



Webinar

Unlocking Economic Development Tax Incentives Under the 2025 Nigeria Tax Act (NTA)

June 2026

Agenda

- ❑ Understanding the Economic Development Tax Incentive (EDTI)
- ❑ Key features and qualifying criteria
- ❑ Navigating the application process
- ❑ The Nigerian Investment Promotion Commission (NIPC) role in implementation



Understanding the Economic Development Tax Incentive (EDTI)

The enactment of the Nigeria Tax Act (NTA) 2025 marks a significant shift in Nigeria’s fiscal and investment landscape, introducing a modernized framework for aligning tax incentives with national economic development priorities.

A central feature of this reform is the replacement of the long-standing Pioneer Status Incentive (PSI) with the Economic Development Tax Incentive (EDTI), a new regime designed to enhance the effectiveness, accountability, and impact of tax incentives.

Historically, the PSI which was administered by the **Nigerian Investment Promotion Commission (NIPC)** under the **Industrial Development (Income Tax Relief) Act (IDITRA)**, served as a cornerstone of Nigeria’s investment promotion strategy.

Since its formal introduction, the PSI granted qualifying companies operating in designated pioneer industries an initial three-year tax holiday, extendable by an additional two years.

Over time, the regime evolved through regulatory reforms, notably the Pioneer Status Incentive Regulations of 2014 and 2017, aimed at strengthening governance and updating eligible sectors.

The PSI faced increasing criticism due to its limited connection to measurable economic outcomes. In response, the Federal Government introduced the EDTI, which adopts a more **targeted, performance-based approach, linking tax benefits directly to qualifying capital expenditure and verifiable economic contributions.**

The regime focuses on priority sectors identified in the **Tenth Schedule**, with defined sunset periods and flexibility for periodic review.

EDTI goals & outcomes



Investment promotion



Job creation



Foreign direct investment



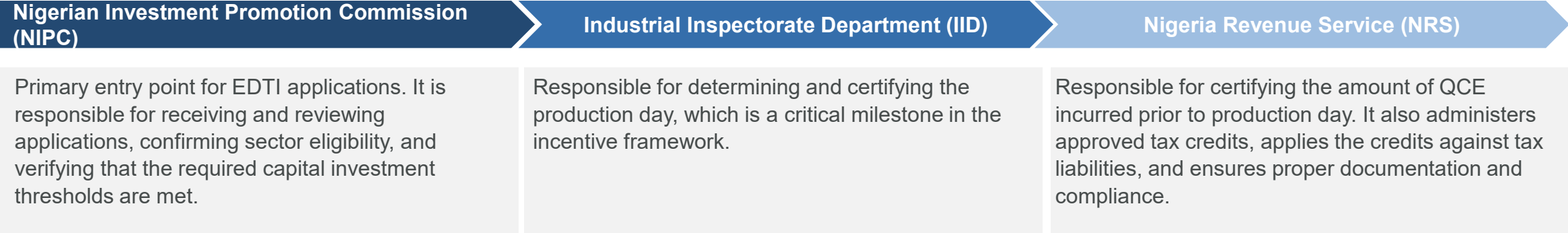
Economic diversification

Key features and qualifying criteria

- 1 Shift from Tax Holiday to Tax Credit:** Eligible priority companies now receive a 5% annual tax credit on qualifying capital expenditure (QCE) over a period of five (5) years on each QCE incurred within the 5 years from the production date. This replaces the full income tax exemption previously available under the pioneer regime.
- 2 Utilization of Tax Credits:** The EDTI credits can be used to offset the priority company's tax liabilities for the pioneer periods, with any unutilized credits carried forward up to 5 years post-incentive period, after which they lapse. Tax losses and capital allowances are claimable during the incentive periods, unlike prior deferral rules under the PSI regime.
- 3 Consideration for Minimum Effective Tax Rate (METR):** Priority companies are subject to a 15% METR when they trigger the conditions under section 57 of the NTA. Tax credits are included in the computation of covered tax. **However, where the covered tax is < 15%, the balance tax is payable.** This means that EDTI is not designed as an absolute tax shield.
- 4 Extendable Incentive Period:** The incentive will be valid for an initial 5-year period, extendable for an additional 5-year period (maximum of 10 years) on the condition that 100% of profits earned are reinvested into the expansion of the same product(s). This is contrary to the 5-year maximum period granted under the PSI regime.
- 5 Sunset Period:** The tenth schedule to the NTA defines the sunset period for each sector or activity. Sunset period is the period from the commencement date of the NTA 2025, after which a sector, industry or activity shall cease to be eligible for the economic development incentive.
- 6 Transitioning Provisions:** Existing PSI beneficiaries continue to enjoy benefits for unexpired periods. Companies granted the EDTC are barred from accessing similar incentives under the Act or any other law EDTI beneficiaries prior to the applicable sunset period for their sector or activity will continue to enjoy the applicable reliefs for the unexpired period.
- 7 Additional Returns Obligations:** Maintenance of separate books of accounts and separate filing of income tax returns for priority business and non-priority business. Mandatory filing of Annual Tax Incentive Returns in addition to standard tax returns. Previously, no separate incentive filing obligation existed. compliance was monitored via periodic National Assembly reviews
- 8 M&A Anti-Abuse Safeguards:** Specific provisions introduced to restrict misuse of EDTI through mergers & acquisitions, preventing incentive arbitrage.

