INVESTMENT INCENTIVES IN NIGERIA

Investment Incentives

The Nigerian Government has put in place a number of investment incentives for the stimulation of private sector investment from within and outside the country. While some of these incentives cover all sectors, other are limited to some specific sectors. The nature and application of these incentives have been considerably simplified. The incentives include:

(i) COMPANIES INCOME TAX

The Companies Income Tax Act has been amended in order to encourage potential and existing investors and entrepreneurs. The current rate in all sectors, except for petroleum, is 30 percent.

(ii) PIONEER STATUS

The grant of Pioneer Status to an industry is aimed at enabling the industry concerned to make a reasonable level of profit within its formative years. The profit so made is expected to be ploughed back into the business.

Pioneer status is a tax holiday granted to qualified or (eligible) industries anywhere in the Federation and seven-year tax holiday in respect of industries located in economically disadvantaged local government area of the Federation. At the moment, there is a list of 69 approved industries declared pioneer industries, which can benefit from tax holiday.

To qualify, a joint venture company or a wholly foreign-owned company must have incurred a capital expenditure of not less than five million Naira whilst that of qualified indigenous company should not be less than N150,000.00. In addition, an application in respect of Pioneer Status must be submitted within one year the applicant company starts commercial production otherwise the application will be time-barred.

LIST OF PIONEER INDUSTRIES/PRODUCTS

S/NO	INDUSTRIES	PRODUCTS
1	Cultivation, Processing and Preservation of food crops and fruits	Preserved canned foodstuff and fruits, tea, coffee, refined sugar, tomato puree/juice etc.
2	Integrated dairy production	Butter, cheese, fluid milk and powder, ice cream (by products, livestock, minor edible products).
3	a) Deep sea trawling and processingb) Coastal fishing and shrimping	Preserved sea foods, fish and shrimps, fishmeal
4	Mining lead, zinc, and iron and steel from iron ore	Iron and steel products
5	Manufacture of iron and steel from Iron ore	Iron and steel products
6	The smelting and refining of non-ferrous base metal and the	Refined non-ferrous base metal and their alloys

	manufacture of their alloys	
7	Mining and processing of barytes, bentonites and associated minerals	Barytes, bentonites and associated minerals
8	Manufacture of oil well drilling materials containing a predominant proportion of Nigerian raw materials	Barytes, bentonites and associated minerals
9	The manufacture of cement	Cement, clinker
10	Manufacture of glass and glassware	Sheet glass, pharmaceuticals and laboratory glasswares
11	Manufacture of lime from local limestone	Lime
12	Quarrying and processing of marbles	Marbles and processed marbles
13	Manufacture of ceramic products	Refractory and heat insulating constructional products, laboratory ware
14	Manufacture of basic and intermediate	i) Basic and intermediate organic chemical; ii) Basic and intermediate in-organic chemicals;iii) Fertilizers;iv) Petro-chemical;v) Caustic soda and chlorinevi) Pesticide and insecticide
15	Formulation and manufacture of pharmaceuticals	Pharmaceuticals, health vitamins
16	Manufacture of yeast, alcohol and related products	Yeast, industrial alcohol and related products
17	Manufacture of paper pulp	Paper pulp
18	Manufacture of yarn and man-made fibres	Yarn and synthetic fibres
19	Manufacture of machinery involving the local manufacture of substantial proportion of components thereof	Office and industrial machinery, equipment and apparatus (whether or not electrical)
20	Manufacture of products made wholly or mainly of mental	Pipes and tubes structure metal products
21	Manufacture of nets from local raw materials	Fishing nets, mosquito nets and related products
22	Manufacture of gas cylinders	Gas cylinders
23	The processing of local wheat flour materials	Flour and Offal
24	Rubber plantation and processing	Rubber
25	Gum/Arabic plantation and processing	Gum Arabic
26	Manufacture of fertilizers Ammonia, Urea	Superphosphate and nitrogenous fertilizers
27	Vehicle Manufacture	Motor Vehicles and Motor-cycles, Tri-cycles and Automotive components
28	Oil palm plantation and processing	Palm Oil, palm kennel and Offal’s
29	Manufacture of automotive and other components	Automotive and other components.
30	Book printing	Books

