

## COVID-19 Pandemic - Government Interventions and Tax Incentives

A novel coronavirus (COVID-19) which started in November 2019 in the city of Wuhan, a capital city of Hubei province in the People's Republic of China was initially declared a Public Health Emergency of International Concern by The World Health Organization (WHO) on January 30, 2020 and later a Global Pandemic on March 11, 2020.

The Pandemic has since spread to all continents except Antarctica, affecting over 4 Million people with over 279,000 fatality as of 1.00 p.m. (WAT) May 10, 2020. Source (Wikipedia (COVID-19) Statistics Data).

In Nigeria, the impacts of COVID 19 has necessitated government's approval of tax incentives, debt service relief and stimulus loans to support Households and Micro, Small and Medium Enterprise (MSMEs) affected by the COVID -19 pandemic.

### 1. What are Tax Incentives?

Tax incentive is an aspect of a country's tax code designed to incentivize or encourage an economic activity. Tax incentives can have both positive and negative impacts on an economy. Among the positive benefits, if implemented and designed properly, tax incentives can attract investment to a country. Other benefits of tax incentives include increased employment, higher number of capital transfers, research and technology development, and improvement to less developed areas.

Though it is difficult to estimate the effects of tax incentives, they can, if done properly, raise the overall economic welfare through increasing economic growth and government tax revenue (after the expiration of the tax holiday/incentive period). However, tax incentive can cause negative effects if they are not properly designed and implemented.

Tax incentives are generally categorized into two: cost-based tax incentives (such as tax credits and accelerated depreciation allowances) and profit-based tax incentives (such as tax holidays or reduced tax rates). The types of incentives that come under these two broad categories can greatly vary based on sector, income type, business size, and business location. The incentives can be temporary or permanent and can offer partial exemption or full exemption.

### 2. Government palliative measures, tax reliefs and incentives available to businesses & individuals.

The following are the government intervention, tax reliefs and incentives available to individuals and businesses:

Businesses	Individuals
Exemption of Small businesses i.e. company with turnover less than N25m from payment of company's income tax (CIT).	Exemption of any Compensation for loss of employment below N10m from Capital Gains Tax.
Exemption of Small businesses from registration, issuance tax invoice, charging, collection, remittance, and filing of VAT.	Extension of deadline for filing annual tax returns for taxable persons by two months from 31 March 2020 to 31 May 2020.
Reduction of N20 in petrol price from N145 to N125	Reduction of N20 in petrol price from N145 to N125
Medium-sized companies i.e. companies with turnover between N25m and N100m are to pay CIT of 20% against 30%. A reduction of 10% in income tax rate for these companies.	Four (4) months (January – April) conditional cash transfer to the poor of the poorest. This amounts to N20,000 cash transfer to the beneficiaries.

Bonus of 2% of tax payable for medium-sized companies and 1% for large companies (above 100M turnover) for early payment of CIT i.e. payment within 3 months after the financial year end.	Three-month repayment moratorium for all TraderMoni, MarketMoni and FarmerMoni loans.
Taxpayers facing challenges in sourcing for FOREX to offset their liabilities are given the option of paying in Naira at the prevailing Investors & Exporters (I & E) FOREX window rate on the day of payment.	Distribution of relief materials to the poor of the poorest households in the country by the Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development.
Extension of the due date for filing of companies' income tax returns by one month.	
Extension of timeline for filing and payment of value added tax and withholding tax from the 21st day to the last working day of the month, following the month of deduction.	
Waiver of VAT Late Returns Penalty (LRP) for companies that pay within the new extended due date and file later.	
Reduction in interest rates from 9% to 5% for all CBN intervention facilities.	
A grace period of one year on principal facilities for all intervention loans.	

### 3. Central Bank of Nigeria: Fifty Billion Naira Stimulus Package for Small & Medium Businesses

Targeted Credit Facility (TCF) – a stimulus package introduced by the CBN to support Household and Micro, Small and Medium Enterprise (MSMEs) affected by the COVID -19 pandemic to the tune of N50 Billion at 5% interest rate for the next one year and 9% thereafter with exist date of 31st December 2024.

The major objectives of the TCF is to support households and MSMEs whose economic activities have been significant disrupted by the COVID-19 Pandemic and provide stimulus credit to MSMEs to expand their productive capacity through equipment upgrade and research development.

The stimulus package is available to existing enterprises with verifiable evidence of business activities adversely affected by COVID -19 pandemic and enterprises with bankable plans to take advantage of opportunities arising from the COVID -19 pandemic.

Companies can take advantage of the stimulus which offers an interest rate of 5% per annual (all inclusive) up to 28 February 2021 and thereafter, the interest on the facility shall revert to 9% per annual (all Inclusive) as from 1st March 2021 with a maximum tenor of not more than 3 years with, at least, one-year moratorium.

