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# COVID-19

PKF Nigeria Update

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## Introduction

The outbreak of the deadly Corona virus, Covid-19 Pandemic has thrown the entire world into a near state of panic, with national governments announcing various measures aimed at containing the spread of the disease. Many states and cities are on complete lockdown and the effects of economic disruption are being felt by businesses irrespective of the size or sector.



The United Nation (Department of Economic and Social Affairs) recently predicts that Covid-19 is likely to shrink global GDP by almost 1% in 2020.

In this bulletin PKF Team of Accountants and Business advisers explore the impact of the Pandemic on businesses, government response, regulatory actions, and guidance on Disaster Recovery and Business Continuity.

## Impact on business operation

- Working from home
- Complete shut down
- Lost revenues
- Disruption to supply chains
- Unbudgeted contingent expenses
- Liquidity/ cash flow shortages
- Unsold Inventory/ inability to meet demand
- Not able to meet regulatory deadlines
- Financial obligations and contracts
- Unforeseen asset impairment
- Redundancy/ labor obligations

## Government response

The various levels of government have announced a number of economic relief packages aimed at ameliorating the negative impact of Covid-19 on businesses and the populace. The fiscal and economic stimulants so far announced are summarized below.

### FEDERAL GOVERNMENT OF NIGERIA

- The President, in a nationwide broadcast on Sunday 29<sup>th</sup> March 2020 announced the provision of an initial intervention of fifteen billion Naira (N15b) to support the national response as the Country fight to contain and control the spread of Corona virus.
- A three month repayment moratorium for all TraderMoni, MarketMoni and FarmerMoni loans.

- Similar moratorium to be given to all Federal Government funded loans issued by the Bank of Industry, Bank of Agriculture and the Nigeria Export Import Bank.
- For on-lending facilities using capital from international and multilateral development partners, financial institutions have been directed to engage these development partners and negotiate concessions to ease the pains of the borrowers.
- Conditional cash transfers to those considered as most vulnerable in the society for the next two months. Internally displaced persons will also receive two months of food rations in the coming weeks.
- The House of Representatives on Tuesday, 24 March 2020 passed the Bill which seeks to:
  - Protect employees from loss of jobs as a result of COVID-19 by granting a 50% income tax rebate on the total actual amount due or paid as pay-as-you earn (PAYE) tax under the Personal Income Tax Act, 2004 (as amended), to Nigerian companies who retain all their employees from 1 March 2020 to 31 December 2020.
  - Suspend import duties on medical equipment, medicines and personal protective gears required for the treatment and management of COVID-19 for three months, effective 1 March 2020.
  - Introduce a new moratorium on mortgage obligations of Nigerians under the National Housing Fund.

## LAGOS STATE GOVERNMENT

Lagos State also announced an economic stimulus package for residents, targeting 200,000 households in the first phase. This involves food packs, put together by the agriculture ministry, that are to be distributed to every local government area in the state. It is to reach the most vulnerable communities and households, with priority given to those who rely on daily wages.

The food packs are produced for six-person households and are meant to last for at least 14 days.

## Regulators' response

### CENTRAL BANK OF NIGERIA (CBN)

The Central Bank of Nigeria announced policy measures worth N3.5 trillion that includes:

- Additional moratorium of 1 year on CBN intervention facilities.
- Interest rate reduction on intervention facilities from 9% to 5%.
- Creation of N50 billion target credit facility for affected households and small and medium enterprises.
- Granting regulatory forbearance to banks to restructure terms of facilities in affected sectors.
- Improving FX supply to the CBN by directing oil companies and oil servicing companies to sell FX to the CBN rather than the Nigerian National Petroleum Corporation.

- Additional N100 billion intervention fund in healthcare loans to pharmaceutical companies and healthcare practitioners intending to expand/build capacity.
- Identification of few key local pharmaceutical companies that will be granted funding facilities to support the procurement of raw materials and equipment required to boost local drug production.
- N1 trillion in loans to boost local manufacturing and production across critical sectors

#### CORPORATE AFFAIRS COMMISSION (CAC)

- In view of the COVID 19 pandemic Companies can now hold their Annual General Meetings by taking advantage of the use of proxies as stated in Section 230 CAMA. However, companies must following the procedures as stated in the relevant circular

#### SECURITIES AND EXCHANGE COMMISSION (SEC)

In a circular to capital market stakeholders on COVID-19, SEC released a number of market-focused adjustments to be adopted in the interim. These include:

- Filing and processing of applications electronically
- Extension of deadline on 2019 annual reports and Q1 2020 reports
- The postponement of the Q1 Capital Market Committee meeting earlier scheduled for April 23, 2020.

