

Highlights of the Year 2000 Budget

(THE PEOPLES BUDGET)

This was the first budget of the current democratic administration.

Commercial issues.

1. This budget was drawn up during the latter part of 1999 when the world as a whole and Nigeria in particular was trying to recover from the crisis of the severe drop in oil prices. Prices had fallen as low as \$13 per barrel for Brent light crude but by November 1999 was at \$17.00 per barrel.

The Year 2000 budget was therefore predicated on an average oil price of US\$18 per barrel;

- a. Total federal government budgeted expenditure for the year 2000 was N470 billion i.e. N300 billion for recurrent expenditure and N170 billion for capital expenditure.
- b. Fiscal Policy.

The fiscal policy for year 2000 was designed to increase the level of government revenue and promote overall economic development. As such oil and gas, export processing zone, solid minerals and agricultural sectors were to offer increased fiscal incentives so as to attract foreign investment.

- i. Non – statutory waivers of import duty:

There would be a review of statutes that grant approval for import duty waivers so as bring such incentives in line with the country's present economic realities.

- ii. Port Reforms:

Due to the relatively high Port charges and levies in the Nigerian ports, there has been a considerable amount of diversion of imports meant for Nigeria to the ports of neighboring countries.

Government intends to make the ports investor friendly and improve the port clearance procedure through the introduction of high technology x-ray scanners to be installed and operated by the private sector on build/own/ operate basis.

- ii. Tax Policy

Government tax policy is geared towards low tax regime with low income tax rates, generous incentives, and enhanced relief to reduce the burden on individual taxpayers.

VAT: - The 5% rate will continue in year 2000. The 50 VAT offices construction of which was embarked upon in 1999 will become operational and members of the 8 zonal

VAT tribunals will be inaugurated. While some items would be removed from the VAT exemption list, Agricultural equipment and inputs would still enjoy VAT exemption.

In order to ensure full compliance with VAT laws, the Federal Government will introduce a formal VAT Clearance Certificate to be issued to all tax payers who have complied with VAT rules and regulations.

PPT: - Through various tax incentives to oil companies for exploitation and utilization of associated gas, Government intends to encourage further investment in the gas sector. However Government subsidies to Gas operations through set offs against PPT have had an adverse effect on the total revenue projections from PPT. Government will therefore review these incentives and a new MOU on gas operations will come into effect during the year.

PSC: - The PPT Act will be amended to ratify the error made in 1998, which resulted in the granting of investment tax credit (ITC) to companies that signed PSCs with the Government after 1993. The ITC only relates to PSCs signed in 1993.

CIT: - Government will enforce compliance by companies with the self-Assessment filing system made compulsory from the 1998 assessment year.

Insurance Companies: - The CIT Act will also be amended to reflect current developments in the insurance industry.

Supply of Petroleum Products: -The petroleum marketing sector is to be deregulated so as to encourage private sector participation. Domestic crude allocation to NNPC would be paid for at par with export prices/rates.

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