

Doing Business Guide

# Nigeria

1st Edition

**Pedabo**

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# About This Booklet

This booklet has been produced by Pedabo for the benefit of its clients and associate offices worldwide who are interested in doing business in Nigeria.

Its main purpose is to provide a broad overview of the various factors to be considered by organisations considering setting up businesses in Nigeria.

The information provided cannot be exhaustive, as underlying legislation and regulations are subject to frequent changes. We recommend that anyone considering doing business in Nigeria or looking to the area as an opportunity for expansion should seek professional advice before making any business or investment decision.

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While every effort has been made to ensure the accuracy of the information contained in this booklet, no responsibility is accepted for its accuracy or completeness.

# Contents

Introduction.....	4
Business Organisation Structures.....	7
Business Regulators.....	14
Labour and Personnel Standards.....	19
Financial Reporting in Nigeria.....	21
Taxation.....	24
Investment Opportunities.....	28
Getting into Nigeria.....	34
Common Business Etiquette.....	35
Minor Challenges in Nigeria.....	37
Living in Nigeria.....	38
FAQs.....	39
Conclusion and Useful Links.....	42

# Introduction

## Nigeria profile

Nigeria is the most populous country in Africa and is fondly referred to as the 'Giant of Africa' because of the several roles it plays in the continent as a driving force politically, economically and socially.

Nigerians have been described as a peace-loving, friendly, forward-looking people – and, more recently, as the happiest people on earth.

## Geography and population

Nigeria is located on the coast of West Africa. It is bordered by the Republic of Benin to the west, Chad and Cameroon to the east, and Niger to the north, while its coastline overlooks the Gulf of Guinea, the northeastern part of the tropical Atlantic Ocean.

The country occupies a land mass of 923,768 m<sup>2</sup> and is divided into six major geopolitical zones based on its topographic distribution: North-West (7 states), North-East (6 states), North-Central (6 states and FCT), South-West (6 states, including Lagos), South-East (5 states) and South-South (6 states). The population of the country is estimated to be around 170 million (2013).

## History and culture

The British colonised Nigeria in the late nineteenth and early twentieth centuries, amalgamating the Northern, Southern and Lagos protectorates to create the entity called Nigeria in 1914 (named after the Niger River, which runs through the country). Nigeria gained independence from colonial rule in 1960, and in 1963 became a Republic with a democratically elected president. Having survived a civil war that lasted from 1967 to 1970, as well as several military coups and governments, Nigeria finally witnessed a return to civilian rule in 1999 and since then has made considerable socio-economic progress. Nigeria has over 250 ethnic groups, with Hausa, Igbo and Yoruba being the dominant tribes.

## Climate and weather

Nigeria lies entirely within the tropics, yet there are wide climatic variations. In general, there are two seasons – dry and wet; but near the coast, the seasons are less sharply defined. Temperatures over 90°F are common in the north, but near the coast, where the humidity is higher, temperatures seldom climb above that mark. Inland, around the two great rivers, the wet season lasts from April to October and the dry season from November to March. Temperatures are highest from February to April in the south and March to June in the north; they are lowest in July and August over most of the country.

## Economic overview

The Nigerian economy is the largest in West Africa, second largest in sub-Saharan Africa (after South Africa), and 31st in the world, with an estimated total GDP of almost \$240 billion. Nigeria is blessed with an abundance of natural mineral resources, including solid minerals (coal, talc, gypsum, iron ore, lead, zinc, bentonite and barite, gold, bitumen, rock salt, gemstones and kaolin) and petroleum deposits (crude oil and gas). Petroleum plays the most prominent role in the Nigerian economy, accounting for 80% of government earnings and 40% of the country's GDP. Among the most oil-rich countries in the world, Nigeria is the 12th largest producer of petroleum, and the 8th largest exporter of crude oil.

The country's manufacturing sector, though still underperforming, is the third largest on the continent, producing a large proportion of goods and services for the West African region. Notwithstanding the country's high dependence on oil, efforts have been made by recent administrations to shift this dependence and policies have been devolved to also develop non-oil products and services. This is evidenced by the fast-growing telecommunications market and the government's recent expansion of space-based communication, with four satellites being launched into outer space within the last few years. Nigeria's economy can best be described as a mixed-economy emerging market.

## Banking overview

The radical reform of the banking sector started in earnest in 2004, overseen by the Central Bank of Nigeria. It led to the consolidation of Nigeria's banks, and strengthened the sector against future shocks. Like the rest of the world, Nigeria's banking sector had to come to terms with the challenges posed by the global financial crisis.

The Central Bank has taken a proactive approach, completing a programme of special audits, removing those responsible for the crisis and leading the Asset Management Corporation Act, under which a distressed asset fund (AMCON) has purchased over US\$ 5 billion of problem loans from 21 banks since December 2010. The ambitious financial sector reform agenda includes the introduction of International Financial Reporting Standards (IFRS) and the strengthening of banking supervision and governance across the financial sector.

There now exists a banking infrastructure that complements the vast opportunities on offer to investors in Nigeria, and with confidence in the sector growing Nigeria can be considered well and truly open for business.

## Political overview

Nigeria is a federal republic modelled after the United States, with executive powers exercised by the president and legislative powers being shared by a bicameral legislature with the Upper and Lower Houses of Assembly (Senate and House of Representatives). The president presides as both head of state and head of government, and is elected by popular vote for a maximum of two 4-year terms.

The return to civilian democracy in 1999 ushered in a programme of political, economic and social reforms that is now bearing fruit. In 2007, the first civilian handover of power in the country's history took place, with President Umaru Yar'Adua taking office after 8 years of rule under President Obasanjo. Following President Yar'Adua's death in 2010, a second civilian transfer was carried out, to President Goodluck Jonathan.

## Telecoms overview

The Government of Nigeria has substantially opened Nigeria's telecommunications sector. The Telecommunications Act, 2001 authorised the Nigerian Communications Commission (NCC) to issue licences to existing and prospective service providers. Nigeria's state-owned telecommunications operator, Nigerian Telecommunications Ltd (NITEL)'s mobile subsidiary, MTEL, and four private companies (MTN, Airtel, Globacom, and Etisalat), have mobile licences. Globacom won mobile, fixed and international gateway licences as Nigeria's second national telecommunications operator in mid-2002. According to the NCC, the total number of telephone numbers (both mobile and landline) in Nigeria increased from 81.9 million and a tele-density of 58.52 at the end of August 2010 to 119 million and tele-density of 83% in 2013.

The government awarded three carriers in the 800 MHz spectrum band to Visafone Communications in a competitive auction process in July 2007 that included Visafone Communications, GiCell Wireless Ltd, Multilinks Telecommunication Ltd, and TC Africa Telecoms Network Ltd. Officials issued four licences for a 10 MHz lot in the 2 GHz spectrum to Alheri Engineering Company Ltd, Celtel Nigeria Ltd, Globacom Ltd, and MTN Nigeria Communications Ltd in March 2007.

The ICT sector received a boost in 2010 and 2011 when three broadband cables, from Glo-One, MainOne and the West African Cable System (WACS), landed in Lagos. WACS comprises a consortium of companies led by MTN. Nigeria's previous broadband capacity was limited to the SAT-3 cable with 350 gigabits. The Glo-One, MainOne, and WACS cables increased this capacity by 2.5, 1.92, and 5.12 terabits, respectively, bringing total capacity to 9.89 terabits. All three cables provide broadband data and internet capacity, which will increase the country's internet density and capacity. Such actions look set to reduce the cost of broadband to a fraction of the current cost.

# Business Organisation Structures

Business can be carried on in Nigeria through any of the following vehicles.

## Sole proprietorship

This form of business is open to anyone in Nigeria wishing to engage in any kind of lawful business activity. There are few statutory requirements for this form of business, but every sole trader having a place of business in Nigeria is required to register under Part B of the Companies and Allied Matters Act, 2004 (CAMA) if the business is carried on under a name that is not the true name of the proprietor. Details of the names and addresses of the proprietor registered under CAMA are available on request to the public at the Corporate Affairs Commission (CAC) on payment of a fee.

