COVID-19: Economic, tax and other fiscal stimulus measures in Nigeria

April 2020
The global outbreak of the Coronavirus (COVID-19) pandemic continues to cause significant health challenges with a devasting impact on world economies. Most countries have implemented some level of lockdown to curtail the spread of the disease. This is having a knock on effect on businesses. Most industries particularly, airline, retail, hospitality, oil and gas, and other service-related industries, have been adversely impacted. For mono commodity countries that are primarily dependent on the oil and gas sector, a downward turn in demand is likely to create a severe recession and a decrease in GDP. The Organization of the Petroleum Exporting Countries (OPEC) is concerned about the low demand for oil due to the global lockdown and the potential downward trend of oil prices below $30. As a major oil-producing country, Nigeria is not going to be insulated from the impact of COVID-19 on oil demand.

Statements by the Government of Nigeria indicates there will be a revision of the 2020 Budget to accommodate changes in the benchmark crude oil price, which has dropped down to $30 per barrel from the $57 per barrel estimate. There is also an indication that the daily production of crude oil may be revised downward to 1.7mbpd from the original 2.1mbpd.

With the expected reduction in government revenues and an unprecedented rise in investments needed to upgrade HealthCare in the country to respond to the COVID-19 crisis, the Federal Government will have to make trade-offs on other infrastructure commitments earmarked in the 2020 Budget. Managing the economy, addressing unemployment, and keeping commitments to local and foreign creditors will be a key priority. It is encouraging to see that multi-lateral agencies like the IMF and the World Bank have started conversations on debt relief for emerging economies, which will somewhat cushion the impact of the projected recession.

Similarly, the global impact of COVID-19 on small to medium enterprises are expected to be severe. Governments in both developed and emerging markets are mobilising to support businesses and individuals as they seek to mitigate the economic impact of the COVID-19. Measures vary considerably from country to country. They include fiscal measures aimed at supporting businesses and households to survive the crisis. Governments have also made provisions to address the much needed access to finance to ensure these SME’s are sustainable and reduce the culling of employees.

Nigeria’s Federal Government has set-up a Presidential Task Force on Coronavirus to coordinate the country’s efforts in dealing with the pandemic. An Emergency Economic Stimulus Bill has been submitted for consideration by the National Assembly. The Fiscal Stimulus Package which comprises of various measures in response to the COVID-19 pandemic and collapse of oil price has been announced. Relevant agencies of government at Federal and State levels have also announced various measures. This newsletter examines some of the critical economic, tax and other fiscal measures in Nigeria targeted at alleviating the economic impact of the COVID-19 pandemic.
Fiscal Stimulus Measures in Response to COVID-19

Nigeria announced Fiscal Stimulus Package which comprises various measures in response to the COVID-19 pandemic and collapse of oil price.

N500 Billion COVID-19 Crisis Intervention Fund

Operation of the N500 billion COVID-19 Crisis Intervention Fund, which is subject to necessary consultations with the National Assembly, is expected to be deployed as follows:

a) Upgrade HealthCare facilities
b) Support States in improving HealthCare facilities
c) Finance unique public works programme; and
d) Fund other identified intervention programmes

Loan From Regional Disease Surveillance Systems

In addition to the current US$90 million Regional Disease Surveillance Systems (‘REDISSE’) facility from the World Bank, Nigeria has requested for an additional US$100 million to meet the COVID-19 emergency and expand HealthCare capacity across the country.

Medium-Term Expenditure Framework and Fiscal Strategy Paper

A new 2020-2022 Medium-Term Expenditure Framework and Fiscal Strategy Paper (‘MTEF/F-SP’) will be prepared to reflect new realities in crude oil price movement, the attendant reduction in revenues and new spending priorities.

Amendment of 2020 Appropriation Act

The 2020 Appropriation Act will be amended to accommodate downward review of revenue estimates.

a. Downward review of benchmark oil price for 2020 from US$57/barrel to US$30/barrel and oil production to from 2.1mbpd to 1.7mbpd. Non-oil revenue projections including tax and customs receipts will also be reviewed downwards.

b. Insertion of the N500b COVID-19 Crisis Intervention Fund and other adjustments required as a result of the decline in international oil prices.