Navigating the application process

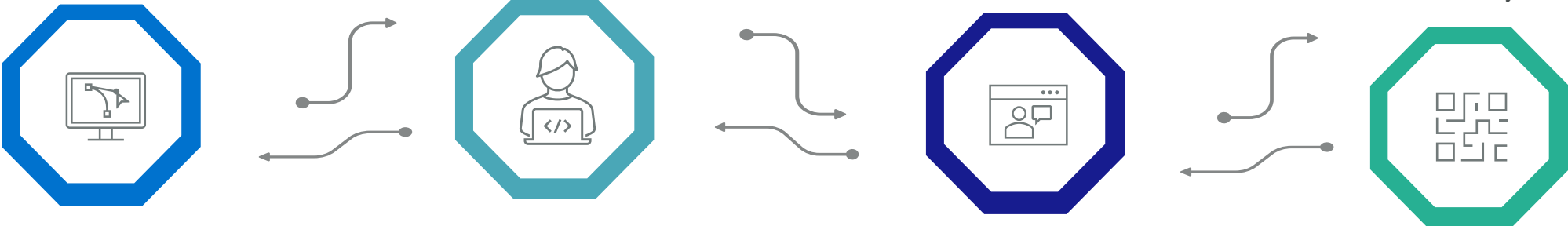
Application for the EDT Incentives is in three stages. Applications must be made to the following regulatory bodies:



Application to the NIPC:

Applicants must demonstrate a commitment or capacity to meet the minimum capital requirement for investment in a priority sector listed in the Tenth Schedule.

The applications are subject to a multi-level approval process involving NIPC, the Minister, and final approval by the President. Upon approval, the NIPC shall issue the certificate within 30 days to the applicant.



Applications for an Economic Development Incentive Certificate must be submitted to the Executive Secretary of the Nigerian Investment Promotion Commission (NIPC) in the prescribed format.

Applications must be accompanied by a non-refundable fee of 0.1% of QCE, capped at ₦5 million, a signed declaration of accuracy, and all other information and documentation as required by the NTA and the NIPC.

Overview of Nigeria's Tax Reform

The Role of NIPC in Administering EDTI

Primary Administrator of EDTI

- NIPC serves as the central authority responsible for the implementation, coordination, and administration of Economic Development Tax Incentives (EDTI) under the Act.

Processing and Evaluation of Applications

- The Commission receives, reviews, and evaluates applications for Economic Development Incentive Certificates, ensuring alignment with eligibility criteria and priority sector requirements.

Recommendation and Certification

- NIPC conducts due diligence and recommends qualifying applications to the Minister, who transmits it to the President for final approval

Defining Scope of Incentives

- It determines and administers the operational scope of incentives, including approved products, activities, qualifying capital expenditure (QCE), and applicable incentive periods.

Monitoring Compliance and Performance

- NIPC oversees compliance by beneficiary companies, ensuring adherence to investment thresholds, reporting requirements, and operational conditions tied to the incentives.

Enforcement and Sanctions

- The Commission has the authority to recommend suspension, cancellation, or withdrawal of incentive certificates where companies breach conditions, fail to commence operations, or provide false information.

Information Management and Transparency

- NIPC maintains records of beneficiaries, publishes details of granted certificates, and may request operational, financial, and cost information to support oversight and transparency.