## Partnership

Partnership in Nigeria is bound by the laws of the English Partnership Act, 1890. It is a business in which the partners are the joint owners of the partnership property and are personally liable jointly and severally for the debts and obligations of the firm.

Partnership interest can be transferred once agreed between the partners. A corporation may be a partner with other corporations or with individuals. The maximum number of partners in a partnership is 20, with the exception of certain professions such as law and accountancy. Partnerships terminate upon the death or resignation of a partner.

## Incorporated company

In Nigeria, companies are registered as a limited liability company (LLC) or unlimited liability company (Ultid) according to CAMA. This 2004 Act regulates the affairs of companies concerning formation, shareholding, directorships, borrowing, book-keeping and accounting, auditing, board/stakeholder meetings, management, administration and liquidation. A company may be limited by shares (private or public) or by guarantee (charitable, religious, and educational).

### a. Private limited company

The most common companies for foreign investments, private limited companies may be limited by shares or by guarantee; they must have at least two members, and a maximum of 50 members. The directors need not own shares in the company and they need not be resident in Nigeria, but a Nigerian resident must be appointed as public officer for the company.

The right to transfer shares in a private company is restricted, and members of the public cannot be invited to subscribe to its shares or debentures. The business name must end with 'Ltd'.

## **b. Public limited company**

A public company must also have at least two members, but there are no restrictions on the maximum number of members. There is no restriction on transfer of shares; the public can be invited to subscribe for shares, which can be traded on the floor of the stock exchange. Once a public company becomes listed on the stock exchange, it becomes publicly quoted.

## **c. Unlimited liability company**

An unlimited liability company has no limit on the liability of the members – a feature that makes it relatively unattractive to potential investors. This type of company is not popular in Nigeria.

## **Registration procedures for limited liability companies**

Registration of companies in Nigeria covers preparation, stamping and filing of relevant incorporation documents with the CAC.

When registering a company, the first step is to establish the respective shareholdings in the proposed company, as well as its name, initial authorised share capital and main objectives. Following this, two names for the company (in order of preference) are proposed and searched for availability. Once approved, the name is reserved for 60 days, to allow for the registration process.

The incorporation documents required to be submitted for registration are:

- Three copies of the memorandum and articles of association, usually prepared by the company and duly stamped
- Form CAC1: reservation and availability of name
- Form CAC2: A statement of the authorised share capital and return on allotment of shares signed by at least one director
- Form CAC3: Notice of address of the registered office of the proposed company, and head office if different from the registered office
- Form CAC4: A statutory declaration by a legal practitioner in a prescribed form of compliance with all requirements of the Act
- Form CAC7: A statement in the prescribed form showing the list and particulars of the first directors of the company together with their consent to be directors
- Other documents required to satisfy the requirements of any law relating to the formation of company
- Where the proposed company is a foreign company and is not 100% owned by non-resident shareholders, a joint venture agreement (JVA) between prospective shareholders is prepared and also submitted to the CAC. This should specify the mode of subscription by the parties, manner of board composition, mutually protective quorums



for meetings, and specific actions that would require shareholder approvals by special or ordinary resolutions.

The preparation of incorporation documents is a technical process usually carried out by professionals such as lawyers, chartered secretaries or chartered accountants on behalf of the investors. PAL Nominees Ltd, the company secretarial arm of Pedabo Associates Ltd, competently and adequately undertakes the service of preparing and processing the documents for their clients.

The memorandum of association, articles of association and the statement of authorised share capital (Form CAC2) are then stamped at the Federal Inland Revenue Service. The amount of stamp to be paid is based on the amount of share capital on the face of the documents. All the prepared documents are then filed with the CAC.

On average, the registration process takes 14 days. There is an option for same-day registration, though in practice this takes 2–3 days. Among the main laws regulating foreign investment in Nigeria is the Nigerian Investment Promotion Commission Act 1995, which requires that a foreign company after incorporation should make simultaneous applications to the National Investment Promotion Commission (NIPC) for registration. The commission in turn grants a business permit certificate and facilitates the granting of expatriate quotas by the Ministry of Internal Affairs. The application to NIPC should be accompanied by the following documents:

- Original copy of the duly completed NIPC form
- Original copy of the treasury receipt for the purchase of NIPC form
- A copy of the certificate of incorporation of the applicant company (minimum share capital acceptable is 10 million Naira [N])
- A copy of the tax clearance certificate of the applicant company (where applicable)
- A copy of certificate of capital importation
- Certified true copies of forms CAC2 and CAC7
- A copy of the memorandum and articles of association
- A copy of treasury receipt as evidence of payment of stamp duties on the authorised share capital of the company as at date of application
- A copy of the JVA, unless 100% foreign ownership is applicable
- A copy of feasibility report and project implementation programme of a company for its proposed business
- A copy of deed(s) of sub-lease/agreement evidencing firm commitment to acquire requisite business premises for the company's operation
- Copies of information brochure on foreign shareholder (if available) as testimony of international expertise and credibility of the foreign partner in the proposed line of business – in the case of an application for expatriate quota position, and in addition to

the above

- Evidence of non-availability of expertise in the country
- A copy of training programme or personnel policy of the company, incorporating a management succession schedule for qualified Nigerians
- Particulars of names, addresses, nationalities and occupations of the proposed directors of the company
- Job title designations of expatriate quota positions required, and the academic and working experience required for the occupants of such positions.

The company may also apply to relevant agencies for incentives that may be applicable to its business activities – such as pioneer status (see page 26).

Some business sectors – such as banking, insurance, telecommunication, oil and gas, stockbroking, mining and capital market – require additional registration with the relevant regulatory agency.

## Requirements for additional registrations in certain sectors

### Insurance sector

Insurance companies are required to register with the National Insurance Commission (NAICOM), the apex regulatory body of the insurance industry. Part II, Section 4 of the Insurance Act 1997 provides for NAICOM registration of all companies intending to carry on insurance business in Nigeria.

Registration of insurance companies is done by submitting the following documents to the NAICOM:

- Application Form 1 (obtained from NAICOM)
- Evidence of payment of N30m registration fees to NAICOM (1% of minimum paid-up share capital)
- Certificate of incorporation in the company's name from CAC
- Certified true copy of the memo and article of association of the company
- Certified true copy of:
  - CO2 – Share allotment form
  - CO6 – Situation of registered office
  - CO7 – Particulars of directors
- Certificate of statutory deposit of N1.5bn (50% paid-up share capital) with the Central Bank of Nigeria
- A statutory business plan and feasibility study of the insurance business to be transacted within the next 5 years

- A statement as to the method of distributing profits among policyholders and shareholders
- Specimen copies of proposal forms, terms and conditions of the policies
- Evidence of adequate and valid reinsurance treaty and retrocession arrangements
- Table of premium rates and their basis
- A declaration by the CEO as to the location of the principal office or registered office
- Copy of appointment letter and acceptance of same by the proposed CEO
- Evidence of the resignation or formal disengagement of the proposed CEO from his/her previous employment and acceptance of same by previous employer
- CV and credentials of the proposed CEO
- A statement signed by the proposed CEO that the notice of his/her appointment is served with their knowledge and consent
- A declaration by the CEO and two directors who signed the application form that the business shall be transacted in accordance with sound insurance principles
- A sworn affidavit and recent passport photograph from each director, CEO, manager and secretary that he/she is disqualified from this role under the provisions of Section 12 (1) of the Insurance Act, 2003 (details to be stated in the affidavit)
- Completed personal history form containing names, addresses and employment history, including directorship of other companies of the CEO and all other directors of the company for the past 10 years
- Names, qualifications, experience and address of each of the proposed heads of departments and executive directors. Evidence of expertise must be provided, including formal practical training in insurance business.