31	Large Scale Mechanized Farming	Wheat, Maize, Rice and Sorghum
32	Cattle ranching and piggery of not less than 500 herds	Cattle and pigs of not less than 500 herds
33	Manufacture of Gypsum	Gypsum
34	Re-refining or re-cycling of waste oil	Low power oil
35	Manufacture of electrical appliances/ equipment/components and parts	Generators, transformers, meter, control, pressing irons, switch gears, test equipment, ballets/ starters/ lighters, discreet components, resistor/capacitors/coils/semi-conductors/ conductors
36	Ship building, repairs and maintenance of ocean going vessels	Ships, boats and barges.
37	Manufacture of computer and computer chips	Computer hard and soft ware chips
38	Manufacture of cameras, photographic equipment and other materials	Cameras, photographic equipment or any component thereof
39	Diving and underwater engineers	Underwater engineering services.
40	Local fabrications of machinery, equipment	Machinery
41	Manufacture of tools	Machines and hand tools
42	Installation of facilities for aircraft manufacture and maintenance of aircraft	Aircraft maintenance and manufacture
43	Installation of scientific instruments and communication equipment	Scientific instruments, radio, audio play-back/recorders, loudspeaker units, amplifying systems, microphones, video playbacks/ recorders, PBX, telephone handset, tele-printers, trans-receivers, autophones/aerials.
45	Manufacture of gas and distribution	Gas and gas distribution
46	Manufacture of Solar energy powered equipment and gadgets	Solar panels, refrigerators, water pumps, calculators, etc Fish and shrimps
47	Large-scale inland fishing farms	Fish and shrimps
48	Bitumen mining and processing	Bitumen
49	Salt production	Salt
50	Manufacture of fire fighting equipment and detection systems	Fire fighting equipment and detection systems
51	Manufacture of cables	Electrical, telephone and other cables
52	Manufacture of medical equipment	X-ray, oxygen equipment, etc
53	Mineral oil prospecting and production	Petroleum
54	Manufacture of lubricants	Grease, hydraulic/engine oil, gear oil, etc
56	Manufacture of flat sheets	Flat sheets
57	Manufacture of oven, cookers, cold rooms, refrigerators, fridges, freezers,	Oven, cookers, cold rooms, refrigerators, fridges, freezers, air conditioner

	air conditioner	
58	Manufacture of agricultural machinery and equipment	Ploughs, harvesters, threshers, planters etc
59	Manufacture of materials handling and equipment	Cranes, forklifts etc
60	Establishment of foundries	Moulds, casting, etc
61	Manufacture of alum	Alum
62	Manufacture of enzymes	Enzymes
63	Manufacture of concentrates	Food/fruits concentrates
64	Manufacture of welding electrodes	Welding electrodes
65	Manufacture of nails	Nails, related items
66	Manufacture of iron rods	Rods from billets
67	Manufacture of hops	Brewing hops
68	Information and communication technology (ICT)	Manufacture/production of ICT equipment, hardware and software
69	Tourism	Development of holiday resorts, hotels, sporting and recreational facilities
70	Real Estate Development	- Rental income from residential and commercial premises;- Capital gains from any real estate disposed of within a specified period
71	Utility services	- Independent power generation utilizing gas, coal and renewable energy sources;- All aspects of transportation such as rail, road and waterways- Indigenous telecommunications companies other than GSM operations

(iii) TAX RELIEF FOR RESEARCH AND DEVELOPMENT

Industrial establishments are expected to engage in Research and Development (R&D) for the improvement of their processes and products. Up to 120 per-cent of expenses on (R&D) are tax deductible, provided that such R&D activities are carried out in Nigeria and are connected with the business from which income or profits is derived. Also, for the purpose of R&D on Local raw materials, 140 per-cent of expenses are allowed. Where the research is long-term, it will be regarded as a capital expenditure and will be written off against profit. The result of such research could be patented and protected in accordance with internationally accepted Industrial Property Rights.