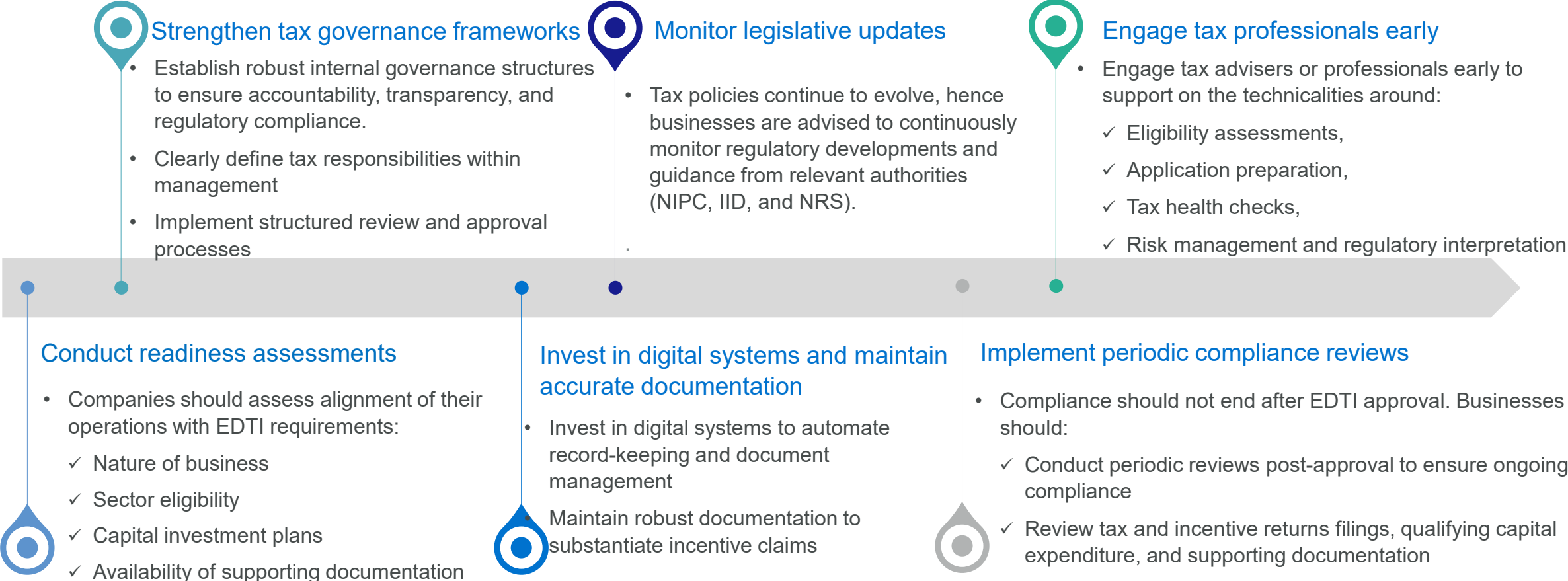
Reporting and Policy Advisory Role

- It prepares and submits periodic reports on EDTI beneficiaries and impact, and provides recommendations to government on sector performance, policy adjustments, and incentive effectiveness.

Compliance Roadmap

EDTI Compliance Roadmap Under the NTA 2025

Sustainable access to EDTI benefits depends on strong governance, accurate reporting and continuous compliance monitoring.



02

Production day certificate under the Economic Development Incentive (EDI) regime

Presented by:

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Of Industry, Trade And Investment



1.0 INTRODUCTION

1.1. The Industrial Inspectorate Department in the previous Pioneer Status Incentive (PSI) regime, was also empowered by Section 6 (1) of the Industrial Development (Income tax relief) Act, CAP I7 LFN 2004, to certify the Production Day of a pioneer company, which is the official date on which a company is deemed to have commenced "commercial production" in marketable quantities.

1.2 The Industrial Inspectorate Department commences the process of determining the Production Day when the pioneer company has obtained the approval in principle from the Nigeria Investment Promotion Commission (NIPC) and submits "Part II" of the Pioneer Status Incentives (PSI) application, including production records and sales/revenue data for the considered period. In-house review of the application and the supporting document is carried out, and inspectors conduct a physical visit to the factory or project site to verify that the machines listed in the application are present and operational, and confirm the production data as stated in the completed form. If satisfied, the IID issues the Production Day Certificate, which specifies the exact commencement date.

1.3 However, the PSI has transitioned to Economic Development Incentive (EDI) as stipulated in Chapter 8, Part II of the Nigeria Tax Act 2025, where the "tax holiday" is being replaced by "tax credits." The Nigeria Tax Act (NTA), 2025, introduces a transformative shift in the nation's fiscal policy by replacing the long-standing Pioneer Status Incentive (PSI) with the Economic Development Incentive (EDI). This new framework, effective from January 1, 2026, moves away from blanket "tax holidays" toward a performance-based, credit-linked system designed to ensure that tax reliefs are directly tied to verifiable capital investments.

2.0 The Economic Development Incentive (EDI)

2.1 The Economic Development Incentive (EDI), established under Sections 165 to 183 of the Nigeria Tax Act (NTA) 2025, marks a significant change in Nigeria's fiscal policy. Starting on January 1, 2026, this framework officially repeals the Industrial Development (Income Tax Relief) Act and replaces the profit-based Pioneer Status Incentive (PSI) with a performance-linked Economic Development Tax Credit (EDTC). Unlike the previous system, which offered blanket tax holidays, the EDI ensures that fiscal benefits are directly tied to the actual capital invested by an industrial enterprise, thereby encouraging transparency and fiscal responsibility.

2.2 Under this new regime, eligible companies earn a tax credit at an annual rate of 5% based on their Qualifying Capital Expenditure (QCE) incurred on or before Production Day, subject to the thresholds and conditions prescribed by NTA. This credit is utilized to offset the total tax payable on profits generated from priority products or services for an initial period of five years. The Act allows for a further five-year extension, provided the beneficiary demonstrates a 100% reinvestment of its priority profits in expanding the same product or services. However, extension is not automatic as it is tied to actual reinvestment and measurable use of the incentive.

3.0 The Statutory Mandate of the Industrial Inspectorate Department (IID) in the Implementation of Economic Development Incentive Regime Under the Nigeria Tax Act 2025

3.1 The Economic Development Incentive (EDI) is a new incentive introduced by the Nigeria Tax Act to replace the Pioneer Status Incentive (PSI). It focuses on priority sectors with strong economic impact and is investment-based rather than profit-based, being directly linked to actual capital investment and performance.


