



Regulatory Alert

April 2017

Resumption of the Export Expansion Grant Scheme: Administration and Challenges

Following the recent decision of the Federal Government (FG) to resume the Export Expansion Grant (EEG) scheme, the Nigerian Export Promotion Council (NEPC) has issued a Circular dated 20 March 2017, to all eligible exporters interested in the scheme.

EEG was introduced to accelerate export volume and enable exporters to diversify their export products and market coverage. However, it was suspended in 2013 due to perceived abuse by beneficiaries in claiming the grant.

In response to industry demand and alignment with its diversification policy, President Muhammadu Buhari, GCFR in his 2017 Budget Speech in December 2016 announced that EEG would be revived and administered as tax credits. The Minister of Industry, Trade, and Investment has also subsequently indicated that certificates issued under the EEG scheme would be called Export Credit Certificates (ECC) in lieu of the erstwhile Negotiable Duty Credit Certificates (NDCC).

According to the NEPC Circular, exporters are required to submit their baseline data for 2013, 2014, 2015 and 2016 by **27 April 2017** to the Executive Director/CEO, NEPC for the purpose of determining their EEG rates for 2014, 2015, 2016 and 2017 non-oil exports, respectively. The submissions are to include duly completed baseline forms (click [here](#) to access the forms), audited financial statements, and 5-year Export Expansion Plan, amongst other documents.

Comments

The EEG scheme was operated using the “weighted eligibility criteria” and was based on several criteria, such as local value added, local content and employment of Nigerians. Qualifying companies were

exporters who had minimum annual export turnover of ₦5 million and showed evidence of repatriation of the export proceeds.

The NDCC obtained under the scheme was used to pay for import and excise duties or sold at a discount for cash. However, the new scheme is a tax credit-based scheme under which ECC would be used to offset taxes. In addition, there will now be a vote in the annual FG budget for EEG policy consistency and transparency.

It is uncertain how the new scheme would be administered considering that export companies do not pay companies income tax (CIT) and value added tax (VAT) on their exports.

Section 23(1)(q) of the CIT Act (as amended) specifically exempts the profits of a company in respect of goods exported from Nigeria from CIT, provided that the proceeds from such export are repatriated to Nigeria and are used exclusively for the purchase of raw materials, plant, equipment and spare parts. Non-oil exports are also subject to 0% VAT under the VAT regime. Thus, granting tax credits to exporters for payment of taxes will not have any real immediate value for non-oil exporters who may not have any tax to pay.

Secondly, the FG's allocation of ₦20 billion in its 2017 Budget is a far cry from the over ₦150 billion backlog of EEG claims from 2013 to date. It is, therefore, unlikely that most of the outstanding claims would be settled any time soon.

While there may be exporters with other lines of business that are non-tax exempt for which they can utilize their ECC, the FG should allow exporters who engage wholly in export business to monetize their ECC by way of assignment to third parties for cash consideration within a framework that will ensure full accountability and transparency.

In addition, the 30-day timeline given by the NEPC for the submission of baseline data and related information, is quite short considering the amount of information and documents required. The NEPC may, therefore, consider extending the deadline to 60 days

On the whole, the resumption of the EEG scheme is a positive indication of Government's commitment to diversification through the growth of non-oil exports. However, there is more to be done as noted above. Ultimately, the success of the scheme would depend on efficiency of administration of the incentive at least cost to the beneficiaries.

For further enquiries on the above, please contact:

Wole Obayomi

ng-fmtaxenquiries@ng.kpmg.com

[Contact Us](#)

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