

# TEMPLARS

NEWS ALERT

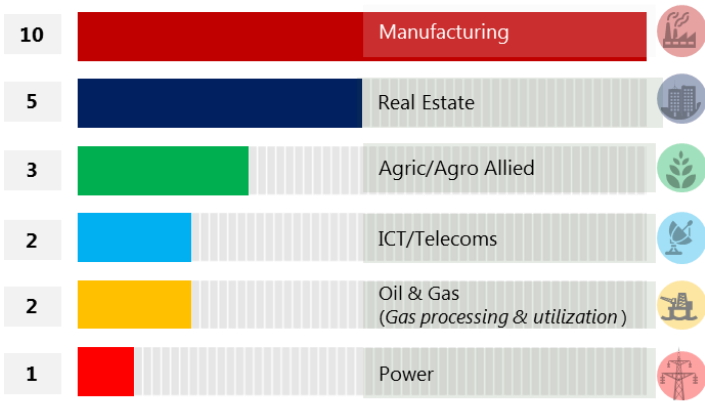
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## PIONEER STATUS INCENTIVE UPDATE: FACTS & FIGURES

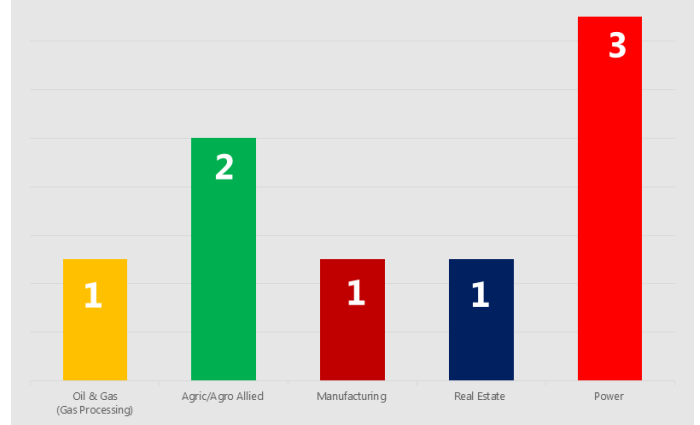
The Nigerian Investment Promotion Council (“NIPC”) recently released its Pioneer Status Incentive (“PSI”) Report for the fourth Quarter of 2018 (the “Q4 Report for 2018”), which among other things, outlines the total number of applications for PSI received, granted and declined. The Q4 Report shows that a total of nineteen new applications were received, whilst eight companies were granted PSI. In addition, three applications for extension were granted. Total number of PSI beneficiaries as at 31 December, 2018 stands at twenty-three companies.

The PSI Scheme grants fiscal incentives to companies operating in certain sectors of the economy pursuant to the Industrial Development (Income Tax Relief) Act and it is administratively regulated by the NIPC. There are currently ninety-nine industries which are entitled to apply for PSI including agriculture, mining and quarrying, manufacturing industries, electricity and gas supply companies, waste management companies, construction companies, textile industry, chemical and pharmaceutical products manufacturing companies.

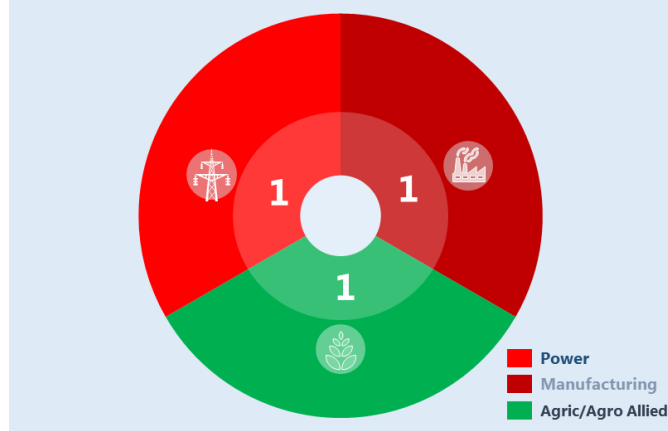
**BENEFICIARIES STILL ENJOYING PSI AS AT 31 DECEMBER 2018 (23)**



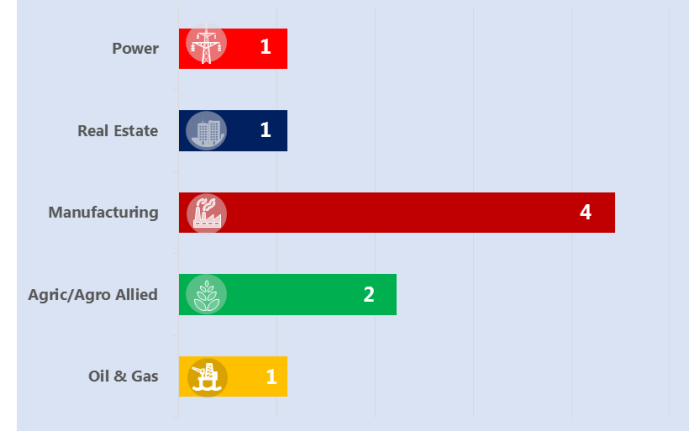
**PSI GRANTED IN Q4 2018 (8)**



**EXTENSION APPLICATIONS APPROVED IN Q4 2018 (3)**



**APPROVALS-IN-PRINCIPLE GRANTED IN Q4 2018 (9)**



**19** NEW APPLICATIONS RECEIVED

**1** PSI APPLICATIONS DECLINED

**3** EXTENSION APPLICATIONS RECEIVED

**0** PSI CERTIFICATES CANCELLED

**Q4 2018 SUMMARY**

<b>19</b> New applications received	<b>3</b> Extension applications received	<b>9</b> Approvals-in-principle granted	<b>3</b> Extension applications approved	<b>267</b> Pending applications
<b>8</b> PSI granted	<b>1</b> Application declined	<b>NIL</b> PSI certificates cancelled	<b>23</b> Currently PSI beneficiaries	

To qualify for PSI, the product or services of an applicant Nigerian company must be among the list of pioneer industries in Nigeria and such company must have incurred capital expenditures of up to ten million Naira (N10, 000,000). Companies granted PSIs enjoy tax relief on income earned during the *tax holiday* period and dividends paid from the profits earned during the *tax holiday*. The tax holiday, per the provisions of the Act is for an initial period of 3 (three) years, and upon application, for a further period of not more than two years. The PSI also enables the company to set off tax losses incurred during the tax holiday against profits earned after the holiday, and to deduct capital expenditure in the same manner.

Although NIPC's Q4 Report shows considerable improvement in the number of approved applications for PSI when compared with the reports for the Q1 and Q2 of 2018, it however reflects a massive decline from Q3 Reports of 2018 despite the increase in the number of applications received. It is believed that the decline is as a result of delays in the bureaucratic processes and the timing involved in the completion of the application requests.

The PSI Scheme is laudable as it encourages innovative developments in the business environment and has the capacity to increase Nigeria's foreign direct investment. It is however, incumbent on the NIPC to ensure that the application process is better managed to prevent delays which may adversely affect the Nigerian business environment. Business-owners are also enjoined to take advantage of the PSI Scheme and engage necessary professional advisers to ensure that they enjoy the full benefits offered by the Scheme.

It is also expected that grantees of the PSI will enjoy the full tax benefits covered by the grant without any risk of exposure to future cancellation of some of the tax years covered by the tax holiday period on account of change in government policy or bureaucratic administrative lapses of the agencies of government with general oversight responsibility of the scheme.

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