCom, NSITF, etc.) to obtain the necessary usernames, passwords, and unique entity codes.
    - **Providing Credentials:** The Client must provide Mercans with the standard username and password for each government portal where Mercans performs online services.
    - **Facilitating Access:** For any online activity requiring two-factor authentication or other security measures (which may be implemented by individual portals), the Client must make its designated personnel available to provide the necessary approval in a timely manner. Delays in this approval can lead to missed statutory deadlines.

2. Payroll Calendar & Year-End

2.1. Local Calendar Considerations

The payroll calendar for Nigeria is influenced by the following local factors:

- **Standard Payroll Frequency:** Monthly.

- **Statutory Pay Date Rules:** Wages must be paid at least once per month, typically by the last working day of the month.

- **Key Public Holidays:** New Year's Day, Good Friday, Easter Monday, Workers' Day, Eid al-Fitr, Democracy Day, Eid al-Adha, Mawlid al-Nabi (Prophet's Birthday), Independence Day, Christmas Day, Boxing Day.

2.2. Year-End Deadlines

The following statutory deadlines apply during year-end processing in Nigeria:

- **Annual Employee Statement Deadline:**
    - Report Name: Annual Paid Income Tax Certificate
    - Authority: Employer to Employee
    - Deadline: January 31st. This is best practice following the employer's annual filing.

- **Annual Tax/Social Security Declaration Deadline:**
    - Report Name: Employer's Annual Declaration and Certificate (Form H1)
    - Authority: State Internal Revenue Service (SIRS)
    - Deadline: January 31st of the following year.

3. HR & Payroll Statutory Administration

3.1. Legal Entity Requirements

The Client is responsible for obtaining and maintaining valid registrations with all necessary authorities in Nigeria. The following registration details are required to process payroll:

Authority	Full Name	ID Name / Function	ID Format & Notes
CAC	Corporate Affairs Commission	Company Registration Number (RC Number)	RC NNNNNNN. A unique number assigned upon incorporation.
FIRS / JTB	Federal Inland Revenue Service / Joint Tax Board	Tax Identification Number (TIN)	FIRS TIN (for companies): NNNNNNNN-NNNN. JTB TIN (for individuals): NNNNNNNNNN (10 digits).
PenCom	National Pension Commission	PenCom Employer Code	PRNNNNNNNNNN or BNNNNNNNNNNN. A 12-character alphanumeric code issued to employers.
NSITF	Nigeria Social Insurance Trust Fund	NSITF Employer Registration Number	A unique alphanumeric code issued upon registration with NSITF.
FMBN	Federal Mortgage Bank of Nigeria	NHF Employer Registration Number	A unique code issued upon registration with the FMBN for the National Housing Fund.
ITF	Industrial Training Fund	ITF Registration Number	Format: XXX-NNN-NNNN. A unique code issued upon registration.

3.2. New Employee (Starter) Registration

New hires in Nigeria must be registered with the specified authorities.

- **Registration Requirements:**

- **Authority:** National Pension Commission (PenCom), facilitated through a Pension Fund Administrator (PFA) chosen by the employee.
- **Deadline:** Deductions must commence from the employee's first salary, making prompt registration essential.
- **Required Documents:** Signed Employment Contract, RSA Registration Form (from the PFA), Letter of Employment, Proof of Identity (e.g., National Identification Number (NIN) slip), Passport Photograph.
- **Process:** The primary statutory registration for a new hire is for the Contributory Pension Scheme. The employee selects a PFA and completes an RSA (Retirement Savings Account) Registration Form. The PFA processes the registration and issues a unique Personal Identification Number (PIN). Other schemes like NSITF and NHF are typically managed through the employer's monthly remittance schedules rather than individual registration events per hire.

- **Responsibility Matrix: New Hire Registration**

Task	Mercans	Client	Notes/Clarifications
Gather required documents and data from employee		X	Client is responsible for all contractual and immigration processes.
Provide complete new hire data to Mercans		X	Must be in the agreed format by the payroll calendar deadline.
Complete online statutory registration	X		Refers to updating master data in the payroll system for inclusion in statutory reports. There is no single government portal for new hire registration.
Complete offline (paper/manual) statutory registration		X	Client is responsible for facilitating the employee's registration with their chosen PFA.
Archive registration confirmation		X	Client is the owner of all official employee records, including the RSA PIN confirmation.