(iv) CAPITAL ALLOWANCES

The current rates applicable in respect of capital allowances are:

S/N	**Qualifying Expenditure in Respect of:-**	**Initial Allowance (%)**	**Annual Allowance (%)**
1	Building Expenditure	5	10 per Annum
2	Industrial Building Expenditure	15	10

3	Mining	20	0
4	Plant excluding furniture and fittings	20	10
5	Furniture and Fittings	15	10
6	Motor Vehicle Expenditure	25	20
7	Plantation equipment expenditure	20	33
8	Housing Estate Expenditure	20	10
9	Ranching and Plantation Expenditure	25	15
10	Research and Development Expenditure	25	12
11	Public Transportation Motor Vehicle	30	-

The amount of capital allowance to be enjoyed in any year of assessment is restricted in Nigeria to 75% of assessable profit in case of manufacturing companies and 66% in case of others, except such companies in agro-allied industries that are not affected by this restriction. If leased assets are used in agro-allied ventures, the full (100%) capital allowance claimed will be granted. Moreover, where the leased assets are agricultural plants and equipment, there will be an additional investment allowance of 10% on such expenditure.

(v) IN-PLANT TRAINING

This is applicable to industrial establishments that have set up inplant training facilities. Such industries enjoy a two percent tax concession for a period of five years.

(vi) INVESTMENT IN INFRASTRUCTURE

This is a form of incentive granted to industries that provide facilities that ordinarily, should have been provided by government. Such facilities include access roads, pipe borne water and electricity. Twenty percent (20%) of the cost of providing these infrastructural facilities, where they do not exist, is tax deductible.

(vii) INVESTMENT IN ECONOMICALLY DISADVANTAGED AREAS

Without prejudice to the provision of the pioneer status enabling law, a pioneer industry sited in economically disadvantaged Local Government Area is entitled to 100% tax holiday for seven years and an additional 5% capital depreciation allowance over and above the initial capital depreciation allowance.

(viii) LABOUR INTENSIVE MODE OF PRODUCTION

Industries with high labour/capital ratio are entitled to tax concessions. These are industries with plants, equipment and machinery, which essentially are operated with minimal automation. Where there is automation, such automation should not be more than one process in the course of production. The rate is graduated in such a way that an industry employing 1,000 persons or more will enjoy 15 percent tax concession, while an industry employing 200 will enjoy 7 percent and those employing 100 will enjoy 6 percent and so on.

(ix) LOCAL VALUE ADDED

10% tax concession for five (5) years. This applies essentially to engineering industries, where some finished imported products serves as inputs. The concession is aimed at encouraging local fabrication rather than the mere assembly of completely knocked down parts.

(x) RE-INVESTMENT ALLOWANCE

This incentive is granted to companies engaged in manufacturing which incur qualifying capital expenditure for the purposes of approved expansion, etc. the incentive is in the form of a generalized allowance of capital expenditure incurred by companies for the following:-

· Expansion of production capacity
· Modernization of production facilities
· Diversification into related products

(xi) MINIMUM LOCAL RAW MATERIALS UTILIZATION

A tax credit of 20% is granted for five years to industries that attain the minimum level of local raw material sourcing and utilization. The minimum levels of local raw materials sourcing and utilization by sectors are: -

Agro-allied - 70%
Engineering - 60%
Chemicals - 60%
Petrochemicals - 70%

SECTORAL INCENTIVES

(i) INDUSTRY

(a) Companies with turnover of less than N1 million are taxed at a low rate of 20% for the first five years of operation if they are in the manufacturing business.

(b) Dividend from companies in manufacturing sector with turnover of less than N1 million is tax-free for the first five years of their operation.

(c) Dividends derived from manufacturing companies in petrol chemical and liquefied natural gas sub-sector are exempted from tax.

(ii) AGRICULTURE

(a) Companies in the agro-allied business do not have their capital allowance restricted. It is granted in full i.e. 100%.

(b) The payments of minimum tax by companies that make small or no profits at all do not apply to agro-allied business.

(c) Agro-allied plant and equipment enjoy enhanced capital allowances of up to 50%.

(d) Processing of agricultural produce is a pioneer industry;
consequently, there is 100% tax-free period for 5 years
or projects into processing of agricultural produce.

(e) Agricultural and Agro allied Machinery:
All agricultural and agro-industrial machines and equipment to enjoy 1% duty.

(f) Agricultural Credit Guarantee Scheme Fund (ACGSF) administered by the Central Bank of Nigeria:
Up to 75% guarantee for all loans granted by commercial banks
for agricultural production and processing.

(g) Interest Drawback Program Fund:
60% repayment of interest paid by those who borrow from banks under the ACGS, for the purpose of cassava production and processing provided such borrowers repay their loans on schedule.