## Banking sector

Section 2 of the Banking and Other Financial Institutions Act Cap B3, LFN 2004 provides that no person shall carry out banking business in Nigeria unless it is duly incorporated in Nigeria and holds a valid licence. Violation of this law is punishable by fines and imprisonment. Any person desiring to undertake banking business must apply to the governor of the Central Bank of Nigeria (CBN) with an application accompanied by:

- Feasibility report of the proposed bank
- Draft copy of the memorandum and articles of association
- List of shareholders, directors and principal officers
- The prescribed application fee
- Such documents, reports and information as the CBN may from time to time specify

- The stakeholders must also deposit a sum equal to the minimum paid-up share capital which is determined from time to time by the CBN (currently N25 billion).

The governor recommends to the Minister of Finance, who refers the request to the Federal Executive council (FEC). FEC directs the governor, who may issue or not issue the licence with or without conditions.

## Opening a business bank account

Opening a business account with a bank in Nigeria usually requires the following documents:

- A duly certified board resolution for opening a bank account
- Proof of residence of signatories (utility bill or tenancy agreement). For a corporate account, the proof of residence of the company based on the registered address stated on its incorporation documents will suffice
- Certificate of incorporation in Nigeria
- Memorandum of association and articles of association
- A statement showing the particulars of directors of the company (CAC7)
- A list of directors' shareholding indicating their percentage holding and their residential address (CAC CO2)
- Recent passport photographs of the signatories
- An indemnity letter. Usually, banks have standard reference forms to be filled by the referees. Two referees are required, and the referees of corporate accounts should be other companies that maintain current accounts in Nigeria
- Residence permit (for any non-Nigerian director).

## Obtaining credit facilities from banks

In Nigeria when a business organisation wants to secure a credit or loan facility, the security of the loan and the company's ability to repay the loan and the interest accruing is verified by the financial institution. The size of the loan and security offered will determine how much information the financiers require. However, the information below is generally expected to be provided by the borrower:

- Borrower's financial background, which will cover items like the person's assets, loan repayment history, bankruptcy and tax liabilities
- Memorandum of association, articles of association and certificate of incorporation
- Proof of identity of authorised signatory/director
- List of directors, shareholding structure, and any related documents of authentication
- Statements for all company bank accounts

- Description of purpose of loan
- Draw-down requirements, repayment provisions, etc.
- Details of any available security or collateral
- Demonstrated ability to service both the interest and debt repayments
- Copies of financial accounts for past few years
- Extract of directors' resolution for acceptance of bank facilities.



# Business Regulators

There are several key regulatory agencies established by the federal government to provide services and assistance to enterprises in Nigeria. A few of them are described below.

## Corporate Affairs Commission (CAC)

The Corporate Affairs Commission (CAC) was established by the Companies and Allied Matters Act of 1990 to regulate the formation and management of companies. The Commission's mandate is to maintain a companies registry and offices in the 36 states of the Federation to discharge its functions under the Act, or any law in respect of which it is charged with responsibility and conduct investigations into the affairs of any company where the interests of the shareholders and the public so demand. The Commission also registers business names, incorporated trustees and non-government organisations as well as provides a wide range of ancillary services such as the regulation of corporate restructuring and winding up. The commission now offers online registration services and it is also now possible to complete the process of registering a company within 24 hours.

No foreign enterprise can commence business in Nigeria until it is incorporated or registered in Nigeria. Such incorporation or registration is done by the Commission. Commencement of business without the incorporation makes all acts of the company void and is also a criminal offence. Audited financial statements and an annual return in a prescribed form are also submitted to the Commission annually.

## Nigerian Investment Promotion Commission (NIPC)

This is an agency set up for potential foreign investors. It serves as a central investment support agency and it streamlines the activities of ministries and government agencies that are involved with investment promotions. It assists foreign enterprises in the process of incorporation, obtaining expatriate quota and also educating them on the different tax regimes in Nigeria. It also guarantees that foreign investors get unrestricted remittance of their dividend or profit provided the capital was imported into Nigeria through authorised dealers such as commercial banks. A certificate is obtained to evidence the capital importation.

The head office is located in the nation's capital, Abuja, with zonal offices in the major commercial centres of the country.

Before an enterprise with foreign participation commences business in Nigeria, it must register with this Commission. Application for permits like the resident permit, business permit and expatriate quota are facilitated by application to the Commission after submitting the appropriate documents.

## Standard Organisation of Nigeria (SON)

SON was established by The Nigerian Standard Organisation Act, 1971, with the objective of ensuring quality control of raw materials and products in conformity with the standard

specification and processes for the certification of such products in commerce and industry throughout Nigeria. The functions performed by SON include the registration of products, maintaining a database of products, establishing safety criteria for products, and the certification of products. Possession of a certification of quality from this body will tend to increase consumers' confidence in an enterprise's products.

### **How to obtain a certification of quality**

The process for obtaining a certificate of quality for manufactured goods can be done by first applying online. The online registration form is filled with the company details like the company's name, registered office address, CAC registration number etc.

The company certificate of incorporation is uploaded as well as documents showing the product description, picture, product standard, certificate of analysis by manufacturer, description of manufacturing process, warehouse address, packaging specifications, distributor, importers and brand owners; the trademark certificate is also uploaded. The registration fee is paid to the designated bank along with a printout of transaction details from the online registration.

Once the fee is paid, the bank transaction details are entered to confirm payment and once the SON officials have confirmed that the adequate documents have been attached, an inspection date is fixed. The inspection entails comparing the details entered online about the product to the products displayed in the warehouse, samples of the product are taken to the laboratory for testing within 24 hours of inspection and within 2 weeks the laboratory results are completed. If products meet the required specifications, a certificate is issued within a month.

### **Nigerian Export Processing Zones Authority (NEPZA)**

NEPZA is a government agency responsible for investment promotion in the free trade zones in Nigeria, their primary objective being to diversify the economy's revenue base. The agency is also expected to generate employment and promote Nigerian exports. Companies granted licences to operate in the free trade zones by NEPZA enjoy a lot of government incentives – such as tax holidays from all federal, state and local governments, and non-payment of customs duties, rates or levies: duty-free import of raw materials for the manufacture of goods that are intended to be exported, duty-free capital goods, consumer goods, machinery, furniture and permission to sell 100% of goods manufactured. Enterprises in the zones can also be 100% foreign owned and these companies can repatriate 100% of their company profits and dividends. There is also a waiver on the requirement for expatriate quotas or import licences, and prohibition of strikes or labour walkouts.

Investors intending to engage in specific covered activities like the manufacture of goods for export may explore the advantages of being located in a free trade zone. If a decision is made to be located within such a zone, an application must be made to NEPZA or to the administration of the intended free zone. Application to undertake approved activity in a

zone should be made on prescribed forms. A feasibility study for the proposed business activity is also attached as an appendix to the application; this should provide detailed information, including:

- Project description
- Market survey
- Funding proposals
- 5-year financial projections
- Environmental impact statement.

Also if the enterprise intends to employ Non-Nigerians, NEPZA renders assistance in obtaining permits for the employees.

Once the application is approved, a licence is issued and the company is deemed to be incorporated in Nigeria. A space is also allocated to the company to operate in the zone.

## **Nigerian Association of Chambers of Commerce Industry, Mines and Agriculture (NACCIMA)**

This is the umbrella organisation for all the various affiliate member chambers within the country. The Association's membership is voluntary and it encompasses city, state and bilateral chambers, business/professional associations and corporate bodies. It champions the cause of business through its advocacy role and influences public policies that promote free enterprise. The NACCIMA's perspective is in accordance with contemporary ideas of the Chambers of Commerce Movement in a relatively free enterprise economy the world over. The objective of the body is basically to provide a common platform for joint action by all its members on all matters of concern to the association, which serves to promote and protect all matters affecting businesses. They encourage orderly expansion and development of the community, contribute to economic stability and promote the development of the nation's private sector. They also advocate a better business environment for industries.

Foreign investors may explore the advantages of becoming a member of this body, which can provide information about the Nigerian environment for a particular line of business, serve as a collective lobbying point to influence government policies, provide a pool to obtain manpower, and help enterprises to benefit from cooperation with companies in the same sector.

