

# OVERVIEW OF THE PIONEER STATUS INCENTIVES AND THE REVISED FEE STRUCTURE OF THE NIGERIAN INVESTMENT PROMOTION COMMISSION



## INTRODUCTION

Nigeria, with its dynamic economy and significant growth potential, continues to be an attractive destination for investors. The Nigerian Investment Promotion Commission plays a pivotal role in facilitating and encouraging foreign direct investment into the country. The Nigerian Investment Promotion Commission (**"the NIPC"** or **"the Commission"**), is Nigeria's foremost agency responsible for facilitating and coordinating domestic and foreign investments. In a bid to enhance service delivery, the Commission on the 2<sup>nd</sup> of September 2024 announced a revision of its service fees by the issuance of a revised Service Fee Schedule. The new fees, which were set to apply from the 1<sup>st</sup> of October 2024, covered business registration and applications for Pioneer Status Incentives (**"PSI"**), while fees for renewal of business registration became effective from the 1<sup>st</sup> of January 2025.

This newsletter aims to provide a comprehensive overview of the recent changes to the NIPC's fee schedule and their implications for investors and businesses operating within Nigeria. In addition, we will delve into some of the key benefits and opportunities presented by the Pioneer Status Incentive, a program designed to stimulate investment in strategic sectors of the Nigerian economy. This information is crucial for investors and businesses to make informed decisions and ensure compliance within the evolving regulatory landscape.

## UNDERSTANDING THE PIONEER STATUS INCENTIVE FOR INVESTORS

The Pioneer Status Incentive (PSI) is one of Nigeria's most impactful investment promotion tools. Administered by the Nigerian Investment Promotion Commission (NIPC) in partnership with the Federal Ministry of Industry, Trade, and Investment, the PSI is designed to attract capital, accelerate industrialization, and position Nigeria as a globally competitive investment destination. The incentives are provided under the Industrial Development (Income Tax Relief) Act [1] and are offered to companies operating in industries that are considered vital to Nigeria's economic development.

### KEY BENEFITS OF THE PIONEER STATUS INCENTIVE

The PSI offers substantial advantages for companies operating in qualifying sectors, making it a powerful tool to enhance business viability and stimulate economic development in Nigeria. Below is a detailed look at some of the core benefits:

#### 1. Corporate Tax Exemption

Companies granted pioneer status are exempt from paying corporate income tax for an initial period of three years, with the possibility of extending this exemption for one or two additional years. This exemption allows qualifying companies to retain a higher percentage of their earnings, significantly improving their bottom line. It also helps in boosting the profit margins of companies, while providing liquidity for reinvestment. For startups and expanding businesses, this benefit can be the difference between early-stage survival and failure.

#### 2. Customs Duty Waivers on Capital Imports

Pioneer companies may also benefit from waivers or concessions on import duties for equipment and raw materials that are not locally available locally. This reduces the cost of setting up or expanding production facilities, particularly in capital-intensive industries like manufacturing, renewable energy, and pharmaceuticals.

#### 3. Enhanced Profitability and Reinvestment Opportunities

With tax savings and cost reductions from import duty waivers, businesses under the PSI scheme enjoy improved profit margins. This allows for greater reinvestment in infrastructure, research and development, workforce expansion, and market diversification, factors that are critical for long-term growth. This is achieved through the elimination of corporate income tax, up to 5 years, and retention of profits for reinvestment into areas like capacity expansion, technology upgrades, marketing and product development and workforce training and welfare.

#### 4. Boosts Foreign Direct Investment (FDI)

In today's globally competitive investment landscape, countries looking to tap into the highly competitive landscape must offer clear, attractive, and enforceable incentives.

The PSI plays a crucial role by attracting and retaining Foreign Direct Investment (FDI) in vital sectors of the economy. PSI guarantees a multi-year tax holiday of up to 5 years for qualifying investors, shielding them from corporate income tax burdens in their early operational years. This significantly improves the internal rate of return on projects and shortens the payback period, making Nigeria a more financially viable destination for multinationals and institutional investors.

## **PIONEER STATUS INCENTIVE INDUSTRIES**

The Pioneer Status Incentive is not available to all industries. It is carefully tailored to support strategic sectors that are crucial for Nigeria's economic transformation. These industries have been selected based on their capacity to drive innovation, create jobs, and attract long-term investment. Some of the industries covered include agriculture, information and communication technology, manufacturing, energy and power generation, healthcare and pharmaceuticals and mining and solid minerals.

Below is a comprehensive breakdown of some of the sectors and their significance:

### **1. Agriculture**

Agriculture remains the backbone of Nigeria's economy, employing a significant portion of the country's population. By extending PSI to companies in agriculture, the government aims to modernize farming techniques, reduce post-harvest losses, and enhance food security. This in turn encourages agri-business investment, reduces reliance on food imports, and strengthens value chains across rural communities.

### **2. Manufacturing and Industrial Production**

Despite Nigeria's vast domestic market, industrial production has been limited by high input costs, inadequate infrastructure, and foreign competition. The PSI seeks to reverse this trend by encouraging investment in industries such as textile and garments production, packaging, auto parts, plastics, consumer goods, and consumer electronics. PSI targets manufacturers involved in value-added production processes, enabling them to scale operations and compete globally.

### **3. Energy and Power Generation**

Access to energy remains one of Nigeria's most pressing developmental challenges. The inclusion of energy and power under the PSI aligns with Nigeria's energy commitments and long-term sustainability goals, while also supporting industrial development through improved energy access. The PSI incentivizes private investment in energy and power generation solutions such as solar mini-grids, biomass energy, hydroelectric systems, and energy storage technologies. Investors in this sector are eligible for tax relief when they establish energy infrastructure that supports underserved communities and off-grid applications.





