COMPENDIUM OF INVESTMENT INCENTIVES IN NIGERIA

NIGERIAN INVESTMENT PROMOTION COMMISSION

AND

FEDERAL INLAND REVENUE SERVICE

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PREFACE

This ***Compendium of Investment Incentives in Nigeria*** is the product of a collaboration between Nigerian Investment Promotion Commission and Federal Inland Revenue Service. It is published pursuant to the provisions of Section 4(i) of the NIPC Act, which requires NIPC to "provide and disseminate up-to-date information on incentives available to investors" in Nigeria.

The Compendium is a compilation of fiscal incentives in Nigerian tax laws and sector-wide fiscal concessions duly approved by the Federal Government and supported by legal instruments. This first edition is based on the 2016 Fiscal Policy and covers 5 sectors.

NIPC is working with other agencies of government to increase awareness of investment opportunities in Nigeria amongst investors, to promote investments in Nigeria to domestic and foreign investors, and to facilitate new and incremental investments. FIRS, as the agency mandated to ensure accurate collection of taxes, administers and implements exemptions and concessions that have been gazetted, including most of the incentives covered in this Compendium.

This Compendium will be updated periodically, as more incentives are duly gazetted, as a clear demonstration of the commitment of the Federal Government to encourage investments in Nigeria. We expect to build improvements in scope and depth into future editions, and welcome suggestions to improve the content and presentation of this First Edition.

The document would not have been possible without the support of the Honourable Minister of Industry, Trade and Investment, Dr Okechukwu Enelamah, the Honourable Minister of Finance, Mrs Kemi Adeosun, and the Honourable Minister of State for Industry, Trade and Investment, Mrs Aisha Abubakar.

This Compendium is aimed at raising awareness of investment incentives in Nigeria, the relevant administering agencies, and should serve as a useful guide in making informed investment decisions.

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DEFINITIONS

ACGS	Agricultural Credit Guarantee Scheme
CAC	Corporate Affairs Commission
CGTA	Capital Gains Tax Act CAP. C1 LFN 2004
CKD	Completely Knocked Down
CITA	Companies Income Tax Act CAP. C21 LFN 2004, as amended 2007
DTA	Double Taxation Agreement
ECC	Export Credit Certificates
EEGS	Export Expansion Grant Scheme
ETLS	ECOWAS Trade Liberalization Scheme
FBU	Fully Built Unit
FIRS	Federal Inland Revenue Service
FZO	Free Zone (Tariff and Other Charges) Order, 2015
IDITRA	Industrial Development (Income Tax Relief) Act, CAP. I7 LFN 2004
IPPA	Investment Promotion & Protection Agreement
LFN	Laws of the Federation of Nigeria
MIGA	Multilateral Investment Guarantee Scheme
NEPZA	Nigerian Export Processing Zones Authority
NEPZA Act	Nigerian Export Processing Zones Authority Act CAP. N107 LFN 2004
NIPC	Nigerian Investment Promotion Commission
NIPC Act	Nigerian Investment Promotion Commission Act CAP. N117 LFN. 2004
OGFZA	Oil and Gas Free Zone Authority
OGFZA Act	Oil and Gas Export Free Zone Act CAP. O5 LFN. 2004
PITA	Personal Income Tax Act CAP. P8 LFN 2004
PPTA	Petroleum Profit Tax Act CAP. P13 LFN 2004
SKD	Semi Knocked Down
TIN	Tax Identification Number
VAT	Value Added Tax
VAT Act	Value Added Tax Act, CAP. V1 LFN 2004

1: INVESTMENT POLICIES AND PROTECTIONS

1.1: NIGERIAN INVESTMENT PROMOTION COMMISSION ACT

100% Ownership

Sections 17 & 18 NIPC Act liberalise ownership of investment by any national in any enterprise except enterprises with activities listed on the 'negative list' which are prohibited for both foreign and Nigerian investors.
The 'negative list' includes:
(a) production of arms, ammunition, etc;
(b) production of and dealing in narcotic drugs and psychotropic substances;
(c) production of military and para-military wears and accoutrement, including those of the Police and the Customs, Immigration and Prison Services; and
(d) such other items as the Federal Executive Council may, from time to time, determine.

Special incentives

Section 22 NIPC Act empowers the NIPC to negotiate, in consultation with appropriate Government agencies, special incentives for strategic or major investments.

Free transferability of capital and returns

Section 24 NIPC Act provides that a foreign investor in an enterprise, to which the Act applies, shall be guaranteed unconditional transferability of funds through an authorized dealer in a freely convertible currency, of:
(a) dividends or profits (net of taxes) attributable to the investment;
(b) payments in respect of loan servicing where a foreign loan has been obtained; and
(c) the remittances of proceeds (net of all taxes), and other obligations in the case of sale or liquidation of the enterprise or any interest attributable to the investment.

Protection against nationalisation and expropriation

Section 25 NIPC Act provides guarantees to investors against nationalisation and expropriation. Where an acquisition is made in national interest or for public purpose, the investor shall be entitled to:
(a) payment of fair and adequate compensation;
(b) a right of access to courts for the determination of the investor's interest or amount of compensation to which the investor is entitled; and
(c) payment of compensation without undue delay, and authorisation for its repatriation in convertible currency, where applicable.