3.2 Similar to the PSI regime, the implementation of the EDI under the Nigeria Tax Act is a multi-agency process involving the following bodies:

- a. The Nigerian Investment Promotion Commission;
- b. Industrial Inspectorate Department, Federal Ministry of Industry, Trade and Investment;
- c. Nigeria Revenue Service.

3.3 Production Day in Relation to Economic Development Incentive

The Industrial Inspectorate Department, pursuant to Chapter 8, Part II, Section 172 of the Nigeria Tax Act 2025, is statutorily empowered to certify the Production Day of any company granted an Economic Development Incentive (EDI) by the NIPC.

Production Day establishes the baseline date from which incentives are calculated, ensuring accountability and linking benefits to actual productive activity. However, in relation to EDI, Production Day means:

- 
- i. The date by which the company is ready to provide such priority service on a commercial scale; and
 - ii. Engaged in manufacturing, processing, mining, agricultural, or any other priority industry, the date in which the company begins to produce the priority product in commercial quantities.

3.4. Purpose of the Production Day

- i. Ensures performance-based incentives: Governments use them to tie benefits to real economic activity rather than speculative investment. This prevents abuse of incentives by companies that delay or avoid production.
- ii. Provides legal certainty: It is the officially documented date conveyed on the Production Day Certificate in accordance with the provision of the Nigeria Tax Act.
- iii. Facilitates monitoring: Authorities can track compliance, measure economic impact (jobs created, output generated) etc.

It may interest you to note that, the Industrial Inspectorate Department of the Federal Ministry of Industry, Trade, and Investment performs other technical functions such as:

- i. Verification and valuation of capital investments;
- ii. Certification of Qualifying Capital Expenditure (QCE) incurred by the company;
- iii. Monitoring and evaluation for compliance;
- iv. Providing technical reports for incentive administration.

3.5 Requirements for the processing of Production Day Certificate

The company applying for the certification of its production day is required to provide the following information/documents.

- i. Formal application letter addressed to the Director of the Industrial Inspectorate Department for the processing of Production Day Certificate (PDC);
- ii. Approval of Application for EDI by the NIPC;
- iii. Completed Production Assessment form, which contains:
 - a. capacity utilization on a monthly basis;
 - b. actual production on commercial quantity (quantity or volume on a monthly basis);
 - c. cost of production on commercial quantity (variable and fixed cost on a monthly basis);
 - d. actual Sales Turnover (Quantity or Volume on a monthly basis);
 - f. actual Turnover (revenue on sales per month)

- iv. Company's profile containing the ownership and managements' structure;
- v. Certificate of Incorporation (CAC);
- vi. Production process and flow chart;
- vii. Market structure and major customers;
- viii. Transaction evidence (invoice/receipts);
- ix. Components of variable and fixed cost;
- x. List of plant, machinery, and equipment used in production;
- xi. Industrial Data form(for collection of industrial data).

3.6 Processes for the Determination of the Production Day Certificate

Upon the submission of a formal application accompanied by the EDI approval issued by the NIPC and relevant supporting documents (as highlighted in 3.5), the IID initiates the technical verification process to determine the company's official Production Day in the following order:

- i. In-house review of the application and the supporting document is carried out;
- ii. Conduct of physical inspection to the factory or project site to verify operational status, production/sales data as stated in the completed form;

iii. Upon satisfactory completion of the investigation by the inspectors and the in-house assessment of the physical inspection report, the Director of the Industrial Inspectorate Department (IID) issues a Production Day Certificate, which specifies the exact commencement date for the EDI.

3.7. Timeline for the Processing of the Production Day Certificate

Following the physical verification visit to the company's factory and confirmation that all requirements have been met, the Industrial Inspectorate Department issues the PDC within one month as stipulated in the act.

4.0 Conclusion

The Industrial Inspectorate Department (IID) remains committed to collaborating with the Nigerian Investment Promotion Commission (NIPC), the Nigeria Revenue Service (NRS), and investors to effectively implement the new tax regime, thereby fostering industrial growth and driving sustainable economic development in Nigeria.

03

The Role of Nigeria Revenue Service in the Administration And Implementation of EDTI

Presented by:

Anas Abdullahi Gebe

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Introduction

Chapter Eight, Part II of the Nigerian Tax Act 07, 2025 introduced a new framework called Economic Development Tax Incentives, it is designed to replace the repealed “Pioneer Status Incentive” under Industrial Development Income Tax Relief Act (IDITRA) with a more transparent, performance-based tax credit incentive system.

Economic Development Tax Incentive (EDTI)

- ❑ Companies will apply to NIPC for EDI certificate, if they operate in one of the “Priority Sectors” listed in the tenth schedule of the NTA 2025
- ❑ NIPC issues EDI certificate upon approval by the President of the Federal Republic of Nigeria
- ❑ The incentive is for an initial period of 5 years, from the production day as certified by the Industrial Inspectorate Department of FMITI.
- ❑ A Priority company that reinvests 100% of its profits from the initial 5 years, may be granted extension for additional five years.