MAJOR HIGHLIGHTS OF THE REVISED FEES SCHEDULE

The Commission recently announced revisions to its fee schedule, impacting various aspects of investment-related processes. These changes are essential for investors to understand, as they affect the costs associated with establishing and maintaining business operations in Nigeria. Below is a breakdown of the key changes in fee schedule:

BUSINESS REGISTRATION FEES			PIONEER STATUS INCENTIVE FEES		
FEES	OLD	REVISED	FEES	OLD	REVISED
Application Fee	₦15,000	₦150,000	Application Fee	₦200,000	₦500,000
Annual Renewal Fee	N/A	₦50,000	Annual Service Charge	1% of the pioneer profits	1.5 %
Replacement Fee	N/A	₦100,000	Due Diligence Fee	₦500,000	₦1,000,000
-	-	-	Application for Renewal of PSI	₦100,000	₦250,000
-	-	-	Service Charge for First-Time Applicants	₦2,500,000	₦3,000,000

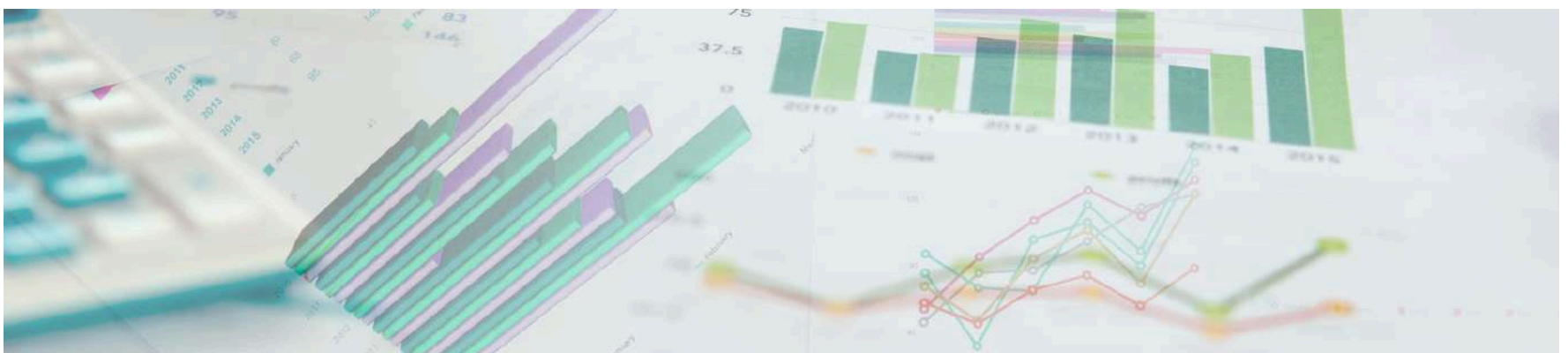
Also, in a bid to discourage delays during the course of application, the Commission has introduced new penalties for PSI applications that remain dormant for over 90 days. A company is now liable to pay a fine of ₦200,000 for newly abandoned or inactive fresh applications, while applications for renewal or extension that are inactive also attract a fine of ₦100,000.

## IMPLICATIONS OF THE REVISED FEE SCHEDULE ON INVESTORS AND BUSINESSES

One of the most immediate implications of the revised schedule is the rise in statutory fees for key services such as the application for Pioneer Status Incentive, annual renewal, due diligence, and service charges. These revised charges represent a significant cost increase, particularly for startups or Small and Medium-sized Enterprises (“SMEs”) operating in capital-intensive sectors such as manufacturing, renewable energy, and agriculture. Investors must now factor these statutory charges into their financial models when assessing market entry costs or project feasibility.

Furthermore, for companies already operating in Nigeria or seeking expansion, the revised fees may necessitate operational adjustments, such as streamlining internal application and reporting processes, revisiting investment structuring and exploring the prospects of collaboration with industry consultants. While large corporations may absorb the increased fees with relative ease, SMEs and startups may face tougher decisions. The higher cost of accessing incentives may deter some smaller firms from applying altogether, despite their eligibility and strategic alignment. Policymakers may need to evaluate whether the current flat-rate model adequately supports Nigeria’s ambition to become an innovation-led, SME-friendly investment destination.

Additionally, the revised fee schedule also introduces the need for proper compliance practices, especially in light of penalties and sanctions for non-compliance, such as late application submissions or defaulting on annual renewal obligations. Companies and businesses must now adopt stronger internal governance frameworks to avoid administrative lapses that could result in financial penalties or delays in approval.



## OUTLOOK AND RECOMMENDATION

The revised service fee schedule is in line with the powers of the NIPC to charge fees for services rendered by the Commission [2]. This revision is also in line with the Commission's mandate to create a transparent and investor-friendly environment, while ensuring proper funding for its regulatory operations. All stakeholders, especially foreign investors and businesses, are advised to streamline their operations in light of the new fee structure to avoid penalties and ensure seamless service delivery. Given the complexities of regulatory frameworks, it is recommended to engage legal advisory services, to ensure compliance with all provisions of the NIPC and mitigate potential risks.

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### Endnote

1. Cap I.17, Laws of the Federation of Nigeria 2004.
2. Section 12 (2b) of the Nigerian Investment Promotion Commission Act, No 16 of 1995,



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