Recourse to international arbitration

Section 26 NIPC Act grants a foreign investor the option of recourse to international arbitration machinery for the settlement of disputes. Where there is disagreement on the method of dispute settlement to be adopted, the International Centre for Settlement of Investment Disputes Rules shall apply.

1: INVESTMENT POLICIES AND PROTECTIONS

1.2: Bilateral Investment Treaties

Double taxation agreements
The agreements make provisions for the elimination of double taxation with respect to taxes on income and capital gains. **Section 41 CGTA** provides that any arrangement set out in an order made under Section 38 PITA and Section 45 CITA so far as they provide (in whatever terms) for relief from tax chargeable in Nigeria on capital gains by virtue of this section, have effect in relation to CGT. Partners: Belgium, Canada, China, Czech, France, Italy (Airline & Shipping only), Pakistan, Philippines, Romania, Slovak, South Africa, The Netherlands, United Kingdom.

Investment promotion and protection agreement
An IPPA seeks reciprocal promotion and protection of investments by individuals and companies in the territories of participating States. An IPPA provides the baseline minimum protections for foreign investments. Partners: China, Finland, France, Germany, Italy, Korea Republic, Netherlands, Romania, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan Province of China, United Kingdom.

ECOWAS Trade Liberalization Scheme
ECOWAS Treaty is a multilateral agreement executed by 15 countries in West Africa to enhance and accelerate economic and social development in the region. Further to the Treaty, ECOWAS set up ETLS as an operational tool to promote and facilitate trade within the region. This Scheme provides for: (a) abolition of customs duties levied on imports and exports of goods produced and moving among member states; and (b) abolition of non-tariff barriers among members states to facilitate free movement of goods and services across member states. Partners: Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo

Commonwealth Tax Relief	
Nigeria is a member of the Commonwealth, and, as part of its independent policy to foster the relationship among other commonwealth nations, Nigeria provides in **Section 44 CITA** a tax relief for profits earned in Commonwealth countries which are also liable to tax in Nigeria. Nigerian companies shall be subject to the Commonwealth tax rate, subject to a cap of half of the Nigerian tax rate.	
Administering Agency: - Federal Inland Revenue Service	***Eligibility:*** *i. It is subject to reciprocal protections in the laws of the relevant Commonwealth country and Republic of Ireland; and* *ii. Any claim for relief from tax for any year of assessment under this section shall be made no later than six years after the end of that year.*

2: GENERAL TAX BASED INCENTIVES

Tax based incentives are covered under different laws and in different forms e.g. reliefs, credits, exemptions, allowances, breaks/holidays, drawbacks, etc. Those highlighted below have been categorized based on the underlying law.

2.1: TAX BASED INCENTIVES: PERSONAL INCOME TAX ACT

Administering Agencies:
- Federal Inland Revenue Service
- State Boards of Internal Revenue Service

Tax credit allowable against tax payable on income derived from outside Nigeria

Section 11 PITA: where a resident derives income from a source outside Nigeria and the income is brought into Nigeria through Government approved channels, he shall be allowed a tax credit against the tax payable by him, but the tax credit shall not exceed the proportion of his total tax for the year of assessment which that income derived from outside and brought into Nigeria bears to his aggregate income chargeable to tax in Nigeria.

Consolidated relief allowance

Section 33 (1) PITA allows a Consolidated Relief Allowance of N200,000 subject to a minimum tax of 1% of gross income whichever is higher, with the balance taxable in accordance with the Income table in the Sixth schedule to this Act.

Returns not to be filed where income is N30,000 or less

Section 43 PITA: no return of income shall be filed by a person whose only source of income in any year of assessment is employment in which he earns N30,000 or less from that source.

Income exempted

Section 19(1) PITA specifies several incomes that are exempted from tax, in the Third Schedule to the Act.

Exemption of interest on loan granted by banks

Section 19(7) PITA exempts interest on any loan granted by a bank to a person engaged in:

(a) agricultural trade or business; and
(b) the fabrication of any local plant and machinery.

Exemption of dividend from tax

The Third Schedule PITA lists incomes exempted from Personal Income Tax Paragraph 25 of the Third Schedule PITA exempts some dividends from tax:

(a) Dividends paid to a person by a company incorporated in Nigeria, provided that:
   - the equity participation of the person in the company paying the dividends is either wholly paid for in foreign currency or by assets brought into Nigeria between 1 January 1987 and 31 December 1992; and
   - the person to whom the dividends are paid owns not less than 10 per cent of the equity share capital of the company.

(b) For the purpose of the exemption referred to in 1), the dividend tax-free period shall commence from the year of assessment following the year in which the new capital is brought into Nigeria for the real purpose of the trade or business in Nigeria of the company paying the dividends and shall continue for five years if the company paying the dividends is engaged in agricultural production within Nigeria or processing of Nigerian agricultural products produced within Nigeria or production of petrochemicals or liquefied natural gas, and in any other case, the tax-free period shall be limited to three years.

2: GENERAL TAX BASED INCENTIVES

2.2: TAX BASED INCENTIVES: CAPITAL GAINS TAX ACT

Administering Agency:
- Federal Inland Revenue Service

Applicable Rate: 10%

Exemption on retirement benefits schemes

Section 28 CGTA: a gain shall not be a chargeable gain if income is accrued:
(a) as part of any superannuation fund (retirement or benefits fund) approved under **Section 20 PITA;**
(b) as part of any national provident fund or other retirement schemes established under the provisions of any Act or enactments for employees throughout Nigeria;
(c) of any of those funds that is exempt under paragraph (w) of the Third Schedule of PITA and;
(d) as a result of the disposal of a right to, or to any sum payable out of any superannuation fund.

