



# JOINT TAX BOARD

## PUBLIC NOTICE

### ***Abuse of Voluntary Pension Contribution Scheme***

**A**ttention of tax authorities has been drawn to a trend amongst employers in which unlimited amounts are deducted from employees' salaries as voluntary contributions and treated as tax exempt items.

This obnoxious practice which is being marketed mostly by Pension Fund Administrators (PFAs) allows an employee to make an uncapped voluntary contribution from monthly salary under an arrangement that permits the employee to withdraw same contribution without restrictions as to period of time or such conditions provided for in Section 16 of the Pension Reforms Act (PRA), 2014. It is also not in compliance with the Labour Act as applicable which provides in Section 5 (8) that **'Notwithstanding any other provisions of this Act, the total amount of deductions that may be made from the wages of a worker in any one month shall not exceed one third of the wages of the worker for that month.'**

Tax authorities, under the auspices of the Joint Tax Board (JTB) have resolved that, this act of tax avoidance should be discouraged as such scenarios would be treated by tax authorities in accordance with artificial transactions provisions of Section 17 of Personal Income Tax Act, 2011 (as amended). Without prejudice to the provisions of the PRA, 2014, any payment made by PFAs to individuals under this arrangement will be considered to fall outside the tax exemptions granted in Section 10 (3) of the Act.

Please be assured that tax authorities shall continue to protect the interests of all categories of taxpayers in all ramifications with considerations for equity in tax administration and tax friendly environment.

**SIGNED:**  
**Tunde Fowler**  
Chairman, Joint Tax Board