



Taxation

Comment on recent news – this page

Today's headlines – page two

Recommendations and valuations – page three

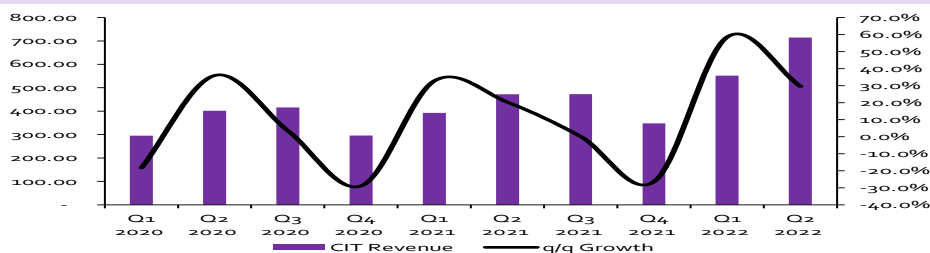
CIT payments in H1 2022: Strong momentum sustained

Based on the data published by the National Bureau of Statistics (NBS), the gross Company Income Tax (CIT) generated in Q2 2022 amounted to N714.4bn, a growth of 29.5% q/q and 51.3% y/y compared to N551.5bn in Q1 2022 and N472.1bn in Q2 2021. Notably, the Q1 2022 amount of N551.5bn was revised from N532.5bn initially. The CIT collection for Q2 2022 is the highest amount of CIT collected since 2015. The closest to this was in Q2 2015 when N621.5bn was generated. However, the difference between both periods (Q2 2022 & Q2 2015) is the driver of the amount collected. For Q2 2022, Local CIT payment contributed N634.0bn (88.7%) to the total CIT revenue while foreign CIT payments contributed N427.3bn (68.8%) to the total CIT revenue of Q2 2015.

Save for Other Payments that were absent in Q2 2022, the y/y growth in CIT collections in Q2 2022 was broad-based as revenue from both Local and Foreign sources grew, with the latter (+55.8% y/y) recording higher growth than the former (+51.8% y/y). In terms of the contribution to CIT revenue in Q2 2022, CIT from foreign sources contributed N80.4bn (11.3%), leaving CIT revenue from local companies to plug the balance (N634.0bn; 88.7%). For local CIT payments, based on the classifications made available by NBS, Manufacturing (27.6%), Information and Communication (24.6%), and Financial & Insurance activities (15.0%) contributed the most to collections in Q2 2022. The higher tax payments from these sectors lend credence to the resilient performance seen from these companies under coverage. Particularly, the contribution from the ICT sector did not come as a surprise given the impressive earnings performance of the telecom players which obviously resulted in a higher tax payment.

The strong CIT revenue momentum which started in Q1 2022 and extended into Q2 2022 is commendable in our view and a reminder that CIT collection is a significant part of non-oil revenue for the government. This can be improved on if efforts are harnessed to resolve some of the agelong issues affecting the business environment and dragging profitability. Again, similar to the narrative in 2021, we believe the non-oil revenue in 2022 arising from both CIT and VAT collections will likely outperform 2022 budget estimates, which provides some respite especially at a time when high subsidy payments and low oil production has been keeping revenue low. Even as of April 2022, revenue from CIT collections achieved 98.6% (N298.8bn) of its prorated target.

Company Income Tax Payments (N'bn)



Source: NBS, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	39,921.78	42,716.44	49,625.71
Naira / US\$	412.00	435.00	436.50
Brent, US\$/bbl	72.92	77.78	92.84
MPR %	11.50	11.50	14.00

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. *Nigerian Stock Exchange All-Share Index.

CONTACT INFORMATION

Head of Research: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcmb.com

Banks: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcmb.com

Industrials: Oluwasesan Adeyeye

+234 (1) 448 5436 ext.4512

oluwasesan.adeyeye@fcmb.com

FMCGs & Brewers: Edgar Ebinum

+234 (1) 448 5436 ext.4457

edgar.ebinum@fcmb.com

Research Team: cslresearch@fcmb.com

Retail Team: cslcsu@fcmb.com

Sales Team: cslrm@fcmb.com



Today's news headlines:

FG gets low revenue from mining sector –RMAFC: The Revenue Mobilization Allocation and Fiscal Commission, has said the governments, especially states have been getting a rather low revenue from the mining sector. This was disclosed by the member representing Osun State at the Commission, Mr Oladele Gboyega, during a visit to the State Commissioner for France, Mr Bola Oyebamiji, in Osogbo. Gboyega, who was received on behalf of the commissioner by the Senior Special Assistant to the governor on Mineral Resources, Wahab Oyeniya, also said the team was in Osun for the second phase of the nationwide monitoring of revenue collections, and to also observe mining activities across the state. He frowned at the level of land degradation going on in mining sites across the state, saying there was an urgent need for sensitisation of the miners. Source: punchng.com

<https://punchng.com/fg-gets-low-revenue-from-mining-sector-rmafc/>

EU: We've Committed over €150m to Support Key Electoral Institutions Since 1999: The European Union (EU) has revealed that it has committed over €150 million in the provision of technical support to key electoral institutions and stakeholders since Nigeria returned to democratic rule in 1999. The EU ambassador to Nigeria and ECOWAS, Amb. Samuela Isopi disclosed this yesterday in Abuja, at the EU Support to Democratic Governance in Nigeria (EU SDGN) Programme: Closure Ceremony of Phase I and the launch of Phase II. She said the EU believes that only a functioning democracy could address citizens' needs and build prosperous, resilient and strong societies. Isopi noted that it was against this background that the support to electoral processes was a key element of the EU's cooperation policy with its partners. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/09/13/eu-weve-committed-over-e150m-to-support-key-electoral-institutions-since-1999/>

