

NIGERIAN AUTOMOTIVE INDUSTRY DEVELOPMENT PLAN (FISCAL INCENTIVES, ASSURANCES AND GUARANTEES) ACT, 2017

EXPLANATORY MEMORANDUM

This Act confers pioneer status, tariff incentives and income tax relief on automobile and automotive components and provides for the assurances and guarantees by the Federal Government to the automobile and tyre enterprises under the Nigerian Automotive Industry Development Plan.

**NIGERIAN AUTOMOTIVE INDUSTRY DEVELOPMENT PLAN (FISCAL
INCENTIVES, ASSURANCES AND GUARANTEES) ACT, 2017**

A Bill

For

An Act to confer pioneer status, tariff incentives and income tax relief on automobile and automotive components and provide for the assurances and guarantees by the Federal Government to the automobile and tyre enterprises under the Nigeria Automotive Industry Development Plan; and for related matters.

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Commencement

ENACTED by the National Assembly of the Federal Republic of Nigeria –

Objectives

1. The objectives of this Act are to –

- (a) develop a sustainable and competitive automotive industry in Nigeria;
- (b) create an environment that -
 - (i) allows existing assembly plants to survive and attract other original equipment manufacturers,
 - (ii) allows existing assembly plants to grow and continue to attract other original equipment manufacturers, especially local content suppliers, and
 - (iii) reviews the type industry
- (c) institute incentives for the development of a Nigerian automotive component industry;
- (d) diversify Nigeria's economy and revenues through industry and manufacturing as the key automotive sector which is a key component of the Nigeria Industrial Revolution Plan developed by the government;
- (e) enable a sustainable automotive industry through the Nigeria Automotive Industry Development Plan and its progressive fiscal framework that encourages the formation of joint ventures between multinationals and local companies through foreign direct investments, to –
 - (i) operate assembly plants in Nigeria, and
 - (ii) transfer progressive technology and skills and locally develop the required capabilities; and
- (f) attain such other objectives to promote a viable and sustainable automotive industry development in Nigeria.

2. (1) The Minister shall –

Functions and powers of the Minister.

- (a) be responsible for the co-ordination of the activities of automotive industry development and shall exercise general supervision over the restructuring in the industry;
- (b) report the development in the automotive industry to the Federal Executive Council;
- (c) advise the Government on all matters pertaining to the automotive industry;
- (d) on the advice of the National Automotive Design and Development Council, make such regulations as may be necessary or expedient for the purpose of achieving the objectives of this Act and, in particular, without prejudice to the generality of the provisions of this section –
 - (i) effect control on safety of automobile and tyre products, pollution control and energy saving so as to promote implementation of the Automotive Industry Development Plan, and
 - (ii) adopt international verification for standards on automotive products; and
- (e) do all such things as are incidental and necessary to the performance of the functions to the Minister under this Act.

(2) The Minister may, by order, amend, vary, add to or replace the Schedule to this Act.

(3) Any order made under this subsection shall be subject to the –

- (a) recommendation of the National Automotive Design and Development Council or its successor; and
- (b) approval of the President.

3. (1) The National Automotive Design and Development Council established under the provisions of the National Automotive Design and Development Council Act, shall, in addition to its functions, manage and implement this Act, under the Nigeria Automotive Development Plan as specified in the Second Schedule.

National Automotive Design and Development Council.

Act No. 6, 2014.

Second Schedule.

★(2) Automobile and automotive components production shall be regarded as **Special pioneer enterprises with the provisions of ten (10) years Income Tax Relief under this Act.**

★(3) **These provisions shall apply to all automobile and tyre production.**

(4) The business undertaken by the automobile manufacturing, including tyre enterprises and their products, are declared as pioneer industries and pioneer products respectively.

(5) For the purpose of this Act, “production day” means the date of the first automobile or automotive product rolls out of the assembly plant or component industry, and shall be deemed as commencement of production for the purpose of the Company Income Tax.

★4. The tax relief period for the purpose of the Automobile and Automotive Component Industry shall –

Income tax relief

(a) commence on the production date of the automobile and automotive component industry; and

(b) continue for a period of 10 years as specified in the Second Schedule, subject to a five-year mid-term review to ascertain the level of implementation of the Nigeria Automotive Industry Development Plan.

Second Schedule.

5. In accordance with the Nigeria Automotive Industry Development Plan, the tariffs in the First Schedule to this Act shall be the prescribed tariffs for the purposes of this Act and tariffs may be reviewed and adjusted, as and when required, in accordance with the terms of the First Schedule.