3.3. Employee De-registration (Leaver)

When an employee's service ends, they must be de-registered from statutory bodies.

- **De-registration Requirements:**
  - **Authority:** Not applicable via a direct de-registration filing.
  - **Process:** In Nigeria, employee de-registration is managed through the cessation of contributions. The employer removes the leaver from the monthly remittance schedules for PAYE, Pension, NHF, and NSITF. The final settlement calculation must be processed in the final payroll, and statutory notice periods must be adhered to as per the Labour Act: 1 day for service <3 months, 1 week for 3 months-2 years, 2 weeks for 2-5 years, and 1 month for service >5 years. The absence of a formal de-registration filing makes the accuracy of the final payroll and subsequent statutory reports critical for a clean exit.

- **Responsibility Matrix: Leaver De-registration**

Task	Mercans	Client	Notes/Clarifications
Provide leaver data and last working day		X	
Generate final settlement calculation from payroll system	X		Based on Client-provided dat and statutory rules.
Complete online statutory de-registration	X		Refers to removing th employee from futu statutory reports generated b the payroll system.
Prepare and obtain signature on Final Settlement Certificate		X	Client is responsible for th critical legal document.
Archive de-registration confirmation		X	Client archives the final paysl and settlement documents.

3.4. Social Security & Pension Administration

This section covers all mandatory social security and pension-related schemes.

- **Scheme 1: Contributory Pension Scheme (CPS)**

- **Authority:** National Pension Commission (PenCom).
- **Purpose:** Provides retirement income for employees in both the public and private sectors through individual Retirement Savings Accounts (RSAs).
- **Applicability:** Mandatory for all employers with three or more employees.
- **Contribution Principles:** A minimum of 18% of the employee's monthly emoluments (defined as Basic Salary + Housing Allowance + Transport Allowance). The statutory split is a minimum of 10% from the employer and 8% from the employee. An employer may elect to contribute the full 18% or more.
- **Filing Requirements:** Monthly submission of a contribution schedule and remittance to the employee's Pension Fund Administrator (PFA).

- **Scheme 2: Employees' Compensation Scheme (ECS)**
  - **Authority:** Nigeria Social Insurance Trust Fund (NSITF).
  - Purpose: Provides compensation for work-related injuries, occupational diseases, disabilities, or death.
  - **Applicability:** Mandatory for all employers in the public and private sectors.
  - **Contribution Principles:** 1% of the total monthly payroll, contributed solely by the employer.

- **Scheme 3: National Housing Fund (NHF)**
  - **Authority:** Federal Mortgage Bank of Nigeria (FMBN).
  - **Purpose:** Mobilizes funds to provide affordable housing loans to Nigerian workers.
  - **Applicability:** Mandatory for employees earning NGN 3,000 or more per annum. However, the Business Facilitation Act of 2023 made contributions optional for employees in the private sector.
  - **Contribution Principles:** 2.5% of the employee's monthly basic salary, contributed solely by the employee.

- **Mercans Scope Clarification:** Mercans' scope related to private pension plans is limited to processing the pension plan-related deductions and contributions based on Client-provided data. It does not include any online or offline report submission, correspondence, or remittance to the private pension plan providers or any other private benefit providers. The standard scope includes only the online report submission to the mandatory government pension providers.

- **Responsibility Matrix: Mandatory Government Benefits**

Task	Mercans	Client	Notes/Clarifications
Provide accurate employee data for		X	Includes salaries, start/end dates, and other personal

Task	Mercans	Client	Notes/Clarifications
calculations.			details.
Generate statutory reports from payroll system.	X		
Review and confirm statutory reports.		X	Client review is required before submission.
Perform online filing with government authorities.	X		Uses Client credentials for portals like PCRS, FMBN, and NSITF.
Perform offline (paper) filing.		X	
Make all statutory payments by the deadline.		X	Client is solely responsible for all remittances.
Manage inquiries from government authorities.	X		Mercans investigates and drafts responses. Client submits.