Exemption of gains accruing on securities, stocks, shares

Section 30 CGTA: gains accrued to a person from disposal by him of Nigerian Government securities, stocks and shares shall not be chargeable gains.

Tax exemption on gain arising from take-overs, absorption or merger

Section 32 CGTA: gains arising from acquisition of shares either taken over, absorbed or merged by another company as a result of which the acquired company loses its identity as a limited company, provided no cash was exchanged in respect of the shares.

Tax exemption on proceeds re-invested

Section 33 CGTA: gains accruing to unit holders in a trust in respect of disposal of securities, shall not be chargeable on tax provided the proceeds are re-invested.

Double taxation relief

Section 41 CGTA: Any arrangement set out in an order made under Section 38 PITA and Section 45 CITA so far as they provide (in whatever terms) for relief from tax chargeable in Nigeria on capital gains by virtue of this section, have effect in relation to CGT.

2.3: TAX BASED INCENTIVES: COMPANIES INCOME TAX ACT

Applicable Rate: **30%**

Pioneer status incentive

Under IDITRA, companies engaged in industries/products approved as 'pioneer industries/products' shall be
(a) granted income tax relief for a period of three years, which can be extended for a period of one year and thereafter another one year, or for one period of two years **(Section 10(2)(a)(b) IDITRA)**;
(b) exempted from paying tax on dividends paid by the pioneer company during the pioneer period to the extent that they are paid out of income exempted from tax **(Section 17(3) IDITRA); and**
(c) the loss incurred during the tax relief period is also deemed to be incurred on the first day following the expiration of the tax relief period and can be carried forward to offset profits after the tax-exempt period.

Administering Agencies:	*Eligibility:*
- Nigerian Investment Promotion Commission - Industrial Inspectorate Department, Federal Ministry of Industry, Trade and Investment - Federal Inland Revenue Service	*i. applications must be made within the first year of operational activities.* *ii. applicant must be engaged in activities listed as pioneer industry or product. Kindly refer to the qualified list of industries and products on NIPC's website.* *iii. a non-current tangible asset of over one hundred million naira (N100 million) shall be deemed as satisfiable.* *iv. 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.* *v. applicant must provide evidence of all required legal and regulatory compliance documentation.* *vi. applicant must make full payment of fees promptly, when due.* *vii. during the pioneer period, a performance report must be submitted to NIPC annually for monitoring and evaluation purposes.* *Application guidelines available on NIPC website*

Interest on bonds and short-term securities, and proceeds of the disposal of Government and corporate securities

CIT (Exemption of Bonds and Short Term Government Securities) Order 2011 provides tax exemption for interest earned on:

i. short term Federal Government securities such as treasury bills and promissory notes
ii. bonds issued by Federal, State and Local Government and their agencies
iii. bonds issued by corporate bodies including supra-nationals

for a period of 10 years, with the exception of bonds issued by the Federal Government, which shall continue to v enjoy such exempt from tax effective from 2011.
Interest on bonds.

Administering Agency:
- Federal Inland Revenue Service

Exemption of interest on loan

Section 11(2) CITA provides exemption from tax interest on any loan granted by a bank to a company engaged in:
(a) agricultural trade or business; or
(b) the fabrication of any local plant and machinery; or
(c) providing working capital for any cottage industry.

Administering Agency:	*Eligibility*:
- Federal Inland Revenue Service	*i. the moratorium shall not be less than 18 months; and* *ii. the rate of interest on the loan shall not be more than the base lending rate at the time the loan was granted.*

2: GENERAL TAX BASED INCENTIVES

Exemption of profits

Section 23(1) CITA: exempts the profits of the following companies from tax:

(a) a statutory or registered friendly society, in so far as such profits are not derived from a trade or business carried on by such society;
(b) a co-operative society registered under any enactment or law relating to co-operative societies;
(c) engaged in ecclesiastical, charitable or educational activities of a public character;
(d) formed for the purpose of promoting sporting activities;
(e) being a trade union registered under the Trade Unions Act;
(f) dividend distributed by Unit Trust;
(g) a body corporate established by or under any Local Government Law or Edict in force in any State in Nigeria;
(h) body corporate being a purchasing authority established by an enactment and empowered to acquire any commodity for export from Nigeria from the purchase and sale (whether for the purposes of export or otherwise) of that commodity;
(i) company or any corporation established by the law of a State for the purpose of fostering the economic development of that State.
(j) a company other than a Nigerian company which, but for this paragraph, would be chargeable to tax by reason solely of their being brought into or received in Nigeria;
(k) dividend, interest, rent, or royalty derived by a company from a country outside Nigeria and brought into Nigeria through Government approved channels;
(l) the interest on deposit accounts of a foreign non-resident company;
(m) the interest on foreign currency domiciliary account in Nigeria;
(n) dividend received from small companies in the manufacturing sector in the first five years of their operation;
(o) dividend received from investments in wholly export-oriented businesses;
(p) any Nigerian company in respect of goods exported from Nigeria;
(q) a company whose supplies are exclusively inputs to the manufacturing of products for export; and
(r) a company established within an export processing zone or free trade zone.