Augmentation to the States’ Allocations & Moratorium On States’ Debts

Withdrawal of US$150 million from the Nigeria Sovereign Investment Authority (‘NSIA’) Stabilization Fund to support Federal Account Allocation Committee (FAAC) disbursements.

Debt and interest moratorium to States on Federal Government and CBN-funded loans to State Governments. This will free up debt service obligations and cushion the impact of the drop in Federal Account Allocation Committee (FAAC) allocations.
Central Bank of Nigeria’s Measures

To help ease the pressure, the Central bank of Nigeria has introduced some measures that would help cushion taxpayers as they try to adjust to the realities of COVID-19.

**Extension of moratorium**

All intervention facilities from the Central Bank of Nigeria are granted a one-year extension on principal repayments. New amortisation schedules will be provided for all beneficiaries. This moratorium is effective 1 March 2020.

**Interest rate reduction**

Interest rates on all applicable intervention facilities from Central Bank of Nigeria are to be reduced from 9% to 5% per annum for 1 year with effect from 1 March 2020.

**N50 Billion targeted credit Facility**

An establishment of a N50 Billion Credit Facility to be administered through the NIRSAL Microfinance Bank for households, small and medium-sized enterprises that have been significantly impacted by the COVID-19, including but not limited to hoteliers, airline service providers, health care merchants etc.

**Credit Support for the HealthCare Industry**

The Central Bank of Nigeria has made N100 million available for pharmaceutical companies intending to expand their drug manufacturing plants in Nigeria. This support is to meet the potential increase in demand for Healthcare services and products. The loan is also available to hospitals and HealthCare practitioners who intend to expand their health facilities to first-class centres or build new ones.

**Regulatory forbearance**

The Central Bank of Nigeria has directed Banks to consider temporary and time-limited restructuring of the tenor and other terms for loans granted for businesses and households most affected by the outbreak of the COVID-19. This is particularly applicable to Oil & Gas, Agriculture and Manufacturing sectors.
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Social Intervention and Welfare Programmes

**Moratorium on government intervention loans**
TraderMoni, MarketMoni and FarmerMoni are small scale government loans which provide petty traders, farmers and small business with access to capital. The beneficiaries of these government loans, estimated to be about two (2) million, are to enjoy loan repayment holiday of three (3) months. Also, similar moratorium extension will be granted to loan facilities funded by the Federal Government and disbursed by the Bank of Industry, Bank of Agriculture and the Nigeria Export-Import Bank respectively.

**The conditional cash transfer scheme**
Payment of stipend is planned to be paid out to the most vulnerable members of the society at the bottom end of the financial spectrum. The two-month stipend is to enable them meet their basic needs and cushion the impact of the economic hardship. In addition, internally displaced persons would be granted two months' worth of food rations. Success of this initiative depend on having a credible and well-updated social register to ensure appropriate channeling of the intervention from government.

Tax Measures by Federal and State Tax Authorities

The Federal Inland Revenue Services and some State Internal Revenue Services have offered specific measures to support taxpayers.

Federal tax measures

Some of the measures introduced by the FIRS includes:

1. One-month extension for filing Companies Income Tax (CIT) returns. With most companies adopting December year-end, it means CIT returns that were ordinarily due for filing by 30 June 2020 can now be filed by 31 July 2020.

2. One-week extension for filing of value-added tax returns and payment of withholding taxes. The due date has been extended from the 21st of every month to the last working day of the month.

3. Online submission of tax returns via FIRS e-portal. Designated emails were also provided for use by certain categories of taxpayers.

4. Two-month delay in submission of audited financial statements. Taxpayers are permitted to file annual CIT returns without being accompanied by the hitherto mandatory audited financial statements. The audited financial statements must however be provided within two months after the revised due date of filing.

5. Shared site for submission of documents for tax audits and desk reviews. FIRS promised to publish information requests on its website and create a portal where requested documents could be uploaded by the taxpayer.