(iii) SOLID MINERALS

The following incentives are available in the solid minerals sector:
(a) 3 to 5 years tax holiday;
(b) Low income tax of between 20% and 30%;
(c) Deferred royalty payments depending on the magnitude of the investment and the strategic nature of the project;
(d) Possible capitalization of expenditure on exploration and surveys;
(e) Extension of infrastructure such as roads and electricity to mining sites;
(f) The holder of a mining lease shall, where qualified, be entitled to:
i) Depreciation or capital allowance of 75% of the certified true capital expenditure incurred in the year of investment and d50% in subsequent years
ii) Investment allowance of 5%
iii) Exemption from payment of customs & import duties
iv) Expatriate quota & resident permit for approved expatriate personnel
(g) In addition to roll-over relief under the capital gains tax (CGT), companies replacing their plants and machinery are to enjoy a once-and-for-all 95% capital allowance in the first year with 5% retention value until the assets is disposed, 15% will be granted for replacement of an asset.

(iv) PETROLEUM

The incentives in this sector are granted to companies that are into joint ventures with the Nigerian National Petroleum Corporation and have signed Memorandum of Understanding. The incentives are:
· Guaranteed minimum margin of USS2.50 bl;
· Accelerated capital allowances which provides that the capital allowances can be carried forward indefinitely;
· Graduate royalty rates approved for oil companies.

Onshore production in territorial waters and continental shelf areas beyond 100 meters.

Investment tax allowances (ITA) is granted to a company in respect of any asset for the accounting period. The ITA is graduated as follows:
On shore - 5%
Off shore in depth of up to 10m - 10%
Off shore in depth of between 100-200m - 15%
Off shore in depth of over 200m - 20%

(v) TAX INCENTIVES TO GAS INDUSTRY

In view of the enormous potentials in this sector, Government has approved the following fiscal incentives:

GAS PRODUCTION PHASE

· Applicable tax rate is the same as the company income tax which is currently at 30%
· Capital allowance at the rate of 20% per annum in the first four years, 19% in the fifth year and the remaining 1% in the books
· Investment tax credit at the current rate of 5%
· Royalty at the rate of 7% on shore and 5% off shore

GAS TRANSMISSION AND DISTRIBUTION

- Capital allowance as in production phase above
- Tax rate as in production phase
- Tax holiday under pioneer status

LNG PROJECTS

- Applicable tax rate under PPT is 45%
- Capital allowance is 33% per year on-straight line basis in the first three years with 1% remaining in the books
- Investment tax credit of 10%
- Royalty 7% on-shore 5% off-shore, tax deductible

GAS EXPLOITATION (UPSTREAM OPERATION)

Fiscal arrangements are reviewed as follows:
o All investments necessary to separate oil from gas from reserves into suitable product is considered part of the oil field development.
o Capital investment facilities to deliver associated gas in usable form at utilization or transfer points will be treated for fiscal purposes as part of the capital investment for oil development.
o Capital allowances, operating expenses and basis for assessment will be subjected to the provisions of the PPT Act and the revised Memorandum of Understanding (MOU).

GAS UTILISATION (DOWN STREAM OPERATAION)

o Companies engaged in gas utilization are to be subjected to the provisions of the Companies Income Tax Act (CITA)
o An initial tax free period of three years renewable for an additional two years
o Accelerated capital allowances after the tax-free period in the form of 90% with 10% retention in the books
o 15% investment capital allowance, which shall not reduce the value of the asset.

In 1998, the government approved additional incentives to support the gas industry in the following areas:
- All gas developmental projects, including those engaged in power generation, liquid plants, fertilizer plants, gas distribution/transmission pipelines are taxed under the provisions of Companies Income Tax (CITA) and not the Petroleum Profit Tax;
- All fiscal incentives under the gas utilization down stream operations since 1997 are to be extended to industrial projects that use gas i.e. power plants, gas to liquids plants, fertilizer plants, gas distribution/transmission plants;

- The initial tax holiday is to be extended from three years to five years;
- Gas is transferred at 0% PPT 0% Royalty;
- Investment capital allowance is increased from 5% to 15%;
- Interest on loan on gas project is to be tax deductible provided that prior approval was obtained from the Federal Ministry of Finance before taking the loan; and
- All dividends distributed during the tax holiday shall not be taxed.

