




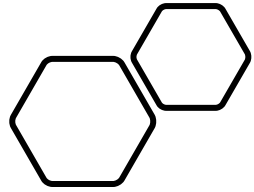
# 6<sup>th</sup> IGR Peer Learning Event

Monday 14<sup>th</sup> December 2020  
Wells Carlton Asokoro Abuja | Zoom  
9am – 5pm

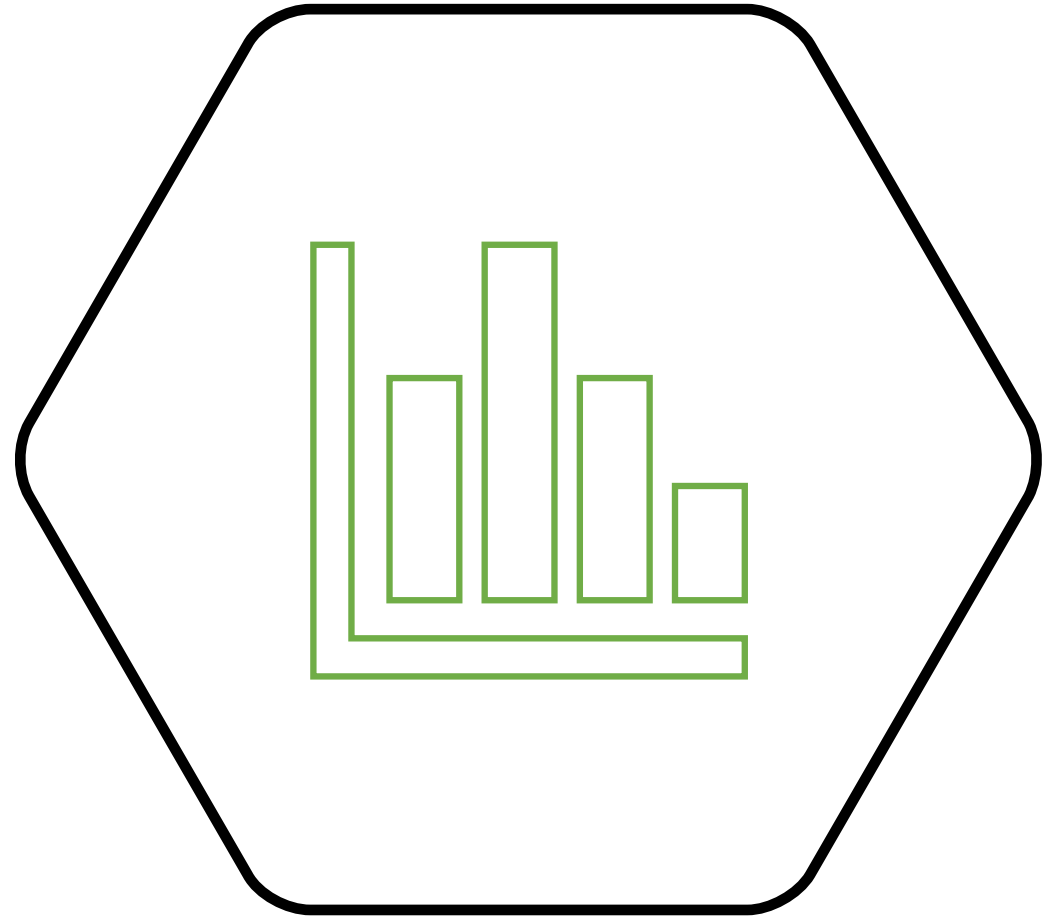


# Content

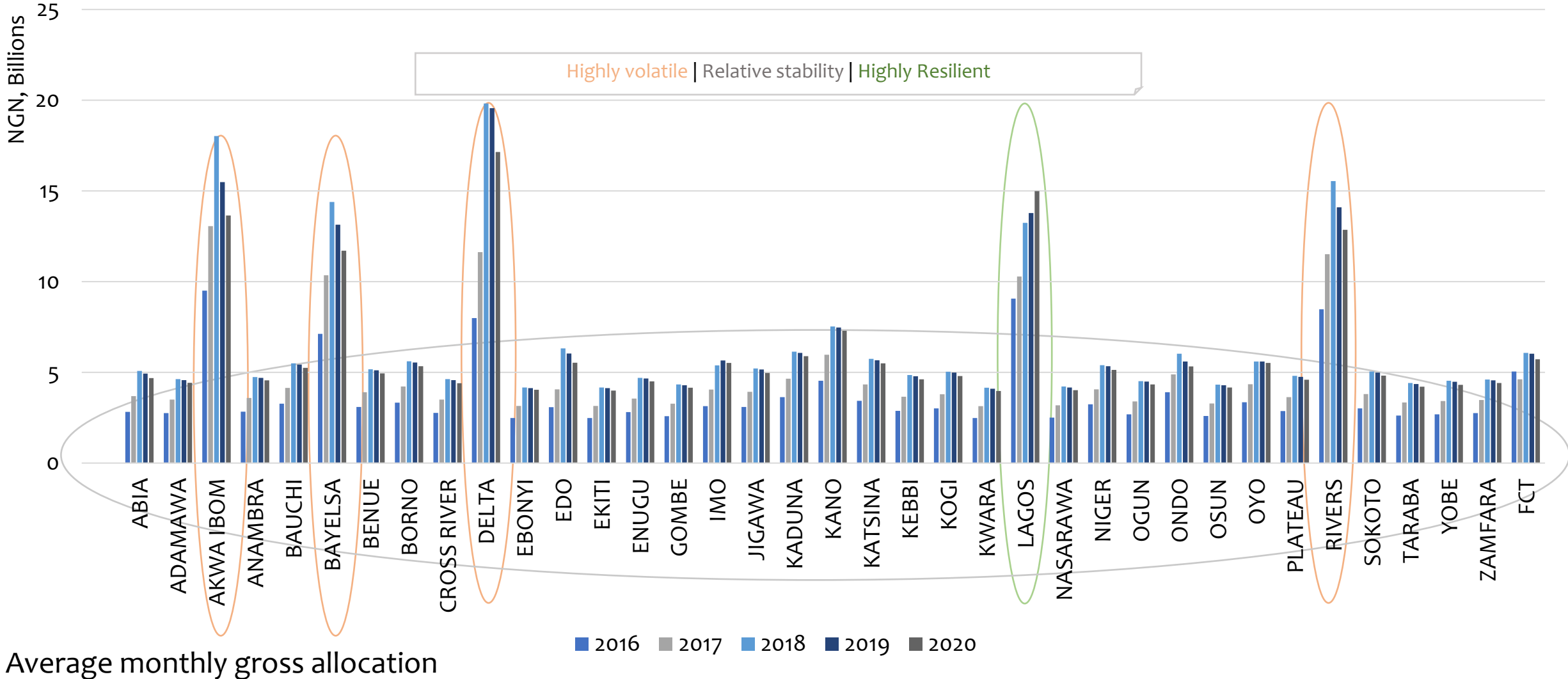
- The revenue environment up to 2020
  - The impact of the COVID-19 pandemic on State taxes
  - Impact on budgets
  - Outlook for 2021
  - Lessons going forward
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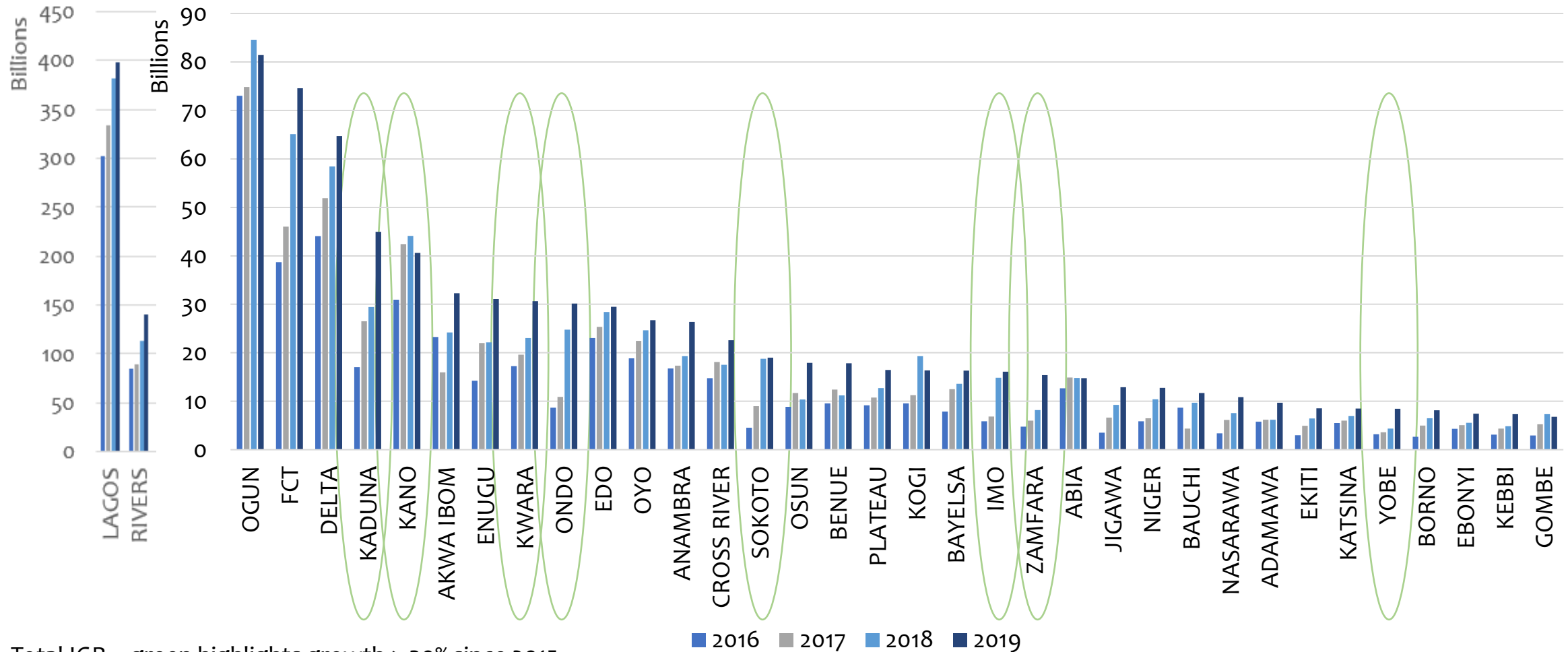
# The revenue environment up to 2020



