



Federal Government issues revised guidelines for Export Expansion Grant scheme

“Whilst we expect the new guidelines to address a lot of the abuse and practical challenges that led to suspension of the erstwhile Scheme, all eyes must now be set on ensuring that challenges arising from implementation of the new guidelines are properly addressed.”

Introduction

The Federal Government of Nigeria (FGN), vide the Nigerian Export Promotion Council (NEPC), recently issued the revised guidelines for operation of the Export Expansion Grant scheme (hereinafter referred to as “EEG” or “the Scheme”). This move follows the decision of the FGN to reintroduce the Scheme, which had been suspended since 2013.

The EEG was originally introduced by the FGN in 1999 pursuant to the Export (Incentives and Miscellaneous Provisions) Act of 1992.

The FGN’s objective for introducing the EEG was to stimulate export-oriented activities in the non-oil sector and curtail a growing gravitation towards a mono economy.

Fast forward to 2017, FGN is of the view that the objectives of the EEG are still relevant, more so at a time when diversification is touted as the only way to build a sustainable economy. The effective date of the revised guidelines is 1 January 2017, albeit, exports made between the time the scheme was suspended and its reintroduction are

covered under the new guidelines.

Highlights of the revised guidelines are as follows:

1. Requirements

An intending beneficiary of the EEG must be registered with the Corporate Affairs Commission and NEPC (i.e. as an exporter), and must be a manufacturer or merchant of products of Nigerian origin.

Furthermore, an intending beneficiary must have carried out a formal export (with proceeds repatriated to Nigeria within 300 days from the date of export) and submitted baseline data (i.e. relevant completed forms, audited financial statements etc.) for the relevant period. The baseline data is used in determining the incentive rate for the beneficiary’s exports in a given year, and ultimately, the quantum of incentives enjoyed by the beneficiary.

Beneficiaries are also required to present an Export Expansion Plan as a prerequisite for participating in the Scheme. This would be a basis for determining continued eligibility.

2. The incentive

Beneficiaries of the EEG would be entitled to an export credit certificate (ECC). The ECC is similar to the defunct negotiable duty credit certificate (NDCC) which was granted to beneficiaries and used as a negotiable tax credit. However, unlike the NDCC which was transferable from trader to trader without restrictions on title and tenure, the ECC is only valid for two years after issuance and transferrable only once within this period.

The ECC may be used for the following:

- Settlement of FGN taxes e.g. companies income tax, value added tax etc.
- Purchase of FGN bonds
- Settlement of credit facilities by the Bank of Industry, Nigeria Export-Import Bank and Central Bank of Nigeria (CBN) intervention facilities
- Settlement of liabilities owed to the Asset Management Company of Nigeria

3. Determining the incentive

The Guideline retains the ‘weighted eligibility criteria’ used in the old framework. In determining the applicable incentive rate, an

intending beneficiary of the EEG is scored based on the following attributes:

- i. Company profile: The objective is to ensure that beneficiaries of the Scheme are those whose business model promotes local content, export expansion and increased capital investment. The score is determined as outlined in the table below:

Criteria	Threshold	Weight	Score
Local value added	30%	20%	
Local content	70%	20%	
Employment of Nigerians	500	10%	
Export growth	5%	35%	
Capital investment	10%	15%	

- ii. Product profile: The objective is to encourage the export of value added and processed products as the FGN seeks to promote an industrialized economy. The maximum applicable rates, depending on the profile of products being exported, are indicated in the table below:

Product Category	Ref	Rate
Fully manufactured products	Appendix 1	15%
Manufactured products	Appendix 2	10%
Processed/intermediate products	Appendix 3	7.5%
Primary products (agriculture and minerals)	Appendix 4	5%

In comparison with the maximum applicable rates under the old EEG regime (where maximum rates ranged from 5% to 30%), there has been a reduction in the incentive rates.

However, the exact rate of incentive due to an exporter depends on the weighted score as calculated in paragraph (i) and the product profile as indicated in paragraph (ii). In essence, the incentive is determined using the following matrix:

Scoring key	Fully manu- fact- ured	Semi- manu- fac- tured	Pro- cess- ed or inter- me- diate	Com- modi- ties
Com- pany score band (%)	Incen- tive rate (%)	Incen- tive rate (%)	Incen- tive rate (%)	Incen- tive rate (%)
70-100	15	10	7.5	5
50-69	10	7.5	5	3
25-49	7.5	5	3	2
5-24	3	1	1	1
0-5	0	0	0	0

The above table highlights some uncertainty around the incentive rates applicable to a qualifying exporter with a score band of exactly 5%. It would be necessary for NEPC to come up with a clarification on this.

4. Claiming the incentive

To claim the ECC, an intending beneficiary would be required to submit the following documents:

- Form NXP duly certified by the processing bank, Nigeria Customs Service (NCS), and Pre-shipment Inspection Agents;
- Bill of lading;
- Final commercial invoice;
- Single Goods Declaration (SGD) forms endorsed by NCS¹;
- Evidence of full repatriation of export proceeds²;
- Clean Certificate of Inspection (CCI)³;
- NEPC Non-oil Export Certificate;
- Certificate of Manufacturer (where applicable);
- Scanning Report; and
- Any other document as may be required by the NEPC.