However, the public notice from FIRS made no reference to the following:

- Transfer Pricing returns - The obligation of organisations to file transfer pricing returns 6 months after financial year-end. While this may be implied from the extension of the filing deadline for income tax returns, a specific statement on Transfer Pricing returns would be desirable considering the significance of the late filing penalty.

- Common Reporting Standards - Obligations of Nigerian financial institutions to submit returns of “Reportable Accounts” under the Income Tax (Common Reporting Standard) Regulations. The first set of returns is due to be submitted to FIRS on or before 31 May 2020, and the ability of financial institutions to meet this deadline may also be impacted by COVID-19.

- Petroleum Profit Tax returns - Obligation to file Petroleum Profits Tax (PPT) returns and other taxes not expressly covered under the Notice. Considering that it is not all taxes that are specifically covered, it would be ideal that FIRS clarifies its position on these other taxes to prevent uncertainty.

- Payment of tax. The public notice is silent on whether tax payments can also be delayed to meet the extended deadline for filing returns. Although it is arguable that this is a direct consequence of filing tax returns, a specific position on the due date for payment of CIT is desirable in addition to the extension granted for filing.
Measures by State Internal Revenue Services

Some of the State Internal Revenue Services have issued public notices granting an extension of deadlines for filing annual income tax returns and directing the use of online platforms for submission of returns.

By law, all taxable persons are required to file a return of claims and income from every source for the year preceding the year of assessment, with the relevant tax authority. The return is to be filed within 90 days from the commencement of every year of assessment (i.e. by 31 March of every year).

a. Lagos State Internal Revenue Service

Lagos State Internal Revenue Service has offered an extension of annual income tax returns for 2019 by two (2) months, from 31 March 2020 to 31 May 2020.

b. Edo State Internal Revenue Service

Edo State Internal Revenue Service granted one-month extension for filing of individual income tax returns for 2019, from 31 March 2020 to 30 April 2020.

c. Federal Capital Territory Internal Revenue Service

The Federal Capital Territory Internal Revenue Service issued a public notice informing all taxable individuals resident in the Federal Capital Territory, Abuja of the extension of the deadline for filing individual income tax returns for 2019, from 31 March 2020 to 30 June 2020.
Immigration measures

Pursuant to the powers granted under The Quarantine Act, the President issued the COVID-19 Regulations, to serve as the fulcrum and legal basis for all the proposed actions that the Federal Government intends to put in place to handle the fallout of the pandemic. Issues relating to the restriction of movement and government’s welfare programmes are specifically stated in the regulations.

**Visa Suspension**

The immediate suspension of Visa on Arrival (VoA) issuance to travellers from thirteen (13) countries, namely China, Italy, Iran, South Korea, Spain, Japan, France, Germany, Norway, United States of America, United Kingdom, Netherlands and Switzerland. This list was later extended to include Austria and Sweden.

Subsequently, there was a blanket suspension of VoA and Temporary Work Permit (TWP) to intending visitors to Nigeria.

**Entry Restriction**

An entry restriction order to travellers from the fifteen (15) countries listed under visa restriction above, effective 21 March 2020.

**Mandatory Self-isolation**

All travellers returning to Nigeria from high risk countries are placed under supervised isolation for 14 days and monitored by the Nigeria Centre for Disease Control and Port Health Services. Individuals who have been in contacts with affected persons are advised to observe self-isolation.

**Closure of Airport**

Effective Monday, 23 March 2020, all airports in Nigeria were closed to international flights.

**Intra-city LockDown**

The Government announced a restriction on intra-city and inter-city movements (“Lockdown”) in States that were majorly affected by the pandemic. The Lockdown was first announced to be applicable in Lagos State and the Federal Capital Territory (Abuja) with effect from 11 pm on March 30 2020. The Lockdown was subsequently extended to Ogun State with effect from 3 April 2020.

The Lockdown was announced for an initial period of 14 days subject to future reviews. Decision on future extension will be dependent on the evaluation of the success of the containment measures.

