

A BILL

FOR

AN ACT TO CONFER PIONEER STATUS, TARIFF INCENTIVES, INCOME TAX RELIEF ON AUTOMOBILE AND AUTOMOTIVE COMPONENTS AND TO 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

Sponsored by Hon. Sylvester Ogbaga

[] Commencement

BE IT ENACTED by the National Assembly of the Federal Republic of Nigeria as follows:

- 1 **1.** The objectives of this Act are to: Objectives
- 2 (a) Develop a sustainable and competitive automotive industry in
- 3 Nigeria;
- 4 (b) Create an environment to allow existing assembly plants to
- 5 survive and attract other Original Equipment Manufacturers;
- 6 (c) Create an environment to allow existing assembly plants to
- 7 grow and continue to attract other Original Equipment Manufacturers in
- 8 particular, local content suppliers;
- 9 (d) Create an environment to revive the tyre industry;
- 10 (e) Institute incentives for the development of a Nigerian
- 11 automotive component industry;
- 12 (f) The Automotive sector is a key component of the Nigeria
- 13 Industrial Revolution Plan developed by government to diversify Nigeria's
- 14 economy and revenues through industry and manufacturing;
- 15 (g) Enable a sustainable Automotive Industry through the Nigeria
- 16 Automotive Industry Development Plan and its progressive fiscal
- 17 framework that encourages the formation of joint ventures between
- 18 multinationals and local companies through foreign direct investments, to
- 19

1 operate assembly plants in Nigeria, transfer progressive technology and skills
2 and locally develop the required capabilities; and

3 (h) Attain such other objectives to promote a viable and sustainable
4 Automotive Industry Development in Nigeria.

Institutions

5 2. -(A) THE MINISTER

6 Functions and Powers of the Minister

7 The Minister shall:

8 (a) Be responsible for the co-ordination of the activities of
9 Automotive Industry Development and shall exercise general supervision over
10 the restructuring in the industry;

11 (b) Report the development in the Automotive industry to the Federal
12 Executive Council;

13 (c) Advise the Government on all matters pertaining to the
14 Automotive industry;

15 (d) On the advice of the National Automotive Council, make such
16 regulations as maybe necessary or expedient for the purpose of achieving the
17 objectives of this Act, and in particular, without prejudice to the generality of
18 the foregoing provisions:

19 (i) to effect control on safety of automobile and tyre products,
20 pollution control and energy saving so as to promote implementation of the
21 Automotive Industry Development Plan;

22 (ii) to adopt international verification for standards on automotive
23 products;

24 (iii) may by order, amend, vary, add to or replace the first schedule.

25 Any order made under this sub-section, shall be subject to the recommendation
26 of the National Automotive Design and Development Council or its successor
27 and subject to the approval of the President;

28 (e) Do all such things as are incidental and necessary to the
29 performance of the functions of the Minister under this Act.

1 (B) NATIONAL AUTOMOTIVE DESIGN AND DEVELOPMENT

2 COUNCIL:

3 The National Automotive Design and Development Council established
4 under the provisions of the National Automotive Design and Development
5 Council Act, Shall in addition to its functions therein, manage and
6 implement the Nigeria Automotive Industry Development Plan (Fiscal,
7 Incentives and Assurances) Act, under the Nigeria Automotive
8 Development Plan.

9 [Cap N8]

10 3.-(a) The automobile and Automotive Components shall be Pioneer Status
11 regarded as pioneer enterprises within the provisions of the Industrial
12 Development (Income Tax Relief) Act;

13 [Cap. 17]

14 (b) The provisions of the Industrial Development (Income Tax
15 Relief) Act, shall apply to the automobile and tyre enterprises;

16 (c) The business undertaken by the automobile manufacturing
17 including tyre enterprises and their products are hereby declared as pioneer
18 industries and pioneer products respectively;

19 (d) For the purpose of this Act, "production day" means the date of
20 the first commercial delivery of automobile and automotive products to a
21 purchaser of these products, upon which date the trade or business of the
22 automobile and automotive components industry shall be deemed to
23 commence for the purposes of the Company Income Tax Act.

24 [Cap C21]

25 4. Notwithstanding the provisions of section 10 of the Industrial
26 Development (Income Tax Relief) Act, the tax relief period of the Income Tax
27 automobile and automotive component industry shall commence on the Relief
28 production date of the automobile and automotive component industry and
29 shall continue for a period of ten years subject to a 5 year mid-term review to
30 ascertain the level of implementation of the Nigeria Automotive Industry

1 Development Plan.

2 [Cap. 17]

Tariff
Re-Adjustment

3 5. In accordance with the Nigeria Automotive Industry Development
4 Plan, the Tariffs in the first Schedule to this Act shall be the prescribed Tariffs
5 for the purposes of this Act. Tariffs will be reviewed and adjusted as and when
6 required, in accordance with the terms of the schedule.

7 [First Schedule]

Administration

8 6. In order to facilitate customs administrations and make provisions
9 for clear definitions of SKD CKD, and local content development import
10 incentive program in terms of the Nigeria Automotive Industry Development
11 Plan, the National Automotive Design and Development Council and the Tariff
12 Technical Committee (TTC) shall provide for the dedication of chapter 98 in
13 the Tariff Book. The NADDC shall be the custodian of VIN Numbers for
14 integrity and accountability.