Each sector has a sunset period (10 – 20 years) during which it's eligible for the incentive

Pioneer Status Incentives Vs Economic Development Incentives

FEATURES	PSI	EDI
TYPE	Profit-based tax holiday	Investment-based tax credit
DURATION	3 years (renewable for 2 more years)	5 years (extendable for another 5 years subject to 100% reinvestment of profit for expansion)
RELIEF	Full exemption from Companies Income Tax	EDTC, subject to 15% ETR for companies in scope (₦50B or €750M in case of MNEs).
ELIGIBILITY	Companies in the designated “Pioneer Industries”	Sector-specific, with investment thresholds (₦250M– ₦200B), designated as priority sectors
SECTORS	99	51
OVERSIGHT	Administered by NIPC and IID	Administered by NIPC, IID & NRS

Role of NRS: Certification of QCE

01

Section 173 (1)

A company issued an EDI certificate shall, not later than one month after its production day, apply to the relevant authority to certify its production day

02

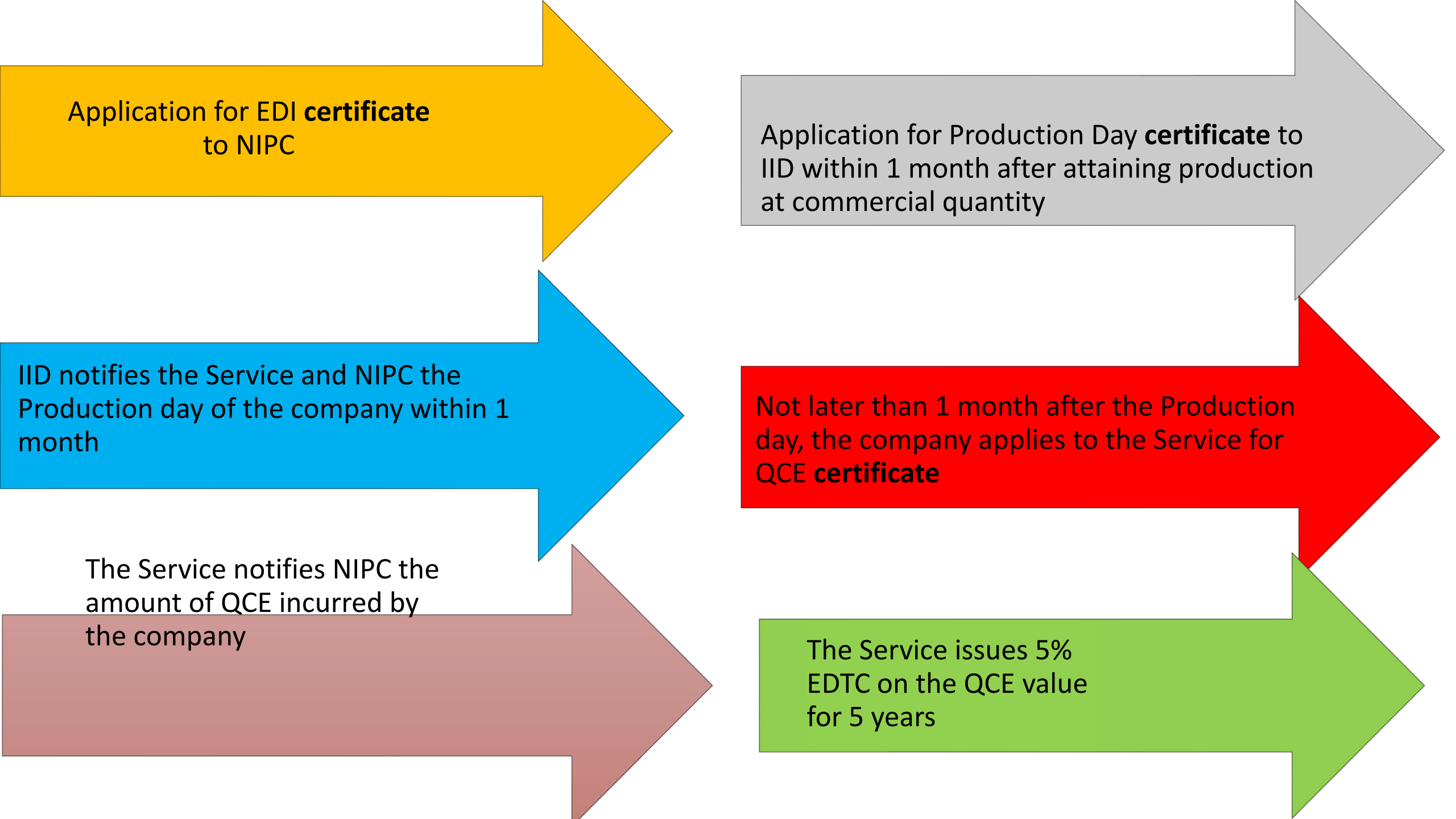
Section 173(2)

The relevant authority shall within one month of certifying the production day, notify the NIPC and the Service of the production day of the company.

03

Section 173(3)

Not later than one month after the production day of the company has been determined and certified under this section, or within such extended time as the Service may allow, the company shall make an application in writing to the Service to certify the amount of the QCE incurred by the company prior to production day.



