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17th June, 2025.

The Country Director,
Qatar Charity,
No.3 Bolaji Akinyemi Street,
Katampe Extension,
Abuja (FCT),
NIGERIA.

Dear Sir,

**LEGAL OPINION ON WITHHOLDING TAX DEDUCTION REGIMES,
SUBSCRIPTION TO NATIONAL HEALTH INSURANCE AUTHORITY AND
CONTRIBUTORY PENSION SCHEMES**

Above subject refers:

We are Solicitors to engaged by QATAR CHARITY of No.3 Bolaji Akinyemi Street, Katampe Extension, FCT-Abuja. (Referred hereinafter as 'our client') on whose authorities and instructions we write to our legal opinion on Withholding Tax Deduction Regimes, Subscription to National Health Insurance Authority and Contributory Pension Schemes.

The deduction of withholding tax (WHT) from payments to contractors is governed primarily by the Companies Income Tax Act (CITA), Cap. C21, Laws of the Federation of Nigeria (LFN) 2004 (as amended) and the Personal Income Tax Act (PITA), Cap. P8, LFN 2004 (as amended). These laws outline the obligations of companies to deduct WHT from payments made to contractors for services rendered, ensuring tax compliance. Below is a detailed explanation of the relevant provisions and requirements for WHT on contractor payments.

Any payments made by relevant entities under contracts for services are subject to withholding tax at the rate of 5%. This requirement applies to professional, consultancy, technical services, management, or similar service contracts, and is binding on companies, partnerships, government agencies, unincorporated persons, and non-resident persons making such payments to taxable individuals or corporate entities.

In Chambers:

U. H Mustapha, LLB, BL. Nuhu Sambo Othman LLB, BL. U.H. Usman Esq. LLB, BL, MBCL, Usman Umar Fari LLB, BL. Yusuf Abdul Salam BA, LLB, BL. Awal Nasir LLB, BL

Accordingly, Qatar Charity is only required to deduct 5% WHT from the gross amount payable under contracts of services and remit same to the appropriate tax authority—either the Federal Inland Revenue Service (FIRS) or the relevant State Internal Revenue Service—within the statutory timeframe.

Examples of transactions subject to WHT include:

- Consultancy and professional services (5% for individuals and companies).
- Commission, agency, or management services (10% for individuals, 5% for companies).

Practical Implications:

A company making payments to a contractor must:

- Deduct WHT at the appropriate rate (5% or 10%, depending on the service and contractor type).
- Issue a WHT credit note to the contractor.
- Remit the deducted tax to the FIRS (for corporate contractors) or SIRS (for individual contractors) within 30 days.
- File WHT returns with the relevant tax authority.
- Contractors (individuals or companies) can claim the WHT deducted as a credit against their final tax liability when filing their annual tax returns under CITA or PITA.

Please note that this deduction is not applicable to contracts of service employment, as employment income is governed by the Pay-As-You-Earn (PAYE) system under the PITA framework.

POINT TWO

In Nigeria, the National Health Insurance Authority (NHIA) Act of 2022 mandates that employers in the public and private sectors with five or more staff must enroll their employees in a health insurance scheme, such as the National Health Insurance Scheme (NHIS) or a state health insurance scheme. This requirement applies to both formal and informal sector employees, ensuring access to healthcare for workers and their dependents.

The National Health Insurance Authority (NHIA) Act of 2022 in Nigeria does not explicitly differentiate between permanent, temporary, or contract staff when mandating health insurance enrollment for employers with five or more employees. The requirement focuses on the number of employees, regardless of their employment

status, meaning all categories of staff—permanent, temporary, or contract—are generally included under the obligation for employers to provide health insurance coverage.

Under the Pension Reform Act (PRA) 2014 in Nigeria, the Contributory Pension Scheme (CPS) is mandatory for all employees in the public and private sectors, including those in organizations with three or more employees, as regulated by the National Pension Commission (PenCom). The Act does not explicitly differentiate between permanent, temporary, or contract staff in terms of pension entitlement. Therefore, contract and temporary staff are generally entitled to pension contributions if they are employed by an organization that meets the threshold of three or more employees, provided they are not explicitly excluded under specific provisions.

The Contributory Pension Scheme (CPS) applies to employees in organizations with three or more employees, regardless of employment status (permanent, temporary, or contract). Employers are required to make pension contributions for all eligible employees, with a minimum contribution of 10% by the employer and 8% by the employee of the employee's monthly emoluments (basic salary, housing, and transport allowances). If the employer opts to cover the entire contribution, the minimum is 20% of monthly emoluments.

Recommendations:

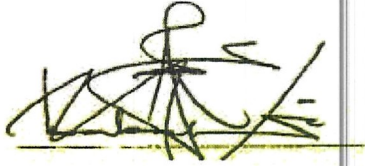
WHT Compliance: Qatar Charity should ensure accurate WHT deductions, timely remittance to the FIRS or SIRS as the case might be, and issuance of WHT credit notes to contractors.

NHIA Subscription: Qatar Charity should verify its employee count and confirm whether it employs five or more permanent staff to determine its mandatory NHIA obligations. For temporary or contract staff, the organization should assess the cost-benefit of discretionary enrollment in a health insurance scheme, considering employee welfare and organizational policies.

CPS Compliance: Qatar Charity must register with a PFA and make pension contributions for permanent employees if it employs three or more staff. For temporary or contract staff, the organization should evaluate whether to extend CPS coverage on a discretionary basis, ensuring compliance with PRA regulations if such coverage is provided.

Thanks.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'U. H. Mustapha', written over a horizontal line.

U. H Mustapha Esq.
For: U. H. Musdapher & Co.
08032101159.