



Major Highlights of the Proposed National Budget

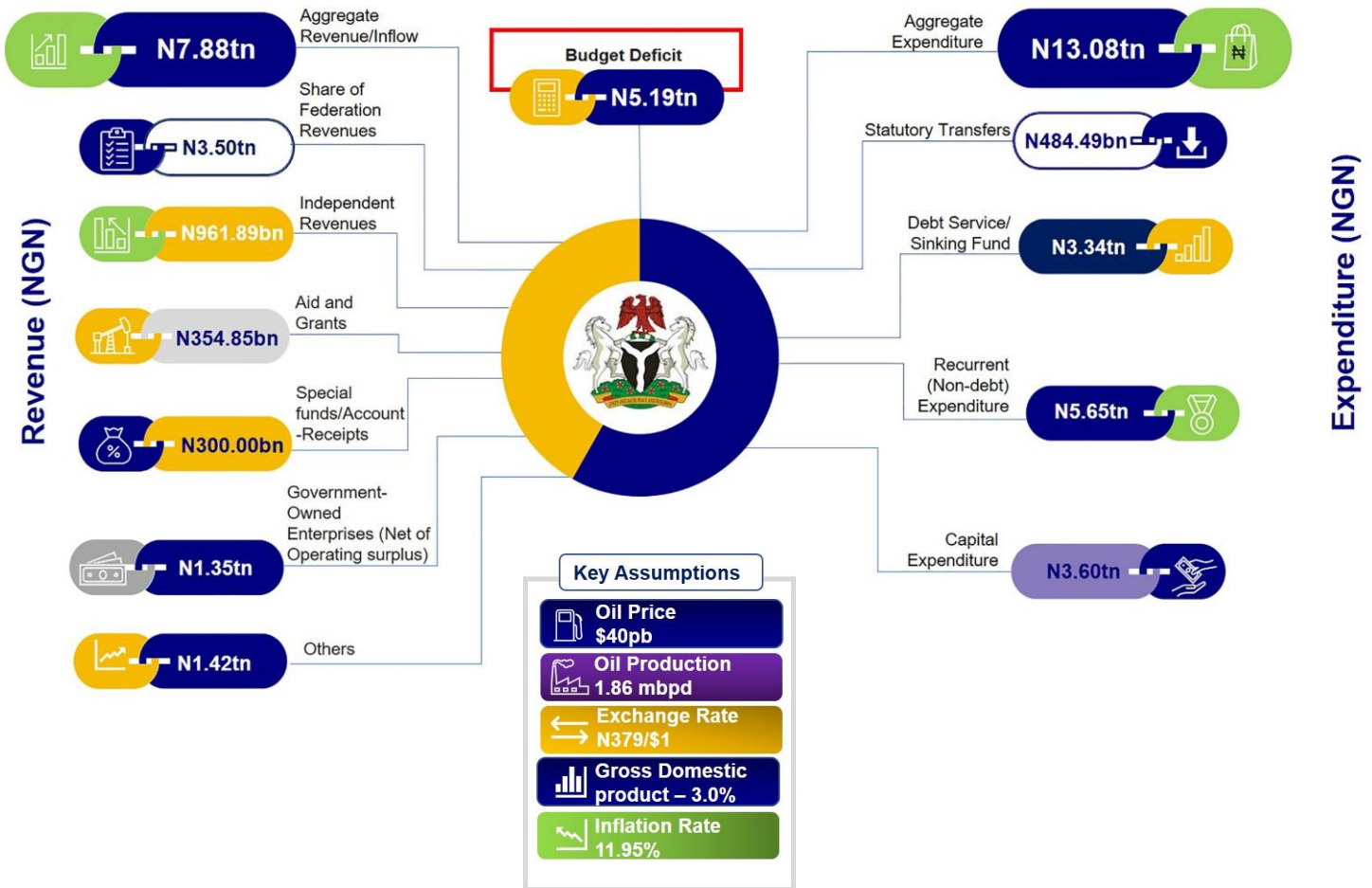
The President of the Federal Republic of Nigeria, His Excellency, President Muhammadu Buhari presented the proposed 2021 budget (Appropriation Bill 2021) to the Joint Session of the National Assembly on Thursday, 08 October 2020. The proposed budget was themed **“Budget of Economic Recovery and Resilience”**. This was further to the submission of the 2021 - 2023 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) to the Lawmakers.

INTRODUCTION

The President stated that the Parameters & Fiscal Assumptions underpinning the 2021 Appropriation Bill are as follows:

- a) Benchmark oil price of 40 US Dollars per barrel;
- b) Daily oil production estimate of 1.86 million barrels (inclusive of Condensates of 300,000 to 400,000 barrels per day);
- c) Exchange rate of N379 per US Dollar; and
- d) Gross Domestic Product (GDP) growth projected at 3.0 percent and inflation closing at 11.95 percent.





Our comments on the proposed budget are as follows:

- ✚ **Proposed Finance Bill 2020:** We envisage that the proposed 2020 Finance Bill may be leveraged to drive the government's fiscal policies in achievement of its 2021 revenue projection.
- ✚ **Oil Price Assumption:** Given the volatile nature of Oil prices, we are of the view that this projected price may not be sustainable in funding the 2021 budget, which will in turn drive the need for Government to adopt other fiscal measures such as taxes, in meeting the 2021 Revenue budget.



- ✚ **2019 Tax Expenditure Statement:** The Government, for the first time, intends to prepare a "cost-benefit-analysis" which is informed by the Tax Expenditure Statement. This will detail the estimated cost of tax exemptions, incentives and rebates granted under Nigerian laws.
- ✚ **Budget Deficit:** Given that the projected Revenue will not be enough to finance the estimated expenditures, we are of the view that the government would turn to borrowing, to the tune of N4.28 Trillion, and other fiscal tools to narrow the growing budget deficit.

Considering the above, we advise that companies review their operations to be fully compliant with all existing tax and regulatory requirements, while taking advantage of existing tax planning options to minimise potential tax exposure.

Ascension Consulting Services will be pleased to help companies and other taxpayers in this regard.
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