

CUSHIONING THE EFFECT OF THE COVID-19 PANDEMIC ON THE NIGERIAN ECONOMY - HIGHLIGHTS OF THE EMERGENCY ECONOMIC STIMULUS BILL 2020

Introduction

The Nigerian House of Representative, the lower chamber of the bicameral National Assembly, recently introduced and passed the Emergency Economic Stimulus Bill 2020 (the “Bill”) with a view to, amongst other things, minimise the adverse financial consequences of the Covid-19 pandemic on the Nigerian economy. The Bill, which sets out measures that are expected to alleviate the financial burden on Nigerian citizens due to the slowdown in economic activities caused by the pandemic, is part of the Federal Government’s effort to cushion the effect of the disruption of social and economic activities caused by the pandemic.

What does the Bill seek to achieve?

The aims and objectives of the Bill are to:

- (a) protect the employment status of Nigerians by providing temporary relief to employers;
- (b) provide a moratorium on mortgage obligations of individuals under the National Housing Fund (“NHF”);
- (c) eliminate the additional fiscal bottleneck on the importation of medical necessities



- required to combat the treatment and management of Covid-19; and
- (d) cater to the general wellbeing of Nigerians pending the eradication of the pandemic and a return to economic stability.

What fiscal measures does the Bill propose?

In order to achieve the aforementioned objectives, the Bill proposes the introduction of the following fiscal measures:

Incentive for Nigerian employers to avoid redundancy

In order to ensure “job security” for employees in the private sector who may otherwise be made redundant as a result of their employer’s decision to down-size in light of the prevailing economic realities, the Bill provides an incentive of a 50% income tax rebate on the total amount due or paid as Pay

As You Earn remittances under the Personal Income Tax Act 2004 (as amended) to qualifying employers.

This incentive is available to any employer duly registered under the Companies and Allied Matters Act 2004 (“CAMA”) that maintains the same employee status (without retrenching its staff) as at 1st March 2020 through to 31st December 2020 (“Relevant Period”). What this means is that in order to be eligible for this incentive, an employer must be registered under the CAMA (e.g. as a limited liability company or a business name) and such employer must not (other than in limited circumstances) take steps to reduce its work force during the Relevant Period. A reduction in the number of employees of a qualifying employer during the Relevant Period as a result of (a) death from natural causes; (b) voluntary resignation; or



(c) termination of employment due to a breach of any provision of the Labour Act 2004 will not preclude such employer from enjoying this incentive. Furthermore, it is important to note that companies engaged in upstream petroleum operations are not eligible to benefit from this incentive. This is because the Bill provides that the incentive does not apply to employers partly or wholly under the Petroleum Profit Tax Act 2004.

The Relevant Period may be extended by the President if Covid-19 remains an urgent and severe public health emergency. Such extension will however be subject to ratification by a majority of the members of the National Assembly.

Deferral of payment of mortgage obligations on residential mortgages

The Bill provides a moratorium for the payment of mortgage obligations on residential mortgages obtained by

individual contributors to the NHF by deferring such obligations for a period of 180 days with effect from 1st March, 2020. The moratorium may be extended by the President for a further period of 180 days; such extension is however subject to a majority vote by the members of the National Assembly.

Import duty waiver on medicines and medical goods

The Bill proposes a waiver of import duty on medicines, personal protection equipment, and other medical goods necessary for the treatment and management of Covid-19 in Nigeria in order to ease the financial burden on importers of such items with effect from the Relevant Period. The President however has the power to further extend the duration of such waiver pursuant to his powers under the Customs, Excise, Tariffs etc. (Consolidated) Act 2004. Furthermore, the Bill empowers the Minister of Health to specify such goods that qualify for this relief, by

regulations published in the Federal gazette.

Conclusion

The Bill is expected to be transmitted to the Senate, the upper chamber of the National Assembly, for concurrence, after which it should be forwarded to President Muhammadu Buhari for assent in accordance with the Nigerian legislative process. The Senate however suspended plenary on 24th March, 2020 for a period of 2 weeks in its bid to curb the spread of COVID-19 and is expected to resume on Tuesday 7th April, 2020.

This update is for general information purposes only and does not constitute legal advice. If you have any questions or require any assistance or clarification on how the Notice would apply to you or your business or require tax advice on any aspect of the Nigerian tax laws, please contact: taxteam@uubo.org.