Application for EDI **certificate**
to NIPC

Application for Production Day **certificate** to
IID within 1 month after attaining production
at commercial quantity

IID notifies the Service and NIPC the
Production day of the company within 1
month

Not later than 1 month after the Production
day, the company applies to the Service for
QCE certificate

The Service notifies NIPC the
amount of QCE incurred by
the company

The Service issues 5%
EDTC on the QCE value
for 5 years

Role of NRS: Issuance of EDTC

01

Section 177 (1)

The economic development tax credit at the rate of 5% per annum for a period of 5 years shall apply to each eligible qualifying capital expenditure acquired within 5 years effective from the production day

02

Section 177(2)

Subject to section 57 of this Act, the economic development tax credit may be utilised to offset the tax payable of any year of assessment during the priority period, except the additional tax payable under that section

03

Section 177(3)

A company having unutilised tax credit or eligible QCE on which 5% per annum tax credit is yet to be claimed for 5 years, after the end of the priority period, may within 5 years thereafter carry forward such unutilized tax credit and any amount remaining unutilised shall lapse.

How the Tax Credit works ...

if the QCE value of the company's assets reaches the threshold of that Priority Sector as provided in the 10th Schedule of the NTA ...

The Service grants 5% tax credit per year to each eligible QCE acquired within the first 5 years starting from the Production Day.

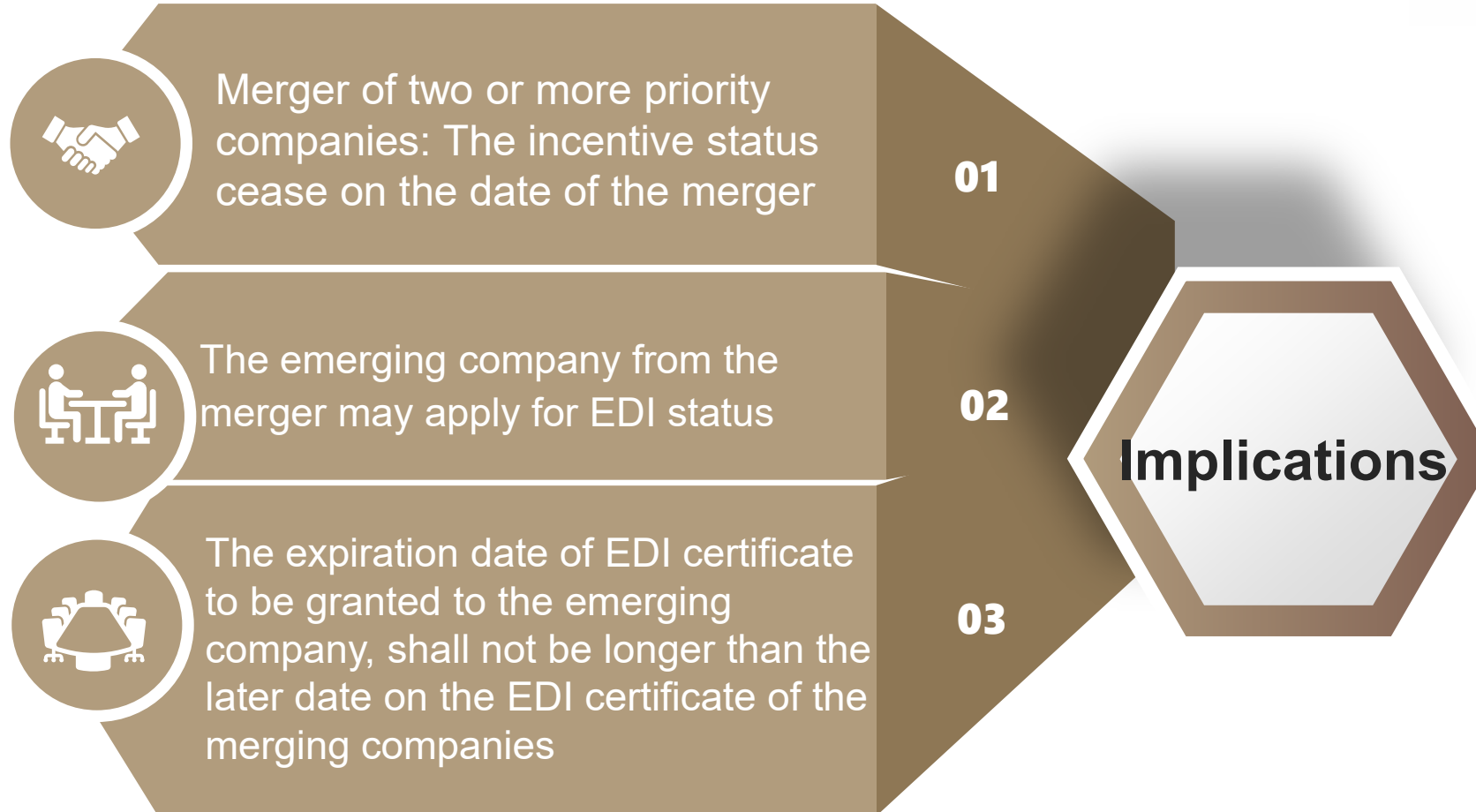
The 5% tax credit will be used by the company to offset tax payable

