

## Introduction

The House of Representatives of the Federal Republic of Nigeria passed the Emergency Economic Stimulus Bill (“the Stimulus Bill” or “the Bill”) on 25<sup>th</sup> March 2020, to alleviate the deleterious effect of the lockdown and restrictions on movement aimed at containing the spread of the Coronavirus, on businesses and the entire economy. The Bill awaits passage by the Senate, and Presidential assent, before its provisions will become effective.

## Objectives

The Stimulus Bill aims to:

- Provide temporary relief to companies and individuals throughout the Federal Republic of Nigeria, and alleviate the adverse financial consequences of a slowdown in economic activities as a result of COVID-19;
- Protect the employment status of Nigerians who might otherwise become unemployed due to management decision to retrench personnel in response to the prevailing economic realities;
- Provide a moratorium on mortgage obligations for individuals at a time of widespread economic uncertainty;
- Eliminate additional fiscal bottlenecks in the importation of medical equipment, medicines, personal protection equipment, and other medical necessities required for the treatment and management of COVID-19 disease in Nigeria; and
- Cater to the general financial wellbeing of Nigerians pending the eradication of the pandemic and a return to economic stability.

## Fiscal Reliefs Under the Stimulus Bill

**Deferral of Residential Mortgage Obligations:** If passed into law, all payments of mortgage obligations on residential mortgages obtained by individual contributors to the National Housing Fund will be deferred for a period of 180 (one hundred and eighty) days, effective from 1st March 2020. This may be extended by the President for a further period not exceeding 180 days subject to a majority vote by members of the National Assembly.

**Job Protection:** Section 3 of the Bill grants tax relief to employers who retain their employees from 1st March to 31st December 2020. However, companies that are partly or wholly under the Petroleum Profit Tax Act are not eligible for this relief. Employers registered under the

Companies and Allied Matters Act Cap. C20, LFN, 2004 who do not retrench their staff during the period will be entitled to “50 per cent income tax *rebate* on the total of the actual amount due or paid as the Pay As You Earn (PAYE) Tax under the Personal Income Tax Act, Cap. C8, LFN 2004 (as amended).”

The Stimulus Bill defines rebate as “100 per cent refund of employer’s income tax which shall be 50 per cent of PAYE Tax due or paid on employees of such employer who maintain the same status of employees from 1<sup>st</sup> March 2020 till 31<sup>st</sup> December, or such further period as the President may stipulate”.

Death of employee(s) arising from natural causes, voluntary disengagement, or disengagement by virtue of a breach of the Labour Act Cap. L1 LFN 2004 would not amount to a reduction of employees under the proposed law. The relief period may be extended by the President, if the COVID-19 pandemic persists as a public health emergency, subject to ratification by a majority of the members of the National Assembly.

**Import Duty Waiver on Medicines and Medical Goods:** Section 10 of the Bill grants waiver of import duty on medical equipment, medicines, personal protection equipment, and other medical necessities required for the treatment and management of COVID-19 in Nigeria. This waiver will be effective from 1st March 2020 to 31<sup>st</sup> December 2020. The import duty waiver period may be further extended by the President in exercise of the powers conferred on his office under section 13(1)a of the Customs & Excise Tariffs Etc. (Consolidated) Act Cap. 49, 1995.

### **Comment**

If the Bill is passed into law, companies in the health sector (especially those that import medical equipment, medicines, personal protection equipment, etc.) will benefit from the waiver on import duty charges. This should assist in ensuring the availability of drugs, medical devices and personal protection equipment, required to treat victims of COVID-19. Also, it is laudable that the Bill proposes a deferral of payment of mortgage obligations for contributors to the National Housing Fund, and tax relief to encourage employers not to retrench staff.

However, the Stimulus Bill in its current form (as a measure to alleviate the effects of the Coronavirus on citizens and businesses), appears to fall short of what is required by Nigerians and businesses.

The proposed tax relief for employers is ambiguous. PAYE tax is a tax on an employee’s remuneration, which is deducted by the employer and remitted to the government on behalf of

the employee. Fixing the rebate as a percentage of the amount due or paid as PAYE tax will result in negligible relief to employers when compared to the quantum of income lost/not earned by the business, as a consequence of the pandemic. Given that employees also feel the economic effect of the pandemic, it is our opinion that to be effective, the Stimulus Bill should be revised to propose 30 per cent tax rebate for businesses and employees across the Federation. Each state would have to adopt this proposal.

We recommend as follows:

- The Government should create an Emergency Wage Subsidy fund for small businesses and partnerships that have experienced at least a 30% drop in gross revenue due to the pandemic. The aim will be to provide the companies with a 3-month temporary wage subsidy.
- Existing agriculture funds should be increased and support given to agribusinesses, to promote food security in the country.
- Support for Air Transportation Sector: The air transportation sector has been disproportionately impacted by the COVID-19 pandemic. This has led to governments around the world to impose border restrictions or outright bans and advise their citizens against non-essential travel to protect people's health and restrict the spread of COVID-19.
- The sector has faced significant declines in air passenger traffic, staff layoffs, and grounding of planes.
- Airlines are one of the major employers and economic enablers of any country, hence they require bail-out from the disruptions created by COVID-19. The demand for air transport demand decreased drastically. Commercial airlines are now at a point where they are working to help out in repatriation and bringing in supplies and essential products instead of people.
- Ilia Lioutov of ACI World stated that "Even though airlines are indeed the largest single component of the ecosystem, at least from a turnover perspective, they are by no means sufficient to ensure that the industry is able to recover after the COVID-19 shock."
- There should be a waiver of ground lease rents from March till December 2020 for airport authorities that pay rent to the federal government. Also, waive parking fees for planes and other charges incurred by aviation companies.
- This support will help airports reduce cost pressures and preserve their cash flow as they deal with the effects of COVID-19 on their revenue streams. An example is Norway, providing a conditional state loan guarantee for the aviation industry and that's totalling

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\$570m. Half of that money is going to Norwegian Air, and a quarter of it is going to Scandinavian Airlines, while the other quarter is being divided between regional airlines.

- The Coronavirus has decimated entire cities, and attempts to contain it have slowed down businesses and economies across the globe. A holistic response is therefore required to provide an economic stimulus that impacts all segments of the Nigerian economy.

The Federal Government should use this opportunity to make long term decisions that are necessary to improve the country's preparedness to deal with future health and economic challenges.

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