



APPLICATION GUIDELINES FOR PIONEER STATUS INCENTIVE

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**Federal Ministry of Industry, Trade and Investment
Old Federal Secretariat
Area 1, Garki
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DISCLAIMER

This guideline document provides the considerations for assessing applications for pioneer status incentive from companies with investment projects and outlines the application process. The guidelines are issued by the Minister of Industry, Trade and Investment for the purpose of ensuring clarity on the aim and requirements of the pioneer status incentive. In exercise of the powers conferred upon the Minister of Industry, Trade and Investment by Section 2(1) of the Industrial Development (Income Tax Relief) Act (Chapter 17) Laws of the Federation of Nigeria 2004, the Minister reserves the right to amend the guidelines from time to time, as deemed appropriate.

1.0. Foreword

- 1.1. The Federal Government of Nigeria (“FGN”) is committed to encouraging and attracting investments into critical sectors of the economy which will significantly impact development and deliver key benefits to the country, including:
- Economic Growth and Diversification;
 - Industrial and Sectoral Development;
 - Employment;
 - Skills and Technology Transfer;
 - Export Development; and
 - Import Substitution.
- 1.2. Pioneer Status Incentive (“PSI”) is designed to reduce the cost of doing business in Nigeria by providing corporate income tax relief to qualifying companies making investments in industries designated as “pioneer”. In effect, PSI seeks to enhance the survival, profitability and sustainability of beneficiary companies.
- 1.3. By improving location competitiveness, the FGN is confident that the investment inflows from domestic and foreign direct investors as a result of PSI, will further the FGN’s efforts in transforming the Nigerian economy.
- 1.4. This guideline document provides information on the considerations and mode of application for companies making a new PSI or extension application and outlines the obligations of beneficiary companies.
- 1.5. I hereby extend an invitation to all relevant investors to make use of the PSI to enhance their performance and support the FGN in realizing its growth objectives.

Dr Okechukwu Enelamah

Minister of Industry, Trade and Investment

2.0. Overview of Pioneer Status Incentive

- 2.1. Pioneer Status Incentive is a tax holiday which grants qualifying industries and products relief from the payment of corporate income tax for an initial period of three years, extendable for one or two additional years.
- 2.2. PSI is founded under the Industrial Development (Income Tax Relief) Act, No 22 of 1971 (“IDA”).

As provided in the IDA, an industry or product is designated as pioneer if:

- it is not being carried on in Nigeria on a scale suitable to the economic requirements of Nigeria or at all, or there are favourable prospects of further development in Nigeria; or
- it is expedient in the public interest to encourage the development or establishment of such industry in Nigeria.

The pioneer designation is conferred by the inclusion of the industry or product on a list approved by the Federal Executive Council.

- 2.3. The key roles of the arms of government involved in the formulation, approval and administration of the PSI are as follows:
- 2.3.1. Federal Executive Council
 - On the authority of the President, the FEC is responsible for amending the list of pioneer industries and pioneer products (“Pioneer List”) from time to time.
 - 2.3.2. Federal Ministry of Industry, Trade and Investment (“FMITI”)
 - The Minister of Industry, Trade and Investment, is responsible for specifying the mode of application for PSI.
 - 2.3.3. Nigerian Investment Promotion Commission (“NIPC”)
 - On the delegated authority of the Minister of Industry, Trade and Investment, NIPC is responsible for

processing PSI applications and cancelling pioneer certificates if the provisions of the IDA and this guideline document are contravened.

- On the delegated authority of the President, NIPC is responsible for approving and extending PSI, and issuing pioneer certificates.

2.3.4. Industrial Inspectorate Department of FMITI (“IID”)

- IID is responsible for certifying the date of production / date from which the PSI will take effect.

2.3.5. Federal Inland Revenue Service (“FIRS”)

- FIRS is responsible for implementing PSI and issuing certificates of qualifying capital expenditure.