Requirements for registration with NACCIMA:

- Completed membership application form (which can be downloaded online)
- Company certificate of incorporation
- Company memorandum and articles of association
- Form CAC7 showing particulars of company directors



- Membership certificate of state chamber of commerce (if applicable)
- Application fee
- Duly filled form by sponsor of company.

## National Agency for Food & Drug Administration and Control (NAFDAC)

NAFDAC was established in 1993 with functions to regulate the import, export, manufacture, advertising, distribution, sales and use of food, drugs, cosmetics, medical devices, bottled water and chemicals.

Enterprises intending to produce goods regulated by this body must obtain its prior approval. NAFDAC is expected to carry out tests and inspection of facilities to confirm the safety and other effects of such products before granting approval to an applicant, as demonstrated by a NAFDAC registration number that must be displayed conspicuously on the products.

For a foreign product, application is made by first applying to bring in samples. This application is made by letter, enclosing all relevant documents such as a certificate of analysis of the product. When permission is given, the second stage of application is for full registration of the product. The documents to be submitted are:

- Written application stating name of manufacturer and name (and brand, if applicable) of product
- Completed NAFDAC application form (D-REG/001)
- Certificate of incorporation with the Corporate Affairs Commission, if a company
- Five copies of the product dossier
- Three packs of product samples
- Notarised original copy of the duly executed power of attorney from the product manufacturer (imported product)
- Certificate of manufacture issued by the competent health or regulatory authority in the country of origin and authenticated by the Nigerian Mission in that country (if a foreign import). Where there is no Nigerian Mission, The British High Commission or an ECOWAS country mission will authenticate
- If relevant, contract manufacturing agreement properly executed and notarised in the country of manufacture
- Current World Health Organisation Certificate of Good Manufacturing Practices, authenticated by the Nigerian Mission
- Certificate of Pharmaceutical Products (COPP) duly issued and authenticated

- Current superintendent pharmacist's licence to practice issued by the Pharmaceutical Council of Nigeria (PCN)
- Premises registration licence from the PCN
- Certificate of registration of brand name with trademark registry in the Nigerian Ministry of Commerce
- Letter of invitation from manufacturer to inspect factory abroad, stating full name and location of plant
- Applicable fee (payable only if documents are confirmed to be satisfactory).



# Labour and Personnel Standards

Knowledge of the labour market environment will enable an investor to plan and enhance their business, and avoid infringing labour laws. The Federal Ministry of Employment, Labour and Productivity oversees labour and personnel matters in Nigeria. Some of the relevant federal and state legislation is described below.

## Labour Act Cap L1, LFN 2004

Applicable mostly to manual and clerical workers, this Act says little about payment for higher-level skilled professionals, whose employment is regulated by their employment contract. Terms of such contracts must be equitable and in line with natural justice. An employment contract may be oral, in writing or a combination of both – except contracts for sailors and apprenticeships, which must be in writing.

Certain terms are usually implied in such contracts – such as an employer's duty to pay a regular salary and provide a safe working environment, and an employee's duty to obey lawful orders and serve the employer in good faith.

## Trade Unions Act Cap T15, LFN 2004

Trade unions are formed to safeguard the interests of the employer or the employee. The employee trade unions represent members to negotiate and conclude collective agreements with employers and in industrial disputes. An employee is entitled to refrain from joining a trade union and is guaranteed protection from victimisation for refusing to join a trade union. On the other hand, employees can freely join such trade unions and should not be victimised by employers for joining them.

## Pension Reform Act Cap P4, LFN 2004

Under the pension scheme, the employer and employee in the private sector are expected to contribute a minimum of 7.5% of the employee's monthly emoluments (defined as the sum of basic salary, housing and transport allowances) to a retirement savings account (RSA). The employer is also required to maintain a group life insurance policy for employees.

## Factories Act Cap F1, LFN 2004

Everyone who occupies or intends to occupy a factory must apply to the Director of Factories for a certificate of registration indicating that the factory is suitable for its intended purpose. Employers must also protect their workers against factory and industrial hazards. An extract of the Factories Act must be displayed in all factory premises.

## Employee's Compensation Act, 2010

This Act ensures that all workers (in both private and public sectors) are compensated for

industrial accidents in the course of their employment. The compensation is payable to the affected employee or, in the case of death, to their dependants.

### **The Industrial Training Fund (Amendment) Act, 2011**

The Act requires that every employer, having a minimum of five employees or turnover of N50 million, is to contribute 1% of its annual payroll costs, not later than 1 April of the following year.

# Financial Reporting in Nigeria

## Generally accepted accounting principles (GAAP) in Nigeria

GAAP signifies all the rules, from whatever source, that govern accounting. In Nigeria, this is seen primarily as a combination of:

- Companies and Allied Matters Act, 2004
- Statement of Accounting Standards (SAS)
- International Financial Reporting Standards (IFRS)
- Nigerian Stock Exchange Requirement (for listed companies)
- Other statutory requirements.

## Nigerian roadmap for IFRS adoption

On 28 July 2010, the Nigerian Federal Executive Council approved a timeline for the convergence of Nigerian accounting standards with IFRS; the IFRS therefore replaces the SAS as the reporting framework for the preparation and presentation of a company's financial statements.

The timeline for mandatory use of IFRS can be summarised as follows:

- 1 January 2012 for public listed entities and significant public interest entities (e.g. government business entities, financial and other credit institutions, insurance companies)
- 1 January 2013 for all other public interest entities (e.g. pension funds, large non-profit entities)
- 1 January 2014 for small and medium-sized enterprises (SMEs) without public accountability. Entities that do not meet the IFRS for SMEs criteria shall report using Small and Medium-size Entities Guidelines on Accounting (SMEGA) Level 3 issued by the United Nations Conference on Trade and Development (UNCTAD). These are micro entities that are registered with the Corporate Affairs Commission (CAC) and raise finance in any form, including by overdraft from a financial institution.

## Directors' responsibility in relation to financial statements

The Companies and Allied Matters Act, 2004 requires company directors to prepare financial statements in respect of each financial year, to give a true and fair view of the company's state of affairs and profit/loss generated that year. These responsibilities include:

- Ensuring that the company keeps proper accounting records that accurately disclose the financial position of the company and comply with the requirements of Companies and Allied Matters Act

- Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements
- Preparing the company's financial statements using suitable accounting policies, supported by reasonable and prudent judgement in conformity with Nigerian GAAP.

## Maintenance of adequate accounting records

Every company must keep accounting records in accordance with the Companies and Allied Matters Act. The records must represent the company's transactions in sufficient detail to:

- Disclose with reasonable accuracy, at any time, the financial position of the company
- Enable the directors to ensure that any financial statements comply with the requirement of this Act as to the form and content of the company's statements.

In particular, the accounting records must include a detailed record of all income and expenditure, and a record of the company's assets and liabilities. These accounting records must be kept at its registered office or similarly suitable location where they are available for inspection by the officers of the company at any time. Subject to any direction with respect to the disposal of records given under winding-up rules, accounting records must be kept on file for 6 years. Financial statements must include:

- Statement of the accounting policies
- The balance sheet as at the last day of the year
- A profit and loss account or, in the case of a company not trading for profit, an income and expenditure account for the year
- Notes on the accounts
- The auditors' reports
- The directors' report
- A statement of the source and application of funds
- A value added statement for the year
- A 5-year financial summary
- In the case of a holding company, the group financial statements.

At their first meeting after the incorporation of the company, the directors must agree the date to which each year's financial statements shall be made up, and give notice of this date to the Commission within 14 days of their decision.

In the case of a holding company, the directors ensure that, except where in their opinion there are reasons against it, the year of each of its subsidiaries coincides with the year of the company.

## Procedure on completion of financial statements

A company's profit and loss account, together with any additional group accounts of a holding company, should be annexed to the balance sheet along with the auditors' report and the directors' report. These must all be approved by the board of directors and signed on their behalf by the CEO and the CFO.