Administering Agency:
- Federal Inland Revenue Service

Deduction for research and development

Section 26 CITA provides for the purpose of ascertaining the profit or loss of any company for any period from any source chargeable with tax under this Act, there shall be a deduction, not exceeding an amount which is equal to 10% of the total profits of that company for that year as ascertained before any deduction is made under this section and Section 25 of CITA.
Companies and other organisations engaged in research and development activities for commercialization shall be allowed 20% investment tax credit on their qualifying expenditure for that purpose.

Administering Agency:
- Federal Inland Revenue Service

Reconstruction investment allowance

Section 32 CITA makes available to a company an investment allowance of 10% of the actual expenditure incurred on plant and equipment, in addition to an initial allowance under the Second Schedule of the Act.

Administering Agency:
- Federal Inland Revenue Service

2: GENERAL TAX BASED INCENTIVES

Rural investment allowance

Section 34 CITA provides that where a company incurs capital expenditure on the provision of facilities such as electricity, water or tarred road for the purpose of a trade or business, such company shall enjoy an additional allowance under the Second Schedule of CITA at the appropriate rate as follows:

No facilities at all	100%	No water	30%
No electricity	50%	No tarred road	15%

Administering Agency:
- Federal Inland Revenue Service

Eligibility:
- i. *the company must be located at least 20 kilometres away from such facilities provided by the government;*
- ii. *cannot be enjoyed if already enjoyed provision of Section 32: Reconstruction investment allowance;*
- iii. *allowance can only be applied against the profit of the year in which such investment (facility) was completed.*

Gas utilization: Investment allowance

For companies in gas utilization (downstream operations), an additional investment allowance of 35% (which shall not reduce the value of the asset) is allowed, as an alternative to the initial tax-free period granted under **Section 39(b) CITA.**

Administering Agency:
- Federal Inland Revenue Service

Eligibility:
A company which claims the incentive shall not also claim the tax-free dividend during the tax-free period

Gas utilization: Accelerated capital allowance

Section 39(c) CITA provides for accelerated capital allowance after the tax-free period for companies in gas utilization (downstream operations), as follows:
- i. an annual allowance of 90% with 10% retention, for investment in plant and machinery
- ii. an additional investment allowance of 15% which shall not reduce the value of the asset

Administering Agency:
- Federal Inland Revenue Service

Gas utilization: Tax-free dividend

Section 39(d) CITA provides for tax-free dividend during the tax-free period for companies in gas utilization (downstream operations).

Administering Agency:
- Federal Inland Revenue Service

Eligibility:
- i. *the investment for the business should be in foreign currency; or*
- ii. *the introduction of imported plant and machinery during the period should not be less than 30% of the equity share capital of the company*

Gas utilization: Interest deduction

Subject to obtaining prior approval of the Minister of Petroleum Resources for such loan, **Section 39(e) CITA** provides that interest payable on any loan obtained for a gas project shall be deductible

Administering Agency:
- Federal Inland Revenue Service

Investment tax relief

Sections 40 CITA provides that where a company has incurred an expenditure on electricity, water, tarred road or telephone for the purpose of a trade or business carried on by the company, the company shall be allowed an "investment tax relief" at the following rates of expenditure:

No facilities at all	100%	No water	30%
No electricity	50%	No tarred road	15%

Administering Agency:
- Federal Inland Revenue Service

Eligibility:
- i. *the company must be located at least 20 kilometres away from such facilities provided by the government;*
- ii. *the relief shall be for each year expenditure is incurred on each of such facilities;*

	iii. a company shall not be allowed to claim the investment tax relief for more than 3 years; and *iv. the relief shall not be available to a company already granted the Pioneer Status.*

20% Income tax rate for companies with turnover less than ₦1 million

Section 40(6) CITA provides for a lower rate of tax of 20% payable by companies in the preferred sector of the economy such as agriculture, manufacturing, solid minerals or wholly export trade for the first 5 years of commencement of business, where the turnover is less than ₦1 million.

Administering Agency:
Federal Inland Revenue Service

2.4: Tax Based Incentives: Value Added Tax Act

Applicable Rate: 5%

Exemption from value added tax

Sections 2 & 3 First Schedule VAT Act list the goods and services exempted from VAT:

Part 1. Goods

(a) All medical and pharmaceutical products;
(b) Basic food items;
(c) Books and educational materials;
(d) Baby products;
(e) Fertilizer, locally produced agricultural and veterinary medicine, farming machinery and farming transportation equipment;
(f) All exports;
(g) Plants and machinery imported for use in Export Processing Zones;
(h) Plants, machinery and equipment purchased for utilization in gas down-stream petroleum operations; and
(i) Tractors, ploughs and agricultural equipment and implements purchased for agricultural purposes.

Part 2. Services

(a) Medical services;
(b) Services rendered by Community Banks, Peoples' Bank and Mortgage institutions;
(c) Plays and performances conducted by educational institutions as part of learning; and
(d) All exported services

Administering Agency:
- Federal Inland Revenue Service

Exemption of commissions on stock exchange transactions

Part II First Schedule VAT Act is modified in VAT (Exemption of Commissions on Stock Exchange Transactions) Order, 2014. The order shall be in force for a period of 5 years.