The Commission stated that applications shall be filed electronically while pending applications and requests by CMOs for update of information would be processed via [registration@sec.gov.ng](mailto:registration@sec.gov.ng). However, fresh applications for registration of Capital Market Operators are suspended until further notice.

#### THE NIGERIA STOCK EXCHANGE (NSE)

- Closed our trading floors nationwide but trading will continue during normal hours and days by providing remote trading access for Dealing Member Firms through FIX Protocol and Virtual Private Network (VPN) platforms;
- Commenced remote working for our non-essential staff nationwide
- Grant of a 60-day extension to issuers and dealing members for filing of 2019 full year financial reports, from 30 March 2020 to 29 May 2020

#### FEDERAL INLAND REVENUE SERVICE (FIRS)

- Extension of timeline for filing of value added tax and withholding tax from the 21st day to the last working day of the month, following the month of deduction.
- Extension of the due date for filing of companies' income tax returns by one month.

- Use of electronic platforms for payment of taxes and processing of tax clearance certificates.
- Filing of tax returns by taxpayers without audited financial statements which must be submitted within two months of the revised due date of filing.
- Proposed creation of a portal where documents required for desk reviews and tax audits will be uploaded by taxpayers for online access by the tax authority.

#### LAGOS STATE INTERNAL REVENUE SERVICE (LIRS)

- Extension of deadline for filing annual tax returns for employees and self-employed persons by two months from 31 March 2020 to 31 May 2020.
- Tax payers are encouraged to use the e-tax platform for all tax operations and administration matters including filing of Annual Returns.

### Impact on Financial Reporting

Even though the novel Covid-19 pandemic affects every facets of life, the challenges that it presents entities with respect to financial reporting cannot be overemphasized. Some of the issues which preparers of financial statements, their auditors and audit committees must take cognizance of are:

- Going concern and liquidity
- Contractual obligations
- Impairment assessment
- Fair value measurement
- Revenue recognition
- Events after the reporting period
- Audit scope limitation
- Disclosure requirements

We will discuss each of these and other areas of impact on financial reporting in our subsequent bulletin.

It is important to adequately consider the impacted areas for IFRS reporting and to have a robust disclosure in the financial statement.

### Impact on ICT Infrastructure and Tools

#### Cloud Computing

Many entities have commenced a work from home policy in order to minimize the spread of the corona virus disease. For organisations that depend on their on-premises IT infrastructure, it means they are not able to function during this period of lockdown. The implication is that in the foreseeable future, there would be a spike in the use of cloud computing.

### Demand on Internet Service

As restrictions are being placed on movements and physical contact, businesses are forced to adopt other means of operating – employees working from remote locations and board, management and committees are now having virtual meetings. This has resulted in increases in demand for platforms like Zoom, Slack, GoToMyPC, Zoho Remotely, Microsoft Office365, Atlassian, etc. All these rely heavily on internet access through network service providers. SMEs especially will have to scale up their ICT Infrastructure to be able to survive.

### Business Continuity Plan (BCP)

With the level of disruption caused by Covid-19, business owners and managers will have to reassess their strategy and reset the business for survival. How do businesses continue to service their customers during this trying times, and how would they make up for lost revenue after the lockdown?



The following tips may be useful:

- In reassessing BCP, consider employees, critical processes, customers, suppliers and other stakeholders
- Identify the potential threats and vulnerabilities and prioritize the severity of each business disruption
- Constantly review cash flow forecast and liquidity position;
- Prioritize your expenses and other obligations and eliminate non-essential expenses or defer payment;
- Renegotiate payment terms with your vendors and lenders. Possibly, request discounts and/or an installment payment plan;
- Evaluate asset holding and consider releasing non-essential/ idle assets for cash;
- Reassess supply chain as well as product mix/ service offering;
- Engage regulators and other stakeholders timeously and ensure transparent disclosure of information

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