Assurances and
Guarantees

15 7.-(1) The Government hereby affirms its recognition of the need to
16 create conditions for accelerated development of Nigeria's automotive
17 industry, and grants assurance and guarantees that all Government's vehicle
18 and vehicle component procurement shall be from local assembly plants,
19 except such vehicles are of a specialised nature and hence cannot be produced
20 in Nigeria.

21 (2) The National Automotive Council shall be charged with ensuring
22 compliance with the
23 Federal Government's assurance under sub-section (1) of this section.

Repeals and
Amendment of
Laws

24 8. The laws specified in the second column of schedule 2 are hereby
25 amended to the extent indicated in the third column thereof to provide for new
26 matters brought about specifically by the implementation of the Nigerian
27 Automotive Development Plan under this act.

28 [Second Schedule]

Interpretations

29 9. In this Act, unless the context otherwise requires:

1 "Federal Government" means the government of the Federal Republic of
2 Nigeria;

3 "Minister" means the Minister in charge of Industry, Trade and Investment;

4 "Ministry" means the Federal Ministry of Industry, Trade and Investment;

5 10. This Act may be cited as the Nigerian Automotive Industry Short Title
6 Development Plan (Fiscal Incentives, Assurances and Guarantees) Bill,
7 2019.

8 SCHEDULES

9 FIRST SCHEDULE

10 [Section 5]

11 *Tariff Readjustment for the Automotive Industry*

12 MEASURES TO CREATE AN ENABLING ENVIRONMENT TO SUPPORT

13 EXISTING ASSEMBLY PLANTS AND ORIGINAL EQUIPMENT

14 MANUFACTURERS

15 1. With effect from the 1st January, 2014:

16 (i) Fully Built Units (FBU) cars falling under H.S Code 87.03 shall
17 attract a duty of 35% and 35% levy;

18 (ii) Fully Built Unit (FBU) Commercial vehicles falling under H.S
19 Code 87.01 87.02, 87.04, 87.16, shall attract 35% duty without levy;

20 (iii) All FBU imports (except used vehicles) with Bill of Lading
21 dated not later than 31st March 2014 and arrival date not later than 30th June
22 2014 will pay the old duty rate, irrespective of the dates of the opening of
23 Form "m" and the Letter of Credit;

24 (iv) Used vehicles will be imported at 35% duty without Levy till
25 30th June 2014, renewable as required by the Ministry/NADDC, to manage
26 market conditions;

27 (v) Fully Built units (FBU) agricultural Tractors under H.S Code
28 8701.9000.92, shall attract 0% duty without levy, until local capacity is
29 ascertained by NAC;

30 (vi) Local Assembly Plants shall import their:

- 1 (a) Completely Knocked Down (CKD) at 0% duty;
2 (b) Semi Knocked Down (SKD) at 10% import duty.
3 (viii) All machinery and equipment imported for the purpose of
4 vehicle assembly shall attract zero percent (0%) import duty and VAT free; and
5 (ix) Local Assembly Plants shall import fully Built Unit (FBU) Cars
6 at 35% duty and commercial vehicles at 20% without levy respectively in
7 numbers equal to their imported CKD/SKD kit.

8 *Duty Payable on Tyres*

9 2. In order to revive the tyre industry, the following measures have
10 been approved with effect from 1st January 2014:

- 11 (a) Duty payable on tyres is now harmonised as below:
12 (i) Cars tyres H.S Code 4011.1000.00 -20% duty, 5% VAT, without
13 levy;
14 (ii) Lorry/Bus tyres, H.S Code 4011.2000.00 –20% duty, 5% VAT.
15 (b) Importation of machinery and equipment for tyre production is
16 now duty free and VAT free;
17 (c) Pioneer Status is hereby given to all tyre plants; and
18 (d) Local tyre manufacturing plants are to import tyres at 5% duty in
19 numbers equal to twice their production for two years from the date of
20 commencement of production.

21 3. To control under declaration of vehicle value to reduce duty paid:

- 22 (a) The Nigerian Customs Service shall publish the price of new
23 vehicles annually; and (b) To provide a transparent benchmark to determine the
24 value of used vehicles, the Nigeria Customs Service shall use the value of a
25 new vehicle depreciated by 10% per annum implying a ten (10) year period for
26 cars and by 7% per annum implying a fifteen (15) year period for commercial
27 vehicles. In either case, depreciation should never be below 30% of the value of
28 the new vehicle equivalent.

29 *Monitoring and Control of used and Grey Vehicle Imports*

30 4. All vehicle dealers and importers for sale to the public shall be

licensed by the NADDC of Nigeria.

SCHEDULE 2

LAWS AMENDED OR REPEALED

No and year of Law	Short title	Extent of Repeal
Act No. N 6 of LFN 2014	National Automotive Design and Development Council 2014 Industrial Development (Income Tax Relief Act)	1. The amendment of section 3 to include the management and implementation of the Nigerian Industrial Automotive Development Plan The amendment of Section 10 to provide for a tax relief period of 10 years as contemplated under Section 4 of this Act

EXPLANATORY MEMORANDUM

This Bill seeks to confer Pioneer Status, Tariff Incentives, Income Tax Relief on Automobile and Automotive Components and to provide for the assurances and guarantees by the Federal Government to the Automobile and Tyre Enterprises, under the Nigeria Automotive Industry Development Plan.