# Unequal vulnerability and unequal crisis



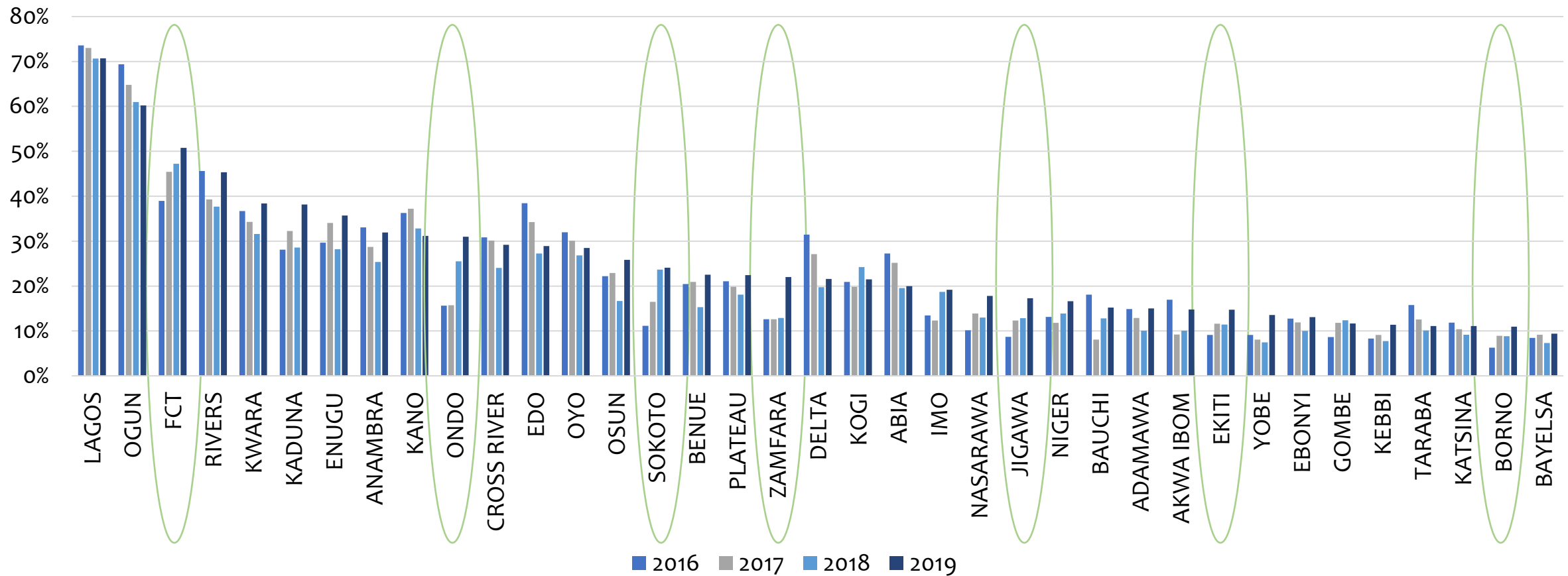
# IGR is closing the revenue gap but growth still uneven



Total IGR – green highlights growth > 30% since 2015

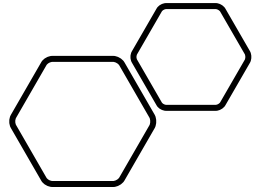
\*FCT data for 2016 represents only PAYE collected by FIRS on behalf of the FCT IRS

