



Investment in Nigeria

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Preface

This publication sets out the basic information on tax and business regulatory issues that new investors need to know when investing in Nigeria. It also provides information about the country, its institutions and infrastructure. We have updated the publication with changes in the tax and business regulatory environment since May 2019 when the last edition was published.

The information contained in this publication is intended to be of general interest to the reader and it does not address the circumstances of any individual or entity.

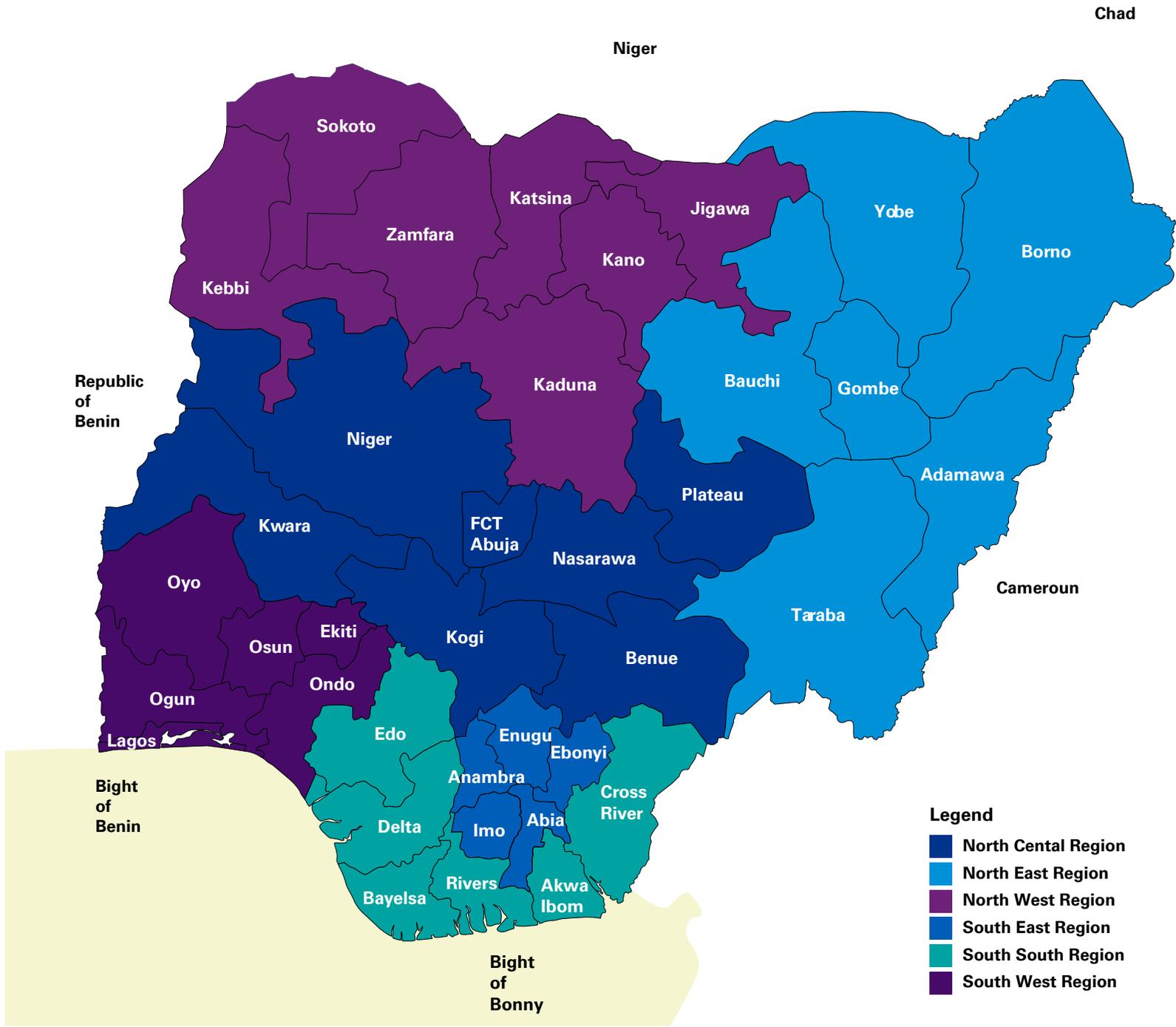
Although the contents of the publication are correct to the best of our knowledge and belief at the time of going to press, readers are encouraged to seek specific professional advice before taking any action on the basis of opinions expressed.

We disclaim any responsibility whatsoever for any loss or damage suffered by any person on account of reliance on this publication.



Lagos, Nigeria

April 2021



- Legend**
- North Cental Region
 - North East Region
 - North West Region
 - South East Region
 - South South Region
 - South West Region

Chapter One: The Country and its institutions



1.1 Area and Population

Nigeria became independent in 1960, having been under British colonial rule since 1861. The country is situated on the West Coast of Africa, some 649 km north of the Equator, and has a total land area of approximately 923,768 sq. km¹. It is bordered to the north by Niger, to the east by Chad and Cameroon, to the south by the Gulf of Guinea and to the west by the Republic of Benin.