2.4. The Pioneer List as approved by the FEC shall be made available on the websites of NIPC and FMITI. The Pioneer List shall be reviewed at most every two years for possible additions and deletions from the list. Any additions approved by the FEC shall become effective immediately after approval. Any deletions approved by the FEC shall become effective three years after approval. All stakeholders are welcome to submit suggestions to NIPC at any time, for additions to or deletion from the Pioneer List, together with a succinct rationale, for consideration.

2.5. This guideline document, application forms for new PSI and extension applications, NIPC’s service fee schedule and the annual performance report form, shall be made available on the websites of NIPC and FMITI.

3.0. Considerations & Mode of Application

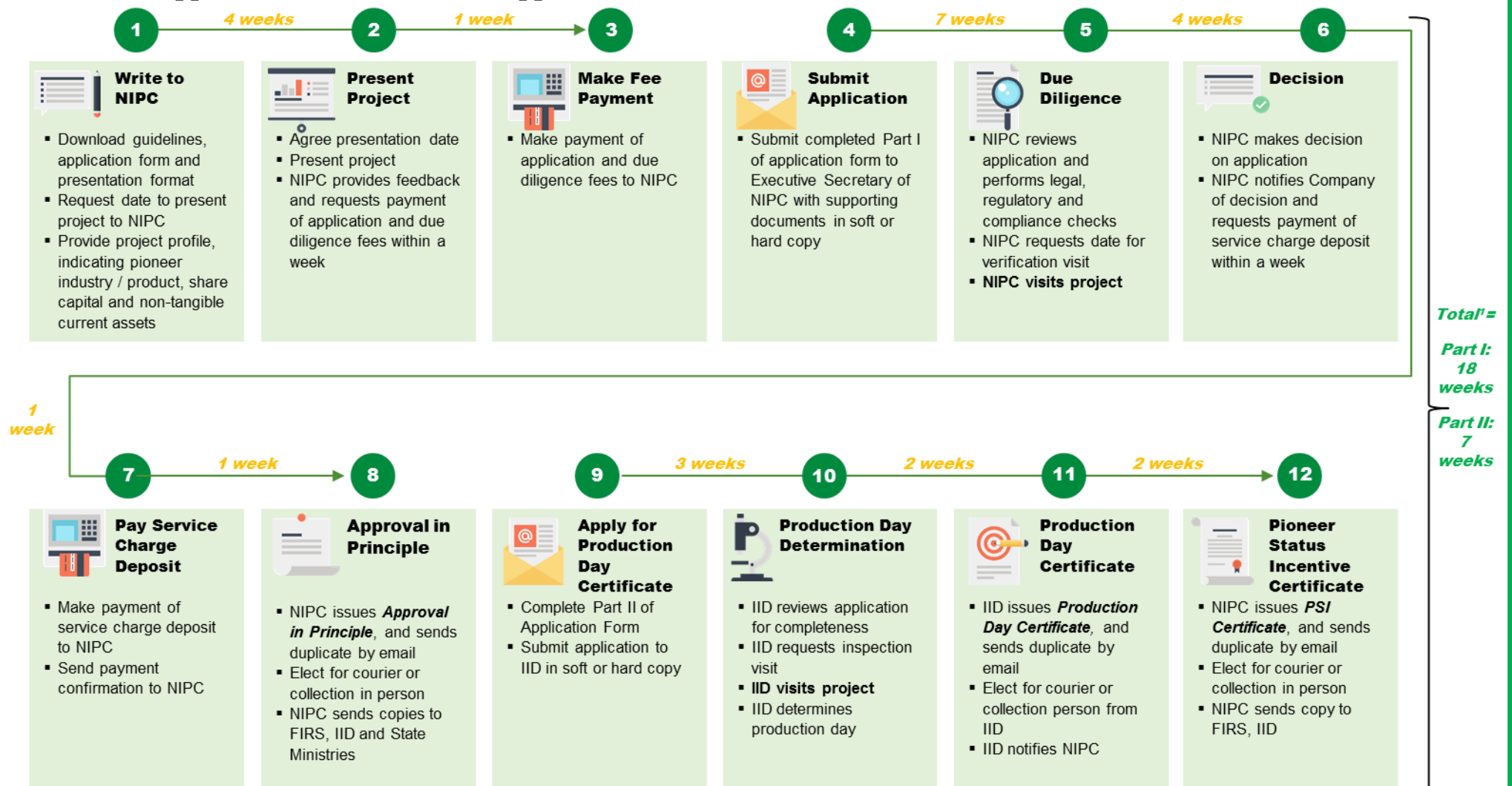
3.1. Considerations