There is an exemption from VAT on commissions from the following:

(a) earned on traded value of shares;
(b) payable to Securities and Exchange Commission;
(c) payable to Nigerian Stock Exchange; and
(d) payable to the Central Securities Clearing System on stocks.

Administering Agency:
- Federal Inland Revenue Service

3: SECTOR SPECIFIC INCENTIVES

3.1: AGRICULTURE/AGRO-ALLIED

Ministry: Federal Ministry of Agriculture and Rural Development

Enhanced capital allowance (tax depreciation) regime

(a) 95% capital allowance is enjoyed in the year a qualifying expenditure is incurred pursuant to **Paragraph 24 Table 1 & 2 Second Schedule of CITA**
(b) Companies engaged in wholly agricultural activities are entitled to unrestricted capital allowances pursuant to **Paragraph 24 (7) CITA**
(c) Companies engaged in wholly agricultural activities are entitled to carry forward unutilized capital allowances indefinitely.

Administering Agency:
- Federal Inland Revenue Service

Agricultural credit guarantee scheme fund: loan guarantee of up to 75%

This fund provides guarantees on the payment of interest and principal in respect of loans granted by any bank for certain agricultural purposes with the aim of increasing the level of bank credit to the agricultural sector.

Administering Agencies:	***Eligibility:***
- Nigeria Incentive-Based Risk Sharing System for Agricultural Lending - Commercial banks	*Applicants must apply for the loan for purposes connected with:* *i. Establishment or management of plantation for the production of rubber, oil palm, cocoa, coffee, tea and similar crops* *ii. The cultivation or production of cereal crops, tubers and fruits of all kinds, cotton, beans, groundnuts, sheanuts, beniseed, vegetables, pineapples, bananas and plantains* *iii. Animal husbandry*

Exemption from minimum Corporate Income Tax

Section 33(3) a CITA, exempts the income of a company carrying on agricultural trade from payment of minimum tax.

Administering Agency:
- Federal Inland Revenue Service

Indefinite carry forward of losses

Section 31(3) CITA allows companies engaged in agricultural trade or business to carry forward their losses indefinitely.

Administering Agency:
- Federal Inland Revenue Service

3: SECTOR SPECIFIC INCENTIVES

3.2: SOLID MINERALS

Ministry: Federal Ministry of Mines and Steel Development

Exemption from Companies Income Tax
Section 36 CITA provides that a new company going into the mining of solid minerals shall be exempt from tax for the first three years of its operation.
Administering Agency: - Federal Inland Revenue Service

95% accelerated capital allowance	
Second Schedule CITA provides accelerated capital allowance at 95% of qualified capital expenditure on Mining in the first year of use of the asset.	
Administering Agency: - Federal Inland Revenue Service	***Eligibility:*** *All companies that incur qualifying capital expenditure on mining*

3.3: MANUFACTURING

Ministry: Federal Ministry of Industry, Trade & Investment

Interest drawback program fund for cassava processing	
60% repayment of interest paid by those who borrow from banks under ACGS for the purpose of cassava production and processing	
Administering Agencies: - Nigeria Incentive-Based Risk Sharing System for Agricultural Lending - Central Bank of Nigeria	***Eligibility***: *i. Certified investor business plan by NIRSAL* *ii. Ability to repay back the loan granted under ACGS.*

3.4: TOURISM/HOSPITALITY

Ministry: Federal Ministry of Information and Culture
Sector Regulator: Nigerian Tourism Development Corporation

25% of income in convertible currencies exempted from tax
Section 37 CITA provides that such income must be generated from tourists and be put in a reserved fund to be utilized within 5 years for the building and expansion of new hotels, conference centres and new facilities for the purpose of tourism development.
Administering Agency: - Federal Inland Revenue Service

3.5: OIL & GAS

Ministry: Federal Ministry of Petroleum Resources
Sector Regulator: Department of Petroleum Resources

Graduated royalty rates approved for oil companies

Graduated royalty rates approved for oil companies

(a) On shore production - 20%
(b) Production in territorial waters and continental shelf areas up to 100 meters Water depth – 18.5%
(c) Production in territorial waters of continental shelf areas beyond 100 meters – 16.67%
(d) For production sharing contract for deep offshore operation, the royalty rates are:

Up to 200 metres water depth	16.67%	800 – 1,000 metres water depth	4%
201 - 500 metres water depth	12%	Above 1,000 metres water depth	0%
501 - 800 metres water depth	8%		

Petroleum Act Section 5 of Deep Offshore and Inland Basin Production Sharing Contracts Act CAP. D3 LFN 2004 as amended provides royalty rates payable in respect of deep offshore contracts

Administering Agency:
- Federal Inland Revenue Service

Investment tax credit allowance

Section 22 PPTA: Investment tax credit allowance is granted in accordance with the provisions of the production sharing contract. The investment tax credit rate applicable to the contract area is 50% of chargeable profit for the duration of the production sharing contract.

Administering Agency:
- Federal Inland Revenue Service

Eligibility

i. The incentive is available to all the crude oil producing companies which signed the production sharing contract agreements with the NNPC (for deep offshore oil exploration and production) in 1993. It commenced in 1999.
ii. The companies will be entitled to this allowance throughout the duration of the production sharing contract.
iii. In computing the tax payable, the investment tax credit shall be applicable in full to petroleum operations in the contract area such that the chargeable tax is the amount of the assessable tax less the investment tax credit.