- **Responsibility Matrix: Private Benefit & Pension Plans**

Task	Mercans	Client	Notes/Clarifications
Provide employee deduction/contribution data.		X	Client is responsible for providing all rules and amounts.
Process deductions and contributions in payroll.	X		Limited to calculating the amounts in the payroll run.
Submit reports and forms to the private provider.		X	Mercans has no interaction with private benefit providers.
Make all payments/remittances to the private		X	Client is solely responsible for all payments.

Task	Mercans	Client	Notes/Clarifications
provider.			
Liaise and manage all inquiries with the private provider.		X	Client is the sole point of contact for the provider.

3.5. Labor Relations & Leave Management

- **Trade Unions / Bargaining Councils:**
  - **Governing Body:** Federal Ministry of Labour and Employment. Disputes are adjudicated by the National Industrial Court of Nigeria (NICN).
  - **Requirements:** Governed by the Trade Unions Act and the Trade Disputes Act, union membership in Nigeria is voluntary. Where trade unions are present, they negotiate Collective Bargaining Agreements (CBAs) with employers or employer associations. These CBAs can stipulate terms and conditions of employment, including wage rates, benefits, and specific deductions, which may supersede statutory minimums. All CBAs must be registered with the Ministry of Labour to be legally binding.

- **Mercans Scope Clarification (Unions & Collective Bargaining Agreements):** Mercans' standard scope includes processing the union-related deductions and other payroll-impacting earnings and deductions based on the Client-provided evaluated payroll instructions in the standard format. The scope does not include the evaluation of collective bargaining agreements with respect to their impact on payroll configuration, nor does it include generating and submitting collective bargaining-related reports to the unions.

- **Responsibility Matrix: Unions & Collective Bargaining Agreements**

Task	Mercans	Client	Notes/Clarifications
Evaluate collective bargaining agreements for payroll impact.		X	Client is responsible for interpreting all agreements and rules.
Provide evaluated instructions for all union-related payroll elements.		X	Must be in the standard format for processing.
Process union-related earnings and	X		Based strictly on the instructions provided by the

Task	Mercans	Client	Notes/Clarifications
deductions in payroll.			Client.
Generate and submit reports to unions or bargaining councils.		X	This is outside of Mercans' standard scope.
Make all payments and remittances to unions.		X	Client is solely responsible for payments.
Liaise and manage all inquiries with union representatives.		X	Client is the sole point of contact for unions.

3.5.1. Leave Management and Reporting

This section describes the activities related to all types of employee leave, including sick, maternity, paternity, and other short or long-term leaves. The process involves managing employee leave requests, obtaining necessary information from government or private websites (e.g., certified sick leave records), incorporating this data into the payroll for correct payment, reporting leave events to statutory bodies or private insurers, and filing claims for reimbursement where applicable.

- **Mercans Scope Clarification (Leave Management):** Mercans' standard scope includes only processing leave-related evaluated leave transactions as instructed by the Client in the standard format. The standard scope does not include leave management services, such as the evaluation of leave requests against company policy or statutory law, tracking of employee leave balances, reporting leaves to government or private organizations, or filing and tracking leave claims and their reimbursement status.

- **Responsibility Matrix: Leave Management**

Task	Mercans	Client	Notes/Clarifications
Define and maintain company leave policies.		X	Client is responsible for all internal HR policies.
Receive and approve/deny employee leave requests.		X	Includes tracking eligibility and balances (e.g., in an HRIS).

Task	Mercans	Client	Notes/Clarifications
Obtain required leave documentation (e.g., sick notes, government certificates).		X	Includes accessing government portals to verify leave details.
Provide evaluated leave transactions to Mercans for payroll processing.		X	Must be in the standard format by the agreed deadline.
Process approved leave transactions in the payroll system.	X		Limited to calculating payments/deductions based on Client instructions.
Report leave events to government authorities or private insurers.		X	Client is responsible for all external reporting of leave.
File, submit, and track claims for reimbursement (e.g., for maternity/sick pay).		X	Client manages the entire claim lifecycle. The employer bears the cost of statutory leave pay; there are no government reimbursement schemes.
Manage all employee inquiries related to leave balances and policies.		X	