3.1.1. An applicant must make a new application in the first year of production/service and must apply for an extension no later than one month after the expiration of the initial tax relief period of three years or an extension of one year.

3.1.2. An applicant must be engaged in an activity listed as a pioneer industry or pioneer product.

- 3.1.3. A non-current tangible asset of over one hundred million naira (₦100 million) shall be deemed as satisfiable.
- 3.1.4. An applicant must provide evidence of all required legal and regulatory compliance documentation.
- 3.1.5. An applicant must demonstrate the tangible impact its activity (project) will have on Nigeria's economic diversity and growth, industrial and sectoral development, employment, skills and technology transfer, export development and import substitution.
- 3.1.6. An applicant must make full payment of fees promptly, when due.
- 3.1.7. During the pioneer period, a performance report must be submitted to NIPC annually for monitoring and evaluation purposes.

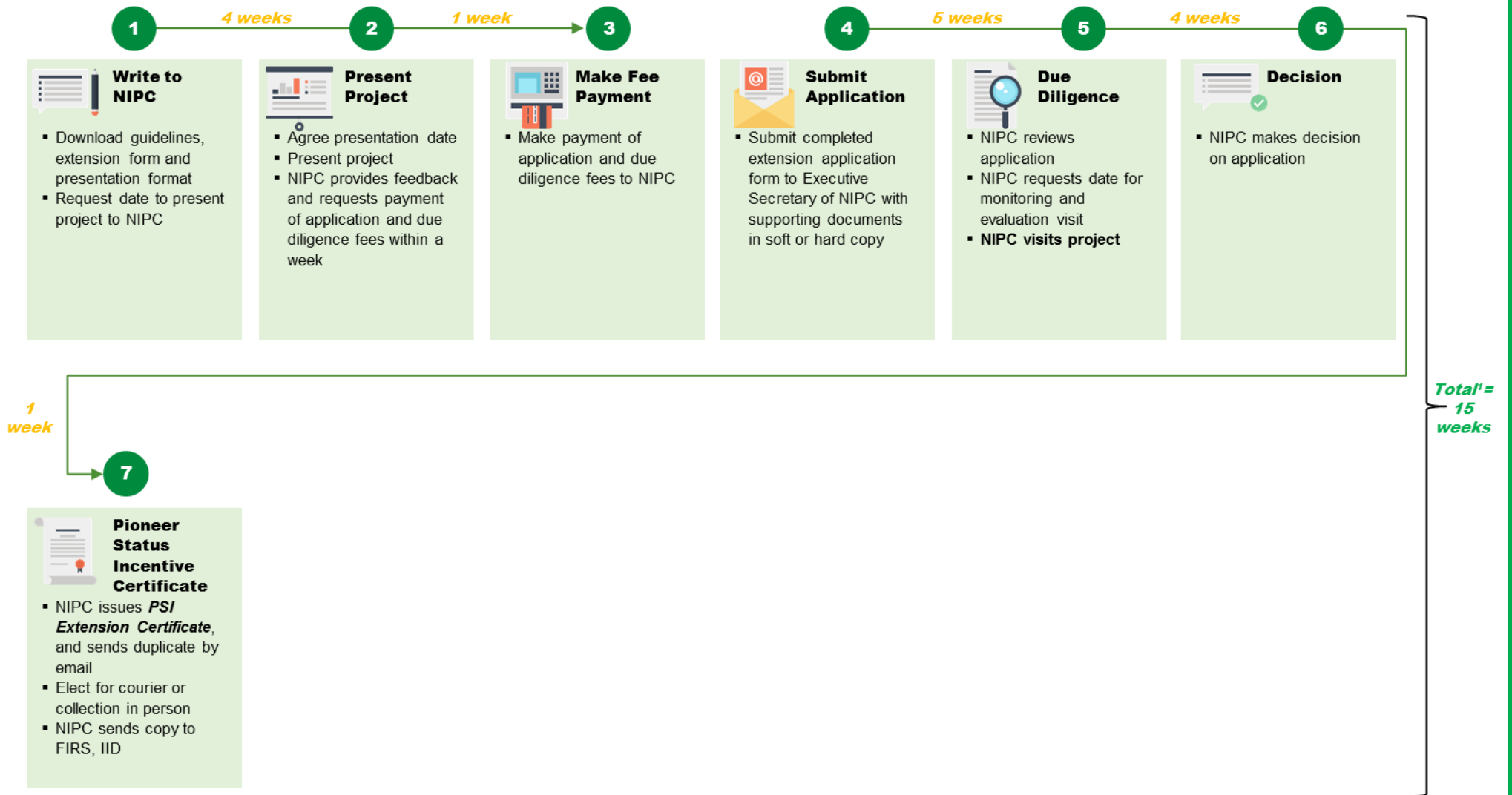
3.2. Application Process for New Applications



