



Highlights of Nigeria's 2020 Budget of Sustaining Growth and Job Creation

October 2019

www.pwc.com/ng



For a deeper discussion, please contact any member of our team below or your usual contact with PwC Nigeria:

Taiwo Oyedele

+234 (1) 271 1700 Ext 50002

taiwo.oyedele@pwc.com

Kenneth Erikume

+234 1 271 1700 Ext 50004

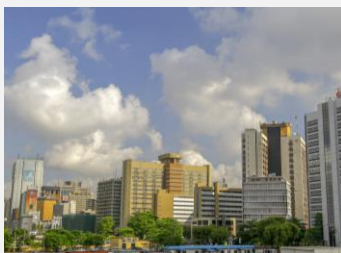
kenneth.y.erikume@pwc.com

Emeka Chime

+234 (1) 271 1700 Ext 54045

chukwuemeka.x.chime@pwc.com

Highlights (NGN' Billion)	2020 Proposed	2019 Budget	% Change
Aggregate Revenue	8,155	7,000	16.50%
Oil Revenue	2,640	3,690	-28.46%
Non-Oil Revenue	5,510	3,310	66.47%
Aggregate Expenditure	10,330	8,920	15.81%
Statutory Transfers (incl. capex)	557	502	10.96%
Recurrent Non-Debt	4,880	4,070	19.90%
Debt Service	2,450	2,140	14.49%
Sinking fund	296	110	169.09%
Capital Expenditure	2,140	2,090	2.39%
Capex % of total expenditure	20.72%	23.43%	-11.58%
Projected deficit	-2,175	-1,920	13.28%
Benchmark oil price per barrel	US\$57	US\$60	-5.00%
Oil production (mbpd)	2.18	2.3	-5.22%
Exchange rate (Naira to US\$1)	305	305	-
Target inflation	10%+	9.98%	-
GDP Growth rate	2.93%	3.01%	-2.66%



Nigeria's President, Muhammadu Buhari presented the 2020 Budget on 8 October 2019, to the Joint Session of the National Assembly.

Highlights

- Non-debt recurrent expenditure includes N3.6 trillion for personnel and pension costs, an increase of N620.28 billion over 2019 for new minimum wage and proposals to improve remuneration and welfare of Police and Armed Forces.
- Increase of VAT rate from 5% to 7.5%.
- VAT registration threshold of N25 million annual turnover.
- Innovative borrowings using instruments such as Sukuk, Green Bonds and Diaspora Bonds

- Implement a single customs window, speeding up vessel and cargo handling and issuing more licenses to build modern terminals in existing ports, especially outside Lagos.
- Plan to present two Petroleum Industry Executive Bills to the National Assembly
- Re-present the Deep Offshore and Inland Basin Production Sharing Contract (Amendment) Bill 2018 not passed by the 8th National Assembly
- Key capital spending allocations include Works & Housing N262b; Power N127b; Transportation N123b; Universal Basic Education: N112b; Defence N100b; Education N48b; and Health N46b.

Finance Bill

The finance bill accompanying the Budget has five (5) strategic objectives:

- Promoting fiscal equity;
- Reforming domestic tax laws to align with global best practices;
- Introducing tax incentives for investments in infrastructure and capital markets;
- Supporting MSMEs; and
- Raising Revenues for Government.

VAT exempt items to include:

- Brown and white bread;
- Cereals including maize, rice, wheat, millet, barley and sorghum;
- Fish of all kinds;
- Flour and starch meals;
- Fruits, nuts, pulses and vegetables of various kinds;
- Roots such as yam, cocoyam, sweet and Irish potatoes;
- Meat & poultry products including eggs;
- Milk;
- Salt and herbs of various kinds; and
- Natural water and table water.

Other Comment:

The budget speech stated that the 2020 capital budget "is N721.33 billion (or 23%) lower than the 2019 budget provision of N3.18 trillion...". However, the proposed and actual capex for 2019 were N2.03 trillion and N2.09 trillion respectively.

Takeaway

The introduction of a Finance Bill to amend various tax laws is a positive development to make the tax system dynamic and responsive to changes in the economy. The projected growth continues to be fragile while revenue remains a challenge with rising debt although the benchmark crude oil price and production are more realistic than in previous years.



About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more by visiting us at www.pwc.com/ng
© 2019 PricewaterhouseCoopers Nigeria. All rights reserved. In this document, "PwC" refers to the Nigeria member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.