Banks ration forex sales as scarcity bites: Banks have begun to reduce approval requests for Personal Travel Allowance and Business Travel Allowance to legitimate users. The legitimate users will be able to access forex only once in two quarters, The Punch gathered. Before this new development, the banks had been granting approval to travellers who applied once every quarter. Findings revealed that the development arose due to the lingering forex scarcity in the financial system. First Bank said in a mail to its customers on 'Updates on FX purchase' that "The full Personal Travel Allowance and Business Travel Allowance (\$4,000 and \$5,000) respectively will now be disbursed into your FirstBank Travel Card. All applications will be in line with regulatory requirements. Source: punchng.com

<https://punchng.com/banks-ration-forex-sales-as-scarcity-bites/>

The Economist: Nigeria Missing Out On Rare Global Oil Boom Opportunity: Nigeria has continued to waste the rare opportunity presented by the global rise in oil prices to grow its economy like other oil-producing countries, London-based The Economist has stated. While a surge in oil prices could do astonishing things, like in Saudi Arabia where a futuristic city was planned to rise from the desert or Angola where its currency has suddenly become one of the strongest performers against the dollar, it noted that in Nigeria, the reverse was the case. The report came just as the leadership of the Senate yesterday asked heads of military and security agencies in the country to start prosecuting suspected members of the public who are involved in oil theft. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/09/13/the-economist-nigeria-missing-out-on-rare-global-oil-boom-opportunity/>

Analyst Certification

Each research analyst principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed in this research report accurately reflect his/her personal views about those issuer(s) or securities that the research analyst covers in this research report. Each research analyst also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

Important disclosures

Analysts' compensation is based upon activities and services intended to benefit the investor clients of CSL Stockbrokers Limited, Lagos and the affiliates of FCMB Group, Lagos, Nigeria ("the Group"). Analysts receive compensation that is impacted by overall profitability of the Group, which includes revenues from, among other business units, Institutional Sales and Trading and Capital Markets/Investment Banking.

CSL Research Ratings Distribution

	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

Explanation of CSL Research's equity research rating system

Buy:	The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
Hold:	The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
Sell:	The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
Not Rated:	The rating and price target have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when CSL Capital UK or the Group is acting in an advisory capacity in a merger or strategic transaction involving the company or due to factors which limits the analysts ability to provide forecasts for the company in question.
Benchmark:	The benchmark is the trailing three-year average yield of the 12-month T-Bill plus one standard deviation rounded to the nearest percent.
Price targets:	Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.
Asset allocation:	Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.

Important Risk Warnings and Disclaimers

CSL Stockbrokers Limited ("CSLS") is regulated by the Securities and Exchange Commission, Nigeria. CSLS is a member of the Nigerian Stock Exchange. CSL Capital (UK) Ltd (Firm Reference Number: 913994, Registered Number: 11818051), trading in the name of 'CSL Stockbrokers' for its activities, is authorised by the Financial Conduct Authority (FCA).

Both CSLS and CSL Capital (UK) Ltd are members of the FCMB Group ("the Group") of Nigeria, a group of companies which also includes First City Monument Bank Ltd.

RELIANCE ON THIS PUBLICATION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE YOU TO A SIGNIFICANT RISK OF LOSS. By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of CSLS and CSL Capital (UK) Ltd. When distributing this document, CSLS, or any member of the Group is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, CSLS or any member of the Group will not be responsible to any recipient for providing the protections afforded to its clients.

If you are in the UK, you are a person to whom either Articles 19 or 49 of the Financial Services and Markets 2000 (Financial Promotion) Order 2005 apply or a person to whom this communication may otherwise be lawfully made.

In the United Kingdom, this document is available only to such persons described above and persons of any other description should not rely on this document. Transmission of this document to any other person in the United Kingdom is unauthorized and may contravene the Financial Services and Markets Act 2000 (FSMA). If you are not such a person or if the distribution of this document is otherwise unlawful where you are, you are required to return the document immediately to CSLS. This document is not intended for Retail Clients in the UK.

This document is not an offer to buy or sell or to solicit an offer to buy or sell any securities. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

CSLS or any other member of the Group may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares and may receive remuneration for the publication of its research and for other services. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to CSLS, or the Group, which is not reflected in this material. Further information on CSLS' policy regarding potential conflicts of interest in the context of investment research and CSLS' policy on disclosure and conflicts in general are available on request.

This document is based on publicly available information obtained from sources which CSLS believes are reliable, but which it has not independently verified. Neither CSLS, or their advisors, directors or employees make any guarantee, representation, or warranty as to the accuracy, reasonableness or completeness of this information and neither CSLS or their advisors, directors or employees accepts any responsibility or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The opinions contained in this document are subject to change without notice and are not to be relied upon and should not be used in substitution for the exercise of independent judgment.

Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of an investment for which there is no recognised market it may be difficult for investors to sell their investment or to obtain reliable information about their value or the extent of the risk to which they are exposed.



The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person, or published, in whole or in part, for any purpose.

@Copyright CSL Stockbrokers Limited, 2022. All rights reserved.

CSL Stockbrokers Limited

Member of the Nigerian Stock Exchange

PO Box 9117

Lagos State, NIGERIA

CSL Stockbrokers

A trading name of CSL Capital (UK) Ltd

43-44 New Bond Street

London

W1s 2SA

United Kingdom