FIRS: Federal Inland Revenue Service; FMITI: Federal Ministry of Industry, Trade and Investment; IID: Industrial Inspectorate Department of FMITI; NIPC: Nigerian Investment Promotion Commission; PSI: Pioneer Status Incentive.

1. Part I (steps 1 to 8), assumes application for Part I filed promptly after step 3 and complete documentation submitted; and payments made on time in steps 3 and 7. Part II (steps 9 to 12), assumes application for Part II filed promptly after step 8 and complete documentation submitted.

3.3. Application Process for Extension Applications



FIRS: Federal Inland Revenue Service; FMIT: Federal Ministry of Industry, Trade and Investment; NIPC: Nigerian Investment Promotion Commission; PSI: Pioneer Status Incentive

1. Assumes application for extension filed promptly after step 3 and complete documentation submitted.

3.4. **Project Presentation**

3.4.1. Following notification of a company's interest to make a new PSI application, the company will be required to make a project presentation to NIPC, covering all the topics listed below:

- a) Company overview
 - i. History
 - ii. Organisational, board, management and shareholding structure
- b) Project overview
 - i. Sector overview
 - ii. Sector opportunity
 - iii. Description of project
 - iv. Description of production or service delivery process
 - v. Key competitors
 - vi. SWOT analysis
 - vii. Objectives for seeking PSI
- c) Project impact
 - i. Economic diversity and growth
 - ii. Industrial and sectoral development
 - iii. Employment
 - iv. Skills and technology transfer
 - v. Export development
 - vi. Import substitution
 - vii. Environmental, social and governance policies and plans
- d) Financial analysis
 - i. Project cost
 - ii. Financing sources
 - iii. 5-year projected profit and loss, cash flow and balance sheet
 - iv. 5-year projected tax savings and utilisation

3.4.2. A company making an application for PSI extension will be required to make a presentation on the topics listed in 3.4.1, highlighting any material changes since the company was initially granted PSI.

3.4.3. Immediately after such presentation, NIPC will provide feedback on the project to the company, ahead of payment of fees and submission of the relevant application form and supporting documents.

3.5. **Application Forms**

3.5.1. The application form for new PSI applications is in two parts:

- **Part I:** To be submitted to NIPC in soft or hard copy with supporting documents, following project presentation and upon payment of fees. The submission should include the following, amongst others:
 - i. Formal covering letter to the Executive Secretary of NIPC
 - ii. Company information
 - iii. Company contact information
 - iv. Company external representative
 - v. Project overview
 - vi. Project cost
 - vii. Financing sources
 - viii. Shareholders, directors and management
 - ix. Production and financial performance
 - x. Number of employees and emolument
 - xi. Training cost
 - xii. Skills and technology transfer
 - xiii. Raw materials and components
 - xiv. Export earnings and destinations
 - xv. Infrastructure developed
 - xvi. Environmental, social and governance policies and plans
 - xvii. Utilisation of tax savings
 - xviii. 5-year business plan
 - xix. Declaration signed by Chief Executive Officer / Managing Director