Everyone in the locations covered by the restriction is mandated to stay in their homes. Travel to or from other States are restricted. All businesses and offices (except those on essential services) within the locations should be fully closed.
Measures by other Regulatory Authorities

The Nigerian Stock Exchange

The Nigerian Stock Exchange has granted all Dealing Member Firms (DMFs) an additional 60 days period for the submission of their annual audited Financial Statements for the year ended 31 December 2019. The submission date was extended from 30 March 2020 to 29 May 2020. DMFs could also trade remotely during the period of the COVID-19.

Securities and Exchange Commission

The Securities and Exchange Commission (SEC) has extended the deadline for companies to file their 2019 full year and first quarter 2020 financial reports by 60 days from 30 March 2020 to 30 May 2020. To limit physical contact, all returns due to SEC would now be filed electronically using a designated email address.

SEC has also commenced electronic filing and processing of capital market applications. New applications for registration as capital market operators has been suspended.

Other Agencies

Notwithstanding the foregoing, there are other regulatory authorities to which businesses owe certain statutory filings and reporting obligations which have not made specific public pronouncements. While it may be expected that such agencies will not impose any interest or penalty for failure to meet filing obligations that may fall due within the Lockdown occasioned by the COVID-19 pandemic, it is desirable that businesses are provided with explicit rules and forbearances that makes for clear decisions.
Emergency Economic Stimulus Bill 2020

The Federal Government of Nigeria has submitted an Emergency Economic Stimulus Bill 2020 (“Stimulus Bill”) to the National Assembly. The Stimulus Bill provides for measures aimed at providing staff retention tax relief, import duty waiver on selected medical goods and deferral of loan repayment obligations on residential mortgages.

Staff retention tax rebate

Organisations that retain their employees and avoided the decision to retrench any staff between 1 March and 31 December 2020 would be entitled to a rebate of 50% of the personal income tax due or paid. It is instructive to note that this relief still applies in cases of death from natural causes, voluntarily resignation or dismissal for breach of the provisions of the Labour Act, 2004. However, companies engaged in petroleum operations who are liable to tax under the provisions of Petroleum Profits Tax Act are not eligible.

Concerns about the Stimulus Bill include:

- The rationale for using personal income tax paid by the staff in determining benefits due to the employer appear debatable. This is because personal income taxes are borne directly by the employees involved whereas the planned rebate for staff retention is targeted at the Company (employer). It is also unclear if the rebate will be eligible to be carried forward into the future in the event that it cannot be fully relieved against current taxes.
- It is unclear whether the relief will be as cash refunds, deducted against current taxes or claimed as relieve from future tax payable.
- Exclusion of companies engaged in petroleum operations raise question on whether a different economic stimulus will be considered for this class of business. As crude oil price continues to fall, this category of companies are equally faced with business continuity challenges that require similar attention.

Deferral of residential mortgage obligations

The Stimulus Bill offers postponement of mortgage obligations due to the Federal Mortgage Bank of Nigeria (FMBN) on residential mortgages obtained by individual contributors to the National Housing Fund for 180 days beginning from 1 March 2020.

Import duty waiver on selected goods

Import duty waiver is proposed for medical equipment, medicines, personal protection equipment and such other medical necessities required for the treatment and management of COVID-19 in Nigeria. The import duty waiver would remain in force until 31 December 2020.
Conclusion

The fiscal stimulus measures provided should provide some strength to the Nigerian economy during these times. Measures by the Central Bank of Nigeria would be timely for the financial sector and financing of industries as they try deal with the pandemic. The other packages that have been announced to deal with the welfare challenges of citizens would help cushion the effect of the pandemic to some extent. With the suspension of visa’s on arrival and a closure of the boarders, the effect would be to halt the imported cases and slow down the spread of the virus.

These measures will require continuous evaluation as the broader impact of the pandemic becomes apparent. We will continue to monitor this space and provide updates as they become available. If you require further clarification, please reach out to the contacts. We will be happy to engage you with more details on the implications for your business.
Contacts

If you would like to discuss the impact of these changes on your business and how you could leverage the opportunities that they offer, please reach out to the following:

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