## Statutory audit

Every company shall at each annual general meeting (AGM) appoint an auditor or auditors. An auditor will hold office until the next AGM – at which point they can be re-appointed without any resolution being passed, unless:

- They are not qualified for re-appointment
- A resolution has been passed at that meeting expressly forbidding their re-appointment, or appointing some other person
- They have given notice in writing of their unwillingness to be re-appointed.

If no auditors are appointed or re-appointed at an AGM, the directors may appoint someone to fill the vacancy.

The first company auditors may be appointed by the directors at any time before the company starts business, and hold office until the conclusion of the next AGM. However, they can be replaced at a general meeting by someone who has been nominated for appointment not less than 14 days before the date of the meeting.

Where the directors fail to appoint the first auditor, a general meeting of the shareholders may be convened for the purpose of appointing the first auditor.

## Filing annual returns

At least once a year, companies must file an annual return with the Corporate Affairs Commission. This should be completed  $\leq 42$  days after the AGM, regardless of whether that meeting is the company's first or only ordinary general meeting that year. The annual return, signed by a director and by the secretary of the company, should include certified copies of:

- Every balance sheet and profit and loss account laid before the company in general meetings held that year
- The auditors' and directors' reports.

# Taxation

All employees, individuals in business, non-residents who derive income from Nigeria, and companies that operate in Nigeria are liable to pay tax.

Direct taxes include companies income tax, education tax, personal income tax, capital gains tax and petroleum profit tax. Indirect taxes are value added tax, customs duties on imports and stamp duties.

Some taxes are paid to the federal government (administered by the Federal Inland Revenue Service [FIRS]) while others are paid to the state government; local governments also collect a few levies and rates.

## Companies income tax

Company Income Tax Act (CITA) C. 21 LFN 2004 is the legislation on taxation of profits of any company (except for companies who carry out oil exploration and production) accruing in, derived from, brought into or received in Nigeria. The current corporate income tax rate is 30% and this must be paid to the FIRS. A tax clearance certificate (TCC) will be issued to the company that has fulfilled all of its tax liabilities.

## Petroleum profits tax

Companies engaged in petroleum operations – defined as obtaining and transporting petroleum – are subject to tax under the Petroleum Profits Tax Act Cap P13, LFN 2004 (PPTA). The taxable income of a petroleum company is subject to tax at 85%. The applicable rate for companies that are still within the first 5 years of operation is 65.75%. However, where an oil-producing company is involved in a production sharing contract (PSC) with the federal government, the applicable PPT rate is 50%, payable to the FIRS.

## Education tax

The Education Tax Act, 1993 (now Cap E4, LFN, 2004) requires every company incorporated in Nigeria to pay 2% of its assessable profit as education tax, payable to the FIRS.

## Personal income tax

Pay As You Earn (PAYE) is a system whereby employers are deemed to be the agent of the tax authority for the purpose of remitting taxes deducted from the salaries due to their employees. Employers must register with the PAYE scheme and make the remittances to the state Inland Revenue Service on or before the 10th day of each month.

## Withholding tax

Withholding tax in Nigeria refers to the deduction of tax at source from payments (income) due to a benefiting party, by the paying party for onward remittance to the relevant tax



authority of the benefiting party. Withholding tax is not another type of tax, but a mode of tax payment. It is an advance payment of a taxable entity's normal income tax, since it is available for set-off against the ultimately assessed tax.

Withholding tax is deductible from transactions at the following rates:

Activities/services	Individuals/ partnership	Corporate body
Rent	10%	10%
Construction	5%	5%
Management fees	5%	10%
Professional fees	5%	10%
Commission	5%	10%
Consultancy fees	5%	10%
Royalties	5%	10%
Technical fees	5%	10%

## Value added tax

The Value Added Tax Act, 1993 regulates VAT in Nigeria. VAT, charged at a flat rate of 5%, is levied at each stage of the consumption chain and is borne by the final consumer. It is payable to the FIRS.

All organisations are required to register for VAT within 6 months of starting business. The VAT Act exempts certain goods and services: medical and pharmaceutical products and services, basic food items, books and educational materials, baby products, plant and machinery imported for use in the export processing zone, services rendered by mortgage banks, plays and performances conducted by educational institutions as part of learning and all exported goods and services.

## Capital gains tax

The Capital Gains Tax Act Cap C1, LFN 2004 covers the disposal of moveable and immovable assets. The rate of tax is 10% of the capital gain (excess of sales proceeds over the cost of asset). The FIRS is responsible for administering capital gains tax on disposals made by companies, while the various state boards administer in respect of disposals made by individuals/partnerships within their jurisdiction.

## Tax incentives

The Federal Government of Nigeria offers a number of tax incentives intended to stimulate foreign direct and internal investment. Some are available across all sectors; others are industry-specific.

### **a. Double taxation relief**

Nigeria has a double taxation agreement with a number of countries (including the UK, France, the Netherlands, Belgium, Canada, Pakistan, South Africa, the Philippines, Romania and recently Mauritius). Such agreements aim to ensure that tax payable in Nigeria on the profits of a Nigerian company being remitted into the country are reduced by the amount of foreign tax paid abroad; and vice versa, where an overseas company receives profits from Nigeria that have already been taxed in Nigeria.

### **b. Companies income tax**

A discounted rate of 20% is offered to companies in preferred sectors such as manufacturing, agricultural production, mining of solid minerals and wholly in export trade for the first 5 years of commencement of business, provided that the company has a turnover of no more than N1 million.

### **c. Pioneer status grant**

Pioneer status is a 5-year tax holiday granted to eligible companies within certain industries and a 7-year tax holiday for pioneer industry companies located in disadvantaged local government areas. To qualify for pioneer status, a joint venture company or a wholly foreign-owned company must have incurred a minimum capital expenditure of N5 million while that of a qualified indigenous company should not be less than N150,000. All applications must be submitted within 1 year of the company starting commercial production.

### **d. Free trade zone**

NEPZA's regulatory regime is liberal and aims to facilitate profitable operations. Investors wishing to locate their businesses within Nigeria's free trade zones enjoy many benefits such as exemption from all taxes and levies.

## **TIN (Tax Identification Number) validation**

It is important that all taxpayers register with the FIRS Tax Office, to generate a TIN (tax identification number). The following documents and information should be supplied to the desk officer (taxpayers' services):

- Application letter addressed to the Tax Controller of the FIRS office requesting to be registered as a corporate taxpayer/collection agent of the federal government
- Certificate of incorporation issued by the Corporate Affairs Commission
- Certificate of Business Name Registration issued by CAC (for sole traders and partnerships)
- Memorandum and articles of association

- Duly completed FIRS Taxpayer Data Input Form
- Business address
- Date of commencement of business.



# Investment Opportunities

## Foreign direct investment overview

Nigeria receives the largest amount of Foreign Direct Investment (FDI) in Africa and among the highest in the world. FDI inflows have grown considerably in recent years: from US\$ 1.2 billion in 2001 and US\$ 2.1 billion in 2004, Nigeria's FDI reached an all time high value of US\$ 8.9 billion in 2011, according to UNCTAD.

Nigeria's most important sources of FDI have traditionally been the home countries of the oil majors. The USA, present in Nigeria's oil sector through Chevron Texaco and Exxon Mobil, had investment stock of US\$ 7 billion in Nigeria in 2012. The UK, one of the host countries of Shell, is another key FDI partner, with UK investment accounting for about 20% of Nigeria's total FDI. As China seeks to expand its trade relationships with Africa, it too is becoming one of Nigeria's most important sources of FDI; Nigeria is China's second largest trading partner in Africa, next to South Africa. From US\$ 3 billion in 2003, China's FDI in Nigeria is now reported to be worth around US\$ 6 billion. The oil and gas sector receives 75% of China's FDI in Nigeria. Other significant sources of FDI include Italy, Brazil, the Netherlands, France and South Africa.