# Measurable but uneven progress in revenue sustainability

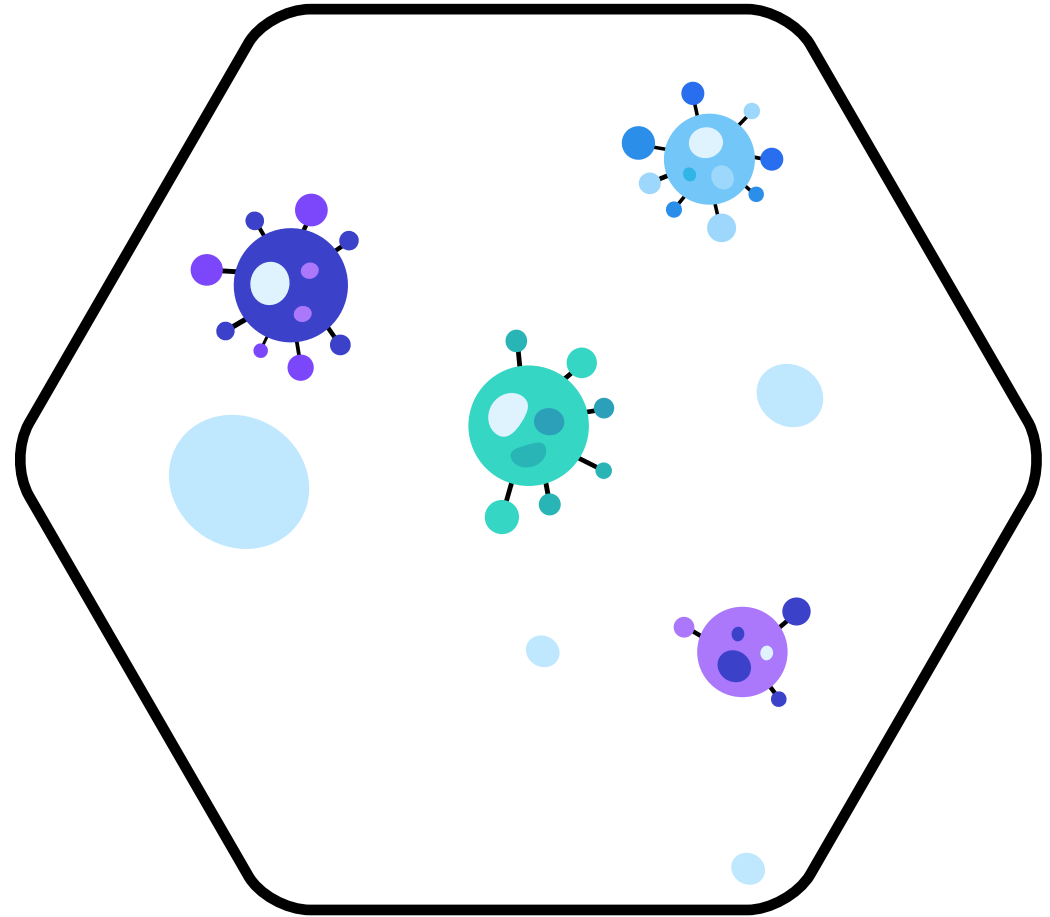


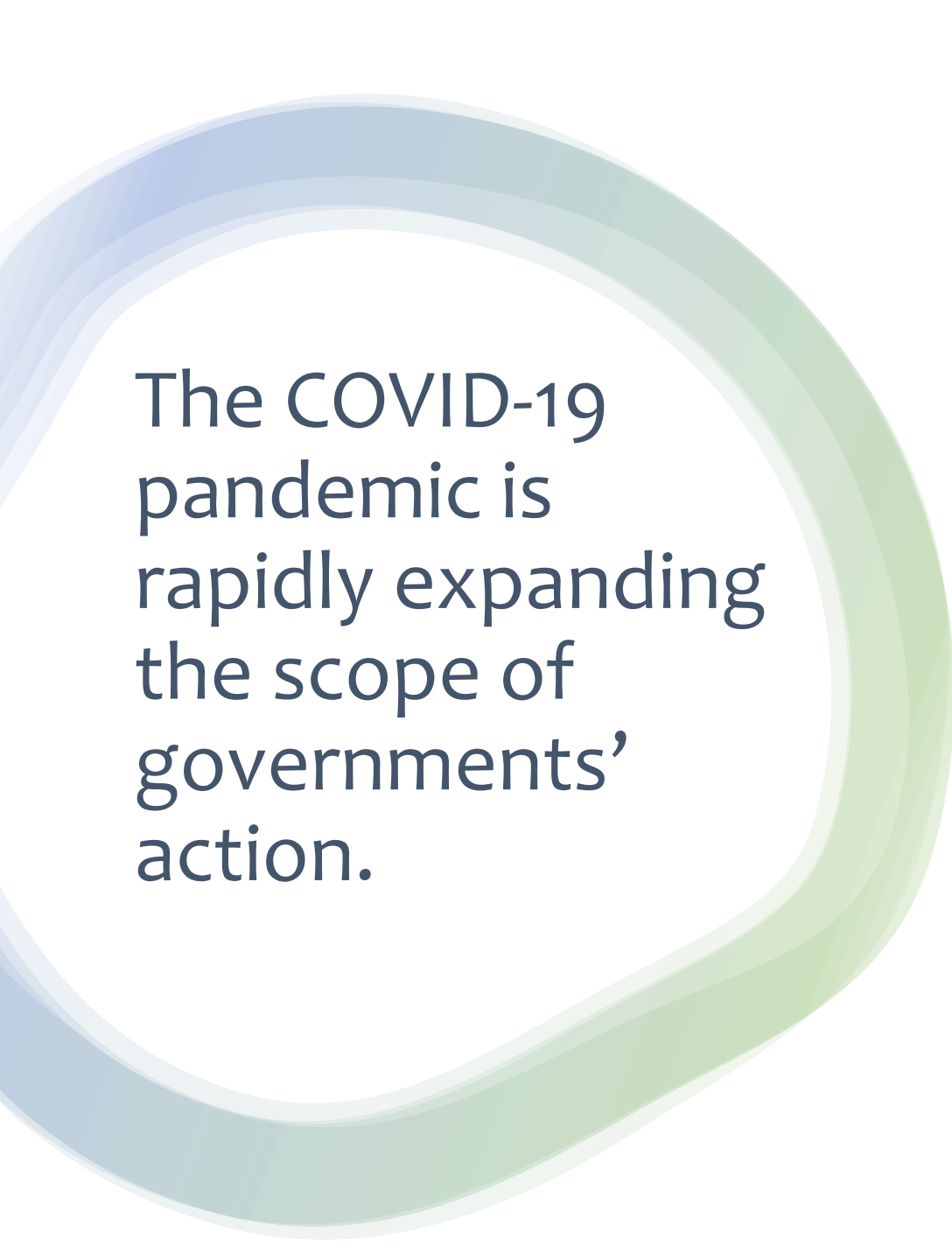
IGR (% of total recurrent revenue)

\*Green highlight for States that have recorded sustained progress in revenue sustainability.



# Impact of COVID-19 on taxes





The COVID-19 pandemic is rapidly expanding the scope of governments' action.