(vi) TELECOMMUNICATIONS

Government provides non-fiscal incentives to private investors in addition to a tariff structure that ensures that investors recover their investment over a reasonable period of time, bearing in mind the need for differential tariffs between urban and rural areas. The tariff structure as approved by the regulatory authority, Nigerian Communication Commission, also provides adequate cross-subsidy between the profitable trunk and local calls of the urban and non-profitable operation of the rural areas.

Other Incentives in place are:-
a) Manufacture/installation of telecommunications related equipment is considered as pioneer activity. As a result, they enjoy 5 to 7 years tax holiday depending on location.
b) Taxes and duties do not exceed those charged on essential electrical goods.

(vii) ENERGY (Electricity)

Among the incentives put in place by Government to encourage investors in the sector are:

Tax holiday of 5-7 years is granted to companies that manufacture:

a) Transformers, meters, control panels, switchgears, cable and other electrical related equipment, which are considered pioneer products/industries:
b) Power plants using gas are assessed under the company income tax act at a reduced rate of 30%.

(vii) TOURISM

The following incentives have been put in place to encourage domestic and foreign investors' participation in the tourism industry in Nigeria:
i) The tourism sector was accorded preferred sector status in 1999. This makes the sector qualify for incentives (available to similar sectors of the economy) such as tax holiday, longer years of moratorium and import duty exemption on tourism related equipment.
ii) Provision of basic infrastructure that is, road, water, electricity, communications etc to centre of attraction. Some states have specific areas as tourism development zones thereby making acquisition of land easier.
iii) Provision of land for tourism development at concessional rates.
iv) Availability of soft loans with long period of moratorium.

(ix) TRANSPORT

The following incentives are in place to encourage investment in the sector:
i) Shipbuilding, repairs and maintenance of vessels, boat, barges, diving and underwater engineering services, aircraft maintenance and manufacturing are considered pioneer products. As a result, they enjoy 5-7 years tax holiday depending on location.

EXPORT INCENTIVES

Export incentives are aimed at encouraging and assisting exporters to increase and diversify the total value and volume of non-oil exports from Nigeria. These incentives are designed to address the major problems of supply, demand and price competitiveness of Nigeria's export. Some of the incentives now take the form of Negotiable Duty Credit Certificate (N-DCC) and are as indicated below:

(i) Manufacture - In - Bond Scheme
The Manufacture - in - Bond Scheme is designed to encourage manufacturers to import raw material inputs and other intermediate products duty-free for the production of exportable goods, backed by a bond issued by any recognized financial institution. The bond will be discharged after evidence of exportation and repatriation of foreign exchange has been produced.

(a) Guidelines:

(i) The manufacturer-in-bound scheme (MIBS) shall be applicable to export manufacturers only.

(ii) Interested manufacturers should apply to the Federal Ministry of Finance using the prescribed forms.

(iii) For a manufacturer to enjoy the scheme, the factory premises must be approved for that purpose by the Nigerian Customs service.

(iv) Approval including the Import Requirement Certificate(IRS) should be obtained within a period of two months and transmitted to the Nigerian Customs service for implementation.

(v) The Nigerian Customs Service will determine acceptability guarantee Bond issued by Commercial or Merchant Bank or NEXIM or Insurance Companies covering not less than 110 per cent customs duty payable on each consignment.

(vi) Under this scheme, manufacturers of export commodities will be entitled to import duty-free raw material inputs, CKDS and intermediate inputs whether prohibited or not for the manufacture of export commodities.

(vii) The Manufacturer-in-Bond Scheme shall operate on an annual (12 calendar months) importation basis as the exporter wishes. For prohibited items however, the scheme shall operate Import by Import basis.

(viii) The Bond, which shall be effective from the date of its issuance by the Bank shall be discharged when the condition stipulated therein have been fulfilled.

(ix) The Nigerian Customs Service will periodically monitor the utilization of raw materials imported under this scheme until the Bond is fully executed.

(x) In the event of inability of any manufacturer to fulfill the conditions stipulated in the Bond, the manufacturer to fulfill the conditions stipulated in the Bond, the manufacturer shall apply to the Nigerian Customs Service through its approved dealer Bank, for an extension of the Bond particularly when the life of the Bond has expired. The extension of the Bond shall not exceed three months.

(xi) Repatriation of the foreign exchange realized from the transaction shall be confirmed by the Central Bank of Nigeria before the Bond is discharged.