How the Tax Credit Works

Subject the tax payable of the company to the provision of section 57 of NTA for company in scope

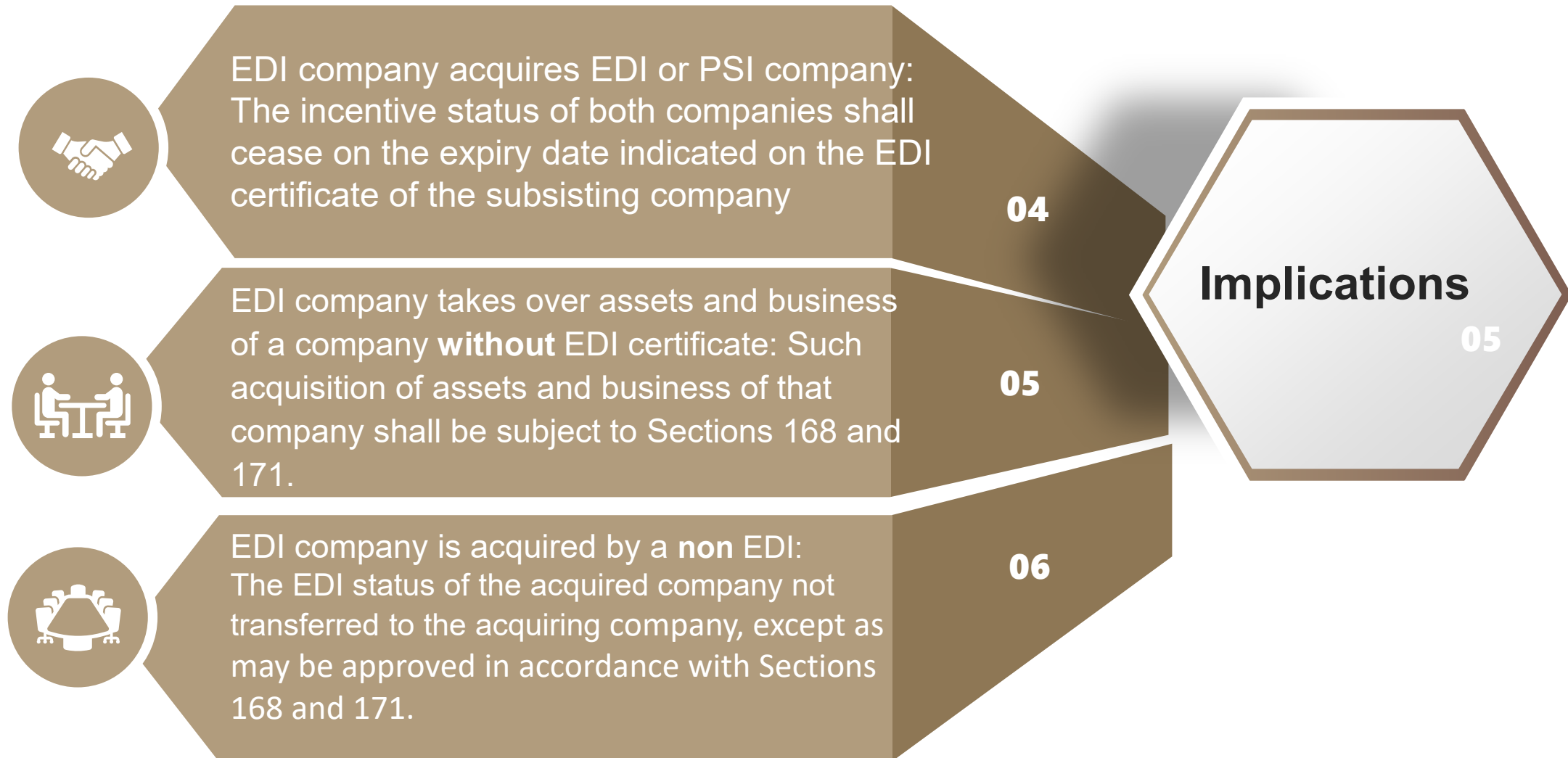
Any unutilised tax credit maybe utilise within five years after the end of the priority period after which the EDTC lapses,

Merger & Acquisition – Section 170(6)



Any company granted economic development tax credit, shall not benefit from a similar tax incentive under this Act or any other law- Section 183

Merger & Acquisition – Section 170(6)



Filing Tax Returns - Section 179

01

Priority company to prepare two separate account: Priority business and non-priority business

02

The records of the two accounts to be certified by an auditor for each class of business

03

The Service to deemed all the Income of a priority company as non-priority income where it fails to prepare separate account

“Where a priority company carries on a non-priority business, the company shall maintain separate records of income and books of account for each business.”

“The records of each business certified by an auditor, shall be sufficient to enable the determination of the turnover, income or profits of each class of business”.

“Where, in the opinion of the Service, the company has not complied with the provision of this section, all the income of the company shall be deemed non-priority and economic development tax credit shall not be granted”

Tax Returns - Section 26 & 27 of NTAA

(1) A priority company to file Annual returns for both priority and non-priority products or services

“A company granted priority status shall, in accordance with section 11 of this Act, in each year of assessment, file income tax returns in the manner specified for both priority and non-priority products or services of the company.”