- **Part II:** To be submitted to IID in soft or hard copy with supporting documents, following receipt of an approval in principle. The submission should include the following, amongst others:
 - i. Formal covering letter to Director of IID
 - ii. Production record
 - iii. 7-months' sales revenue record
 - iv. 7-months' cash flow record
 - v. Machinery and equipment
 - vi. Energy and water requirements
 - vii. Environmental impact assessment
 - viii. Declaration signed by Chief Executive Officer / Managing Director

3.5.2. The application form for PSI extension applications is in one part:

- **Extension:** To be submitted to NIPC in soft or hard copy with supporting documents, following project presentation on extension and upon payment of fees. The submission should include the following, amongst others:
 - i. Formal covering letter to the Executive Secretary of NIPC
 - ii. Certificate of qualifying capital expenditure issued by FIRS
 - iii. Company information
 - iv. Company contact information (if different)
 - v. Company external representative (if different)
 - vi. Project overview (if different)
 - vii. Total direct investment
 - viii. Production and financial performance
 - ix. Number of employees and emolument
 - x. Training cost
 - xi. Skills and technology transfer
 - xii. Raw materials and components
 - xiii. Export earnings and destinations
 - xiv. Environmental, social and governance policies and plans
 - xv. Utilisation of tax savings
 - xvi. 5-year business plan
 - xvii. Declaration signed by Chief Executive Officer / Managing Director

3.5.3. Detailed information of all supporting documents required shall be listed in the relevant application form. Submission of incomplete information and/or documentation will affect the application process timeline.

3.6. **Due Diligence Visits**

3.6.1. For new PSI applications, two visits will be made to the company's project:

- **Verification visit:** Following evaluation and internal due diligence on a company's application, 2 to 3 NIPC staff shall visit the company's project to verify the information provided in its application. If required, NIPC may request for the company to furnish it with additional information during the verification visit.

- **Inspection visit:** Following evaluation of a company's application for production day certification, 2 to 3 IID staff shall visit the company's project to inspect and gather information for the computation of its production day.

3.6.2. For PSI extension applications, one visit will be made to the company's project:

- **Monitoring and evaluation visit:** Following evaluation and internal due diligence on a company's application for extension, 2 to 3 NIPC staff shall visit the company's project to verify the information provided in its application. If required, NIPC may request for the company to furnish it with additional information during the monitoring and evaluation visit.

3.7. Certificates

3.7.1. For new PSI applications, two certificates will be issued to a company with a qualifying project:

- **Production day certificate:** Upon determination of a project's production day, IID will issue a production day certificate to the company. IID will send a duplicate copy to the company and request for the company to elect to receive the original copy of the certificate by courier or to collect it in person.
- **Pioneer certificate:** Upon receipt of a copy of the Production day certificate from IID, NIPC will issue a pioneer certificate to the company and request for the company to elect to receive the original copy of the certificate by courier or to collect it in person. The pioneer certificate will state the period over which the PSI is valid.

3.7.2. For PSI extension applications, two certificates will be issued to a company with a qualifying project:

- **Certificate of qualifying capital expenditure:** this is issued to companies by the FIRS prior to applying for PSI extension within a month before the expiration of the initial PSI period.
- **Pioneer extension certificate:** Upon reaching a decision to extend a company's PSI, NIPC will issue a pioneer extension certificate to the company and

request for the company to elect to receive the original copy of the certificate by courier or to collect it in person. The pioneer extension certificate will state the period over which the PSI extension is valid.