The ECC is expected to be issued after claims have been approved. The intending beneficiary could thereafter utilize the ECC by presenting it to the relevant collecting agency.

5. Claiming outstanding credits

Outstanding claims for tax credits earned by qualifying exporters who engaged in qualifying exports between the time the Scheme was suspended⁴ and its subsequent reintroduction would be processed under the revised guidelines. These claims are expected to have been made before the deadline of 27 April 2017, as earlier communicated by the NEPC.

6. Administering the Scheme

The EEG would be administered by the NEPC with the support of the EEG Implementation Committee (EEGIC)⁵. Their mandate would be to consider applications from intending beneficiaries, make recommendations to the HMoF for approval and ultimately issue ECCs to beneficiaries. Claims for ECC are expected to be verified from time to time through a validation programme. Specifically, submissions made by beneficiaries would be reviewed for consistency with representations made to the NEPC and regular impact assessments would be undertaken to ensure objectives of the Scheme are met.

Beneficiaries of the EEG would be required to pay two percent (2%) of the value of ECC approved and collected, and four percent (4%) of ECC utilized. The objective of these fees is to help fund administration of the Scheme.

7. Handling violations

Violation of the revised guidelines by beneficiaries of the Scheme would be handled by the Presidential Committee on Trade Malpractices and the Economic and Financial Crimes Commission with support of the EEGIC.

Reintroduction of the EEG and release of the revised guidelines is laudable and demonstrates FGN's commitment to her economic recovery and growth strategy. However, like many other FGN incentives, a robust implementation strategy would need to be deployed to ensure all ECCs granted under the Scheme are honored by relevant collecting agencies and abuse is effectively managed.

Whilst we expect the new guidelines to address a lot of the abuse and practical challenges that led to suspension of the erstwhile Scheme, all eyes

¹ The SGD is required to be endorsed on the front and back pages

² CBN confirmation of repatriation would be required

³ The CCI should include certification of quality

⁴ These refers to exports made with bill of lading dated on or after 1 January 2014

⁵ The EEGIC is made up of the NEPC, Federal Ministry of Finance, NCS, CBN, Federal Inland Revenue Service, and Federal Ministry of Industry, Trade and Investment.

must now be set on ensuring that challenges arising from implementation of the new guidelines are properly addressed.

For instance, when would unutilized NDCCs issued prior to suspension of the old EEG arrangement be settled? How would ECCs be transferred from one beneficiary to another? How are Nigerian originating goods defined? Are the products listed in each product category exhaustive? Would products outside the list be considered? It would also be interesting to see if all claims under the EEG (including those due under the old regime)

would be settled, considering the potential value of this liability vis-à-vis the sums approved by the National Assembly for disbursement.

We expect that NEPC would regularly update these guidelines and/or issue formal notifications to provide clarifications as they become necessary. Importantly, we also expect that relevant FGN agencies who may be required to honor ECCs have been sensitized. To have ECCs rejected by one or more FGN agencies, as alleged under the old arrangement, would hamper the FGN's efforts at promoting non-oil exports.

Appendix 1

Category A1 - Fully Manufactured Products

S/N	Item description
1.	Alcoholic drinks
2.	Groundnut oil
3.	Candy
4.	Canned fish products
5.	Carpets and other textile floor coverings
6.	Cartons (Ready to use as packaging product)
7.	Cashew kernel oil
8.	Cassava derivatives - starch, ethanol, glucose syrup, industrial adhesives and garri
9.	Cement
10.	Ceramics (clay pots)
11.	Coffee beans oil
12.	Complete furniture including CKD, provided it has the same characteristics with the finished product
13.	Confectionery (Biscuits, sweets, chocolates, etc.)
14.	Cosmetics
15.	Cotton seed oil
16.	Crown cocks
17.	Diapers, seat covers, carpets, fabrics including shirting and suiting materials; prints, upholstery, etc.
18.	Electrical and electronics products, cables and wires, coils, air conditioners, refrigerators, fans, etc.
19.	Enamelware
20.	Fertilizers
21.	Finished building materials - e.g. asbestos, tiles, glass, zinc, corrugated iron sheet
22.	Finished/crust leather, leather foot wears, leather bags, leather belts, leather wallets, other articles of leather manufacture
23.	Flour: (Cassava, Yam, Potatoes, etc.)
24.	Foam products
25.	Food and beverage (ready to consume) e.g. instant coffee, tea, spirits, wines, larger beer, malt, soft drinks, bottled water margarine
26.	Garments, fabrics including shirting and suiting materials; prints, upholstery, etc.
27.	Ginger tea, Ginger drinks, Essential oil (oleoresin)
28.	Glass (bottles, louvres, etc.)