The last census conducted in March 2006 estimated the country's population to be One Hundred and Forty Million, Three Thousand, Five Hundred and Forty-Two (140,003,542)². The population of Nigeria has been growing at about 2.53% per annum and is projected to reach two hundred and nineteen million, four hundred and sixty-three thousand, eight hundred and sixty-two (219,463,862) by July 2021³.



1 <https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html>

2 <http://www.nigerianstat.gov.ng/>

3 <https://www.cia.gov/the-world-factbook/countries/nigeria/#:~:text=Demographic%20profile,world's%20fourth%20most%20populous%20country>

1.2 International Affiliations

Nigeria is affiliated to the following international organisations:

1.2.1 African Union

Nigeria is one of the founding members of the African Union (AU), formerly Organisation of African Unity, which was established in May 1963. Nigeria supports the AU and has been an active member in this primary African political group. The creation of the AU brings the dream of a common African currency, foreign policy, defence structure and economic programme closer to reality. While some of the official bodies of AU (such as Pan-African Parliament, African Central Bank, Regional Economic Communities, and African Court of Justice) are not yet fully operational, AU has successfully launched the Africa Continental Free Trade Agreement to break down the barriers to intra-Africa trade. Nigeria became a signatory to the Agreement on 7 July 2019 after it came into force on 30 May 2019.

1.2.2 Economic Community of West African States (ECOWAS)

Nigeria is one of the founding members of ECOWAS, an economic group of 15 West African States established in May 1975 to facilitate trade between the States in the region and to promote regional joint development efforts. ECOWAS is one of the eight Regional Economic Communities of the AU.

In January 1990, ECOWAS commenced a Trade Liberalisation Scheme (TLS) aimed at the total elimination of customs duties and taxes of equivalent effect, removal of non-tariff barriers and the establishment of a common Customs External Tariff (CET) to protect goods produced in Member States. Nigeria and other ECOWAS Member States adopted the CET in 2015.

Aside from the TLS, six ECOWAS Member States (The Gambia, Ghana, Guinea, Nigeria, Liberia and Sierra Leone) intend to adopt a common currency called the *ECO*, which was scheduled to be launched in 2020. However, the introduction of the ECO has been extended by three to five years due to the impact of the COVID-19 pandemic on the Member States' economies⁴.

4 In September 2020, it was announced at the 57th ordinary session of the Conference of Heads of State and Government of ECOWAS that the ECO is scheduled for implementation "within three to five years." The implementation of the ECO has been delayed due to the impact of the coronavirus pandemic on member countries. (<https://www.cnb.com/2020/09/29/west-africas-new-currency-could-now-be-delayed-by-five-years.html>)

1.2.3 New Partnership for Africa's Development (NEPAD)

Nigeria is an active member of NEPAD, an agency of the AU whose main objective is to give impetus to Africa's development, by bridging existing gaps between Africa and the developed world.

The main organs of the NEPAD are the Heads of State and Government Implementation Committee (HSIC) and the Steering Committee of NEPAD. The HSIC comprises 3 States per AU region, while the Steering Committee comprises the Personal Representatives of the NEPAD Heads of State and Government.

NEPAD is structured into various task teams which are responsible for investigating priority areas such as: conflict prevention, management and resolution; political and economic governance; market access (i.e., promotion of intra-African trade and increased access to markets of industrialized countries); development of agriculture; development of human resources; and provision of key infrastructure to facilitate sub-regional and continental integration (e.g., information communication technology, energy, transport and water).

1.2.4 The Commonwealth

Nigeria is a member of The Commonwealth together with the majority of other nations that once constituted the British Empire.

1.2.5 Organisation of Petroleum Exporting Countries (OPEC)

OPEC is a permanent, inter-governmental organisation created at the Baghdad Conference on 10 to 14 September 1960 by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The five founding members were later joined by eleven other Members: Qatar (1961 to 2019), Indonesia (1962–2008), Libya (1962), United Arab Emirates (1967), Algeria (1969), Nigeria (1971), Ecuador (1973 to 2019), Gabon (1975) Angola (2007), Equatorial Guinea (2017), and Congo (2018).

OPEC's mission is to co-ordinate and unify the petroleum policies of Member Countries and ensure the stabilisation of oil prices in order to secure efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital to investors in the petroleum industry.

Nigeria has remained a very active member of the oil cartel, since joining the organisation in 1971. Nigeria is the 10th largest producer of petroleum in the world, the 7th largest exporter and has the 10th largest proven reserves⁵.

1.2.6 Other International Associations

Nigeria is a member of the World Trade Organisation (WTO), which focuses on promoting free trade among nations. Nigeria is also a member of the United Nations (UN) and plays an active role in its peace-keeping activities globally.



1.3 The Government

At independence in 1960, Nigeria consisted of three regions: the Western, Eastern and Northern Regions. In 1963, the Western Region was split into two regions, namely: the Western and Mid-Western Regions. In 1967, the four regions were split into 12 States, after which there was a civil war, arising from a military coup and counter coup. In 1976, 7 additional States were created, resulting in a total of 19 States. The number of States was increased to 21 on 23 September 1987, and 9 more States were created in September 1991, to make the country a federation of 30 States. Currently, there are 36 States in Nigeria following the creation of 6 additional States on 1 October 1996.