The Nigerian Investment Promotion Commission Act, 1995 laid out the framework for Nigeria's investment policy. Under the Act, 100% foreign ownership is allowed in all industries except for oil and gas, where investment is constrained to existing joint ventures or new production sharing agreements. Investment from both Nigerian and foreign investors is prohibited in a few industries crucial to national security: the production of arms and ammunition, and military uniforms. Investors can repatriate 100% of profits and dividends.

## Natural gas

The natural gas sector is heading for exponential growth as new infrastructure is developed and the government implements zero gas flaring policies. With the largest natural gas reserves in Africa, and ranking seventh in the world, Nigeria is eager to capitalise on this key asset after many years of wasteful flaring from oil fields. The country's Master Plan for Gas, drawn up in 2008 and set in motion in 2009, will help it to reap the rewards of a global 'dash for gas', while new projects coming online will enable Nigeria's gas to benefit domestic consumers as well as international buyers.

## Liquid natural gas

Strong signs of an upturn in demand for liquefied natural gas (LNG) emerged as 2009 drew to a close and Nigeria prepared to increase capacity, with some analysts predicting that the global thirst for LNG will double by 2020, easily topping 400 million tonnes. The global market for LNG expanded by 70% between 2002 and 2008 and global trade in LNG rose 7.9% in 2009, even as the recession caused gas use worldwide to drop. LNG production capacity is expected to grow by some 50% worldwide over the next 4 years. Southeast Asia and Europe look set to lead a new clamour for LNG in their bid to diversify supplies as new re-gasification

facilities come on stream.

Nigeria is poised to be a key beneficiary as global markets emerge from the recession. The quest for clean energy and the demand for fuel to re-ignite economic growth are the primary factors driving the resurgence in the sector.

## Electricity

At the moment, Nigeria is capable of generating around 4,000 MW of electricity, well below the country's consumer and business needs, despite government investment of around US\$ 1 billion annually in the sector. The government is aiming to increase capacity to 10,000 MW. To guide the redevelopment of the sector, the Presidential Action Committee and Presidential Task Force on Power has drawn up a new policy by offering concessions to investors in electricity-generating infrastructure.

## Alternative energy

Nigeria has continued with its ambitious blueprint to develop a thriving energy industry based on non-fossil fuels. The Nigerian economy remains dependent on the country's petroleum resources, but as the world moves towards cutting carbon emissions and away from fossil fuels, Nigeria is leveraging its other resources to ready itself for the new era in energy. Biofuels, solar and wind energy are all being developed to help grow the non-oil economy and create a sustainable future for Nigeria's energy sector.

With vast areas of arable land and an excellent climate for the cultivation of various crops, Nigeria's potential for biofuel production is virtually unparalleled on the continent. A number of incentives are in place to establish a thriving fuel ethanol industry using agricultural products. These include pioneer status and a host of tax incentives for developers including a waiver on import and customs duties, VAT, long-term preferential loans and other benefits.

## Internet

Nigeria's internet user base is growing fast: according to the International Telecommunication Union, from 10 million people online at the end of 2007, or 7.2% of the population, the country had 23.9 million internet users at the end of 2009. The figure has since risen to 45 million users as at the end of 2012.

## Mobile market

Nigeria overtook South Africa in 2008 to become the biggest mobile market on the African continent. Mobile phones have transformed the telecommunications sector in the country since their introduction in 2001. In that year, the country had just 0.73% teledensity and the number of fixed lines has not changed significantly since then, with only 1% of the population having a fixed line by April 2010. But as fixed lines stayed stagnant, mobile subscriptions boomed: by the end of April 2010, there were over 77 million active mobile subscriptions in Nigeria, representing a mobile penetration rate of 55.3%. This has risen to

117 million mobile subscribers by the end of second quarter of 2013.

The first GSM (global system for mobile communications) licences were issued in 2001, to M-Tel, part of national fixed-line operator Nitel, to South African company MTN and to a local consortium led by Zimbabwe's Econet Wireless, since acquired by Zain Group (now Airtel). Globacom became the country's fourth mobile operator when it was awarded a GSM licence together with its fixed-line Second National Operator licence in 2002. In 2008, UAE operator Etisalat entered the market as Nigeria's fifth GSM provider.

While GSM still dominates, CDMA (Code Division Multiple Access) is playing an increasingly important role in the mobile market from just 1% market share at the end of 2007, CDMA operators had a combined 10% of the mobile market at the end of April 2010. Nigeria has four CDMA operators offering mobile services: Visafone, Multilinks, Starcomms and Zoom among others.

## Innovation in ICT

Fast growth and increasing demand in the country's telecom industry have sometimes left infrastructure overstretched. To combat this, the government has awarded licences for companies to provide shared infrastructure for operators in the internet, mobile and fixed-wireless sectors. Co-location – whereby independent operators provide infrastructure such as towers, masts and base stations to multiple operators – took off in Nigeria in 2009, as operators find they can reduce capital and operating expenditure by outsourcing infrastructure management to dedicated infrastructure companies. The service also acts as a solution to the operators' problems of declining service quality due to network congestion and helps the country to slow down the proliferation of telecoms masts. The government is encouraging companies to continue the move towards shared infrastructure so as to increase the industry's capacity to meet demand going forward.

The two largest co-location companies are Helios Towers Nigeria and IHS NIGERIA Plc, although 17 other companies have been licensed by the NCC to provide co-location services. Helios Towers was given the AfricaCom award for Best Cost Efficiency in Africa in 2009; it has more than 1,000 sites across Nigeria and in October 2009, it received investment of US\$ 250 million from the World Bank to help the company carry out its plan of having over 2,000 sites nationwide.

## Transportation

Nigeria is tackling the problem of transforming transport infrastructure that does not meet the needs of a modern economy. Although the sector is underdeveloped, significant progress is being made by the federal and state governments in building and rehabilitating infrastructure, with the help of funding from international organisations, private sector input and new policy initiatives.

Increasing investment in the transport sector is a key to the Nigerian government's plans to overhaul infrastructure and help the country to take its place as one of the world's top

20 economies.

The China Civil Engineering Construction Corporation (CCECC) is the biggest Chinese construction company operating in Nigeria; it has invested more than US\$ 10 billion in 56 projects, including road and railway construction.

## Aviation

Improvements in airport infrastructure and airline quality, together with help from government and external partners, should help the aviation industry sustain growth.

The regulatory authority for the air industry is the Nigeria Civil Aviation Authority (NCAA), which began operation in 2000 and became an autonomous body under the Civil Aviation Act, 2006. All but one of the country's 23 airports – including the four international airports at Lagos, Kano, Port Harcourt and Abuja – are operated by the Federal Airports Authority Nigeria (FAAN); the Akwa Ibom International Airport, which opened for business in early 2010, is owned by Akwa Ibom State. Nigeria has eight airlines operating scheduled flights in the country: Air Nigeria, Chanchangi Airlines, IRS Airlines, Dana Air, Aero Contractors, Associated Aviation, Arik Air and Overland Airways.

The country's international airports are served by many international airlines, including Air France, British Airways, Emirates, Alitalia, Lufthansa, KLM and Qatar Airways.

## Industry

Nigeria is committed to becoming one of the world's top 20 economies by 2020, and expanding trade with other countries is an important part of its strategy for growth. Exports, like the economy in general, are dominated by petroleum, while imports include manufactured goods, chemicals, machinery and transport, food and livestock.

The country's main export destinations are the USA, Spain, France and Brazil. Major import sources are China, France, the USA and the UK. Nigeria is a member of the World Trade Organisation, the International Monetary Fund and the World Bank, as well as the African Development Bank, the Organisation of Petroleum Exporting Companies (OPEC) and the African Union.

## Tourism

Nigeria is an unearthed gem just waiting to be discovered. After all, there are few places in the world where one can find 850 km of uninterrupted coastline, just teeming with sandy unspoilt beaches. Going inland, travellers are confronted with a veritable feast of landscapes. Forests, mountains, savannahs and desert – all can be found within Nigeria's borders. Quite simply, there is something for everybody: national parks, UNESCO world heritage sites, ancient villages, incredible waterfalls and even game reserves featuring rare, enchanting wildlife; all in a country that enjoys year-round sunshine.