(xii) Bill of Entry marked "Manufacturer-in-Bond Scheme" shall be used for clearance of goods under the scheme.

(xiii) A Committee comprising the Ministry of Finance, representatives of the Nigerian Customs Service, Nigerian export Promotion Council, Standard organization of Nigeria and the Central bank of Nigeria shall monitor the scheme. The monitoring body shall render a quarterly Report to the NMIBS Committee.

(xiv) In the event of default by the manufacturer, the Nigerian Customs Service shall redeem the Bond by calling on the guarantor to pay up the appropriate customs duties and other associated charges.

(xv) A manufacturer participating in the Manufacturer-in Bond Scheme is expected to designate a warehouse or store in his factory premises for the storage of inputs and finished goods; and

(xvi) Import Duty re[ort (IDR), clean Report of Findings (CRF), Form 'M' and other relevant documents for this scheme shall be clearly marked "MIB Scheme".

(b) Duty Drawback Scheme:

Duty Drawback scheme provides for refunds of duties/sur-charges on raw materials including packing and packaging materials used for the manufacture of products upon effective exportation of the final products. The new Duty Drawback scheme shall give automatic refunds (60%) on initial screening by the Duty Drawback Committee and upon the presentation of bond from a recognized Bank, Insurance Company or other financial institution. The Bond will cover 60% of the refund to be made to the exporter and will only be discharged after final processing of the application has been made. At the end of the processing of exporters claims, the Duty Drawback Committee shall grant any balance where applicable or request for refunds for any over payment made.

(c) Duty Drawback Facilities:

The scheme provides for fixed drawback and individual drawback facilities. The fixed Drawback facility is for those Exporters/Producers whose export products are listed in the Fixed drawback schedule to be issued from time to time by the Committee. When the import content of the export produce is more or less constant, and import prizes (including exchange rate), tariff rates and technology used are relatively stable or "fixed", it is possible to calculate a standard Impute-Output Co-efficient Schedule (ICS) for these category of products on the basis of which a fixed drawback rate can be computed to be rebated per unit of export product.

Whereas the individual drawback is for producers/exporters who do not qualify under the fixed drawback facilities. It is therefore a straight forward traditional drawback mechanism under which duty is paid on all import inputs. The duties are subsequently, rebated on inputs used for export production. As general case the final export./producer can apply for the
Scheme.

(d) Eligibility:

A trading Company which collects industrial products from one or more manufacturers as well as a trading Company which imports raw material inputs including packaging and packaging materials used for the production of goods exported by him could also apply for the scheme. Such a trading company must have entered into a contract with final producer of the product in such a way that Duty drawback Committee can obtain necessary information and documents to enable the Committee act appropriately.

Applications must be companies incorporated in Nigeria.

(e) Time Limit:

Duty Drawback application must be filled within a maximum of two years from the date of exportation. In order to qualify for the drawback payment (both individual and fixed drawback) exportation of the product which was produced with imported inputs must be completed within 18 months after the importation of the inputs.

(f) Application Procedure
Application for either Fixed or individual Drawback Facilities should file the following documents to the Duty Drawback Committee.
(i) Completed new application form for Duty Drawback Rate/Refund obtained from the Duty Drawback Rate/Refund obtained from Duty Drawback Secretariat and all Zonal Offices of the Nigerian Export Promotion Council

(ii) Attach clear photocopies of the following documents in triplicates:

Import bill of entry for Home use (Customs and Excise Form C 188) for the respective raw material inputs used for the export production.

Import bill of landing for the raw material inputs used for the export production.

Letter of contract agreement between the Trading Company and producer in cases where the Trading Company is applying for the facility

Current registration certificate with NEPC

(iii) In addition to the above documents, all applications for refunds should be filed with the following in triplets:

Export Bill of Entry for Non-Domestic Goods (Customs and Excise Form sale 98)

Form NXP

(iv) Bank Bond to be issued by a recognized Bank or Insurance Company to the tune of 60 per cent up front payment approved by the Committee as duty drawback refund and to guarantee the refund of any overpayment made to the exporter.

(g) Rules of Duty Drawback Application and Processing:

The following rules have to be observed to simplify the processing procedures:

(i) For the same export product defined in an export entry documents, all inputs used to produce a given export article should be treated as part of a single application and therefore cannot be divided into separate duty drawback applications.