- Since 27<sup>th</sup> February 2020 when the first case of COVID-19 was reported in Nigeria, governments at both the federal and State level have taken several actions – including a series of lockdown measures which forced businesses and households to give up work, school, trade and events. According to an April-May 2020 survey conducted by the National Bureau of Statistics, 42% of Nigerians stopped working during the period mainly for reasons related to COVID-19, particularly those in farming or family businesses . The labour-force impact was particularly high in the commerce and service sectors.
- Unlike the 2008/09 and 2014-16 crises which were triggered by financial and oil market failures respectively, the 2020 crisis came with a human cost.
- Governments have responded by expanding the scope of social investment programmes, tax relief, loans, grants and subsidies to mitigate the economic impact on citizens and businesses, including food supply to vulnerable households.



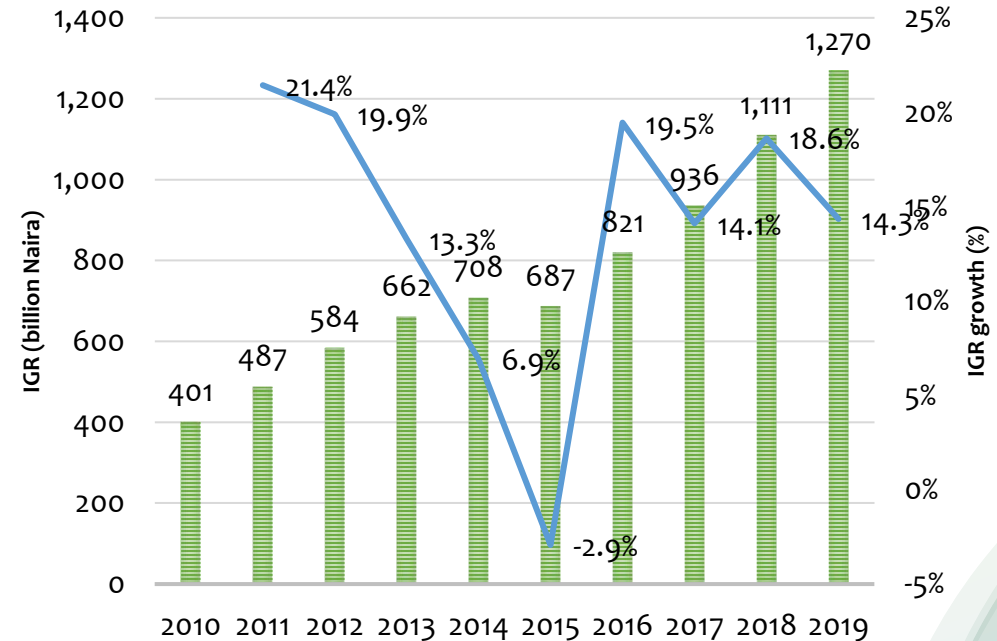


## Tax reform before the pandemic

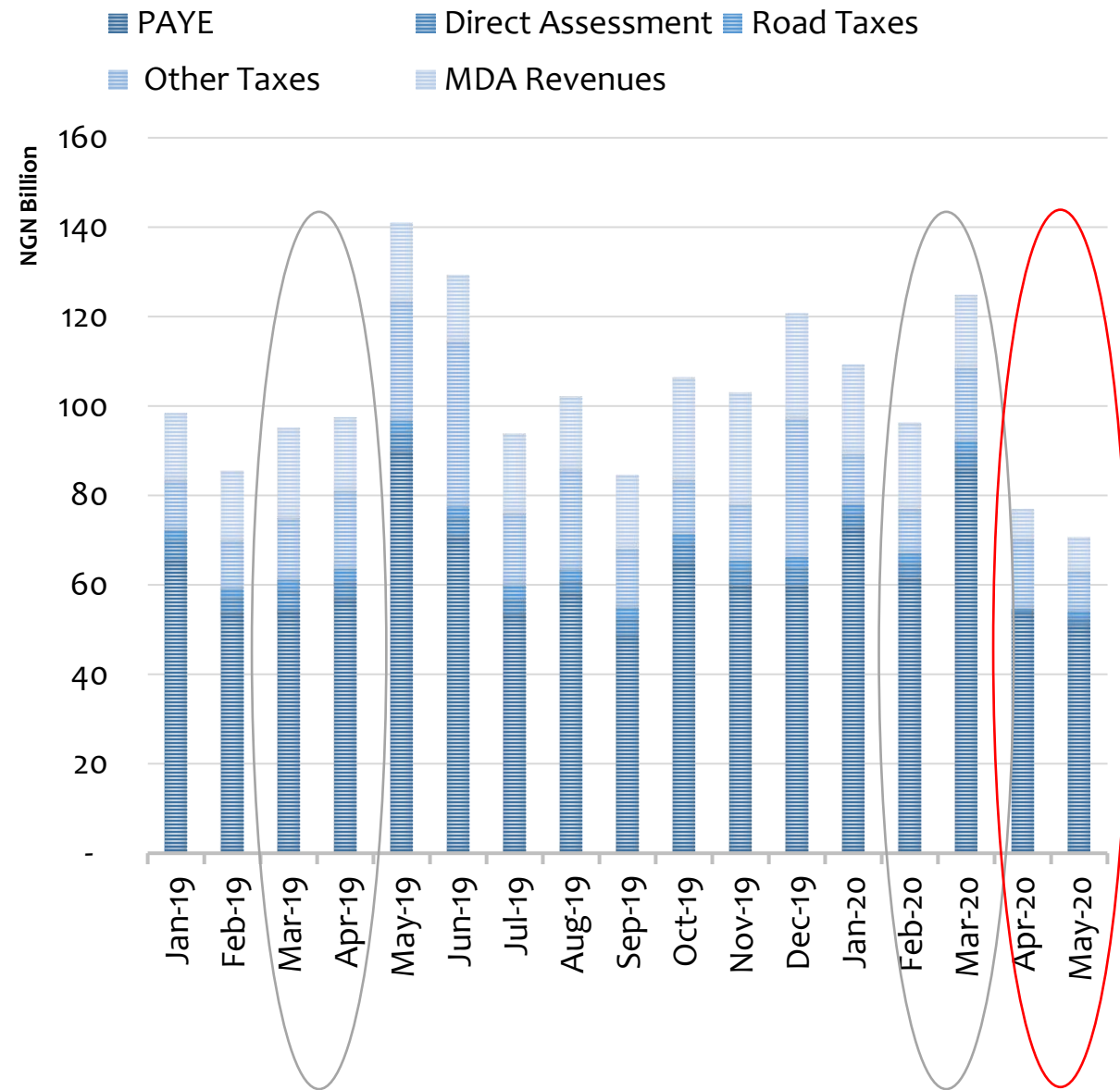
- Unlike Lagos that was triggered by political and electoral pressures as well as elite ambitions to build a prosperous megacity, for many other States, tax reform has been triggered by the boom-and-bust oil cycles recorded in recent years, especially following the aftermath of the mid-2014 fiscal crisis which saw government revenues (percent of GDP) fall by nearly half from 11% in 2013 to 6% in 2016.
- The crisis triggered a set of changes in government policy and action, including the 2016 resolutions of the National Economic Council (NEC), the Fiscal Sustainability Plan (2016), the Economic Recovery and Growth Plan (2017 – 2020), the new National Tax Policy (2017), and the Voluntary Assets and Income Declaration Scheme (2017).
- The Finance Act 2019
- State-level reforms including the Consolidated Revenue Code,
- NGF/JTB State Revenue Action Plan (SRAP), 2020