- **Leave Reporting and Claiming Schedule**

Report/Claim Name	Authority/Organization	Trigger/ Frequency	Submission/ Reporting Deadline	Process/Method
Annual Leave	Internal	Per Event	Per company policy	Internal HR Process
Sick Leave Notification	Internal	Per Event	Within 2 days of absence for	Internal HR Process

Report/Claim Name	Authority/Organization	Trigger/ Frequency	Submission/ Reporting Deadline	Process/Method
			medical certificate	
Maternity Leave Notification	Internal	Per Event	Per company policy	Internal HR Process

3.6. Other HR-Related Statutory Activities

This section covers other unique mandatory HR-related statutory activities required in Nigeria. As these activities fall outside the explicitly defined scope of Mercans' services, the Client is solely responsible for identifying, managing, and ensuring compliance with all such requirements. This includes all associated calculations, report submissions, and payments.

- **Activity 1: Industrial Training Fund (ITF) Levy**
  - **Authority:** Industrial Training Fund (ITF).
  - **Purpose:** Funds national education and training initiatives to generate a pool of indigenous trained manpower.
  - **Applicability:** Employers with 5 or more employees, OR an annual turnover of NGN 50 million and above.
  - **Contribution Principle:** 1% of the total annual payroll, contributed solely by the employer.

- **Activity 2: Expatriate Employment Levy (EEL)**
  - **Authority:** Ministry of Interior / Nigeria Immigration Service.
  - **Purpose:** To promote local employment opportunities and balance the benefits of expatriate employment with the development of the local workforce.
  - **Applicability:** Mandatory for all organizations that employ expatriate workers.
  - **Contribution Principle:** An annual levy, paid by the employer, of USD 15,000 for expatriate directors and USD 10,000 for other expatriate employees.

- **Responsibility Matrix: Other HR-Related Statutory Activities**

Task	Mercans	Client	Notes/Clarifications
Identify all other mandatory HR-related statutory activities applicable to the entity.		X	Client is responsible for ongoing monitoring of local laws to ensure all unique obligations are

Task	Mercans	Client	Notes/Clarifications
			met.
Interpret requirements and prepare any necessary reports or forms.		X	
Submit all reports and make all associated payments to the authorities.		X	
Provide evaluated payroll instructions to Mercans if the activity has a payroll impact.		X	Instructions must be provided in the standard format.
Process payroll transactions based on Client's evaluated instructions.	X		Scope is limited to processing deductions or earnings as instructed.

3.7. Generation of Statutory Employee Certificates

This section outlines the responsibility for generating mandatory payroll-related certificates for employees.

- **Applicable Certificates:** Certificate of Service, Annual Tax Certificate (detailing PAYE deductions).

- **Responsibility Matrix: Statutory Certificates**

Task	Mercans	Client	Notes/Clarifications
Request the generation of a specific statutory certificate		X	
Generate the statutory certificate		X	Client is responsible for creating certificates. Mercans provides necessary payroll data

Task	Mercans	Client	Notes/Clarifications
			upon request.
Distribute the final certificate to the employee and obtain signatures		X	

3.8. Communications from Statutory Authorities

This section covers key information that statutory authorities communicate to the employer, which directly impacts payroll and HR administration. The method of communication can vary, from direct notices to the employer to standardized public announcements. The Client is responsible for receiving and monitoring all forms of communication and providing evaluated instructions to Mercans.

- **Direct Communications to the Employer**
  These are notices sent directly to the employer, often concerning a specific employee or company matter.
  - **Item 1: Employee Tax Assessment Notice**
    - **Authority:** State Internal Revenue Service (SIRS).
    - **Purpose and Impact:** This notice may be issued following an audit or review, indicating an underpayment of tax for a specific employee. It requires the employer to remit the outstanding amount and may necessitate adjustments to future withholdings.
    - **Frequency:** Ad-hoc, typically following an audit or inquiry.
    - **Communication Method:** Delivered to the employer's official address or online portal.