4.0. Obligations of Pioneer Status Incentive Beneficiaries

4.1. Annual Performance Report

- 4.1.1. Beneficiaries of PSI are required to submit a performance report annually to NIPC.
- 4.1.2. The annual performance report shall be submitted no later than 30 June of the following calendar year, providing actual audited financial information and the following:
 - a) Formal covering letter to the Executive Secretary of NIPC
 - b) Company and project information (if different)
 - c) Production and financial performance
 - d) Number of employees and emolument
 - e) Training cost
 - f) Skills and technology transfer
 - g) Raw materials and components
 - h) Export earnings and destinations
 - i) Infrastructure developed
 - j) Environmental, social and governance projects
 - k) Utilisation of tax savings
 - l) Declaration signed by Chief Executive Officer / Managing Director
 - m) Evidence of payment of fees
- 4.1.3. Failure to submit the annual performance report for any year, shall result in the PSI certificate being cancelled; removal of the company's name from the list of beneficiaries (posted on NIPC website); and notification to FIRS for collection of tax for the unexpired period as well as the period for which the report was not submitted. NIPC shall reserve the right to proceed with the cancellation of a beneficiary's PSI certificate following two reminders sent to the company's registered address and/or correspondence email address provided in its application form or most recent annual performance report.

4.2. Payment of Fees

- 4.2.1. The applicable NIPC service fee schedule shall be made available on the websites of FMITI and NIPC.

- 4.2.2. All fees are due within the time frame stipulated by NIPC. During the application process, failure to make fee payments promptly will affect the application process timeline. During the pioneer period, failure to make fee payments promptly will result in the PSI certificate being cancelled; removal of the company's name from the list of beneficiaries (posted on NIPC website); and notification to FIRS for collection of tax for the unexpired period as well as the period for which there was a default in payment of fees. NIPC reserves the right to proceed with the cancellation of a beneficiary's PSI certificate following two reminders sent to the company's registered address and/or correspondence email provided in its application form or most recent annual performance report.
- 4.2.3. All fees shall be paid into NIPC's account only (payment details shall be provided on NIPC's service fee schedule).
- 4.2.4. Pursuant to sections 8-25 of the Corrupt Practices and other Related Offences Act, 2000, the FGN has a strict zero tolerance policy for corruption. Any proven act of corruption, gratification or inducement in violation of the said Act would be inimical to and jeopardise the prospect of being granted or retaining a PSI approval and certificate, in addition to being referred to the relevant agency of the FGN for investigation and possible prosecution.

4.3. **Impact Assessment**

- 4.3.1. NIPC shall carry out periodic PSI impact assessment surveys. Beneficiary companies are required to furnish NIPC with any relevant information requested.
- 4.3.2. NIPC shall publish the PSI impact assessment report on its website with data presented in an aggregated format.

4.4. **Compliance with IDA and Application Guidelines for PSI**

- 4.4.1. Beneficiaries of PSI are required to comply with the provisions of the IDA and conditions set out in these Guidelines.

5.0. Contact Information

5.1. Federal Ministry of Industry, Trade and Investment

Old Federal Secretariat
Garki, Area 1
Abuja

Key contacts:

Minister of Industry, Trade and Investment
Director, Industrial Inspectorate Department

Website:

www.fmiti.gov.ng

Email address for submission of soft copy of Part II form and supporting documents for Production Day Certification:

productionday@fmiti.gov.ng

Hardcopy applications should be addressed to Director, Industrial Inspectorate Department, Federal Ministry of Industry, Trade and Investment.

5.2. Nigerian Investment Promotion Commission

Plot 1181, Aguiyi Ironsi Street
Maitama District
Abuja

Key contact:

Executive Secretary, Nigerian Investment Promotion Commission

Website:

www.nipc.gov.ng

Email address for submission of soft copy of Part I and extension application form and supporting documents:

psisubmissions@nipc.gov.ng

Email address for PSI enquiries:

incentives@nipc.gov.ng

Telephone number for PSI enquiries:

+234 (9) 291 4358

5.3. **Federal Inland Revenue Service**

20 Sokode Crescent
Wuse, Zone 5
Abuja

Key contact:

Chairman, Federal Inland Revenue Services

Website:

www.firs.gov.ng