29.	Gum Arabic oil
30.	Hibiscus tea
31.	Industrial farm equipment (wheel barrows, axes, machetes, hoes, etc.)
32.	Insecticides
33.	Jute bags
34.	Manufactured articles of base metals (iron and steel, copper, nickel, aluminum, lead, zinc, tin, etc.)
35.	Manufactured tobacco (cigar and cigarettes)
36.	Moringa oil
37.	Ornaments gemstones
38.	Ornaments of silver
39.	Ornaments of zinc
40.	Ornaments of columbite
41.	Ornaments of gold
42.	Paints and vanishes
43.	Palm kernel oil
44.	Peanut oil
45.	Pharmaceuticals
46.	Plastics products (Biodegradable)
47.	Plates, spoons, buckets, and pots
48.	Polybags (Biodegradable)
49.	Potato derivatives - starch, ethanol, glucose syrup, industrial adhesives, food
50.	Printed books
51.	Processed honey
52.	Sesame candy/food
53.	Soap and detergents
54.	Soya bean oil
55.	Steel billet
56.	Sugar
57.	Textile fabrics including shirting and suiting materials; prints, etc.
58.	Toiletries
59.	Tyre, other articles of rubber manufacture
60.	Utensils (household)
61.	Vegetable oils
62.	Vehicles, vessels, boats, etc.
63.	Yam derivatives - starch, ethanol, glucose syrup, industrial adhesives, food
64.	Yeasts

Appendix 2

Category A2 - Manufactured Products

S/N	Item description
1.	Acetic acid
2.	Alcohol
3.	Ammonium nitrate
4.	Borax (anhydrate and dehydrate)
5.	Bran pellets
6.	Calcium carbonate
7.	Carbon black
8.	Cartons (for further design and printing)
9.	Cashew kernel
10.	Cashew kernel cake
11.	Caustic soda
12.	Cocoa powder
	Cocoa cake
13.	Coffee beans cake
14.	Cotton seed cake
15.	Cotton yarn, Grey fabric, Carded yarn
16.	Crumb rubber
17.	Cut and polished gemstones
18.	Dehulled sesame seed
19.	Frozen shrimps/fish
20.	Furniture components
21.	Ginger cake
22.	Glycerin
23.	Groundnut cake
24.	Gum arabic cake
25.	Gum arabic powder
26.	Ingots
27.	Moringa cake
28.	Palm kernel cake
29.	Peanut cake
30.	Polished columbite
31.	Polished gold

32.	Polished silver
33.	Polyester filament yarn, Polyester fibre staple (hollow slick), Viscose yarn
34.	Potato flour
35.	Salt
36.	Sesame cake/Liquor
37.	Shea cake
38.	Sodium silicate
39	Soya bean cake
40	Vegetable tanned leather
41	Yam flour
42	Zinc ash
43	Zinc skimming

Appendix 3

Category B – Processed/Intermediate Products

S/N	Item description
1.	Apa parquet
2.	Bees wax
3.	Bitumen
4.	Cassava chips & pellets
5.	Caustic soda
6.	Charcoal
7.	Clinker
8.	Cocoa butter, Cocoa liquor
9.	Coffee beans butter
10.	Cotton lint
11.	Cotton seed
12.	Crude glycerine
13.	Cut & peeled sugar cane
14.	Fish
15.	Ginger powder
16.	Gum arabic powder
17.	Hibiscus powder
18.	Horticultural products (vegetables, fresh fruits, cut-flower, pepper, onion, etc.)
19.	Moringa powder
20.	Palm kernel
21.	Peanut butter
22.	Potato chips & pellets
23.	Rolled/ kraft paper sheet
24.	Shea butter
25.	Tantalite
26.	Tar sand
27.	Tin ore (Cassiterite)
28.	Unpolished columbite
29.	Unpolished gemstones
30.	Unpolished gold
31.	Unpolished silver
32.	Unpolished zinc

33.	Yam chips and pellets
34.	Zirconium ore (sand)

Appendix 4

Category C – Primary Products (agriculture and minerals)

S/N	Item description
1.	Cassava tubers
2.	<i>Cassia tora</i>
3.	Cocoa beans
4.	Coffee beans
5.	Ginger - raw; dried and split
6.	Grains (Rice, Beans, etc.)
7.	Herbs
8.	Horns and Hooves
9.	Natural rubber
10.	Oil palm fruits
11.	Peanuts
12.	Potash
13.	Potato tubers
14.	Poultry
15.	Raw cashew nuts
16.	Raw cotton
17.	Raw fish
18.	Raw gum arabic
	Split gum arabic
19.	Raw honey
20.	Raw moringa, Split Moringa
21.	Scrap metals
22.	Sesame seed
23.	Shea nut
24.	Shredded paper
25.	Sorrel (hibiscus flower)
26.	Soya bean
27.	Spirogyras
28.	Sugarcane
29.	Tiger nuts
30.	Timber (rough and sawn)
31.	Tobacco

32.	Turmeric
33.	Wheat flour bye-product/ Waste
34.	Yam

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