The chargeable tax shall be split between the NNPC and the crude oil producing company in accordance with the proportion of the percentage of profit oil split.

Allowable deductions

Chargeable tax is the amount of tax paid after deduction of allowable deductions made pursuant to the provisions of **Section 10 PPTA.** Allowable deductions are treated as charges against income and not as tax offsets and are wholly incurred in the process of petroleum operations.

Administering Agency:
- Federal Inland Revenue Service

Eligibility:

Allowable deductions include the following:

i. Rent incurred by the IOC for the period in respect of land or buildings occupied under an oil prospecting license or an oil mining lease for disturbance of surface tights or for any other like disturbance.
ii. All non-productive rents, the liability for which was incurred by the IOC during the period.
iii. All royalties, the liability for which was incurred by the company during that period in respect of natural gas sold and actually delivered to the NNPC, or sold to any other buyer or customer or disposed of any other commercial manner.
iv. All royalties, the liability for which was incurred by the company during that period in respect of crude oil or of casing head petroleum spirit won in Nigeria.
v. All sums, the liability for which was incurred by the IOC to the Federal Government of Nigeria during that period by way of customs or excise duty or other like charge levied in respect of machineries, equipment and goods used in the company's petroleum operation.
vi. Sums incurred by way of interest upon any money borrowed by such company, where the board is satisfied that the interest was payable in capital employed in carrying on its petroleum operations.

4: TARIFF BASED INCENTIVES

Administering Agencies:
- Federal Ministry of Finance
- Federal Inland Revenue Service
- Nigeria Customs Service

Agriculture: Agriculture, Agro-allied and Agro-processing

0% Import duty on agriculture equipment and machinery HS Headings 84, 85 and 90
0% Import duty rate greenhouse equipment has been classified as agricultural equipment HS Heading 94.06

Agriculture: Agricultural Commodities

10% Import duty rate and 20% Levy on husked brown rice HS 1006.20.00.00

Transportation: Aviation

0% Import duty on commercial aircraft HS Heading 88 only for registered commercial aircraft operators

Power: Electricity Generation, Distribution and Transmission

0% Import duty on equipment & machinery in the power sector HS Headings 84, 85 and 90

Solid Minerals: Mineral Mining

0% Import duty on equipment & machinery in the mineral mining sector HS Headings 84, 85 and 90

Manufacturing: Sugar Processing

5% Import duty rate and 5% levy on raw sugar import for local processing HS 1701.11.00.00 – 1701.12.00.00 *Available to sugar refineries that are signed onto the backward integration policy of Government on sugar development*

Manufacturing: Iron & Steel

0% Import duty rate on importation of billets HS 7207.11.00.00 and 7207.19.00.00
0% Import duty rate on importation of hot rolled steel sheets/coils HS Heading 72.08

Manufacturing: Automotive Design and Development

35% Import duty rate and 0% levy on concessionary FBU import by assembly plants (APs): Importation of FBU cars HS Heading 87.03 *equal to their CKD/SKD imports for the period of 2016 – 2018. Half of their imported CKD/FBU kits for the period of 2019 – 2024*
20% Import duty rate and 0% levy on concessionary FBU import by assembly plants (APs): Importation of FBU commercial vehicles HS Heading 87.02, 87.04, 87.05, 87.06, 87.07 and 87.16 *equal to their CKD/SKD imports for the period of 2016 – 2018.Half of their imported CKD/FBU kits for the period of 2019 – 2024*
5% Import duty rate on local tyre manufacturing plants: Importation of tyres *equal to twice the production for two years from the date of commencement of production*

General requirements to access tariff based incentives

(a) Evidence of registration with the Corporate Affairs Commission;
(b) Tax compliance by means of Tax Identification Number; and
(c) Certification by relevant Ministry (where applicable) – agriculture, automotive, greenhouses and power.

5: EXPORT INCENTIVES

Ministry: Federal Ministry of Industry, Trade and Investment
Regulator: Nigerian Export Promotion Council

Export expansion grant scheme

Export (Incentives and Miscellaneous Provisions) Act, No. 65 of 1992, Cap. E19, Laws of the Federation of Nigeria (LFN) provides for a post-shipment incentive designed to improve the competitiveness of Nigerian products and commodities and expand the country's volume and value of non-oil exports.

Validity for EEG Application

- Qualifying export transaction must have the proceeds fully repatriated within **300 days**, calculated from the date of export and as approved by the EEG Implementation Committee

Incentives Rate

- The scheme operates a 'Weighted Eligibility Criteria' to assess applications
- The Weighted Eligibility Criteria has four bands: 15%, 10%, 7.5%, and 5%

Eligibility Criteria	Threshold	Weight
Local Value added	30%	20%
Local Content	70%	20%
Employment (Nigerians)	500	10%
Export growth	5%	35%
Capital Investment	10%	15%

Export Credit Certificate

The grant computed shall be settled by issuing negotiable tax credit known as ECC, to the beneficiaries. The instrument can be used to settle all Federal Government taxes such as company income tax, VAT, WHT.