If imported inputs, registered in a single import entry document are sub-divided and used for production of more than one export consignment, the import entry document should include information on the production of inputs and the balance remaining to be used.

(ii) Export Expansion Grant (EEG) Scheme

(a) Incentive rates:

The scheme will operate the "Weighted Eligibility Criteria" in assessing application for EEG. The baseline data as supplied by individual applicant company would be used in its assessment. Thus the method of assessment is company specific. A company's EEG assessment would be conducted once yearly and the determined rate will apply throughout the year.

The weighted eligibility criteria has four bands: 30% 20%,10%, and 5%. The following template will be used in assessing the incentive rate for every EEG applicant.

Determination of Export Performance – Eligibility Criteria

S/N	Eligibility Criteria	Company Data	Threshold	Weight	Company Score
1	Local value added			25%	
2	Local content			20%	
3	Employment (Nigerians)			20%	
4	Priority Sector			10%	
5	Export Growth			20%	
6	Capital Investment			5%	
	Total Weight			**100%**	

A new entrant into the EEG scheme shall provide prior period financial statement or where applicable an investment plan for its assessment.

(c) Eligibility:

(i) Export must be registered with the Nigerian Export Promotion Council (NEPC).

(ii) Eligible exporter shall be a manufacturer producer or merchant of products of Nigeria origin for the export market (i.e. the products must be made in Nigeria).

(iii) An exporter must have a minimum annual export turnover of N5million and evidence of repatriation of proceeds of exports.

(iv) Exporter-company shall submit its baseline data which includes Audited Financial statement and information on operational capacity to NEPC.

(d) Validity for EEG Application

Qualifying export transaction must have the proceeds fully repatriated within 180 days, calculated from the date of export.

(iii) Export Development Fund Scheme
The Scheme provides financial assistance to private sector exporting companies to cover part of their initial expenses in respect of the following export promotion activities:

a) Participation in training courses, symposia, seminars and workshops in all aspects of export promotion
b) Advertising and publicity campaigns in foreign markets
c) Export market research and studies
d) Production design and consultancy
e) Participation in trade missions, buyer-oriented activities, overseas trade fairs, exhibitions and sales promotion
f) Cost of collecting trade information, and
g) Backing up the development of export oriented industries.

(iv) Trade Liberalization Scheme (TLS) of Economic Community of West African States (ECOWAS)
This is an export liberalization incentive that focuses on the ECOWAS sub-region. The Scheme is an incentive primarily geared towards export activities within the ECOWAS sub-region. The objective is to significantly expand the volume of intra-community trade in the sub-region via the removal of both tariff and non-tariff barriers to trade in good originating from ECOWAS countries. This affords preferential access to the ECOWAS market from Nigeria.

(v) OIL AND GAS FREE ZONE

The Oil and Gas Export Free Zone Act No. 8 of 1996 established an Oil and Gas Free Zone Authority to manage, control and co-ordinate all the activities within the zone. This zone encompasses three oil and gas service centres around the ports of Onne (near Port Harcourt), Calabar and Warri. All three ports have enhanced stacking and warehousing facilities awaiting subscribers. Incentives and fiscal measures approved by government that favour and encourage large investments in the region include:

· No personal income tax
· 100% repatriation of capital and profit
· No pre-shipment inspection for goods imported into the free zone.

(vi) NIGERIA EXPORT PROCESSING ZONES

The Federal Government of Nigeria has passed an aggressive Free Zone Law which has created a business friendly environment benefiting from the following incentives:

· Complete tax holiday for all Federal, State and Local Government taxes, rates, custom duties and levies.
· One-stop approval for all permits, operating licences and incorporation papers.

· Duty-free, tax-free import of raw materials for goods destined for re-export.

· Duty-free introduction of capital goods, consumer goods, components, machinery, equipment and furniture.

· Permission to sell 100% of manufactured, assembled or imported goods into the domestic Nigerian Market.

· When selling into the domestic market, the amount of import of import duty on goods manufactured in the free zones is calculated on the basis of the value of the raw materials or components used in assembly not the finished product.

· 100% foreign ownership of investments.

· 100% repatriation of capital, profits and dividends.

· Waiver of all import and export licenses.

· Waiver on all expatriate quotas for companies operating in the zones.

· Prohibition of strikes and lockouts.

