

Proposed changes to the National Housing Fund Act



For a deeper discussion, please contact any member of our team below or your usual contact within PwC Nigeria:

Taiwo Oyedele

+234 1 271 1700 Ext 50002
taiwo.oyedele@ng.pwc.com

Olatundun Maupatin

Olatundun.Maupatin@ng.pwc.com
+2348034703254 Ext 53002

Faith Omekaodinma

+234 (0)7039466987 Ext 53005
faith.omekaodinma@ng.pwc.com

Background

The National Housing Fund (NHF) was established under the NHF Act 1992 to facilitate the mobilisation of funds for the provision of affordable housing for Nigerians.

A new Bill which seeks to amend the National Housing Fund Act is undergoing consideration at the House of Representatives.

The key provisions of the Bill include:

1. **Applicability** - increase in the minimum threshold of income earners captured under the scheme from N3,000 to N18,000 per annum.

2. Offences and Penalties -

The proposed Bill includes stiff provisions with respect to offences and penalties.

2. The penalty for failure to deduct is to be increased from N50,000 to N250,000 in case of corporate bodies while the staff responsible for the NHF deductions and remittance will be liable to a fine of N50,000 (instead of the existing N20,000) and a prison term of five year or both.
3. Self-employed persons who fail to make deductions or deduct and fail to remit to the Bank will be liable to a fine of N20,000 (instead of the existing N5,000) or to imprisonment for a term of one year or to both.
4. The Bill criminalises obstructing the deduction and remittance of NHF. The penalty for this will be increased to N20,000 (from current N5,000) or imprisonment for a term of eighteen months (from current one year). In addition to the above, the offence of making false statement or misrepresentation is to attract a fine of N100,000 (from current N10,000) or to imprisonment for a maximum term of 5 years (from current 3 years) or to both.
5. The Bill imposes a penalty of N250,000 for a corporate body (currently 50,000) and 20,000 for an individual (from current 5,000) for producing false documents.

Our Comments

The higher eligibility threshold of N18,000 may be aimed at aligning the minimum income for NHF purpose with the current minimum wage. However, the relevant section of the NHF Act proposed for amendment refers to annual income. Therefore the Bill should either refer to N18,000 as the monthly threshold or express in annual terms.

To ensure that the threshold remains realistic, a better way could be to simply refer to minimum wage or grant the power to the Federal Mortgage Bank of Nigeria to determine the minimum threshold from time to time.

The Bill should also contain provisions on how those who contributed previously but are now below the new threshold will be treated.

The increase in penalties and prison terms for default are meant to serve as a deterrent for non-compliant employers.

Some of the grey areas in the NHF Act are yet to be addressed in the Bill including questions around the status of individuals who have benefited from the Fund, easier way to access the Fund, and returns on investment at withdrawal. Also the amendment does not address the conflict posed by section 4 and 9 of the existing NHF. While section 4 stipulates that the contribution should be 2.5% of "basic monthly salary", section 9 provides for 2.5% of monthly salary.