Nigerians are warm and friendly. Most are not used to seeing tourists, and travellers

who have explored beyond the bustling city of Lagos have been touched by the level of hospitality they have received. However, with the introduction of democracy in 1999 and the country's remarkable achievement of becoming the first African nation to pay off its foreign debt, there has never been a better time for the country to expand its tourist sector or for tourists to visit this largely unexplored land.

## Solid minerals

The solid minerals sector in Nigeria has long been treated as the poor relation of the oil and gas sector. Compared to the level of investment and development in oil and gas extraction – which has grown exponentially since Nigeria joined OPEC in 1971 – mining activity has suffered stagnation, and even decline. While petrol dollars dominate the economy, the National Bureau of Statistics lists solid minerals as contributing less than 1% of GDP, despite significant coal and iron ore reserves, and known deposits of gold, uranium, tin and tantalum.

International blue-chip mining companies have long since given the sector a wide berth due to its reputation for inefficiency, but this could be about to change. The federal government has acknowledged its potential as an alternative to the petroleum industry for foreign exchange earnings, and has set about revitalising its fortunes.

The rationale for Nigeria's renewed interest in exploiting its natural resources is simple. Mineral resources are the foundation upon which an industrialised economy is built, and industrialisation is essential if the country is to reduce overdependence on the oil industry – an industry which, despite the revenue it generates, provides employment for just 6% of the Nigerian labour force. The government recognises that overdependence on oil also leaves the economy vulnerable to international oil politics and fluctuations in oil prices.

## Agriculture

Reinvigorating agriculture is a priority of the Nigerian government. Agriculture contributed 41.84% to Nigeria's GDP in 2011, and the sector employs around 70% of the workforce. The main agricultural goods produced are yams, cassava, peanuts, millet, sorghum, rice, maize, okra, cocoa, palm oil, rubber, cattle, fish and timber. Nigeria is a net importer of agricultural goods: imports in the sector added up to more than US\$ 3 billion, while agricultural exports accounted for about US\$ 1.4 billion. Major agricultural imports are wheat, rice and sugar. Most agricultural imports come from the USA and the EU. The country's main agricultural exports are cocoa beans, rubber, sesame seeds and cocoa butter. Key agricultural export destinations are the UK, the USA, Canada, France and Germany. Other factors that have held back the agricultural sector in the past include lack of investment, inadequate infrastructure and poor transport networks linking crops to markets.

### a. Cocoa growing

Nigeria is the fourth largest producer of cocoa beans in the world, behind Côte d'Ivoire, Ghana and Indonesia. After petroleum, cocoa is the country's most important export – before



independence, cocoa generated 90% of Nigeria's foreign exchange earnings. Eclipsed these days by oil as the country's major export, Nigeria still produces 300,000–350,000 tonnes of cocoa a year, most destined for consumption abroad – the country exports about 96% of its cocoa crop. Cocoa exports for October–March 2010/11 were up 31% on the previous year, helped by good weather conditions and improved quality in stock in the growing regions. Fourteen of Nigeria's 36 states grow cocoa: Abia, Adamawa, Akwa Ibom, Cross River, Delta, Edo, Ekiti, Kogi, Kwara, Ogun, Ondo, Osun, Oyo and Taraba.

Despite cocoa's importance in the years before independence, the sector was allowed to decline after the oil boom of the 1970s and suffered for decades from underinvestment.

## **b. Cassava growing**

Cassava is Africa's most important staple food crop, after maize, and Africa produces half of the world's supply. The plant is used to make a starchy food called Garri, and it is also a source for biofuel as well as animal feed. Nigeria is the world's largest producer of cassava, producing around 45 million tonnes in 2011, almost 19% of total world production. Despite its pre-eminent position in cassava growing, Nigeria has yet to make much impact on the global cassava market, since most of its crop is consumed domestically. But with new initiatives under way aimed at increasing and improving cassava production and developing new ways to use the crop, Nigeria hopes to utilise cassava as part of its strategy to diversify its economy away from petroleum.

The International Institute of Tropical Agriculture (IITA) is partnering with the Nigerian Farm and Infrastructure Foundation to carry out Nigeria's part in a cassava improvement project funded by the UN's Common Fund for Commodities (CFC). The Cassava Value Chains project is under way in Nigeria, Benin and Sierra Leone, and CFC has made US\$ 1.6 million available for distributing high-quality cassava seedlings to growers and constructing new international standard cassava processing facilities.

## **Construction**

Nigeria has the potential to be one of the biggest construction markets on the planet. While the world is still struggling to emerge from the global economic collapse, Nigeria's construction industry is growing fast and is likely to grow astronomically over the next decade, according to forecasts made in a June 2010 report by Global Construction Perspectives and Oxford Economics. Estimates suggest that current growth in the construction industry is greater than that of India. Indeed, the report found that 'Nigeria's population of approximately 170 million is urbanising at one of the fastest rates in the world, but construction is now only 3.2 per cent of the Gross Domestic Product. From 2009 to 2020, only Nigeria and India will enjoy higher growth rates than China in their construction output'.

# Getting into Nigeria

## Airports

Some 16 miles northwest of Lagos, Murtala Muhammed International Airport (MMIA), Ikeja, is the main international airport. It serves major European airlines including British Airways, Virgin Atlantic, KLM, Air France and Lufthansa, as well as the Nigerian airline Arik Air.

Nnamdi Azikiwe international Airport, Abuja, is the main airport serving the capital city; BA, KLM, Lufthansa and Arik Air operates flights to the UK from this airport.

Mallam Aminu International Airport, Kano, is the oldest airport in Nigeria and serves the northern part of Nigeria, with routes direct to the Middle East and Europe.

Port Harcourt International Airport operates direct flight to Paris and Frankfurt.

## Domestic flights

There are many private airlines serving cities throughout Nigeria. Domestic flights link Lagos with Abuja, Benin City, Calabar, Enugu, Jos, Kaduna, Kano, Maiduguri, Portharcourt, Sokoto, Warri and Yola.

## Car hire

Car hire is available from international hotels; this requires a local driver and insurance cover. A cash deposit would be requested; you should negotiate the price in advance.

# Common Business Etiquette

## Business bargaining

Nigerians love to bargain. People see giving a potential buyer a discount as a way of establishing a business relationship; it is known locally as 'making you my customer'. Be prepared to compromise at both points of sale.

## Business appointments

Among traditional business people, appointments are not always private. Do not be offended if your meeting is interrupted by phone calls or visits from your client's friends and family.

Nigerians can occasionally run behind schedule; this is affectionately known as 'African time'. Hosts normally bear this mind and expect guests to arrive at around 14:45 for a social function scheduled for 14:00. This is also typical of the business world, so it is important to bear this in mind when scheduling business appointments.

## Addressing people

It is very important to address people by their correct title. In written communication, it is important to make sure that you address individuals with their exact title and any prefix. If you ever come across a title like 'His Royal Majesty Chief Dr Mr Olowoporoku', be sure not to leave out any of these titles.

## Hours of business

The Nigerian working week is Monday to Friday, 08:00–17:00. Offices and government agencies usually close early on Friday out of respect for Muslim religious observers.

## Clothing

Smart business dressing is encouraged in most modern offices. Most Nigerian businessmen wear a dark suit and tie or national costume to work, while women typically wear more lightweight clothing.

## Social customs

It is considered an insult to give somebody an item with the left hand, or to use the left hand when eating.

When meeting elderly people from the Yoruba tribe, it is respectful to bow slightly or curtsy as a sign of respect.

In northern Nigeria, it is common for men entering a home to ignore women and greet only the men. While Western women may find this strange, it is actually a demonstration of respect for a woman and her husband. Many conservative Muslims believe that unrelated men and women should never touch one another. It is therefore advisable not to initiate the shaking of hands with Muslims of the opposite sex. Not all Muslims hold this belief, but it is best to wait for the other party to initiate contact; otherwise a smile and a nod would suffice. Nigerians consider it rude to yawn without covering the mouth.



