



FROM TAX HOLIDAYS TO TAX CREDITS:

SHIFT FROM PIONEER STATUS TO THE
ECONOMIC DEVELOPMENT TAX INCENTIVE

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1. Introduction

The Nigerian Investment Promotion Commission (NIPC) announced that it will no longer accept applications for the Pioneer Status Incentive (PSI) effective November 10, 2025,¹ in preparation for the transition to the Economic Development Tax Incentive (EDTI) scheme, which takes effect on January 1, 2026.

Recall that on June 26, 2025, President Bola Ahmed Tinubu signed four new tax reform bills into law, aimed at simplifying the tax system, broadening the tax base and enhancing revenue generation.²

These new tax laws are:³

- i. Nigeria Tax Act (NTA) 2025
- ii. Nigeria Tax Administration Act (NTAA) 2025
- iii. Joint Revenue Board (Establishment) Act (JRBA) 2025
- iv. Nigeria Revenue Service (Establishment) Act (NRSA) 2025

A key innovation under the new tax laws is the abolishment of the Pioneer Status Incentive (PSI or Pioneer Status). Specifically, the Nigeria Tax Act (NTA) 2025 repeals the **Industrial Development (Income Tax Relief) Act (IDITRA) Cap. I7, Laws of the Federation of Nigeria (LFN), 2004**,⁴ under which the Pioneer Status was previously granted, and replaces it with a new incentive scheme called the Economic Development Tax Incentive (EDTI), effective from January 1, 2026.

2. Pioneer Status Incentive (PSI) under the Industrial Development (Income Tax Relief) Act

Under the repealed IDITRA, the Pioneer Status Incentive served as a fiscal incentive to attract investment into critical sectors of the economy. It is a corporate income tax holiday granted to companies that meet the criteria, for an initial period of three years, which could be extended for an additional one or two years, and for a maximum total of five years.⁵

The Pioneer status was specifically targeted at critical sectors such as manufacturing, agriculture, infrastructure, and technology,⁶ providing a

1 Philip Shimnom Clement, 'Pioneer incentive tax exemption for businesses ends after 21 years' (Daily Trust, 11 November 2025) <<https://dailytrust.com/pioneer-incentive-tax-exemption-for-businesses-ends-after-21-years/>> accessed 12 November 2025.

2 Lanre Lasisi, 'Tinubu Signs Four Tax Bills Into Law, New Tax Regime Begins Jan 2026' (Channels TV 26 June 2025) <<https://www.channelstv.com/2025/06/26/breaking-tinubu-signs-four-tax-bills-into-law/>> accessed 12 November 2025

3 'The Nigerian Tax Reform Acts' (PwC Nigeria, 27 June 2025) <<https://www.pwc.com/ng/en/publications/the-nigerian-tax-reform-acts.html#>> accessed 12 June 2025

4 Nigeria Tax Act 2025, s. 196(e)

5 Industrial Development (Income Tax Relief) Act LFN 2004, s. 10 (1&2)

significant boost to businesses that contribute meaningfully to Nigeria's economic diversification and industrialisation goals.

For a company to qualify for Pioneer Status, it must, among other things;⁷ be engaged in an industry or producing a product listed as 'pioneer' (including cultivation and processing of food crops, vegetables and fruits; manufacture of cocoa products; processing of oilseeds; integrated dairy production; cattle and other livestock ranching etc.);⁸ have a capital expenditure of not less than N100 million; as well as demonstrate the tangible impact its activity (project) will have on Nigeria's economic growth, and the application must be made in the first year of production/service.

However, despite the good intentions of the PSI, it has faced challenges and criticisms, including minimal value added by beneficiary companies, exploitation of loopholes, and a lack of transparency and measurability regarding its actual impact.⁹ In addressing these shortcomings, the NTA 2025 introduced the Economic Development Tax Incentive (EDTI) as a replacement for PSI as a major shift from a time-based tax holiday to a performance-based one.¹⁰

3. Economic Development Tax Incentive (EDTI) Scheme under the NTA 2025

The EDTI offers tax incentives to businesses operating in designated priority sectors,¹¹ subject to conditions relating to eligibility and duration. Companies eligible to apply for EDTI are those incorporated in Nigeria and those granted exemption from incorporation.¹² However, a company yet to be incorporated can also apply through its promoters.¹³ The incentive period shall commence on the production day of the company and continue for a period of five years.¹⁴