Tariff re-adjustment.

First Schedule.

6. In order to facilitate customs administration and make provisions for a clear definition of SKD, CKD and local content development import incentive program under the Nigeria Automotive Industry Development Pan, the National Automotive Design and Development Council and the Tariff Technical Committee (TTC) shall provide for the dedication of chapter 98 in the Tariff Book and the National Automotive Design and Development Council shall be the custodian of Vehicle Identification Number (VIN) for integrity and accountability.

Administration

7. (1) The Government affirms its recognition of the need to create conditions for accelerated development of Nigeria’s automotive industry, and grants assurances and guarantees that all Government’s vehicles and vehicle components procurement shall be from local assembly plants, except such vehicles are of a specialized nature and cannot be produced in Nigeria.

Assurances and guarantees

(2) The National Automotive Design and Development Council shall ensure compliance with the Federal Government’s assurance under subsection 1

8. The laws specified in the Second Column of Second Schedule are hereby amended to the extent indicated in the Third Column to provide for new matters brought about specifically by the implementation of the Nigerian Automotive Development Plan under this Act.

Amendment of laws
Second Schedule.

9. In this Act –

“Federal Government” means the Government of the Federal Republic of Nigeria;

“Minister” means the Minister responsible for industry, trade and investment;

“Ministry” means the Federal Ministry of Industry, Trade and Investment.

10. This Act may be cited as the Nigerian Automotive Industry Development Plan
(Fiscal Incentives, Assurances and Guarantees) Act, 2019

Citation.

Schedules

First Schedule

Section 5

TARIFF READJUSTMENT FOR THE AUTOMOTIVE INDUSTRY

*Existing Assembly Plants and Original Equipment Manufacturers Measurers to
Create and Enabling Environment to Support*

★1. With effect from the date this law comes into effect -

- (a) Fully Built Unit (FBU) cars falling under H.S Code 87.03 shall attract a duty of 35% and 35% levy;
- (b) Fully Built Unit (FBU) Commercial vehicles falling under H.S Code 87.01, 87.02, 87.04 and 87.16, shall attract 35% duty without levy;
- ★ (c) Used vehicles will be imported at 35% duty without levy, the provision shall be renewable as required by the Ministry and National Automotive Design and Development Council, to manage market conditions;
- (d) Fully Built Units (FBU) agricultural tractors under H.S Code 8701.9000.92, shall attract 0% duty without levy, until local capacity is ascertained by NAC;
- (e) local Assembly Plants shall import their –
 - (i) Completely Knocked Down (CKD) at 0% duty, and
 - (ii) Semi Knocked Down (SKD) at 10% import duty;
- (f) all machinery and equipment imported for the purpose of vehicle assembly shall attract zero percent (0%) import duty and VAT free; and
- (g) local assembly plants shall import Fully Built Unit (FBU) Cars at 35% duty and commercial vehicles at 20% without levy respectively in numbers equal to their imported CKD/SKD kit.

Duty Payable on Tyres

★2. In order to revive the tyre industry, the following measures have been approved with effect from the date this law comes into effect

- (a) Duty payable on tyres is now harmonized as below:

- (i) Car tyres H.S Code 4011.1000.0 -20% duty, 5% VAT, without levy;
 - (ii) Lorry/bus tyres, H.S Code 4011.2000.00 - 20% duty, 5% VAT;
 - (b) Importation of machinery and equipment for tyre production is now duty free and VAT free;
 - (c) Pioneer status is given to all tyre plants; and
 - (d) local tyre manufacturing plants are to import tyres at 5% duty in numbers equal to twice their production for two years from the date of commencement of production.
3. To control under-declaration of vehicle value to reduce duty paid, the Nigerian Customs Service shall publish the price of new vehicles annually.
4. To provide a transparent benchmark to determine the value of used vehicles, the Nigeria Customs Service shall use the value of a new vehicle depreciated by 10% per annum implying a 10-year period for cars and by 7% per annum implying a 15-year period for commercial vehicles. In either case, depreciation should never be below 30% of the value of the new vehicle equivalent.
5. To monitor and control used and Grey Vehicle Imports, all vehicle dealers and importers for sale to the public shall be licensed by the National Automotive Design and Development Council.

Second Schedule

Section 4 (b) and 8

LAWS AMMENDED OR REPEALED

No. and year of the Act	Citation	Extent of amendments
Cap. N8, LFN, 2004	National Automotive Council Act, 2004	1. Section 3 is amended to include the management and implementation of the Nigerian Industrial Automotive Development Plan.