# Minor Challenges in Nigeria

## Electricity supply

The main electricity supply is unreliable and blackouts are experienced on a daily basis; be prepared to experience short periods of electrical failure. Generators are widely used in both homes and places of work. The use of solar energy and inverters is also on the rise.

## Money

Nigeria is essentially still a cash economy. To promote a cashless economy, the Central Bank of Nigeria (CBN) is carrying out a programme to discourage high-level cash transactions, with businesses increasingly accepting credit and debit cards. It is nevertheless advisable to bring enough currency to cover your costs. Travellers' cheques are difficult to cash in Nigeria, and it is illegal to change money on the street, but many large hotels offer currency exchange facilities.

## Health

While some states have sophisticated, state-of-the-art facilities most are privately owned and expensive. Malaria and polio are common in Nigeria, and in some rural areas there are also regular outbreaks of cholera and measles. The governments of several states have various public awareness and health programmes to tackle these diseases, including the supply of mosquito nets and an aggressive anti-polio vaccination campaign. Severe localised flooding has been known to occur in some part of Nigeria during the rainy season, and this may increase the threat of water-borne diseases.

# Living in Nigeria

## Living and accommodation

The types and cost of accommodation differs widely among cities and states. There is an abundance of accommodation, but availability depends largely on taste, location and budget. In cities like Abuja, Lagos, Kano and Port Harcourt, immediately available living accommodation ranges from hotels and resorts to serviced apartments, but these can be expensive.

Nigeria also has excellent private medical care available. The public health care system is gradually being improved, with massive healthcare delivery programmes in both urban and rural communities.

There are several private and public schools, ranging from nursery and primary to tertiary education. The educational courses and extracurricular activities all meet with international standards.

Transport is extensive, ranging from buses and cabs to motorcycles (*okadas*). The major cities in Nigeria have excellent road networks. The busy roads of Lagos, the commercial nerve centre of Nigeria, are closely managed by the Lagos State Traffic Management Agency (LASTMA), whose agents are a common sight in their yellow and maroon uniforms. Nigeria operates the left-hand driving system.

## Recreation and tourism

Nigeria is an exciting blend of cultural diversity, and Nigerians are generally friendly and hospitable. Nigeria offers visitors a rich variety of recreational and tourist activities including cinemas, shopping malls, ocean beaches, resorts, wildlife reserves, golf resorts, health clubs and spas, bars and night clubs.

Nigeria has a rapidly growing entertainment industry, affectionately nicknamed 'Nollywood' with various home movies produced, directed and shot by local and indigenous directors, producers, actors and actresses. The music and fashion industries are equally vibrant, with Nigerian musicians, fashion designers and models gaining international recognition.

Weekends are usually characterised by musical and comedy concerts involving local and foreign artists. There are also cultural exhibitions and stage productions.

Notable Holidays	
1 Jan	New Year's Day
1 May	Workers' Day
29 May	Democracy Day
1 Oct	Independence Day
25 Dec	Christmas Day
26 Dec	Boxing Day

## FAQs

### How can a foreigner invest in Nigeria?

By establishing or commencing a business (FDI), or by buying shares in a Nigerian enterprise in any foreign convertible currency.

### Can a foreign company carry on business in Nigeria?

No. For a company to carry out business in Nigeria, it must be incorporated locally. A foreign company may apply for exemption from local incorporation in certain cases – such as if it was invited with the federal government's approval to execute a specific project, or if it engages solely in export promotion activities.

### Can a company have 100% foreign ownership in Nigeria?

Yes. There is no limitation to the extent of ownership foreigners can have in a Nigerian company. All laws and regulations that once limited foreign participation in Nigeria have now been repealed. However, certain sectors are regulated with regard to foreign participation such as arms and ammunitions, narcotic drugs, and military and paramilitary wares.

### Are there permits a foreigner needs to obtain before undertaking business in Nigeria?

Certain permits are required. These include:

- Residence permit – required by any foreigner intending to stay in Nigeria for >3 months
- Business permit – required for any foreigner to carry out business in Nigeria
- Expatriate quota – any company wishing to employ foreign nationals must obtain this on their behalf
- Work permit under the Combined Expatriate Resident Permit and Alien Card (CERPAC) scheme. The card, which is compulsory, enables a foreign national to live and work in Nigeria for a period of 2 years after which a revalidation is needed. It is the duty of the employer to apply for and obtain CERPAC when the employee arrives in Nigeria.

### How can capital be imported into Nigeria?

Capital should be imported into Nigeria through authorised dealers such as commercial banks. A capital importation certificate is obtained to evidence the capital importation. Ideally, the certificate should be obtained within 24 hours.

## What assurances do I have of the safety of my invested capital?

The government, by law, guarantees the unconditional transferability of capital, profits and dividends of foreign investments. However, to enjoy the guarantee, such funds must have been imported through the authorised dealers. Also, there is a guarantee against the nationalisation of such foreign enterprises except in cases of public interest, where a fair and adequate compensation determined by the courts will be given.

## What are the main taxes that may apply to an incorporated company?

These include:

- Company income tax (30% of global taxable income)
- Petroleum profits tax (85% of profit for oil-producing companies)
- Education tax (2% of the assessable profits)
- Information technology levy (1% of profit before tax; payable by certain companies)
- VAT (5% payable on the consumption of goods and services)
- Capital gains tax (10% payable on profit realised on the disposal of assets)
- Stamp duty (payable on documents at a fixed rate or *ad valorem*).

## Are there any transfer pricing rules?

Transfer pricing regulations were recently introduced to address tax issues. The regulations are to be applied in a manner consistent with Article 9 of the UN Model Double Taxation Convention between Developed and Developing Countries and the OECD Model Tax Convention on Income and Capital, as well as the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

## Are there any restrictions on doing business with certain countries?

Nigeria does not specifically restrict business activities with any country.

## What is the most common and convenient form of company for foreign investment?

The main form is the private company limited by shares. The cost of incorporation is low and the required share capital is N10,000, although when an application is being made for a business permit the National Investment Promotion Commission will usually not accept a certificate of incorporation with a share capital of less than N10 million.



## **Are there thin capitalisation rules that restrict foreign loans from affiliates?**

There are no such restrictions; in fact, interest on such loans is an allowable expense for tax purposes. However, such interest rates must be at arm's-length range.

## **What double taxation protection is available in Nigeria?**

Protection from double taxation is based on the terms of individual treaties Nigeria has entered with various countries. Countries that currently have double taxation agreements with Nigeria include the UK, South Africa, France, Canada, Mauritius, the Philippines, the Netherlands, Romania, Pakistan, China and Belgium.

## Conclusion

As a nation, Nigeria continues to grow and adapt; and having endured some episodes of difficulty, the country has repeatedly emerged with new resilience. Opportunities abound, and Nigeria continues to remain in the forefront and a central driver of the African market.

## Useful Links

- Corporate Affairs Commission – [www.cac.gov.ng](http://www.cac.gov.ng)
- Federal Inland Revenue Service – [www.firs.gov.ng](http://www.firs.gov.ng)
- Nigerian Investment Promotion Commission – [www.nipc.gov.ng](http://www.nipc.gov.ng)
- Securities and Exchange Commission – [www.sec.gov.ng](http://www.sec.gov.ng)
- National Office for Technology Acquisition and Promotion – [www.notap.gov.ng](http://www.notap.gov.ng)
- Nigerian National Assembly – [www.nassnig.org](http://www.nassnig.org)
- Nigerian Tourism – [www.tourism.gov.ng](http://www.tourism.gov.ng)
- Standard Organisation of Nigeria – [www.son.gov.ng](http://www.son.gov.ng)
- National Agency for Food & Drug Administration Control – [www.nafdac.gov.ng](http://www.nafdac.gov.ng)

## The Next Step

Contact Pedabo to discuss your needs.

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