

GENERAL 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, others are limited to some specific sectors. The nature and application of these incentives have been considerably simplified. The incentives include:

(i)	COMPANIES	INCOME	TAX
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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
1. Pioneer 1	Completed
2. Pioneer 2	In Progress
3. Pioneer 3	Planned
4. Pioneer 4	Completed
5. Pioneer 5	In Progress
6. Pioneer 6	Planned
7. Pioneer 7	Completed
8. Pioneer 8	In Progress
9. Pioneer 9	Planned
10. Pioneer 10	Completed
11. Pioneer 11	In Progress
12. Pioneer 12	Planned
13. Pioneer 13	Completed
14. Pioneer 14	In Progress
15. Pioneer 15	Planned
16. Pioneer 16	Completed
17. Pioneer 17	In Progress
18. Pioneer 18	Planned
19. Pioneer 19	Completed
20. Pioneer 20	In Progress
21. Pioneer 21	Planned
22. Pioneer 22	Completed
23. Pioneer 23	In Progress
24. Pioneer 24	Planned
25. Pioneer 25	Completed
26. Pioneer 26	In Progress
27. Pioneer 27	Planned
28. Pioneer 28	Completed
29. Pioneer 29	In Progress
30. Pioneer 30	Planned
31. Pioneer 31	Completed
32. Pioneer 32	In Progress
33. Pioneer 33	Planned
34. Pioneer 34	Completed
35. Pioneer 35	In Progress
36. Pioneer 36	Planned
37. Pioneer 37	Completed
38. Pioneer 38	In Progress
39. Pioneer 39	Planned
40. Pioneer 40	Completed
41. Pioneer 41	In Progress
42. Pioneer 42	Planned
43. Pioneer 43	Completed
44. Pioneer 44	In Progress
45. Pioneer 45	Planned
46. Pioneer 46	Completed
47. Pioneer 47	In Progress
48. Pioneer 48	Planned
49. Pioneer 49	Completed
50. Pioneer 50	In Progress
51. Pioneer 51	Planned
52. Pioneer 52	Completed
53. Pioneer 53	In Progress
54. Pioneer 54	Planned
55. Pioneer 55	Completed
56. Pioneer 56	In Progress
57. Pioneer 57	Planned
58. Pioneer 58	Completed
59. Pioneer 59	In Progress
60. Pioneer 60	Planned
61. Pioneer 61	Completed
62. Pioneer 62	In Progress
63. Pioneer 63	Planned
64. Pioneer 64	Completed
65. Pioneer 65	In Progress
66. Pioneer 66	Planned
67. Pioneer 67	Completed
68. Pioneer 68	In Progress
69. Pioneer 69	Planned
70. Pioneer 70	Completed
71. Pioneer 71	In Progress
72. Pioneer 72	Planned
73. Pioneer 73	Completed
74. Pioneer 74	In Progress
75. Pioneer 75	Planned
76. Pioneer 76	Completed
77. Pioneer 77	In Progress
78. Pioneer 78	Planned
79. Pioneer 79	Completed
80. Pioneer 80	In Progress
81. Pioneer 81	Planned
82. Pioneer 82	Completed
83. Pioneer 83	In Progress
84. Pioneer 84	Planned
85. Pioneer 85	Completed
86. Pioneer 86	In Progress
87. Pioneer 87	Planned
88. Pioneer 88	Completed
89. Pioneer 89	In Progress
90. Pioneer 90	Planned
91. Pioneer 91	Completed
92. Pioneer 92	In Progress
93. Pioneer 93	Planned
94. Pioneer 94	Completed
95. Pioneer 95	In Progress
96. Pioneer 96	Planned
97. Pioneer 97	Completed
98. Pioneer 98	In Progress
99. Pioneer 99	Planned
100. Pioneer 100	Completed

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 takes the form of five-years tax holiday 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 ₦150,000.00. 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.

(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 (%)
i)	Building Expenditure	5	10 per Annum
li)	Industrial Building Expenditure	15	10
lii)	Mining	20	0
Iv)	Plant excluding furniture and fittings	20	10
v)	Furniture and Fittings	15	10

Vi)	Motor Vehicle Expenditure	25	20
Vii)	Plantation equipment expenditure	20	33
Viii)	Housing Estate Expenditure	20	10
Ix)	Ranching and Plantation Expenditure	25	15
x)	Research and Development Expenditure	25	12
Xi)	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%