Administering Agency:

- Nigerian Export Promotion Council

***Eligibility*:**

Exporter must:

1. *be registered with Corporate Affairs Commission;*
2. *be registered with Nigerian Export Promotion Council;*
3. *shall be a manufacturer or merchant of products of Nigerian origin intended for the export market;*
4. *have carried out formal export with its export proceeds repatriated into a domiciliary account in Nigeria and confirmed by Central Bank of Nigeria; and*
5. *submit its baseline data which includes audited Financial Statement, information on operational capacity and Export Expansion Plan to NEPC.*

6: SPECIAL ECONOMIC ZONES

6.1: EXPORT PROCESSING ZONE INCENTIVES

Ministry: Federal Ministry of Industry, Trade and Investment
Regulator: Nigeria Export Processing Zones Authority

Export processing zone incentives

For enterprises approved by NEPZA under the NEPZA Act and operating within an approved Zone:

(a) 100% foreign ownership of investment;
(b) Free transferability of capital, profits and dividends by foreign investors;
(c) Rent-free land at construction stage, thereafter rent shall be payable;
(d) All industrial undertakings including foreign companies and individuals operating in an Export Processing Zone are allowed full tax holiday from Federal, States and Local Governments;
(e) Duty-free, tax free on import of raw materials for goods destined for re-export;
(f) Waiver on all import and export licenses; and
(g) Waiver on all expatriate quotas for companies operating in the zones.

100% capital allowance

Section 35(1) CITA provides that a company which has incurred expenditure on its qualifying building and plant equipment on an approved manufacturing activity in an export processing zone shall be granted 100 percent capital allowance in any year of assessment.

Administering Agency:	***Eligibility:***
- Federal Inland Revenue Service	*A company granted capital allowance under this subsection shall not be entitled to an investment allowance under this Act*

Unlimited sale of product within the customs territory

Enterprises operating in the Zones are allowed to export into the Nigerian customs territory up to 100% of their product produced, assembled or packaged within the Zones;

Administering Agency:	***Eligibility:***
- Nigeria Customs Service	*i. There must be valid permit, and on-time payment of appropriate duties; and* *ii. Import prohibited goods assembled or packaged within the Zone without meeting the 35% local value addition requirement shall not be allowed into the Customs territory.*

Activities permitted in export processing zones

(a) Manufacturing of goods and services;
(b) Warehousing freight forwarding and customs clearance;
(c) Handling of duty free goods (transhipment, sorting, marketing, packaging, etc);
(d) Banking, stock exchange and other financial services; insurance and re-insurance;
(e) Import of goods for special services, exhibition and publicity;
(f) International commercial arbitration services; and
(g) Activities relating to integrated zones.

6: SPECIALISED ECONOMIC ZONES

6.2: OIL & GAS FREE ZONE INCENTIVES

Ministry: Federal Ministry of Industry, Trade and Investment
Regulator: Oil & Gas Free Zones Authority

Oil & gas export free zone incentives

For enterprises approved by the OGFZA under the OGFZA Act and operating within an approved Zone:

(a) 100% foreign ownership of investment;
(b) Free transferability of capital, profits and dividends by foreign investors;
(c) Rent-free land at construction stage; after which rent shall be payable;
(d) All industrial undertakings including foreign companies and individuals operating in an Oil & Gas Export Free Zone are allowed full tax holiday from Federal, States and Local Governments;
(e) Duty-free, tax free on import of raw materials for goods destined for re-export;
(f) Waiver on all import and export licenses; and
(g) Waiver on all expatriate quotas for companies operating in the zone.

100% capital allowance

Section 35(1) CITA provides that a company which has incurred expenditure in its qualifying building and plant equipment on an approved manufacturing activity in an export processing zone shall be granted 100 percent capital allowance in any year of assessment.

Administering Agency:	Eligibility:
- Federal Inland Revenue Service	*A company granted capital allowance under this subsection shall not be entitled to an investment allowance under this Act*

Unlimited export into the customs territory

Part 1, 3.7 OGFZA Regulations provides unlimited export of any product or goods manufactured, assembled, pre-packaged in the Zone into the customs territory.

Administering Agency:	Eligibility:
- Nigeria Customs Service	*i. There must be valid permit, and on-time payment of appropriate duties;* *ii. Import prohibited goods assembled or packaged within the Zone without meeting the 35% local value addition requirement shall not be allowed into the Customs territory.*

75% duty rebate

FZO 2015 provides for a 75% duty rebate on raw materials processed in the OGFZA

Administering Agencies:	Eligibility:
- Oil & Gas Export Free Zone Authority - Nigeria Customs Service	*Appropriate license must be obtained from OGFZA.*

7: ADDRESSES OF RELEVANT GOVERNMENT AGENCIES

Bank of Agriculture
Physical Address: Yakubu Gowon Way, Kaduna
Web Address: www.boanig.com

Bank of Industry
Physical Address: Plot 259, Zone AO, Off Herbert Macaulay Way, Behind Unity Bank, Central Business District, Abuja
Web Address: www.boi.ng

Central Bank of Nigeria
Physical Address: Head Office, Plot 33, Abubakar Tafawa Balewa Way, Central Business District, Cadastral Zone, Abuja
Postal Address: P.M.B. 0187, Garki, Abuja
Web Address: www.cbn.gov.ng
Email Address: info@cenbank.org

Federal Inland Revenue Service
Physical Address: Revenue House, 20, Sokode Crescent, Wuse Zone 5, Abuja
Web Address: www.firs.gov.ng
Email Address: enquiries@firs.gov.ng

