The Lagos Chamber of Commerce & Industry
FOUNDED 1888
FAITHFUL SERVICE TO ALL

POLICY ADVOCACY NOTES

May 18, 2020

CONVID 19: BUSINESS AND ECONOMIC SUSTAINABILITY PROPOSITIONS

The Covid-19 pandemic has raised serious concerns about economic sustainability and business continuity, both of which are interdependent and mutually reinforcing. It has become imperative to commence conversations about policy measures and reforms that need to happen for the realization of desired continuity outcomes. The government should be the main driver of this stimulus process, as seen in other countries globally. This is done through the injection of liquidity [depending on the fiscal space] or through policy measures that offer some accommodation that facilitates economic and business recovery. It is gratifying that the government has set up the Economic Sustainability Committee under the chairmanship of the Vice President, Prof. Yemi Osinbajo.

With the lockdown, not much could happen in the economy as practically all economic activities have been brought to halt. Digital platforms have become more vibrant, but not enough to generate the desired momentum of economic activities. Interactions and connectivity among economic agents are at the lowest ebb. It is thus important to begin to set agenda for the Nigerian economy after the pandemic – a post pandemic rescue plan.

The pandemic has derailed business projections and several risks have crystallized. Businesses have been grounded by the lockdown; supply chains disrupted, and aggregate demand depressed. Investment assumptions have collapsed across sectors. Businesses are faced with a force majeure and the shocks are profound and unprecedented. The mortality of SMEs is set to heighten as they have tenuous capacity to absorb shocks, especially of a scale that we are currently witnessing.

To save the economy from collapse, we need to salvage investments across all levels – micro, small, medium and large enterprises. Without investment, we cannot have jobs; aggregate demand would remain weak; government revenue would be in jeopardy as tax revenue plummets; and economic sustainability will be at risk. This underscores the imperative of an urgent rescue package for business to enable investors ride out the storms. The following measures are hereby proposed for government's considerations as well as relevant agencies:

TAX BREAKS AND CONCESSIONS FOR INVESTORS

- Suspension of all forms of taxes for health sector investors [pharmaceutical companies and hospitals, Medical Laboratories etc.] agriculture and agro – processing, Aviation and Hospitality sectors for at least one year.
- Extension of filling of annual returns, including payment of due amounts to 30th June 2020.
- Temporary suspension of recently introduced 50% increase in VAT till year end.
- Unconditional waiver of penalties and interests of all outstanding tax payments.
- For Employees, PAYE should be suspended for a period of 6months. This would put some money back in the hands of the employees during this period to strengthen the purchasing power of citizens and stimulate output within the economy.
- Health workers PAYE should be suspended for one year in recognition of their role as front liners in the battle against the Covid 19 pandemic.

EXAMPLES OF TAX PALLIATIVES IN OTHER COUNTRIES

India - filing of General Sales Tax (like VAT) delayed for 3 months

UK - VAT payments delayed by 3 months

Italy - suspended the tax system overall from March 12, no filings and no payments

South Korea - cut VAT for small businesses

US – personal income taxes delayed by 3 months

Ghana – health workers exempted from taxes for 3 months

FISCAL POLICY PALLIATIVES FOR THE REAL SECTOR

- Health sector raw materials and equipment should attract zero import duty. This is necessary to incentivize greater private sector investment in the health sector.

- Health sector raw materials and equipment should attract zero import duty. This is necessary to incentivize greater private sector investment in the health sector.

- Manufacturing raw materials and intermediate products should attract import duty waiver for six months. One key lesson of the Covid 19 is the imperative of domestic production and building capacity for self-reliance. The global supply chain disruptions took a heavy toll on the manufacturing sector. To accelerate a rebound of the sector, this incentive is necessary.

- Agro-processing inputs should enjoy import duty waiver for one year.

- Suspension of excise duty payment for manufacturers for one year.

- Greater commitment of government and its agencies to the patronage of made in the Nigerian products. Government should create a strong monitoring framework to ensure compliance with the relevant executive order.

- Import duty waiver on machineries without need for any bureaucracy, for at least 12month. This would facilitate the completion of ongoing projects by industrialists. The country needs growth as this would be key to project completion to encourage job creation.

COMMERCIAL BANKS LOAN FACILITIES

1

A good credit regime is critical to the sustainability and progress of an economy. Palliatives announced by the CBN in response to this pandemic are commendable. These include the one year moratorium on CBN intervention facilities; interest rate reduction on intervention funds; creation of N50 billion credit facilities for SMEs; restricting and refinancing opportunities for existing facilities; activation of N1.5 trillion InfraCo project for building infrastructure; N100 billion facilities for pharmaceutical companies and healthcare practitioners, and N1 trillion loans to boost local manufacturing and production across sectors.

2

But there is the bigger issue of private sector indebtedness to the commercial banks. As at December 2019, banks credit claims on the private sector stood at N15.2 trillion. The way this exposure is managed will be very crucial to the realization of the economic and business continuity outcomes in the Nigerian economy.

