TAX NEWS FLASH

INTRODUCTION OF THE EXPATRIATE EMPLOYMENT LEVY (EEL) BY THE FEDERAL GOVERNMENT OF NIGERIA

INTRODUCTION

The federal government of Nigeria introduced the Expatriate Employment Levy (EEL) on 27 February 2024. The EEL is a government-mandated contribution imposed on employers who employ expatriate workers in Nigeria. It stands as a fiscal measure designed to address certain social economic considerations within the country.

The EEL aims to balance the benefit of expatriate employment with the protection of Nigeria's local labour market and resources, promoting skills transfer and knowledge sharing, and, encouraging businesses to prioritize local talent acquisition The EEL is to be paid on an annual basis.

THE ELIGIBILITY, SCOPE, AND EXEMPTION OF THE EXPATRIATE EMPLOYMENT LEVY (EEL)

Private sector industries that employ foreign workers or depend on expatriate labor, such as construction, information and communication technology (ICT), agriculture, manufacturing, oil & gas, telecommunications, banking and finance, maritime and shipping, healthcare, etc. are subjected and responsible for paying EEL

EEL applies to expatriate workers who are non-citizens employed (this encompasses individuals on specific types of work permits, visas, or other temporary residency arrangements) for a duration of not less than 183 days within a year in Nigeria.

In the case of cross-border assignment or secondment where an expatriate temporarily works in a foreign country, such an employer will be liable to pay EEL if the said expatriate is in the quota position of the company operating in Nigeria. An expatriate who works in Nigeria on seasonal and short-term employment for different companies is not subjected to EEL except for 183 days of the fiscal year spent in Nigeria while working for different companies, however, the last employer who bears immigration responsibility will be liable to EEL when due. Employers can re-allocate the positions of employees who left the company /organization to new employees without any charge until the existing EEL expires as the EEL portal allows unlimited change within the validation period.

The EEL payment does not apply to all accredited staff of the diplomatic mission or government officials.

REPORTING, COMPLIANCE AND PENALTIES

The Nigeria Immigration Service (NIS) is saddled with the responsibility of determining which expatriate(s) fall within the EEL purview, enforcing the levy, and utilizing generated data from the EEL project in line with the relevant legal provisions.
An online reporting platform has been provided by the government to streamline the reporting process and facilitate efficient data exchange between employers and the government for employers to report expatriate details.

Employers are expected to maintain comprehensive records related to the expatriate, conduct training and awareness programmes for their Human Resources (HR) and payroll team to ensure their understanding of the reporting requirement and compliance measures.

Employers must promptly inform the relevant government agencies of any changes in the employment status of expatriate workers, as timely reporting is essential for the accurate calculation of the EEL. Expatriates are likewise required to provide precise and comprehensive information to their employers to assist them in meeting their reporting responsibilities.

Employers should be aware of the following penalties with respect to the levy

Description	Penalty (NGN)
Submitting false information with respect to EEL	3,000,000
Failure of a company to file EEL within 30 days	3,000,000
Failure of a company to renew EEL within 30 days	3.000.000
Failure to register employee within 30 days	3,000,000

RATES AND PAYMENT PROCEDURE

Employers of expatriates covered by the EEL are required to pay USD 15,000 for Directors and USD 10,000 for other categories of expatriates. Eligible employers are expected to log in to the EEL portal using www.eel.interior.gov.ng and follow the defined steps to pay.

WYZE COMMENT

While the objective of the government is to drive local employment, the financial impact on companies employing expatriates will be unfavourable especially during the current precarious economic situation in the country. The imposition of US$15,000 and US$10,000 on organisations that employ expatriates at a time when businesses are closing down may be counterproductive.

There could also be legal queries as EEL would generate revenue to the Federal government from expatriates who are taxable at the state. Furthermore, it is important to note that there is currently no regulatory framework governing the implementation of the levy, and it is not supported by an Act of the National Assembly.

We advise that companies with expatriates who meet the eligibility requirements should analyze the impact of the EEL on their business as non-compliance may lead to incurring of penalties as highlighted above.

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