

Golborne Road Advisory predicts Nigerian policy trends of 2020.

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Kayode Adegbola, Lead Advisor at Golborne Road Advisory writes on regulatory and policy matters that Nigerian Companies and Tech Startups are expected to face in 2020. The company discloses that it works with companies to which some of these matters relate. While most of the policies are expected to be State and Local Government matters, there will also be some Federal Government-related matters.

5 Policy Matters to have on your radar

1. Telecoms: 5G Networks, Critical National Infrastructure.

The new global standard for wireless communication, 5G delivers increased capacity, lower latency, and faster speed as the network expands. The Nigerian Communications Commission (NCC) has reserved spectrum for a trial of the networks for Regulatory purposes (security, radiation/safety), before the eventual commercial rollout expected in 2020. A smarter, better connected Nigeria is a positive for all Nigerians, and is potentially transformative for agribusiness, banking and healthcare. In particular, mobile network operators and companies in high-technology businesses such as payments processing, e-health, transport and logistics, smart energy networks and smart retail, should keep abreast of developments in this space.

Eleven years after the first Critical National Infrastructure (CNI) Bill was prepared, the Nigerian government now appears to be strongly considering designating telecommunications assets as CNI. The declaration of telecommunications assets as critical national infrastructure will also prevent the arbitrary shutdown of cell towers and other telecoms assets by Nigeria's sub-nationals; and the attendant national and economic security implications posed by those disruptive actions.

2. Local Content Development

In 2020, the Nigerian Content Board plans to champion industry capacity development initiatives to meet technological advances taking place in the industry. 60 percent of the Board's industry training resources will be devoted to revamping already existing schools and curricula; 20 percent towards improvement of the productivity of already employed personnel; and 20 percent for soft skills training.

Executive Orders 003 and 005 were issued by the President in 2018 to give impetus to local content development and promotion in non-oil and gas sectors, as well as public procurement. There is likely to be greater emphasis on implementation of local content policy in the country in the new year.

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3. Finance Bill 2019

The Nigerian Senate passed the Finance Bill (2019) last month, which is expected to have extensive tax implications on Nigerian companies. Key among the changes introduced by the Bill, is an increase in the rate of Value Added Tax (VAT) from 5% to 7.5%. It also introduces a removal of the tax exemption granted on Petroleum Profits, Capital Gains, and extends the scope of Stamp Duties to cover electronic documents, bank transfers, and point of sale (POS) transactions.

On the other hand, the Bill introduces policies that support SMEs in line with the Government's Ease of Doing Business Reforms. Specifically, tax exemptions have been introduced for dividends and rental income received by companies in the real estate space, as long as greater than 75% of such dividends or rental incomes are distributed within twelve months of the accounting year in which they were earned. In addition, medium-sized companies (with between N25,000,000.00 and N100,000,000.00 in turnover) are subject to a lower Companies Income Tax Rate; while small companies (less than N25,000,000.00 in turnover) are exempted for Companies Income Tax.

Nigerian Fintech companies (particularly agency banking operators) have recently been charged stamp duty (N50) on all electronic transactions of N1,000 and above. With the Finance Bill 2019 proposing N10,000 as the threshold, the effect of stamp duty on agency banking operators will be reduced, as the average transaction value is estimated to be between N3,000 and N5,000. The passing of the Finance Bill caused some confusion about whether stamp duty is chargeable on transactions of N1,000 and above or those of N10,000 and above. Pending the President's assent to the bill, we expect that banks will continue to enforce collection on transactions of N1,000 and above on operators' receiving accounts.

4. Mobility

Companies with an estimated collective investment value of almost \$200m in the mobility space (bike hailing in particular) have featured regularly in the news as they continually face multi-layered operational challenges from Unions, Law enforcement agencies, and the Government. While it is not clear if the Government in Lagos State will eventually license and regulate these companies, it is unlikely that the harassment of *okada* riders in Lagos will cease soon.

Following Uber's two-week completion of a scheduled boat service trial with Lagos State Waterways Agency, we expect that water transport initiatives will be encouraged by the Lagos State Government, as a key solution to the congestion causing Lagos State billions in lost productivity. There are, however, operational challenges

facing would-be operators in this space - such as the depth of the Lagos Lagoon and the resultant need for the dredging of the waterways.

5. Infrastructure

We expect to see more Public-Private Partnerships in Infrastructure in 2020, especially following the January 2019 Executive Order 007 signed by the President, on “*Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme*”. This scheme allows any Nigerian company or a pool of companies to construct or refurbish an “eligible road” in exchange for Tax Credits against their future Companies Income Tax liability.

Participants in the Scheme benefit from tax credits for 100% of the road construction and refurbishment cost, as well as a single non-taxable ‘uplift’ (Monetary Policy Rate + 2%) on the Project Cost. The Government on the other hand benefits from this Scheme through improved infrastructure paid for with private sector capital and with private sector efficiency. Tax Credit Certificates were issued to 6 companies in respect of 19 roads (and N205bn worth of private investment, according to Adeyemi Dipeolu, the Special Adviser to the President on Economic Matters) in 2019. We expect more companies to participate in the Scheme in 2020.

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