· Rent-free land during the first 6 months of construction.

TAX INCENTIVES FOR OTHER LINES OF TRADE

(i) Exemption from tax of companies profits in respect of goods exported from Nigeria provided the proceeds are repatriated to Nigeria and used exclusively for purchase of raw materials,
plants equipment and spare parts

ii) Exclusion from taxes the profits of companies whose supplies are exclusively from input to the manufacturing of products for exports.

iii) All new industrial undertakings including foreign companies and individual operating in an Export Processing Zone (EPZ) are allowed full tax holidays for three consecutive years.

iv) As a means of encouraging industrial technology, companies and other organizations that engage in research and development activities for commercialization enjoy 20% investment tax credit on their qualifying expenditure.

v) Dividends distributed by Unit in Nigeria are free of tax and no withholding tax is deducted there from since such incomes have already suffered tax in the first instance.

vi) All companies engaged wholly in fabrication of tools, spare parts and simple machinery for local consumption and export are to enjoy 25% investment tax credit on their qualifying capital expenditure while any tax payer who purchases locally manufactured plants and machinery are similarly entitled to 15% investment tax credit on such fixed assets bought for use.

OTHER INCENTIVES, BENEFITS AND GUARANTEES

(i) INCENTIVES FOR SPECIAL INVESTMENT

For the purpose of promoting identified strategic or major investment, the Commission shall, in consultation with appropriate Government agencies, negotiate specific incentive packages for the promotion of investment as the Commission may specify.

(ii) DOUBLE TAXATION AGREEMENTS

In the last few years, double taxation agreements have been entered into by Nigeria with a number of countries. These agreements are entered into with a view to affording relief from double taxation in relation to taxes imposed on profit taxable in Nigeria and any taxes of similar character imposed by the law of the country concerned.

The method of relief from double taxation under Nigeria's tax treaties is by way of a "tax credit". The mechanism of the tax credit is such that the tax payable in Nigeria on profits of a Nigeria Company being remitted into the country is reduced by the amount of "foreign tax" paid abroad. The converse is equally true where an overseas company receives profits from abroad. Nigeria has DTA with the following countries:

- UK;
- France;
- Netherlands;
- Belgium;
- Pakistan;
- Canada;
- Czech Republic;
- Philippines; and
- Romania.

Negotiations are in progress at various stages with other countries like Turkey, Russia, India, and Korea.

Other countries have indicated their interest to commence negotiation of tax treaties with Nigeria. As a concession to Nigeria's treaty partners, government has approved a lower treaty rate of 7.5 on dividends, interest, rent and royalties when paid to a bonafide beneficial owner of a treaty country.

(iii) INVESTMENT PROMOTION AND PROTECTION AGREEMENT (IPPA)

As part of additional effort to foster foreign investors' confidence in the Nigeria economy, Government continues to enter into bilateral investment promotion and protection agreements (IPPAs) with countries that do business with Nigeria. The IPPA helps to guarantee the safety of the investment of the contracting parties in the event of war, revolution, expropriation or nationalisation. It also guarantees investors the transfer of interests, dividends, profits and other incomes as well as compensation for dispossession or loss. To this end, Nigeria has concluded and signed IPPAs with:

- France;
- United Kingdom;
- Netherlands;
- Romania;
- Switzerland;
- Spain;
- South Africa; etc.

Negotiations with the United States of America, Belgium, Sweden and the Russian Federation are at various stages.

(iv) LIBERALISATION OF OWNERSHIP STRUCTURE

The government in repealing the Nigerian Enterprises Promotion Act of 1972 (Amended in 1977 and in 1989) and promulgating the Nigerian Investment Promotion Commission Act of 1995 has liberalized the ownerships structure of business in Nigeria. The implication of this is that foreigners can now own 100% shares in any company as opposed to the earlier arrangement of 60%-40% in favour of Nigerians.

(v) REPATRIATION OF PROFIT

Under the provisions of the Foreign Exchange (Monitoring & Miscellaneous Provision Act No. 17 of 1995), foreign investors are free to repatriate their profits and dividends net of taxes through an authourised dealer in freely convertible currency.

(vi) GUARANTEES AGAINST EXPROPRIATION

The Nigerian Investment Promotion Commission Act guarantees that no enterprise shall be nationalized or expropriated by any government in Nigeria.

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