3

It is imperative for the commercial banks to take a cue from the central bank and offer some reprieve to their customers on existing facilities. It is gratifying that at a recent meeting of the Bankers Committee it was resolved among other things 'that profit will not be the primary motive at this time, rather preserving confidence, financial stability, and support for the economy will be overriding objectives'

4

We would like to see windows of opportunities for loan moratorium, restructuring of facilities, refinancing, and interest rate concessions in the light of the unprecedented downturn in the economy. These times call for sacrifice from all stakeholders in the economy – the banking community, the depositors, the government, the financial system regulators and the business community. We call for an urgent engagement between the Bankers Committee, the Central Bank of Nigeria and the business community to discuss the monetary component of the rescue plan for business at this critical time. This is an important economy wide issue as all sectors of the economy are impacted. We request that consideration be given to the following:

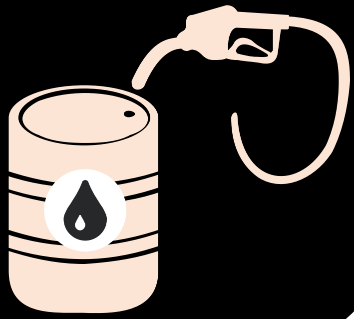
5

Banks should grant one-year moratorium and six months interest rate concessions, effective from March 2020. To make this possible for commercial banks, we seek a review of the CRR from the current level of 27% to 20%. This would give room for the banks to offer these interest rate concession and moratorium on loans to investors. We hope the deposit money banks would take a cue from the gesture of the central bank on the interest rate cut and moratorium granted on its intervention funds.

AVIATION SECTOR PALLIATIVES

1. Support towards augmenting insurance premiums which are dollar denominated as cover were mostly underwritten abroad due to lack of local capacity.
2. Support to pay for operational cost including international lease rental on grounded aircraft, Operational cost of aircraft maintenance due for C- Check and other routine maintenance regardless which take place irrespective of lockdown.
3. Waiver of taxes and other regulatory levies/fees during the period of lockdown and for six months thereafter.
4. Special treatment of the Aviation sector given its strategic role on national economic plan.
5. Commercial Banks moratorium on existing facilities and restructuring of operational debts backed up by government guarantee.
6. Access to fund facility through Bank of Industry and waiver of bank guarantees to access intervention funds under COVID 19 palliatives.
7. Aviation spare parts should attract import duty waiver for one year
8. Support on refund on ticket purchases during period of lockdown.
9. General stabilization funds to guarantee uninterrupted operation of the airlines.
10. Loans, loan guarantees and support for the corporate bond market by the Government or Central Bank, either directly to the airline or to commercial banks that may be reluctant to extend credit to airlines in the present situation in the absence of such a guarantee.
11. Suspension of all Navigational Charges for a period of 180 days.
12. Suspension of all Passenger Service Charge (PSC) and Ticket Sales Charge (TSC) for a period of 180 days.
13. Full implementation of the Executive Order on Removal of VAT from Air Transportation.
14. Suspension of Landing & Parking Charges
15. Bank moratorium on existing facilities and restructuring of operational debts.
16. Soft Loans to airlines at interest rate not exceeding 5%.
17. Support towards augmenting insurance premiums which are dollar denominated as cover were mostly underwritten abroad due to lack of local capacity.
18. Support to augment loss of revenue for pay for operational cost including international lease rental on grounded aircraft.
19. Support to mitigate operational cost of aircraft maintenance due for C-Check and other routine maintenance regardless of lockdown.
20. Access to fund facility through Bank of Industry and waiver of bank guarantees to access intervention funds under COVID 19 palliatives.
21. Support for Continuity of Flight Operations including Critical Cargo Flights

PETROLEUM DOWNSTREAM SECTOR



The LCCI welcomes the full deregulation of the petroleum downstream sector of the economy. We request that complementary legal framework be expeditiously put in place to avoid a truncation of the process. The chamber believes that the economy would profit immensely from this very significant reform in following areas:

1

It will free resources for investment in critical infrastructures such as power, roads, the rail systems, health sector, education sector etc. The deficit in all these infrastructure areas are phenomenal. Fixing infrastructure will greatly improve productivity and efficiency in the economy and impact positively on the welfare of the people.

2

It will unlock the huge private investment potentials in the downstream oil sector especially in petroleum product refining. This will ultimately reduce importation of petroleum products and ease the pressure on the foreign exchange market as well as the burden on our foreign reserves.

3

It will eliminate the patronage, rent seeking activities and corruption that currently characterize the downstream oil sector.

4

It will create more jobs for the teeming youths of the country in the downstream oil sector as investment in the sector improves.

Commerce House, 1st Floor
1,Idowu Taylor Street, Victoria Island, Lagos, Nigeria
+234-1-77466117, 2705386, 7732305, 8033827944
lcci@lagoschamber.com
www.lagoschamber.com