- **Standardized Public Communications**
  In some jurisdictions, authorities provide binding instructions through official, publicly available documents rather than individualized communications. This ensures uniform application of laws.
  - **Item 2: Annual Finance Act and Official Gazettes**
    - Authority: Federal Government of Nigeria, Federal Ministry of Finance.
    - Purpose and Impact: The annual Finance Act is the primary legislative tool for updating tax laws, including changes to PAYE tax brackets, relief allowances, and contribution rules for various schemes. These changes are published in the Official Gazette and are legally binding on all employers. Employers are legally obligated to obtain these publications and apply the updated rates and rules from their effective date.
    - Frequency: Annually for the Finance Act, and ad-hoc for other official notices.

- Communication Method: Published on official government websites (e.g., FIRS) and in the Official Gazette.

- **Responsibility Matrix: Information from Authorities**

Task	Mercans	Client	Notes/Clarifications
Receive and monitor all communications from statutory authorities.		X	Client is the legal recipient and is responsible for monitoring all portals, official correspondence channels, and official publications.
Interpret the communication and its impact on payroll.		X	Client is responsible for evaluating how the notice (e.g., a new tax rate from the Finance Act) applies.
Provide evaluated instructions to Mercans for processing.		X	Must be in the standard format by the agreed deadline (e.g., "Update PAYE tax brackets as per Finance Act 2024").
Update payroll system parameters based on Client instructions.	X		Mercans actions the specific, evaluated instructions provided by the Client.

3.9. Garnishments and Wage Attachments

This section outlines the process for managing legally mandated deductions from employee salaries, such as court-ordered garnishments or administrative wage attachments. The detailed procedures, service levels, and responsibilities for this process are fully defined in the separate Mercans' Garnishment Management SOP. This section provides a summary of the standard scope of service.

- **Mercans Scope Clarification:** Mercans' standard scope includes only processing the garnishment-related deductions in the payroll system based on the Client's evaluated instructions provided in the standard input format. All other administrative tasks associated with the garnishment lifecycle are the Client's responsibility.

- **Responsibility Matrix: Garnishments and Wage Attachments**

Task	Mercans	Client	Notes/Clarifications
Receive and validate all official garnishment/wage attachment orders from authorities.		X	The Client is the legal recipient of all court and administrative orders.
Interpret the legal requirements of the order (e.g., deduction amount, protected pay limits, start/end dates).		X	The Client must seek its own legal advice to ensure correct interpretation and compliance.
Formally notify the employee of the garnishment order as required by law.		X	
Provide evaluated deduction instructions to Mercans via the standard input file.		X	Instructions must be clear and include employee ID, deduction amount/percentage, and start/end dates.
Process the garnishment deduction in the payroll system based on Client instructions.	X		Mercans' role is limited to executing the deduction as instructed.
Remit the deducted funds to the beneficiary/authority by the specified deadline.		X	The Client is solely responsible for all payments to third parties.
Manage all correspondence with the issuing authority, the employee, and the beneficiary.		X	
Track the total amount paid and cease		X	The Client must instruct Mercans when to stop the

Task	Mercans	Client	Notes/Clarifications
deductions once the order is fulfilled.			deduction.

4. STATUTORY FILINGS, REMITTANCES, AND INQUIRIES

4.1. Schedule of Declarations

This schedule lists all mandatory payroll-related statutory filings and payments required in Nigeria.

Report/Declaration Name	Authority	Frequency	Filing Deadline	Payment Deadline	Submission Method
PAYE Remittance & Return	State Internal Revenue Service (SIRS)	Monthly	10th of the following month	With filing	State-specific Online Portal / Manual Filing
Pension Contribution Schedule & Remittance	Pension Fund Administrator (PFA)	Monthly	7 working days after salary payment	With filing	PSSP Online Portal (PCRS)
NHF Contribution Remittance	Federal Mortgage Bank of Nigeria (FMBN)	Monthly	Within 1 month after salary payment	With filing	FMBN Online Portal / Bank Deposit
NSITF (ECS) Contribution Remittance	Nigeria Social Insurance Trust Fund (NSITF)	Monthly	Not explicitly defined, but due with payroll	With filing	NSITF Online Portal / Bank Deposit
Employer's Annual Declaration (Form H1)	State Internal Revenue Service (SIRS)	Annually	January 31st	N/A	State-specific Online Portal / Manual Filing
ITF Levy Contribution & Return	Industrial Training Fund (ITF)	Annually	April 1st of the following year	With filing	ITF Online Portal / Manual Filing

4.2. Responsibility for Statutory Filings and Payments

This matrix clarifies the roles for preparing, filing, and paying statutory payroll contributions.