An application for the EDTI is to be made to the Executive Secretary of the Nigerian Investment Promotion Commission (NIPC), accompanied by a non-refundable fee of 0.1% of the qualifying capital expenditure incurred or to be incurred, subject to a maximum of 5,000,000.¹⁵ Upon a successful application, a company whose application has been approved will be issued an Economic Development Incentive Certificate (EDI Certificate). The EDI Certificate can be extended for an additional period of five years on the condition that 100% of its

6 Schedule to Industrial Development (List of Pioneer Industries) Notice [S.I. 9 of 1982.]

7 As provided in the Schedule to Industrial Development (List of Pioneer Industries) Notice [S.I. 9 of 1982.]

8 Ibid

9 WTS Blackwoodstone, 'Nigeria's Economic Development Tax Incentive: A Shift Towards Performance-Based Investment Promotion' (August 2025). Available at <<https://wtsblackwoodstone.com/wp-content/uploads/2025/08/27082025-AI-on-EDI.pdf>> accessed 12 November 2025

10 Ibid

11 Nigeria Tax Act 2025, schedule 10

12 Nigeria Tax Act, s.167.

13 Ibid.

14 Nigeria Tax Act 2025, s. 178.

15 Nigeria Tax Act 2025, s. 168.

profits are invested during the incentive period for expansion of the same product or products.¹⁶

EDTI also offers a performance-based tax credit on qualifying capital investments, and it ties tax relief to measurable investment in productive assets.¹⁷ It affords eligible companies a 5% annual tax credit for up to 5 years on qualifying capital expenditure,¹⁸ it does not offer full-time income tax holidays like the PSI.

Under the repealed IDITRA, the Minister could cancel a pioneer certificate upon an application by the pioneer company, the provision is retained under the NTA.²⁰ However, the NTA expands the grounds for cancellation of an EDI certificate to include: where the priority business is ceased or the company is liquidated and where, after 12 months of the proposed production day, the company fails to commence production of the priority product.

The Economic Development Incentive is a departure from the pioneer status incentive scheme and is structured around priority sectors²¹ primarily manufacturing, followed by services and infrastructure, which have strong multiplier effects on the economy.²² The EDI also shifts the focus from short-term exemptions to long-term, measurable investment impact, reducing the potential for abuse of tax holidays and ensuring that only real, productive investments receive support.

4. Implications of the Discontinuance of the Pioneer Status Incentive for Companies and Investors

EDTI is more data-driven and performance-based; it ties tax reliefs more closely to measurable contributions, such as job creation and export growth, amongst others.²³ The EDTI provides clearer eligibility criteria, standardised application processes and consequently a more predictable and accountable incentive environment for investor companies.²⁴

The implication of the end of Pioneer Status after 21 years is that new businesses will no longer be eligible for the three-year tax-free incentives. However, it should be noted that existing incentives granted under the repealed IDITRA will continue to exist for their remaining term, after which it will cease to exist.²⁵

16 Nigeria Tax Act 2025, s. 171(4).

17 Philip Shimnom Clement, 'Pioneer incentive tax exemption for businesses ends after 21 years' Daily Trust (11 November 2025) <<https://dailytrust.com/pioneer-incentive-tax-exemption-for-businesses-ends-after-21-years/>> accessed 12 November 2025.

18 Nigeria Tax Act, s.167.

19 Industrial Development (Income Tax Relief) Act LFN 2004, s. 7.

20 Nigeria Tax Act, s. 174

21 Nigeria Tax Act 2025. S. 166(1)

22 Nigeria Tax Act 2025, Tenth Schedule

23 Philip Shimnom Clement, (n 16).

24 Ibid.

25 Nigeria Tax Act 2025, s. 184



5. Conclusion

Companies and investors who wish to benefit from the EDTI are advised to submit their applications to NIPC on or before **November 10, 2025**. Likewise, both existing beneficiaries of the PSI and new applicants must consult with the NIPC to ensure a seamless transition and compliance with the EDTI scheme's requirements.



AUTHORS



Joseph Owolabi
Tax Practice Unit



Oluwafoyinsade Ademuson
Tax Practice Unit



Contact

LAGOS

KENNA Place
8, Ogunyemi Road, Palace Way, Oniru
PO Box 73002, Victoria Island, Lagos

ABUJA

1st Floor, Novare Central
Plot 502 Dalaba Street,
Wuse Zone 5, FCT 900285, Abuja

ENUGU

3 Emmanuel Ngwu Street,
Thinkers' Corner,
Enugu, 400001

+234 811 395 1052, +234 811 395 1053
counsel@kennalp.com