# The tax environment was undergoing significant transformation before COVID-19

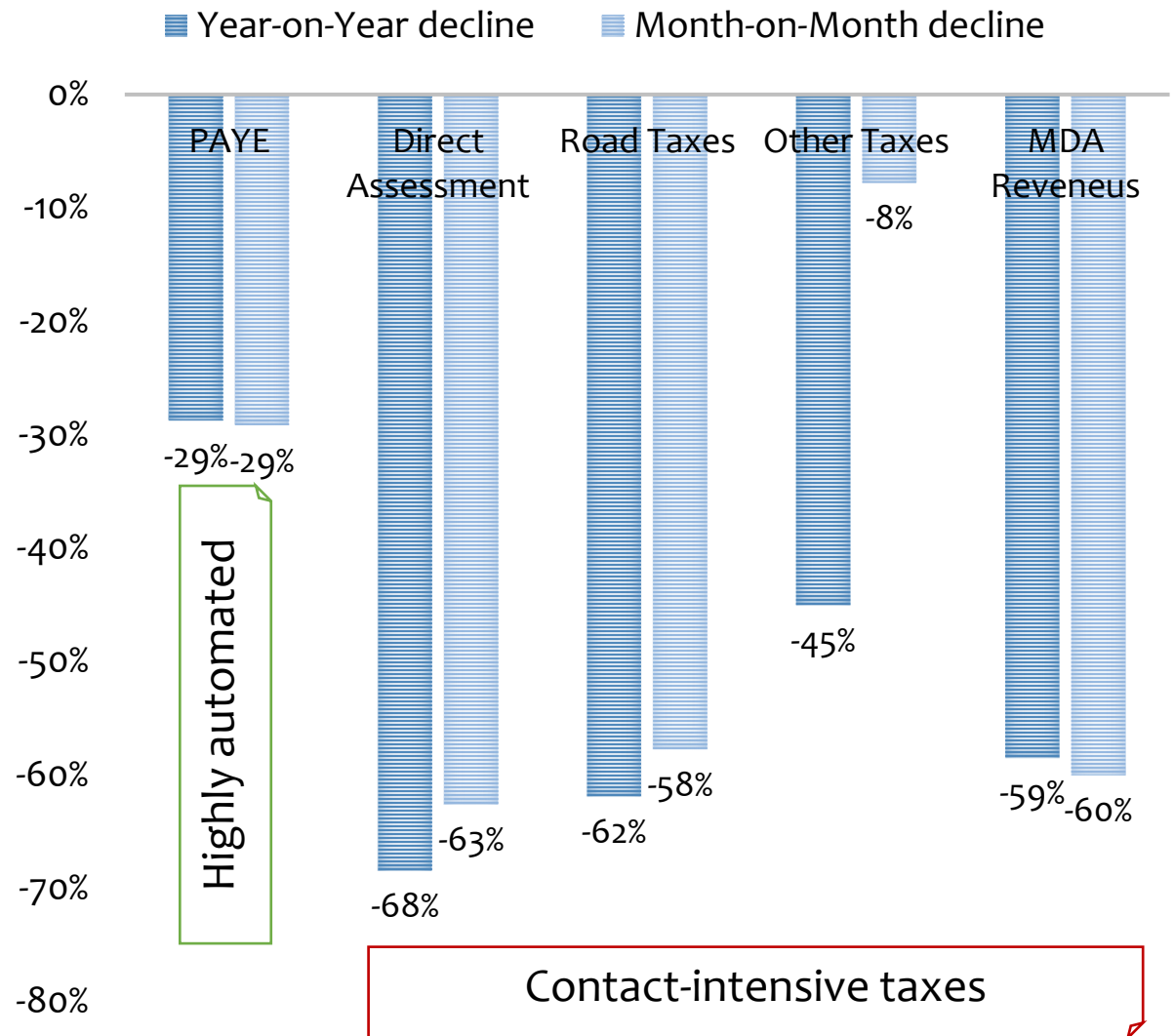
- Except in 2015 when the country faced an oil-led fiscal crisis which eventually set off a recession, growth in IGR averaged 14% annually.
- Behind the steady growth were reforms to consolidate revenue accounts, expand informal sector tax collection, increase the use of technology for tax collection, revise outdated tax laws and professionalise tax authorities.
- Data shows that much of this growth is accounted for by about 14 States annually, with mixed performances in other States due to the varied level of reform implementation.

