

FACTSHEET ON THE EMERGENCY ECONOMIC STIMULUS BILL, 2020 (HB. 835)

On Tuesday, 24 March 2020, the House of Representatives passed the Emergency Economic Stimulus Bill, 2020 (HB. 835) which is aimed at providing relief, protecting jobs and cushioning the economic hardship faced by Nigerians as a result of the COVID-19 outbreak. This Factsheet seeks to analyse the provisions of the Bill and its implications. It should be noted that the bill is yet to receive consideration in the Senate and is at this time, lacking in legislative or legal authority.

(Lead) Bill Sponsor: Rt. Hon Femi Gbajabiamila (APC: Lagos)

LONG TITLE

A Bill for an Act to provide Relief on Corporate Tax Liability, Suspension of Import Duty on Selected Goods and Deferral of Residential Mortgage Obligations to the Federal Mortgage Bank of Nigeria for a Fixed Term to Protect Jobs and Alleviate the Financial Burden on Citizens in Response to the Economic Down Turn Occasioned by the Outbreak of COVID-19 Disease and For Related Matters

AIMS AND OBJECTIVES OF THE BILL

The Bill seeks to:

- Provide temporary relief to companies and individuals to alleviate the adverse financial consequences of a slowdown in economic activities brought on by the outbreak of the COVID- 19 disease in Nigeria;
- Protect the employment status of Nigerians who might otherwise become unemployed as a consequence of 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 on the importation of medical equipment, medicines, Personal Protection Equipment (PPE) and other such medical necessities as may be required for the treatment and management of the Covid - 19 Disease in Nigeria, to ease the burden of importation; and

- Cater for the general financial wellbeing of Nigerians pending the eradication of the pandemic and return to economic stability- **clauses 1(a-e)**

SCOPE OF THE BILL

- The Bill is applicable to individuals, employers/ entities, employees and importers of medical equipment.

For Individuals

- Under the Bill, payment obligations on residential mortgages obtained by individual contributors to the National Housing Fund are deferred for a period of 180 days (effective from 1st March 2020) - **clause 8**
- The President may however extend this period of deferral (180 days) on a majority vote (supported by a three-quarter) of Members of the National Assembly - **clause 9**

For Employers /Entities

- **An employer/ entity registered under Part A the Companies and Allied Matters Act (a Company) or Part B (a Business Name)** who does not retrench their staff for the period between 1st March 2020 to 31st March 2020 is entitled to tax rebate - **clauses 3 and 5**
- This entitlement equates to a 50 percent tax rebate on either the total of the actual amount due or paid as Pay as You Earn (PAYE) tax under the Personal Income Tax Act - **clauses 3 and 5**
- It is worthy of note that Employers /Entities are not entitled to rebate even where the employee dies or resigns from employment before 1st March 2020. They are further not excluded from rebate in the event an employee breaches the Labour Act, 2004 (which provides for the protection of wages, contracts of employment and terms and conditions for employment) - **clause 4**

For Employees

- **Employees who work for an employer/entity registered under Part A of the Companies and Allied Matters Act (a Company) or Part B (a Business Name)** will have the benefit of being retained in their place of work as a result of the Bill - **clause 3**

Importers of Medical Equipment

- The Bill grants import duty waivers on medical equipment, Personal Protection Equipment (PPE) and such medical necessities that may be required for the treatment and management of the COVID-19 disease in Nigeria- **clause 10**
- Import duty waivers under this Bill shall take effect from 1st March 2020 to 31st December 2020-clause 12. However, this period may be further extended by the President under section 13(1) (a) of the Customs, Excise, Tarrifs, etc (Consolidated) Act.
- The Minister of Health may also by regulations published in a Gazette specify the goods falling within the import duty waivers - **clause 11**
- The provisions of the Bill are applicable throughout the Federation. That is, in Nigeria's 36 States and the Federal Capital Territory (FCT) - **clause 2** .

EXEMPTIONS UNDER THE BILL

- The benefits of the 50 percent tax rebate are inapplicable to Incorporated Trustees (such as Non-Governmental Organisations) who are under Part C of the Companies and Allied Matters. - **clause 5**

SALIENT ISSUES RAISED BY THE BILL

- The language of the Bill should have allowed for an upward review date of the import waivers in the event that the COVID-19 situation ameliorates before 31st December 2020 to prevent an undue loss of national revenues.
- The provision for import waivers must be thoroughly implemented to prevent the abuse of the import of medical equipment that are unrelated to the treatment and management of the COVID-19 disease in Nigeria.
- **Incorporated Trustees (such as Non-Governmental Organisations) are exempted from the 50% tax rebate due to employers/entities registered under Part A of the Companies and Allied Matters Act (a Company) or Part B (a Business Name)** that do not retrench their staff for the period between from 1st March 2020 to 31st March 2020 . The rationale for their exemption may border on grounds that Incorporated Trustees do not pay for Companies Income Tax, Education Tax since taxes are a function of the profits that any company makes.
- Despite the numerous benefits of the Bill to individuals, employers/entities, employees and importers of medical equipment for the treatment and management of COVID-19, the status of the Bill at this time is: inoperative, as the bill still needs to pass in the Senate and thereafter receive Presidential assent.

- Measures in the Bill are similar to efforts of some other countries around the world who seek to cushion the economic effects on the Corona virus pandemic on citizens. The United States Congress for instance in March 2020, passed a \$2 trillion relief for tens of millions of American households that are affected by the coronavirus pandemic. The United Kingdom has also announced a £30 billion emergency stimulus package to shore up the British economy against the effects of the corona virus outbreak.



**Plot 451 Gambo Jimeta Crescent, off Nasir El-Rufai Crescent, Guzape District,
Abuja**

Website: www.placng.org *Email: info@placng.org *Phone: 08091899999

About PLAC

Policy and Legal Advocacy Centre (PLAC) is a non-governmental organization committed to strengthening democratic governance and citizens' participation in Nigeria. PLAC works to enhance citizens' engagement with state institutions, and to promote transparency and accountability in policy and decision-making processes.

The main focus of PLAC's intervention in the democratic governance process is on building the capacity of the legislature and reforming the electoral process. Since its establishment, PLAC has grown into a leading institution with capacity to deliver cutting-edge research, policy analysis and advocacy. PLAC receives funding support from donors and other philanthropic sources.

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