

The list of pioneer industries has been amended and suspension on grant of the incentive lifted



A new Pioneer Status Incentive regime has been introduced. This includes addition of 27 new industries and removal of mineral oil prospecting and cement manufacturing.

For a deeper discussion, please contact any member of our team below or your usual contact within PwC Nigeria:

Taiwo Oyedele
+234 1 271 1700 Ext 50002
taiwo.oyedele@pwc.com

Moshood Olajide
+234 1 271 1700 Ext 50005
moshoo.d.olajide@pwc.com

Tolulope Omidiji
tolulope.omidiji@pwc.com
+234 1 271 1700 Ext 51002

Olajumoke Oyebode
olajumoke.oyebode@pwc.com
+2341 2711700

On 2 August 2017, the Federal Executive Council approved a new Pioneer Status Incentive Policy based on a comprehensive review of the scheme recently concluded. As part of the new regime, 27 new industries have been added to the list of eligible industries while new Application Guidelines have been issued. We set out a summary of the Policy and the Guidelines below.

Background of the Policy

Pioneer Status Incentive (“PSI or Pioneer”) exempts the applicant company from corporate income taxes for an initial three-year period which can be renewable for one or two years.

PSI is governed by the provisions of the Industrial Development (Income Tax Relief) Act (“IDITRA or the “Act”) and administered by the Nigerian Investment Promotion Commission (“NIPC”).

In 2016, as a result of several complaints about inefficiencies, revenue leakages, lack of transparency and possible abuse; the NIPC suspended the processing of PSI applications and embarked on a review of the Pioneer scheme to address the issues. These new developments are the outcome of this exercise.

Highlights of the new developments

The list of eligible industries and products has been extended with the addition of 27 industries while 2 industries (mineral oil prospecting and cement manufacture) were deleted from the existing list.

Mineral Oil Prospecting will be withdrawn immediately while cement will be withdrawn effective 3 years after the deletion. Generally, any addition takes effect immediately while deletions take effect after 3 years.

The new industries include processing of cocoa; manufacture of machinery for food and beverage processing, textile, apparel and leather production; e-commerce services; motion picture, video and television programme production; real estate investment vehicles; software development; and business process outsourcing.

The Guidelines set out a comprehensive step by step application process for both fresh applications and renewals. The Guidelines stipulate the time frame within which each phase of the application must be concluded (a total of 25 weeks for new application and 15 weeks for renewals).

Under the new system, a new service charge will be introduced as against 2% of projected tax savings that was payable in the past.

The Guidelines also provide for a bi-annual review of the list of pioneer industries while all companies granted pioneer must submit an annual performance report.

Takeaways

The extended list of eligible industries to a large extent mirrors the priority sectors in the Economic Recovery and Growth Plan (ERGP) and the diversification agenda of the federal government especially in the areas of agriculture, manufacturing, real estate development, and services (entertainment, outsourcing etc.).

A transparent application processing, approval, monitoring and reporting system is critical to the success of the new pioneer incentive regime. In addition, the scheme should be reviewed regularly to ensure it is fit for purpose.