Task	Mercans	Client	Notes/Clarifications
Provide accurate and timely data for statutory filings.		X	
Generate payroll-related statutory filing reports from the payroll system.	X		
Review and confirm all statutory forms prepared by Mercans.		X	Client's review and confirmation are required before any filing is submitted.
Perform online statutory filings.	X		Uses Client credentials.
Perform offline (paper/manual) statutory filings.		X	Client is responsible for all hardcopy filings.
Make all statutory payments (taxes, social security, etc.).		X	Client is solely responsible for ensuring all payments are made by the statutory deadline.
Store and archive all statutory filings and payment receipts.		X	

4.3. Responding to Statutory Inquiries

This outlines the process for managing inquiries or notices from government agencies.

Task	Mercans	Client	Notes/Clarifications
Receive all official		X	The Client is the legal

Task	Mercans	Client	Notes/Clarifications
correspondence from statutory authorities.			recipient of all government notices.
Notify Mercans of any payroll-related inquiry.		X	Timely notification is crucial for a prompt investigation.
Investigate the inquiry and provide a draft response or analysis.	X		1. Analysis will be based on data processed by Mercans.
Review the draft response, finalize, and submit it to the authority.		X	The Client is responsible for the final submission to the government body.
Pay any penalties or fines, regardless of a root cause.		X	The Client is ultimately responsible for all financial liabilities.

5. Statutory Reporting

5.1. Employee Reporting (Payslips)

By law, employers in Nigeria must provide employees with a regular statement of earnings.

- **Report Name:** Payslip.
- **Governing Legislation:** Labour Act, 2004.
- **Language:** The payslip must be issued in English.
- **Distribution Deadline:** Monthly, coinciding with salary payment.
- **Rounding Rules**: All monetary values must be calculated to two decimal places. The final net pay amount is typically paid to the nearest kobo (1/100th of a Naira).
- **Mandatory Content:** The following information is the minimum required by law and best practice to be included on an employee's payslip:
    - Employer Information

        - Full legal name
        - Registered address
        - Company Tax Identification Number (TIN)

    - Employee Information
        - Full name as per official ID
        - Employee Tax Identification Number (TIN)
        - Pension RSA PIN
        - Job title or position

    - Pay Period Details
        - Pay period start and end dates
        - Payment date

    - Earnings Breakdown
        - Itemized list of all gross earnings components (e.g., basic salary, housing allowance, transport allowance, overtime pay, bonuses)
        - Total gross earnings

    - Deductions Breakdown
    - Itemized list of all statutory deductions:
        - Pay-As-You-Earn (PAYE) Tax
        - Employee Pension Contribution (minimum 8%)
        - National Housing Fund (NHF) Contribution (2.5% of basic salary, if applicable)
    - Itemized list of all other deductions (e.g., union fees, loan repayments)
    - Total deductions

    - Net Pay Summary
        - The final net pay amount payable to the employee

    - Leave Balance Summary
        - Annual leave balance (best practice)

    - Year-to-Date (YTD) Summary
        - YTD gross earnings
        - YTD income tax withheld
        - YTD pension contributions (best practice)

- **Delivery Method**

- **Electronic Delivery:** Payslips can be delivered electronically (e.g., via a secure online portal or encrypted email), which is a common and accepted practice.
- **Mandatory Channels:** There are no mandatory government channels for payslip delivery itself. However, employers must maintain detailed payroll records for a minimum of six years.

