United Capital Research | Daily Market Commentary

Tuesday, June 29, 2021

United Capital
The Intelligent Choice

The day in review

- Equity market recovers 0.1%
- Interbank rates ticked lower
- Bullish activity in NT-bills market
- Naira appreciated at NAFEX window

Looking forward

NTB Primary Market Auction - CBN

Daily Insight

On Nigeria's attempt to tax global tech giants

The Vice President, Professor Yemi Osinbajo (SAN) recently declared that the Nigerian government is ready to introduce a new mechanism to widen the tax net. This mechanism involves the collection of taxes on the Nigerian income of global technology giants not based in the country, but with significant economic presence. According to Section 4 of the Finance Act 2019, "the finance minister, may by the order of the president, determine what constitutes the significant economic presence of a company other than a Nigerian company". The Nigerian government is set to utilize this legal provision by taxing profits made in the country by global technology and digital firms such as Google, Twitter, Facebook, Microsoft, Netflix, among others.

Over the years, efforts have been made to widen the tax net, including the creation of the Voluntary Assets and Income Declaration Scheme (VAIDS), which was an attempt to bring more people into the tax net, and hiking the VAT rate from 5.0% to 7.5%. Notably, total tax revenue increased by 59.1% to N5.3tn between 2016 and 2019. However, due to COVID-19 and the resultant effects on the economy, tax revenues declined by 5.8% to N4.9tn in 2020, driving an urgent need to broaden the tax base.

In our view, given the local reach of the technology giants, the mechanism can potentially yield some results - increasing revenue contribution from tax and easing the burden on public debt. However, taking into account the recent Twitter ban, this may send unfriendly policy signals to foreign technology businesses, and may have negative implications for already weak FDI flows. We recommend that the government focuses more on the underlying causes of the country's weak tax base and implement policies to improve the ease of doing business, to support business growth and attract foreign investors, which strengthens the tax base.

Headline	Level	1 day	YTD
NSE ASI	37,640.8 ▲	0.1% ▼	-6.5%
Mkt. Cap (₦'bn)	19,621.5 ▲	0.1%	
Mkt. Cap ($'mn)	47,760.5 ▲	0.1%	
Value (N'mn)	2,730.1 ▼	-20.6%	
Value ($'mn)	6.6 ▼	-20.5%	
Volume	229.0 ▲	40.1%	
Deals	3,678.0		
Market Breadth	2.2x		

T-Bills Yields	Current	Previous	%Δ
3 months	4.79	5.01 ▼	-0.22
6 months	5.93	5.93 ▬	0.00
12 months	9.96	9.68 ▲	0.28

Bonds Yields	Current	Previous	% Δ
3 years	11.23	11.84 ▼	-0.61
5 years	12.60	12.60 ▬	0.00
7 years	12.41	12.47 ▼	-0.06
10 years	12.70	12.62 ▲	0.08

Currencies	Current	Previous	% Δ
Parallel	502.00	502.00 ▬	0.0%
NAFEX	410.83	411.20 ▲	0.1%

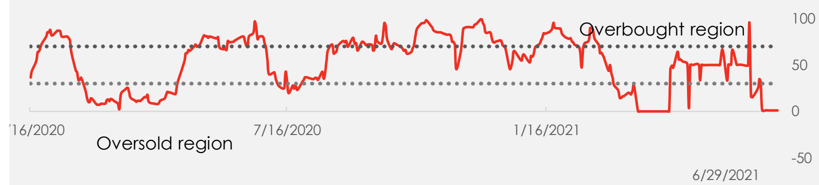
Other Key indices	Current	Previous	% Δ
OBB	16.8	18.5 ▼	-1.75
OVN	17.3	19.3 ▼	-2.00
Brent	74.8	74.7 ▲	0.11

	1 day	MTD	YTD	P/E (x)	Div. Yld.
Agriculture ▬	0.0% ▲	7.4% ▲	14.3%	0.0	0.0%
Banks ▲	1.0% ▲	2.6% ▼	-6.9%	3.2	9.6%
Consumer ▲	0.1% ▲	1.7% ▼	-0.3%	120.8	3.5%
Industrial ▼	-2.0% ▲	0.3% ▼	-8.1%	17.3	4.9%
Insurance ▲	1.5% ▼	-2.5% ▲	5.2%	3.9	5.0%
Oil & Gas ▼	-0.1% ▲	1.7% ▲	39.1%	na	4.3%
Mkt. Avg. P/E	14.1		Mkt. Avg. Div. Yld	5.3%	

*P/Es are based on the last twelve months trailing earnings

*Dividend yields are based on past year dividend payments

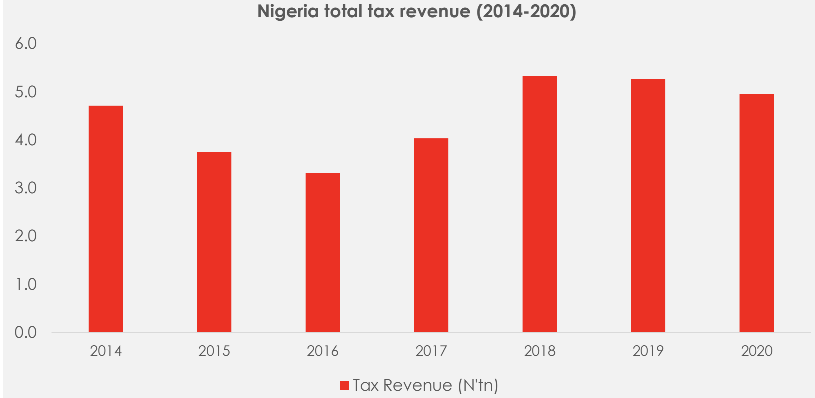
Technical Indicator of Market Position: Relative Strength Index (RSI)



Pan African Market Monitor as at today

Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	160.0 ▼	-0.3% ▲	10.1%	9.0	5.9%
Egypt	10,123.1 ▼	-1.5% ▼	-6.7%	10.1	1.7%
Ghana	2,643.6 ▬	0.0% ▲	36.3%	n/a	n/a
Kenya	172.1 ▲	0.2% ▲	13.1%	14.2	2.2%
Mauritius	1,861.8 ▲	0.0% ▲	12.9%	n/a	1.8%
Morocco	326.6 ▼	-0.3% ▲	7.1%	29.7	3.3%
MSCI FM	551.1 ▲	0.3% ▲	13.0%	12.8	2.5%
South Africa	66,548.7 ▲	1.1% ▲	12.0%	19.6	2.6%
Tunisia	7,265.8 ▼	-0.4% ▲	5.5%	25.3	2.1%
Zimbabwe	130,229.3 ▼	0.0% ▲	181.1%	6.8	2.2%

Nigeria total tax revenue (2014-2020)



Source: Federal Inland Revenue Service (FIRS), United Capital Research

Contact us

Research | +234-1-631-7898
research@unitedcapitalplcgroup.com

Trustees | +234-1-631-7877
trustees@unitedcapitalplcgroup.com

Securities Trading | +234-1-631-7891
securities@unitedcapitalplcgroup.com

Investment Banking | +234-1-631-7883
investmentbanking@unitedcapitalplcgroup.com

Asset Management | +234-1-631-7876
assetmanagement@unitedcapitalplcgroup.com