## Relevant information about the Targeted Credit Facility (TCF)

	Households	MSMEs	Corporate Entities
<b>Availability and Accessible amount</b>	The loan is available to households with verifiable evidence of livelihood adversely impacted by COVID 19. Maximum accessible amount is N3 million.	The fund is targeted at credit worthy businesses with good track record in their line of business, and who meet the acceptable cash-flow requirements and whose businesses are demonstrably adversely affected by the COVID-19 pandemic. The loan amount shall be determined based on the activity, cashflow and industry/segment size of beneficiary, subject to a maximum of N25 million for MSMEs.	The fund is targeted at credit worthy businesses with good track record in their line of business, and who meet the acceptable cash-flow requirements and whose businesses are demonstrably adversely affected by the COVID-19 pandemic. The loan amount shall be determined based on the activity, cashflow and industry/segment size of beneficiary, subject to a maximum of N25 million for MSMEs.
<b>Loan application procedure</b>	<ul style="list-style-type: none"> <li>Eligible household or MSMEs shall submit application directly to NMFb.</li> <li>The application must, among others, contain BVN number, business registration (where applicable) and business plan with clear evidence of the opportunity or adverse impact arising from COVID-19 pandemic.</li> <li>NMFb shall appraise and conduct due diligence on the applications.</li> <li>Upon satisfactory appraisal of application, NMFb shall forward the application to the CBN for final approval.</li> <li>CBN receives the application and give final approval for disbursement to NMFb.</li> </ul>		<ul style="list-style-type: none"> <li>A corporate entity shall submit application to NMFb with clear evidence of the opportunity or adverse impact as a result COVID-19 pandemic.</li> <li>NMFb shall appraise and conduct due diligence applications.</li> <li>Upon satisfactory appraisal of application, NMFb shall forward the application to the CBN for final approval.</li> <li>CBN receives the application and give final approval for disbursement to NMFb.</li> </ul>

## Other intervention funds available to businesses

- Bank of Industry (BOI) Intervention funds: is a development finance institution created by the federal government to aid the development of the country industrial sector as well as intervene financially in developing sustainable enterprises.
- Agric Small Medium Enterprise Scheme: It is financing programme created by the CBN in collaboration with the bankers committee to support the federal government effort and policy measures for the promotion of agricultural business and small and medium enterprises as a vehicle for sustainable economic development and employment generation.
- Development Bank of Nigeria (DBN) Loans: DBN was a creation of federal government of Nigeria in collaboration with some global development partners. The bank provides wholesale term of funding and risk sharing facilities to pre-selected financial institutions which includes commercial and micro finance banks.
- Micro, Small and Medium Enterprises Development Fund: It is CBN initiative launched in 2013 to bridge the existing financial gap in the SME sub-sector of the economy can access loans from ₦500,000 to ₦50 million to fund their business. 60 percent of the ₦220 billion fund is expected to fund women-owned business while 10 percent will fund startups.
- CBN Creative Industry Fund: It is done with a view to improving access to long term financing by entrepreneurs and investors in fashion, information technology and entertainment industries.
- The Bankers' Committee and the Central Bank of Nigeria (CBN) N100 billion in loan for pharmaceutical companies and healthcare practitioners to produce vaccines and test kits in Nigeria.
- The Bankers' Committee and the Central Bank of Nigeria (CBN) ₦1 trillion in loans to boost local manufacturing and production across critical sectors.

- Export incentives to exporters of made in Nigeria goods. Companies in the following sectors of economy are advised to take advantage of the Targeted Credit Facility (TCF) of the CBN to boost their business activities:

- Agricultural - Value chain activities
- Hospitality (Accommodation and food services)
- Health (Pharmaceutical and medical supplies)
- Airlines (Service providers)
- Manufacturer (Value Addition)
- Trading

Whilst we encourage companies to continue to fulfill their statutory obligation of tax payment, ministerial orders and FIRS information circulars for more tax incentives and recognition & acceptance of tax deductibility of company's donations to support government's efforts in combating COVID -19 is awaited for more support from organized sectors of the economy.

Watch out for our newsletter on Export Incentives in the subsequent publication.

### Contact us:

**Femi Wright**  
+234 908 0000 358  
[fwright@wyzeassociates.com](mailto:fwright@wyzeassociates.com)

**Wale Ogunsola**  
+234 908 0000 358  
[wogunsola@wyzeassociates.com](mailto:wogunsola@wyzeassociates.com)

**Gbenga Akinsulere**  
+234 908 0000 358  
[gakinsulere@wyzeassociates.com](mailto:gakinsulere@wyzeassociates.com)

**Kehinde Adeyemi**  
+234 908 0000 358  
[kadeyemi@wyzeassociates.com](mailto:kadeyemi@wyzeassociates.com)