6. Glossary

Term/Acronym	Definition
CAC	Corporate Affairs Commission. The agency responsible for the registration and regulation of companies in Nigeria.
CPS	Contributory Pension Scheme. The mandatory pension system where both employer and employee contribute to a retirement savings account.
EEL	Expatriate Employment Levy. A mandatory annual levy paid by employers for expatriate staff to promote local employment.
ECS	Employees' Compensation Scheme. A social insurance scheme providing compensation for work-related injuries, managed by the NSITF.
FIRS	Federal Inland Revenue Service. The federal body responsible for assessing, collecting, and accounting for taxes and other revenues accruing to the Federal Government.
FMBN	Federal Mortgage Bank of Nigeria. The government agency that manages the National Housing Fund (NHF).
ITF	Industrial Training Fund. A government body that promotes and encourages skills acquisition in industry and commerce, funded by a mandatory employer levy.
NHF	National Housing Fund. A mandatory savings scheme to help Nigerians fund the purchase or construction of homes.
NIN	National Identification Number. A unique identifier issued by NIMC to all Nigerian citizens and legal residents.

Term/Acronym	Definition
NIMC	National Identity Management Commission. The agency responsible for Nigeria's national identity management system.
NSITF	Nigeria Social Insurance Trust Fund. The agency that manages the Employees' Compensation Scheme (ECS).
PAYE	Pay-As-You-Earn. The system of withholding personal income tax from an employee's salary on a monthly basis.
PenCom	National Pension Commission. The regulatory body for the Nigerian pension industry.
PFA	Pension Fund Administrator. A private company licensed by PenCom to manage and invest pension funds in an employee's RSA.
PFC	Pension Fund Custodian. A company licensed by PenCom to hold pension funds and assets in safe custody on behalf of PFAs.
PITA	Personal Income Tax Act. The primary legislation governing the taxation of individuals' income in Nigeria.
RSA	Retirement Savings Account. An individual pension account opened with a PFA under the Contributory Pension Scheme.
SIRS	State Internal Revenue Service. The tax authority at the state level, responsible for collecting PAYE from individuals resident in that state.
TIN	Tax Identification Number. A unique number for identifying a person or company for tax purposes.

7. Summary Of Payroll And Hr-Related Activities & Responsibilities

This section provides a comprehensive, though non-exhaustive, summary of mandatory and standard payroll and HR-related activities in Nigeria. Responsibility is assigned based on the explicit scope definitions detailed in this document. All activities not explicitly defined as a Mercans responsibility are assigned to the Client.

Activity	Organization / Authority	Process / Submission Method	Deadline / Frequency	Responsible Party
Entity Setup & Registration				
Company Registration	CAC	Online Portal / Manual	At Inception	Client
Obtain Tax Identification Number (TIN)	FIRS	Online Portal / Manual	At Inception	Client
Register for Pension Scheme (Obtain Employer Code)	PenCom (via PFA)	Manual Application	At Inception	Client
Register for Employees' Compensation Scheme	NSITF	Online Portal / Manual	At Inception	Client
Register for National Housing Fund	FMBN	Online Portal / Manual	At Inception	Client
Register for Industrial Training Fund	ITF	Online Portal / Manual	At Inception	Client
Employee Onboarding				
Gather new hire documents and data	New Employee	Offline	Per Hire	Client
Provide new hire data for payroll	Mercans	Standard Format	Per Payroll Cycle	Client

Activity	Organization / Authority	Process / Submission Method	Deadline / Frequency	Responsible Party
Facilitate employee registration with a PFA	Pension Fund Administrator	Manual Form Submission	Per Hire	Client
Monthly Payroll & Filings				
Process monthly payroll	N/A	Payroll System	Monthly	Mercans
Generate statutory reports from payroll system	N/A	Payroll System	Monthly	Mercans
Review & confirm statutory reports	N/A	N/A	Prior to Filing	Client
Submit online PAYE return	SIRS	State Online Portal	10th of next month	Mercans
Submit online Pension schedule	PFA (via PSSP)	PSSP Online Portal	7 working days after pay date	Mercans
Submit online NHF schedule	FMBN	FMBN Online Portal	Within 1 month after pay date	Mercans
Submit online NSITF schedule	NSITF	NSITF Online Portal	Monthly	Mercans
Statutory Payments				
Make all statutory payments (PAYE, Pension, NHF, NSITF)	SIRS, PFA, FMBN, NSITF	Bank Transfer	Per Filing Deadline	Client
Employee Offboarding				
Provide leaver data to Mercans	Client	Standard Format	Per Leaver Event	Client
Generate final settlement calculation	N/A	Payroll System	Per Leaver Event	Mercans
Remove leaver from subsequent statutory	N/A	Payroll System	Per Leaver Event	Mercans