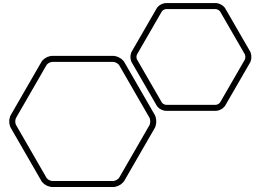


Tax revenues fell by 40% as a result of the lockdown

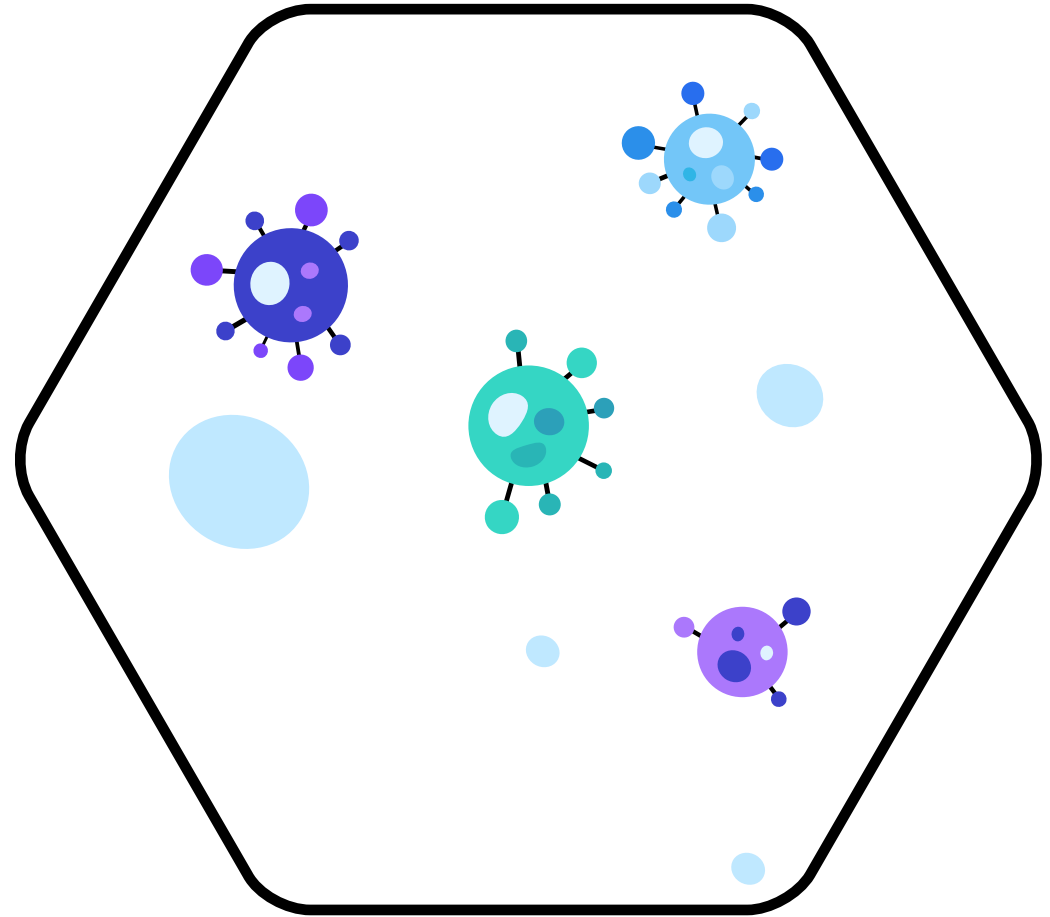


Highest tax revenue decline recorded for taxes paid by self-employed persons

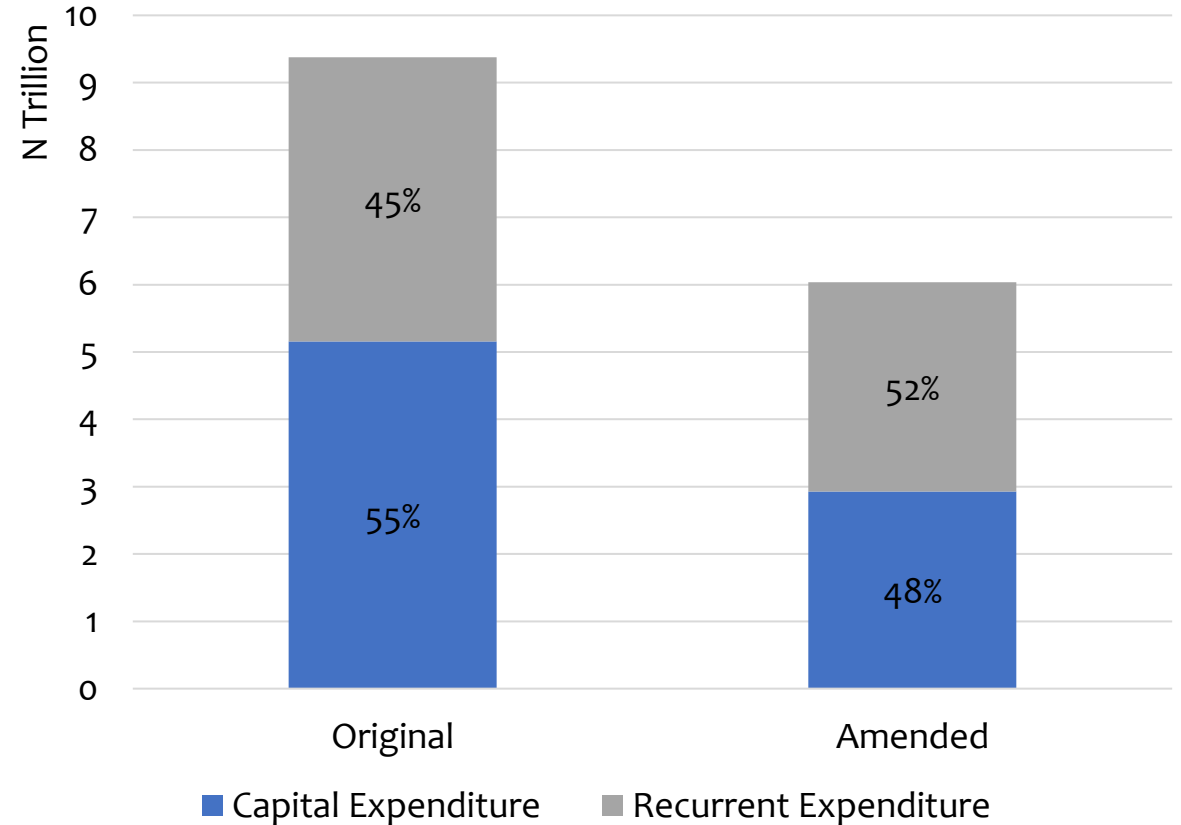




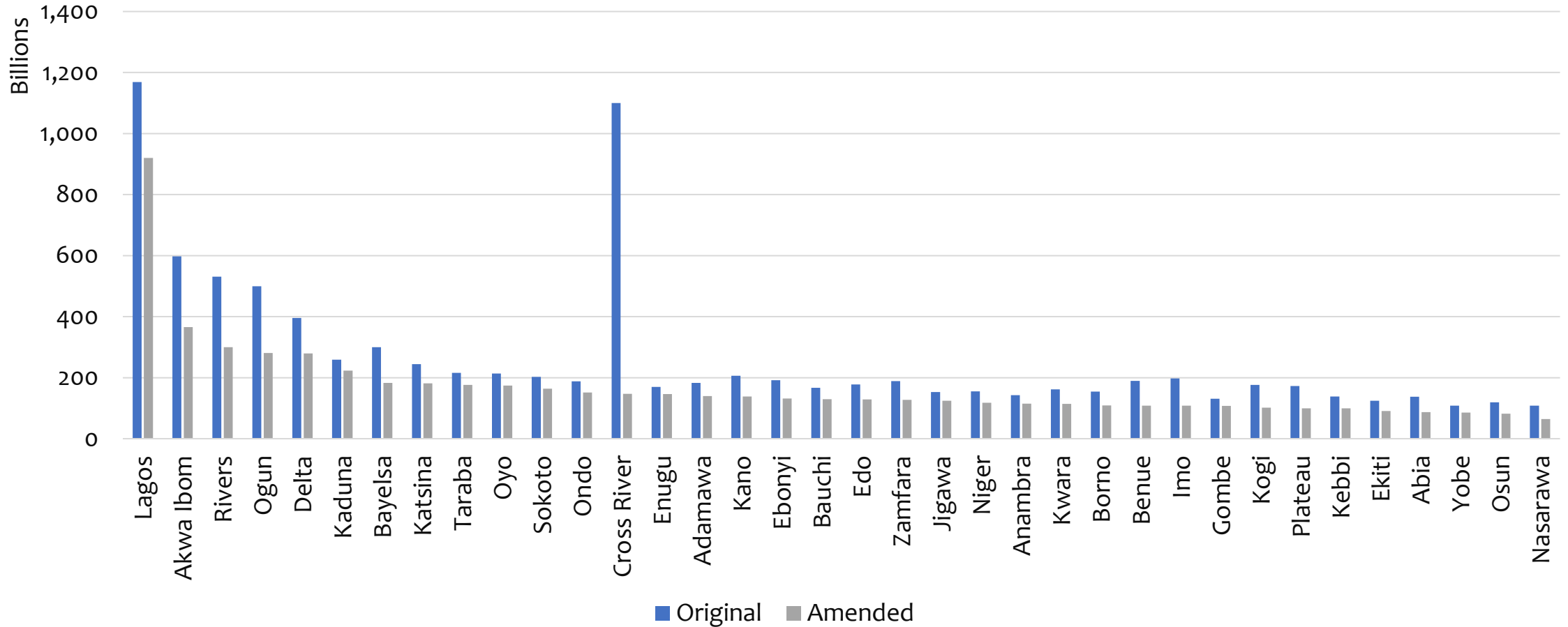
# Impact of COVID-19 on budgets



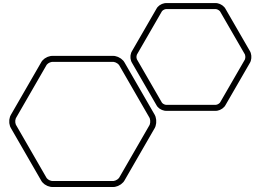
The pandemic presented another opportunity for more fundamental fiscal consolidation which was largely underutilized in the past