(2) A priority company to file Annual Tax Incentive Returns

“All taxable persons enjoying incentives administered by the relevant tax authorities, including incentives provided under Chapter Eight and Section 60 of Nigeria Tax Act, 2025, shall, in addition to annual tax returns, submit Annual Tax Incentives returns to the relevant tax authority in the form prescribed by the Service covering income tax and any incentive other than those which are generally available to all taxpayers”.”

Exclusion From Other Reliefs And Transition Arrangements - Section 183

01

Exclusion from other relief

“Any company granted economic development tax credit, shall not benefit from a similar tax incentive under this Act or any other law.”

02

Continuation to enjoy relief under IDITRA for unexpired period:

“Any company granted an incentive under the Industrial Development (Income Tax Relief) Act shall continue to enjoy the reliefs applicable under the Act for the unexpired period as at the commencement of this Act.”

03

Continuation to enjoy relief for unexpired period, where EDI is obtained prior to the expiration of the sunset clause in the Tenth schedule

“Where a company has been granted an economic development incentive under this Act prior to the applicable sunset for the sector or activity, the company shall continue to enjoy the reliefs applicable under this Chapter for the unexpired period as specified under sections 177 and 178 of this Act”

The Priority Sectors – Tenth Schedule of NTA 2025



51

Priority
Sectors

Manufacturing

Renewable Energy

Healthcare

Transportation

ICT & Creative Industry

Agricultural & Food Processing

Mining & Quarrying

Industrial Machinery & Infrastructure, ETC.

Conclusion: Why EDI is Superior

1



Accountability

Credits only kick in after verified investment..

2



Sector Targeting

Focuses on industries with high economic multipliers.

3



Transparency

Easier for government to track revenue forgone and for investors to assess value.

4



Flexibility

Credits can roll over after the expiration of EDI tenure

FAQ

Frequently Asked Questions



Frequently Asked Questions

Q1. Will the EDTI credits be visible on the Rev 360 portal? Or do businesses have to internally maintain it on their books?

EDI Tax Credit will be on Rev360 portal.

Q2. If companies have perhaps used their WHT credits to offset their tax liabilities, will the EDTI tax credit be paid in cash, as it is done in other jurisdictions?

EDI companies will not be able to offset their tax liability with traditional WHT credit note. The portal is designed to use EDI Tax Credit

Q3. What criteria and documentation will be used to verify Qualifying Capital Expenditure (QCE) by the NRS, especially for complex or phased projects as this was not specified in the Act?

NRS will develop an in-house checklist for that, so companies are expected to keep honest records and documents of the assets they purchased. E.g evidence of VAT paid via e-invoicing/ evidence of import duty paid for imported assets etc

Q4. Will the 5% tax credit be applied to additional QCE acquired after the initial QCE has been certified?

Yes

Q5. Does NIPC verify QCE before issuing a certificate? Isn't the NRS role a duplication if they also conduct verification after the EDTI certificate has been issued?

No, only NRS conducts the QCE verification exercise

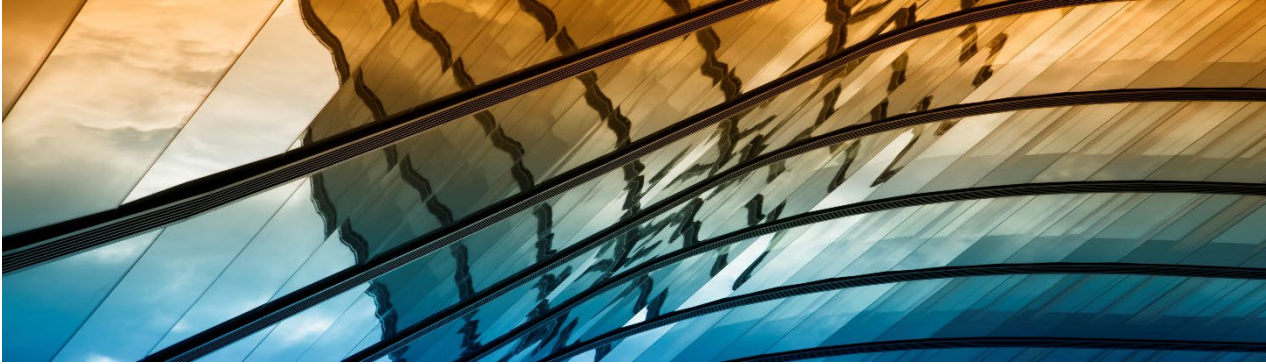
Q6. Are separate audited financial statements required for priority vs non-priority product lines? Also, will the Taxpromax or Rev360 portal allow priority companies to file two different tax returns (priority & non-priority business) in a single year of assessment?

Yes

Q7. How does the transition from PSI to EDI work? If a company already has PSI for 3 years, can they get EDI for new investments? Also, will the METR top-up provisions be applicable to PSI beneficiaries whose incentive period has not elapsed?

Yes, the company can get economic development incentive for new investment in one of the priority sectors. ETR top-up only applies to EDI, not PSI.

Contact



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