Activity	Organization / Authority	Process / Submission Method	Deadline / Frequency	Responsible Party
reports				
Prepare and issue Final Settlement Certificate	Leaver	Manual	Upon Termination	Client
Annual Compliance				
File Employer's Annual Declaration (Form H1)	SIRS	State Online Portal / Manual	January 31st	Mercans
Calculate and pay annual ITF Levy	ITF	ITF Online Portal / Manual	April 1st	Client
Calculate and pay annual Expatriate Employment Levy	Ministry of Interior	Manual	Annually	Client
Issue Annual Tax Certificate to employees	Employees	Manual / Electronic	Annually	Client
Benefits & Leave Administration				
Process private benefit deductions	N/A	Payroll System	Per Payroll Cycle	Mercans
Submit reports to private benefit providers	Private Benefit Provider	Per Provider's Process	Per Provider's Deadline	Client
Process leave transactions in payroll	N/A	Payroll System	Per Payroll Cycle	Mercans
Report leave events to authorities/insurers	N/A	N/A	Per Event	Client
File and track reimbursement claims	Social Security / Insurer	Per Authority's Process	Per Statutory Deadline	Client
Labor & Inquiry Management				
Evaluate and apply	Trade Unions	N/A	As required	Client

Activity	Organization / Authority	Process / Submission Method	Deadline / Frequency	Responsible Party
CBA rules to payroll				
Submit reports to Trade Unions	Trade Unions	Manual	Per CBA Deadline	Client
Investigate and draft response to authority inquiry	N/A	Internal Analysis	Upon Request	Mercans
Finalize and submit response to authority	Government Authorities	Per Authority's Process	Per Inquiry Deadline	Client

8. Review And Modification

This CSOP is subject to periodic review to ensure that it remains accurate, effective, and aligned with contractual commitments, service delivery standards, and regulatory requirements applicable to customer services.

8.1. Review Frequency

This SOP will be reviewed at least once annually, or more frequently in the event of:

- Changes in relevant laws, regulations, or industry standards;
- Modifications to the scope of services, systems, or operational processes;
- Feedback from customers, audits, or internal quality assessments;
- Introduction of new services or geographies.

8.2. Responsibility for Review

Mercans' designated Service Delivery Owner or Process Owner is responsible for:

- Initiating the review process;
- Coordinating input from cross-functional teams, including Operations, Compliance, IT, and Legal as needed;
- Ensuring that the SOP remains aligned with customer contractual terms and service level agreements (SLAs).

8.3. Modification Process

- All proposed updates must be documented, including a rationale for the change.
- Revisions are subject to review and approval by the applicable internal governance team (e.g., Quality & Compliance, or Senior Service Delivery Leadership).
- Material changes impacting customer responsibilities, deliverables, or timelines may require formal customer notification or re-alignment through a Change Request process.

8.4. Version Control

- Each revision will be assigned a version number and effective date.
- Superseded versions will be archived in accordance with Mercans' document control and retention procedures.
- The current version will be maintained in the official SOP repository accessible to relevant stakeholders.

8.5. Communication of Changes

- All updates to this CSOP will be communicated to affected internal teams and, where applicable, to impacted Client representatives.
- Communication may be via email, platform notification, project governance calls, or updated documentation.

8.6. Effective Date

- Revisions become effective as of the date indicated in the updated SOP unless otherwise specified or agreed upon with the customer.

9. Compliance

- Mercans reserves the right to perform periodic internal audits to ensure ongoing compliance with this CSOP.
- The Client may request participation in compliance reviews or audits in accordance with the terms of the MSA, subject to prior agreement and confidentiality provisions.
- Any actual or suspected non-compliance or breach related to service delivery, data protection, or regulatory obligations will be reported and managed in accordance with Mercans' incident response procedures.
- The Customer will be notified without undue delay in the event of any material incident that affects its data or services.

MERCANS

Thank You **For Your Attention**

Compliance with this policy supports our shared goals and promotes efficiency across teams. Let's work together to uphold it.

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