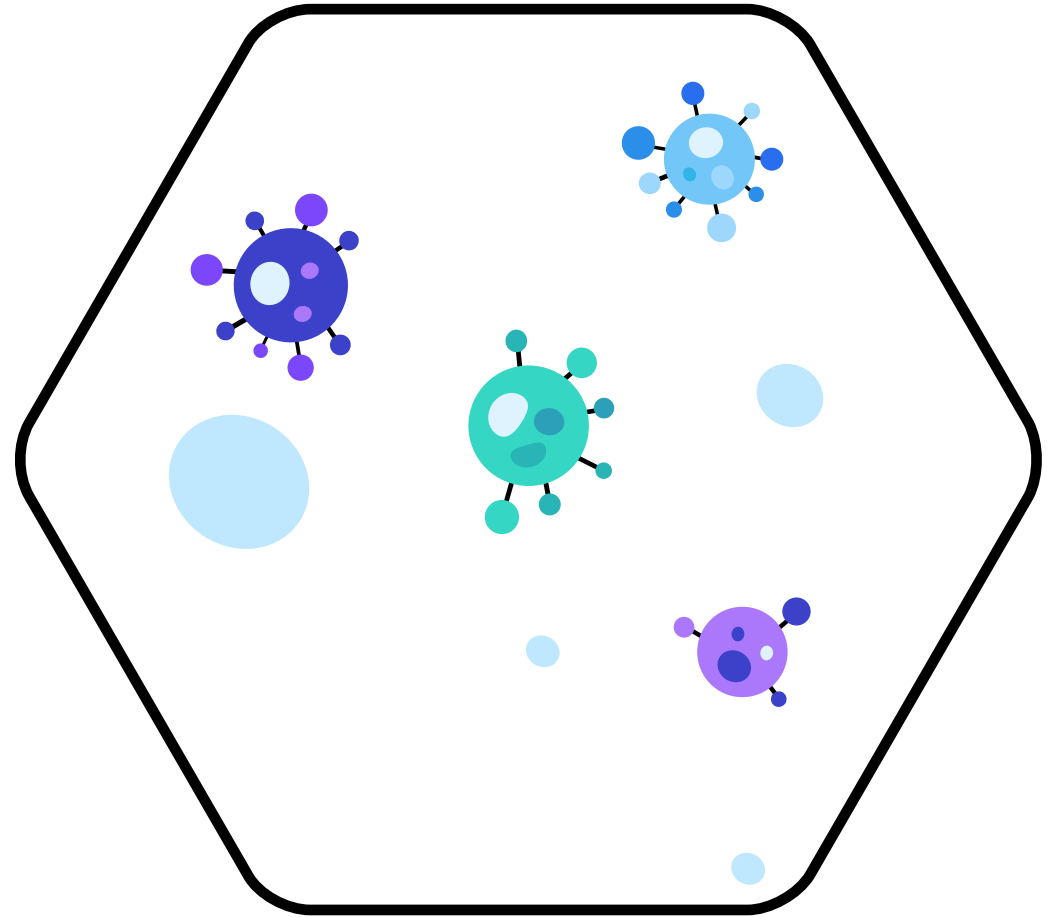
# Success in fiscal consolidation



The 36 State governments also allocated N1.3 trillion, roughly 21% of their total expenditure as COVID-19 spending for 2020.