Federal Ministry of Agriculture and Rural Development
Physical Address: 1, Capital Drive, Area 11, FCDA, Garki, Abuja
Web Address: www.fmard.gov.ng
Email Address: adm@fmard.gov.ng, servicom@fmard.gov.ng

Federal Ministry of Finance
Physical Address: Ahmadu Bello Way, Central Business District, Abuja
Postal Address: PMB 14, Abuja
Web Address: www.finance.gov.ng

Federal Ministry of Health
Physical Address: New Federal Secretariat Complex, Phase III, Ahmadu Bello Way, Central Business District, Abuja
Web Address: www.health.gov.ng
Email Address: info@health.gov.ng

Federal Ministry of Industry, Trade and Investment
Physical Address: Old Federal Secretariat, Area 1, Garki District, Abuja
Postal Address: P.M.B. 88 Garki, Abuja
Web Address: www.fmiti.gov.ng

Federal Ministry of Information & Culture
Physical Address: Radio House, Area 11, Garki, Abuja
Web Address: www.fmic.gov.ng

Federal Ministry of Power, Works and Housing
Physical Address: Federal Ministry of Power, Works & Housing Headquarters, Mabushi, Abuja.
Web Address: www.pwh.gov.ng
Email Address: info@pwh.gov.ng

Federal Ministry of Petroleum Resources
Physical Address: NNPC Towers, Block D, Central Business District, Abuja
Postal Address: P. M. B. 449, Abuja
Web Address: www.petroleumresources.gov.ng

National Automotive Design and Development Council
Physical Address: 13 David Ejoor Street, Gudu District, Abuja
Web Address: www.naddc.gov.ng
Email Address: contact@naddc.gov.ng

National Sugar Development Council
Physical Address: Sugar House, 45 Oro-ago Crescent, Off Muhammadu Buhari Way, Abuja
Postal Address: P.M.B. 299 Garki, Abuja
Web Address: www.nsdc.gov.ng
Email Address: contact@nsdc.gov.ng

Nigeria Customs Service
Physical Address: Headquarters Abidjan Street, Wuse Zone 3, Abuja
Postal Address: P.M.B. 26, Wuse, Abuja
Web Address: www.customs.gov.ng
Email Address: info@customs.gov.ng, pro@customs.gov.ng

Nigeria Incentive-Based Risk Sharing System for Agricultural Lending
Physical Address: Plot 1581 Tigris Crescent, Maitama District, Abuja 900221
Web Address: www.nirsal.com

Nigerian Electricity Regulatory Commission
Physical Address: Adamawa Plaza, Plot 1099, First Avenue, Off Shehu Shagari Way, Central Business District, Abuja
Web Address: www.nercng.org
Email Address: info@nerc.gov.ng

Nigerian Export Processing Zone Authority
Physical Address: 2 Zambezi Crescent, Cadastral Zone A6, off Aguiyi Ironsi Street, Maitama, Abuja
Web Address: www.nepza.gov.ng
Email Address: enquiries@nepza.gov.ng

Nigerian Export Promotion Council
Physical Address: Plot 424 Aguiyi Ironsi Street, Maitama, Abuja
Web Address: www.nepc.gov.ng
Email Address: ceo@nepc.gov.ng, enquiry@nepc.gov.ng, info@nepc.gov.ng

Nigerian Investment Promotion Commission
Physical Address: Plot 1181 Aguiyi Ironsi Street, Maitama District, Abuja
Postal Address: P.M.B. 381, Garki, Abuja
Web Address: www.nipc.gov.ng
Email Address: infodesk@nipc.gov.ng, osicinfodesk@nipc.gov.ng

Nigerian Tourism Development Corporation
Physical Address: Old Federal Secretariat, Area 1, Garki, Abuja
Web Address: www.tournigeria.gov.ng
Email Address: hello@tournigeria.gov.ng

Oil & Gas Free Zone Authority
Physical Address: Marble House, Federal Ocean Terminal (FOT), Rivers State
Postal Address: PMB 5474, Onne Port Complex, Rivers
Web Address: www.ogfza.gov.ng
Email Address: contact@ogfza.gov.ng

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About NIPC

NIPC was established by the NIPC Act to encourage, promote and coordinate investments in Nigeria. The Commission provides pre- and post-investment support services and operates through its Head Office in Abuja and 5 zonal offices in Enugu (South East & South South), Ibadan (South West), Jos (North Central), Kano (North West) and Maiduguri (North East).

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About FIRS

FIRS is charged with the control and administration of the different taxes and laws for the Federal Government and to account for all taxes collected. In particular, FIRS collects the following taxes: (a.) Petroleum Profits Tax (b.) Companies Income Tax (c.) Personal Income Tax (FCT residents, non-residents, members of the Nigerian Police and the Armed Forces, employees of the Federal Ministry of Foreign Affairs) (d.) Withholding tax from companies, residents of the FCT and non-residents (e.) Capital Gains Tax (corporations, FCT residents and non-residents) (f.) Stamp Duties (corporations and FCT residents) (g.) Education Tax (h.) Value Added Tax.

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This document was prepared with the input from the following agencies, whose staff provided information, and helped to review several drafts of the document; special mention must be made of staff of the Federal Ministry of Finance (Basheer Abdulkadir):

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