

# Nigerian lawmakers pass the Emergency Economic Stimulus Bill (2020)

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## Introduction

As at 31 March 2020, Nigeria confirmed 139 cases of coronavirus (COVID-19). The pandemic reduced the level of economic activities in Nigeria within a couple of days. Businesses and individuals providing non-essential goods as well as services were advised to close operations and stay at home. Social distancing, proper hygiene, and self-isolation were safety tips to curb the spread of the COVID-19 infection.

Nigeria has a GDP of USD 397.27 billion, an estimated population of 195.87 million, and about 31% of the people constitute the labour force (Source: World Bank). With weak control, the exponential growth of infection may hurt the nation's GDP. Legal and regulatory authorities in Nigeria have therefore issued policies to lessen the effect of COVID-19 on the economy.

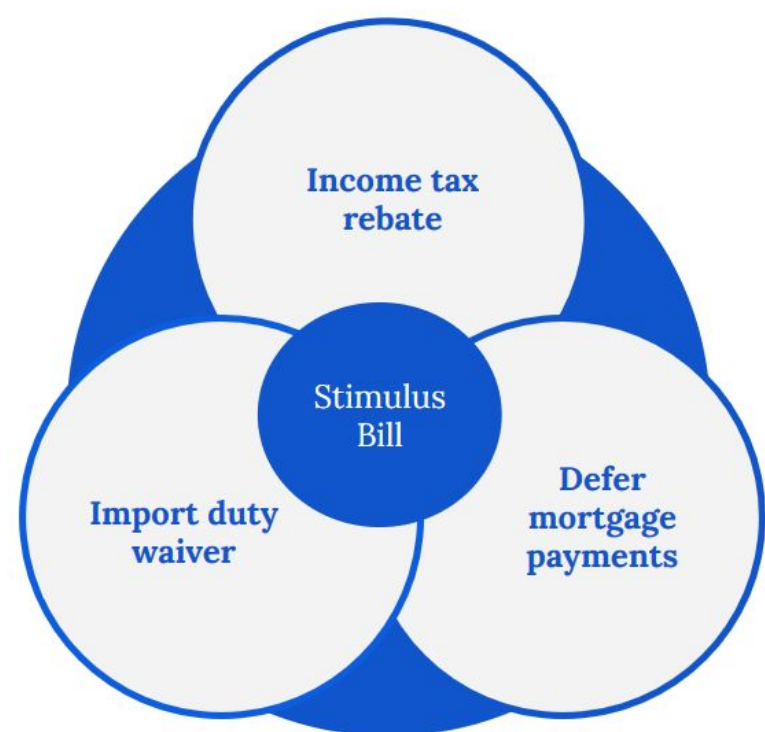
## Analysis of the Bill

Recently, the House of Representatives passed the Emergency Economic Stimulus Bill (2020). The Bill seeks to;

- provide short-term relief to companies and individuals to lessen the unfavorable financial effect of low economic activities.
- preserve the current employment status in Nigeria. The unemployment rate may increase due to a business decision to cut staff costs by reducing the number of workers.

- offer individuals a moratorium on mortgage obligations
- give rapid access to affordable medical equipment, medicines, and other supplies.
- improve the financial wellbeing of Nigerians.

Furthermore, the Emergency Economic Stimulus Bill 2020 offers three types of relief. They include lower income tax liability of an employer, suspend import duty on some goods, and defer mortgage payments to the Federal Mortgage Bank of Nigeria for a fixed term.



Fiscal incentives from Nigerian lawmakers

### 1. Income tax rebate for employers

Any employer registered under Companies and Allied Matters Act (CAMA) 2004, which retains employee(s) without downsizing from 1 March 2020 to 31 December 2020. These companies will get an income tax rebate of 50% on the total amount due or paid as

Pay-As-You-Earn (PAYE) tax under the Personal Income Tax Act 2004 as amended. Downsizing excludes where an employee resigns or dies of natural causes or breaches the provisions of the Labour Act 2004. Furthermore, companies operating in the upstream petroleum sector cannot claim a tax rebate.

A tax rebate is money that a tax authority pays back to a taxpayer in the event of tax overpayment. Under this Bill, a rebate is a 100% refund of employer's income tax which is 50% of PAYE tax due or paid on employees for businesses who retain employees from 1 March 2020 to 31 December 2020. The process for claiming tax rebates can be automatic or initiated by the taxpayer. In Nigeria, the tax refund process is not automatic. A person must apply for a tax rebate in writing. As the provisions of the Emergency Economic Stimulus Bill 2020 supersedes other tax laws, an employer who meets the specific conditions gets a tax rebate automatically. The tax rebate is for an employer and not an employee.

Furthermore, an employer will use 50% of the PAYE tax due or payable on employees' salaries to offset the employer's income tax liability. When the rebate is higher than the income tax payable, the tax authority may allow the company to carry the unutilized amount to the next tax year. It is unlikely that the Nigerian tax authority will refund the excess sum to the employer. The President can also extend the time to claim a tax rebate.

## **2. Deferral of mortgage payment under the National Housing Fund**

Individual contributors to the National Housing Fund can defer payment for residential mortgages by 180 days. The effective date is 1 March 2020. Also, the President may grant an additional extension of not more than 180 days. The defer terms apply to mortgage obligations payable to the Federal Government and not State Government.

## **3. Import duty waiver on medicines and medical goods**

To eradicate COVID-19 disease in Nigeria, import duty waiver will apply to medical equipment, medicines, personal protection equipment, and other medical supplies. The Minister of Health may provide the approved list of goods that qualify for a waiver. The import duty waiver applies from 1 March 2020 until 31 December 2020. However, the President can suspend the import duty for additional months.

## **Concluding remarks**

The provisions of the Emergency Economic Stimulus Bill (2020) supersedes any other local law. Also, the scope covers the entire country. It will be ideal for State Governments to allow individuals to defer mortgage payments collectible by the State-owned mortgage boards. Overall, the Bill will alleviate the financial burden of citizens during the current economic downturn.

A copy of the Bill can be accessed [here](#).