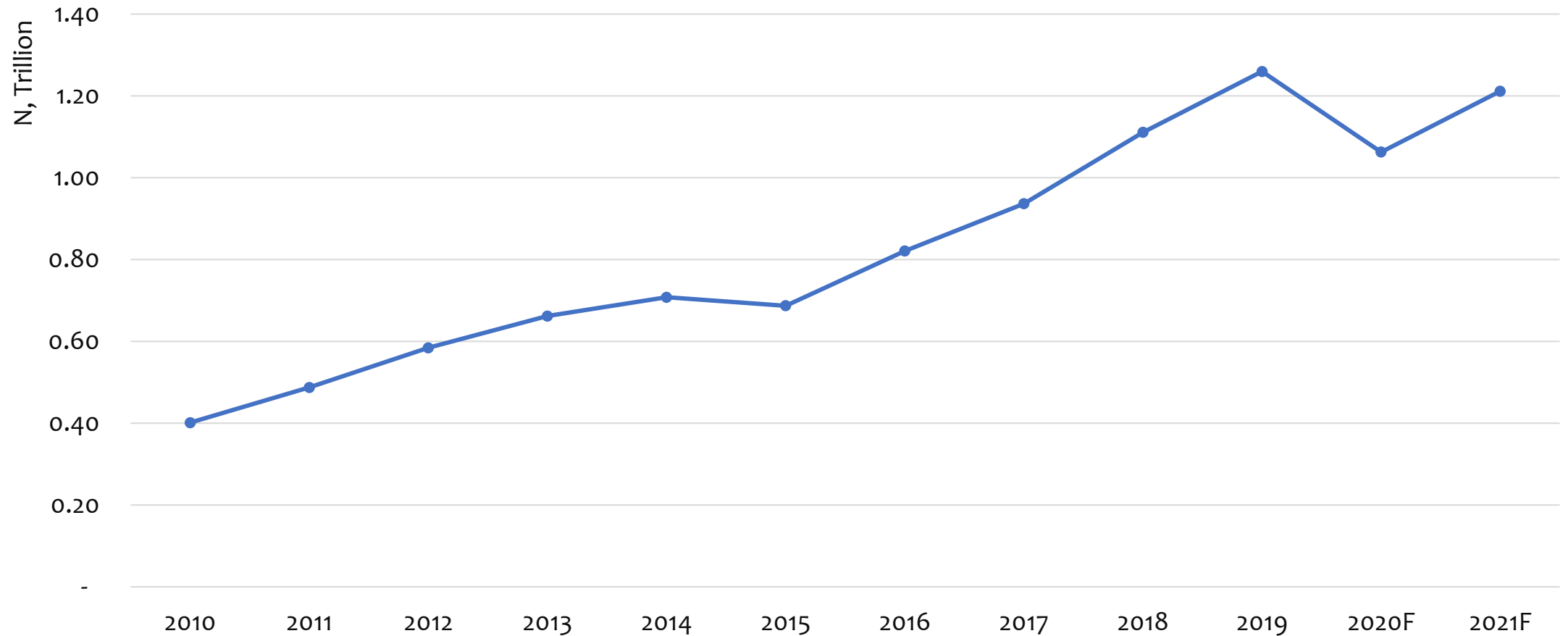


# Revenue Outlook for 2021



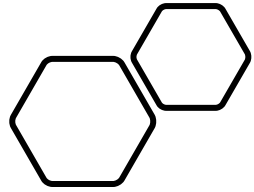


# The fallout of the pandemic is expected to lead to a decline in IGR for the 36 States

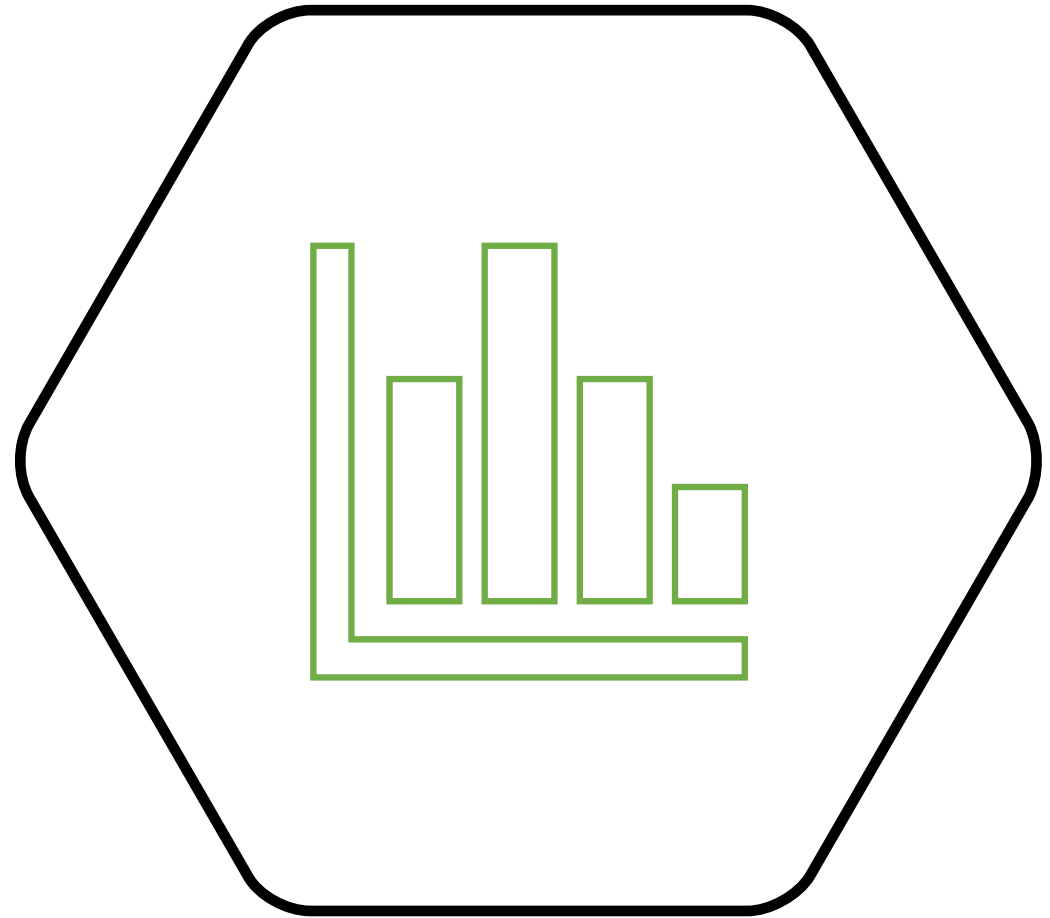


# Federation Revenue Outlook

Revenue (N 'billion)	ACTUAL	ESTIMATE	FY 2020F	Performance	FY 2021F
	FY 2019	Jan - Nov 2020			
Gross VAT	1,190	1,318	1,309	101%	1,687
Gross CIT	1,637	1,345	1,408	96%	1,213
Gross CED	837	808	670	121%	936
Mineral Revenue (\$48pb & 1.7mbpd)	4,039	2,921	2,124	138%	3,991
<b>Statutory Allocation</b>	<b>6,369</b>	<b>4,830</b>	<b>4,025</b>	<b>120%</b>	<b>6,026</b>
FG	3,078	2,344	1,975	119%	2,901
SGs	1,561	1,189	1,002	119%	1,472
LGs	1,204	917	772	119%	1,134
Net Derivation	525	380	276	138%	519
VAT	1,129	1,226	1,218	101%	<b>1,620</b>
FG	169	184	183	100%	243
SGs	564	613	609	101%	810
LGs	395	429	426	101%	567
<b>Statutory + VAT</b>	<b>7,498</b>	<b>6,056</b>	<b>5,243</b>	<b>115%</b>	<b>8,165</b>
FG	3,248	2,528	2,158	117%	3,144
SGs (incl. derivation)	2,651	2,182	1,887	116%	2,800
LGs	1,599	1,346	1,199	112%	1,701



Lessons going  
forward



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# Lessons

**Evidence across countries have shown that the hardest hit economies are those with weak health systems and heavy reliance on trade, tourism and commodity exports.**

**Tax environments that are highly digitalised coped better during the pandemic**

- To close the tax gap created by social distancing guidelines, tax authorities may have to leverage partnerships with digital platforms and retail and distribution networks to sustain tax compliance.

**The impact of tax relief programmes depend on a credible taxpayer management system, the scope of the packages, the size of the State's tax base and guidelines issued to tax officers**

- The impact of tax relief programmes on businesses, including the 41.5 million micro, small and medium enterprises (MSMEs) in Nigeria is not yet clear but their survival will depend on how well the programmes are implemented, especially in States like Lagos and Oyo that together account for nearly 20% of MSMEs in the country.

**Measuring the impact on State revenues is also vital, given that tax relief programmes are essentially a form of tax expenditure that will reduce government revenues.**



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# Lessons..

## Tax data provides a measure of the economic and social cost of the COVID-19 pandemic

- As the world changes and as economies adapt, governments will require real-time data and high-level capacity to use available information to guide recovery for many individuals who continue to face loss of livelihoods, businesses that are recording depleted savings, and financial networks that have collapsed. + ● ○
- Unlike economic data which experience lags and are mostly inaccessible at the sub-national level, tax data provide real time insights into the impact of the pandemic that can be analysed actively and more frequently.
- Evidence across countries have shown that the hardest hit economies are those with weak health systems and heavy reliance on trade, tourism and commodity exports.

## Ongoing reforms on tax administration and policy remain key to achieving a sustainable revenue environment for State governments

- ...including tax-for-service initiatives to build government trust and taxpayer compliance; use of POS terminals for tax payment and harmonisation of taxes, rates and arrangements for collection.



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