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NEWSLETTER
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COVID-19: THE BIRTH OF THE EMERGENCY ECONOMIC STIMULUS BILL 2020

Introduction

It is no longer news that there is a global pandemic as a result of COVID-19. In order to cushion its effect, various jurisdictions have designed palliative measures to ensure the safety and economic stability of their citizens. Accordingly, some members of the Federal House of Representatives are prodding Nigeria to also follow in this path via a Bill cited as the Emergency Economic Stimulus Bill 2020 (“the Bill”).

The Bill which is currently undergoing legislative procedures at the National Assembly is aimed at providing relief to the citizenry by reducing corporate tax liability, suspending import duties on selected medical supplies and deferral of mortgage obligations. The Bill is intended to supersede the provisions of any other laws currently operative in Nigeria.

Highlights of the Bill

Introduction of a Special Tax Rebate for Employers

- Employers registered under the Companies and Allied Matters Act (CAMA) will be entitled to a 50% income tax rebate on the total amount due or paid Pay as You Earn (PAYE) tax as specified in the Personal Income Tax (PITA).
- The employers must however be registered under either Part A of CAMA as a limited liability company or Part B as a business name, partnership, or an enterprise.
- For an employer to qualify for this rebate, such employer must maintain the same employee status from 1 March 2020 till 31 December 2020, except for reductions occurring from natural death, voluntary resignation or breach of the Labour Act.
- Companies liable to Petroleum Profits Tax Act will not qualify for rebates under this law.
- The rebate period could be extended by the President for up to 180 days if COVID-19 remains an urgent and severe public health emergency. Any such extension will however be subject to the approval of the majority of the members of the National Assembly.

Suspension of Import Duties on Selected Medical Supplies

- The Bill proposes to waive import duties effective from 1st March 2020 till 31 December 2020 on all medical supplies deemed as necessities by the Minister of Health via Regulations published in the Federal Gazette.
- The President may invoke his powers as contained in the Customs, Excise, Tariffs (Consolidated) Act to extend the applicable period of this waiver.

Deferred Mortgage Payments under the National Housing Fund

- The Bill also proposes to defer mortgage payment obligations on residential mortgages obtained by individual contributors to the National Housing Fund for a period of 180 days effective from 1st March 2020.
- The deferral period may also be extended by the President, subject to approval of the National Assembly, for up to 180 days.

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Our Thoughts

This initiative is indeed a welcome one and a good complement to the initiatives introduced by the Central Bank of Nigeria, as it exhibits a sense of concern for the welfare of the populace. We envisage that the importation process for essential medical supplies will be seamless as the attendant financial responsibilities would be reduced by the waiver of import duties. Similarly, the moratorium granted to individuals as it relates to mortgage payments will reduce the fiscal burden as there is a propensity for the economy to be adversely affected as a result of the COVID-19 pandemic.

However, we are constrained to observe that the Bill may not be sufficient to achieve the objective of saving jobs during and after the COVID-19 pandemic in view of the following:

- Most companies will naturally be in a loss position as a result of the pandemic due to lower demand, production constraints and other factors that may not allow for an early return to normal levels of operations. Therefore, the income tax credit/incentive may not be enough reason to make such companies retain the same number of employees.
- The cost of keeping idle employees would outweigh the 50% tax rebate proposed by the Bill, making it unattractive.
- The incentive may be a double blessing for companies on whom the pandemic may have only a little financial impact not requiring the need to reduce employees.

It is in the light of the above that we recommend a review of the Bill to make it robust enough by identifying specific industries/sectors with a view to crafting provisions that can best stimulate their operations and place them on the fast track to an early recovery. Also, an appropriate scheme could be put in place to secure the welfare of employees who are laid off during this period until they find new employment. Past contributions by such employees, or their employers on their behalf, to schemes such as the Industrial Training Fund (ITF), National Social Insurance Trust Fund (NSITF) could be considered useful for this purpose, in addition to any other funds the government would make available.

Lastly, we hope that this Bill will receive accelerated consideration if it must address the current emergency.

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