



Pioneer Status Incentive (PSI) In Nigeria, Costs And Requirements.

Description

Pioneer Status Incentive (PSI) stands as a cornerstone in Nigeria's economic landscape, aimed at bolstering the nation's industrial sector by providing essential tax relief to qualifying enterprises.

This initiative not only reduces the financial burden on businesses but also fosters an environment conducive to innovation, job creation, and sustainable development.

Understanding PSI:

Enshrined within the Industrial Development (Income Tax Relief) Act of 1971, PSI offers a strategic tax holiday, granting eligible industries and products exemption from corporate income tax for an initial three-year period, extendable for one or two additional years.

The Act underscores the importance of promoting industries vital to Nigeria's economic growth and public interest.

Qualifying Criteria:

To be designated as pioneer, industries or products must meet stringent criteria outlined in the Act.

These include the absence or inadequate scale of the industry within Nigeria's economic landscape, or the imperative need to stimulate its development within the nation's borders.

Application Process:

Companies aspiring to leverage PSI must navigate a meticulous application process overseen by the Nigerian Investment Promotion Commission (NIPC).

This entails presenting a detailed project overview highlighting the anticipated impact on various facets of national development, including economic diversity, industrial growth, employment generation, and technology transfer.

Comprehensive Application Forms:

The application process comprises two distinct parts:

Part I, submitted to NIPC, necessitates comprehensive documentation covering company profiles, project specifics, financial projections, and other pertinent details.

Part II, forwarded to the Industrial Infrastructure Development (IID) upon preliminary approval, delves deeper into project specifics and operational intricacies.

Part I : To be submitted to NIPC in soft or hard copy with supporting documents, following project presentation and upon payment of fees. The submission should include the following, amongst others :

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- (i) Formal covering letter to the Executive Secretary of NIPC
 - (ii) Company information
 - (iii) Company contact information
 - (iv) Company external representative
 - (v) Project overview
 - (vi) Project cost
 - (vii) Financing sources
 - (viii) Shareholders, directors and management
 - (ix) Production and financial performance
 - (x) Number of employees and emolument
 - (xi) Training cost
 - (xii) Skills and technology transfer
 - (xiii) Raw materials and components
 - (xiv) Export earnings and destinations
 - (xv) Infrastructure developed
 - (xvi) Environmental, social and governance policies and plans
 - (xvii) Utilisation of tax savings
 - (xviii) 5-year business plan
 - (xix) Declaration signed by Chief Executive Officer / Managing Director

Part II : To be submitted to IID in soft or hard copy with supporting documents, following receipt of an approval in principle. The submission should include the following, amongst others :

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- (i) Formal covering letter to Director of IID
 - (ii) Production record
 - (iii) 7-months' sales revenue record
 - (iv) 7-months' cash flow record
 - (v) Machinery and equipment
 - (vi) Energy and water requirements
 - (vii) Environmental impact assessment
 - (viii) Declaration signed by Chief Executive Officer / Managing Director

Thorough Due Diligence Visits:

Transparency and accountability are paramount throughout the PSI evaluation process.

To ensure the integrity of approved projects, NIPC and IID conduct rigorous verification and inspection visits, assessing the validity and progress of the venture against the stated objectives.

Issuance of Certificates:

Upon successful evaluation, companies receive two pivotal certificates affirming their eligibility for PSI.

The Production Day Certificate, issued by IID, signifies the commencement of production activities, while the Pioneer Certificate, bestowed by NIPC, delineates the duration of the tax relief period.

Summary of Costs for Pioneer Status Incentive (PSI)

Fee Type	Amount (Naira)
Application Fee	200,000.00
Service Charge Deposit	2,500,000.00
Annual Pioneer Profit Charge	1% of actual pioneer profit
Due Diligence Fee	500,000.00

ICA (Ibe Chido & Associates)

Conclusion:

Pioneer Status Incentive (PSI) epitomises Nigeria's commitment to fostering a conducive business environment, where innovation thrives and industries flourish.

By incentivising investment and rewarding pioneering endeavours, PSI catalyses sustainable economic growth, propelling Nigeria towards a prosperous future.

Category

1. Industry Insights