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The Employment Compliance Checklist

PAYE, pension, NHF, NSITF, and ITF, in plain terms, for founders hiring their first employees.

The moment you hire your first employee, you take on a set of statutory obligations that have nothing to do with your product and everything to do with staying out of regulatory trouble. Most founders learn these piecemeal, usually after a penalty notice. This checklist walks through the five obligations that apply to almost every Nigerian employer, what they actually require, and what a compliant company has in place.

1. PAYE (PAY AS YOU EARN)

PAYE is the obligation most founders already know about, but the 2025 tax reform changed the calculation itself. The old Consolidated Relief Allowance no longer exists, it has been replaced by a rent relief of 20% of annual rent paid, capped at ₦500,000, and only applies where an employee actually pays rent and can prove it.

What it is: Income tax deducted from employee salaries and remitted to the relevant State Internal Revenue Service.

Current bands (Nigeria Tax Act 2025, effective 1 January 2026): 0% on the first ₦800,000 of annual chargeable income, 15% on the next ₦2.2m, 18% on the next ₦9m, 21% on the next ₦13m, 23% on the next ₦25m, 25% above ₦50m.

Monthly remittance deadline: 10th of the following month.

Annual employer return: By 31 January, covering all salaries paid and PAYE deducted in the previous year.

- ☐ Payroll is calculated using the current 2026 tax bands, not the old 7%–24% structure.
- ☐ Every employee has a valid Tax Identification Number on file.
- ☐ PAYE is remitted by the 10th of the following month, every month, without exception.
- ☐ The annual employer PAYE return is filed by 31 January.
- ☐ Rent relief is only applied where an employee has submitted proof of rent paid.

2. PENSION (CONTRIBUTORY PENSION SCHEME)

Once you cross three employees, pension contributions stop being optional. The employer's 10% is a company cost on top of salary, not a deduction from it, a distinction founders sometimes miss when budgeting headcount costs.

Who it applies to: Employers with 3 or more employees.

Contribution rate: 8% employee, 10% employer, of pensionable emoluments (basic salary + housing allowance + transport allowance).

Regulator: National Pension Commission (PenCom).

- ☐ Every eligible employee has a Retirement Savings Account with a licensed Pension Fund Administrator.
- ☐ Both the employee's 8% and the employer's 10% are calculated on basic, housing, and transport only, not total gross pay.
- ☐ Contributions are remitted monthly, alongside payroll.

- ☐ The company holds (or is working toward) a Pension Clearance Certificate, which is required for government contracts and increasingly requested in due diligence.

3. NHF (NATIONAL HOUSING FUND)

This is the one obligation on this list that genuinely changed and where a lot of guides online are still out of date. For a private-sector employer, NHF is no longer a mandatory deduction, it is a benefit you can choose to offer, and some employees may specifically ask for it as a route to FMBN housing loans.

Current status for private-sector employers: Voluntary. Following the Business Facilitation (Miscellaneous Provisions) Act 2022, private-sector employees may contribute rather than being compelled to. Public-sector employees remain mandatory contributors.

Rate, where applied: 2.5% of the employee's basic salary.

Regulator: Federal Mortgage Bank of Nigeria (FMBN).

- ☐ The company has made a deliberate decision on whether to offer NHF, rather than defaulting to either mandatory deduction or silent omission.
- ☐ If NHF is offered, it is documented as company policy and applied consistently, not on an ad hoc basis.
- ☐ Where deducted, the 2.5% is remitted to the FMBN within one month of deduction.

4. NSITF (EMPLOYEE COMPENSATION)

NSITF funds the Employees' Compensation Scheme, which covers workers for injury, disability, or death arising from their employment. It is easy to overlook because it never appears as a line item on an employee's payslip.

Who it applies to: Every employer, public and private sector.

Rate: 1% of total monthly payroll.

Who pays: Employer only. This is not deducted from employee salary.

Deadline: By the 16th of the following month.

- ☐ The company is registered with the NSITF.
- ☐ 1% of total monthly payroll is remitted by the 16th of the following month.
- ☐ The obligation is tracked as an employer cost in financial planning, since it will not show up if you are only reviewing payslips.

5. ITF (INDUSTRIAL TRAINING FUND)

ITF is the obligation founders are most likely to miss entirely, since the thresholds mean many early-stage companies genuinely fall outside it, until a hiring push or a strong revenue year quietly puts them inside it.

Who it applies to: Employers with 5 or more employees, or annual turnover above ₦50 million.

Rate: 1% of total annual payroll.

Deadline: Within roughly three months of year-end (by 31 March for a December year-end).

Refund available: Up to 50% of contributions can be reclaimed against documented staff training expenditure.

- ☐ The company has checked, this year, whether it now meets either the headcount or turnover threshold.
- ☐ If it applies, the company is registered with the ITF at the relevant zonal office.
- ☐ Training spend is documented throughout the year, so the 50% refund claim isn't reconstructed from memory in Q1.

A NOTE ON ACCURACY

Nigeria's tax and statutory framework changed substantially with the Nigeria Tax Act 2025, effective 1 January 2026, and some guidance in circulation still reflects the old rules. The figures above reflect the position as currently understood from primary legislation and official guidance. Statutory rates, thresholds, and deadlines can be amended by subsequent legislation or administrative circular, so treat this as a strong starting point, not a substitute for confirming your specific position with a professional.