Nigeria was under military rule from 1966 to October 1979, when the military government handed over power to a civilian administration. The civilian administration governed for four years, based on a US-type Presidential System of government, before it was toppled by a military coup on 31 December 1983. The army ruled the country from then until 29 May 1999 when they voluntarily handed over power to a democratically elected civilian government. This has been followed by elections in 2003, 2007, 2011, 2015 and 2019. The current Head of State is President Muhammadu Buhari, GCFR, who was sworn in on 29 May 2019 for a second term of four years.

1.3.1 The Presidency

The President is the Head of State and Commander-in-Chief of the Armed Forces. He is elected for a four-year term, subject to a maximum of 2 terms. There is a Vice President, who is elected alongside the President. The Vice President may be empowered to act on behalf of the President, if he is unable to act.

1.3.2 National Assembly

The National Assembly is the legislative arm of the Federal Government. It comprises the Senate (Upper House) and the House of Representatives (Lower House). The Senate is headed by a Senate President, who is elected from among the Senators. The Senate is made up of 3 members each from the 36 States of the Federation, plus 1 member representing the Federal Capital Territory, Abuja.

Apart from making laws, the Senate is empowered to approve certain political appointments proposed by the President. The House of Representatives comprises members elected from the Federal Constituencies in each State of the Federation. The House is headed by a Speaker, who is elected from among the members.

1.3.3 Legal System

The Nigerian legal system is modelled after the English Common Law, modified by statutes to meet local demands and conditions. Nigerian laws in areas such as patents, trademarks, copyrights and business associations, considerably reflect corresponding British statutes in these areas as at the dates of their first enactment.

At the apex of the Nigerian judicial system is the Supreme Court, which presently consists of 13 Justices including the Chief Justice. The Supreme Court of Nigeria has original and appellate jurisdiction in certain constitutional, civil and criminal matters prescribed in the Constitution. There is also a Court of Appeal which hears appeals from the Federal High Court, High Court of a State, Sharia Court of Appeal of a State and Customary Court of Appeal of a State.

Under the Constitution, the Federal High Court has jurisdiction in matters connected with the revenue of the Government of the Federation, admiralty, banking, foreign exchange and other currency and monetary or fiscal matters. At the State level, there is the High Court that has jurisdiction to hear and determine both civil and criminal proceedings. A Customary Court of Appeal of a State exercises jurisdiction in civil proceedings involving questions of customary law. A Sharia Court of Appeal has jurisdiction in cases involving questions of Islamic law.

There are Magistrates' Courts in the States, which have original jurisdiction in civil and criminal matters specified in the appropriate legislation.

“At the apex of the Nigerian judicial system is the Supreme Court, which presently consists of 13 Justices including the Chief Justice. The Supreme Court of Nigeria has original and appellate jurisdiction in certain constitutional, civil and criminal matters prescribed in the Constitution.”

1.4 Federal Ministries, Departments and Agencies

The Federal Government functions through a network of ministries, departments, statutory corporations (parastatals), authorities, boards and agencies, some of which are listed below.

1.4.1 Federal Ministry of Industry, Trade and Investment

This Ministry has general responsibility for commercial, industrial, and investment related affairs of the Federal Government, such as trade relations with foreign countries, internal and regional trade, industrial policies, investment incentives, and registration of trademarks and patents.

The activities of the Ministry are complemented by the Nigerian Investment Promotion Commission (NIPC) through which several investment incentives, such as pioneer status, are administered.

1.4.2 Federal Ministry of Mines and Steel Development

The Mines Department of the Federal Ministry of Mines & Steel Development is charged with the supervision of the prospecting, mining, exploitation and development of, and trade in, Nigeria's mineral resources other than oil and natural gas. Its mandate also includes research, exploration and development of solid minerals in the country. Due to heavy dependence on petroleum, the Government has expressed its commitment to developing the solid minerals sector as a means of diversifying the economy.

The opportunities which Nigeria offers investors in the field of non-oil export are immense. In March 2007, the National Assembly enacted the Minerals and Mining Act to promote investments in the sector. Under the Act, mining companies are entitled to the following incentives among others: an initial three-year tax holiday, which may be renewed for an additional two years; capital allowance of 95% on qualifying capital expenditure in the first year the mining investment is incurred; and exemption from customs and import duties in respect of plant, machinery, equipment and accessories imported specifically and exclusively for mining operations.

The Ministry issued the Minerals and Mining Regulations in 2011, ("the Regulations") pursuant to the Minerals and Mining Act. The Regulations is intended to establish a more co-ordinated and accountable solid minerals sector in the country and stamp out the discretionary grant of mineral titles.

The Steel Department of the Ministry is responsible for the enhancement and development of the steel industry in Nigeria. The Government is encouraging private investment in the sector, in line with its economic policies and the Nigeria Industrial Revolution Plan.

1.4.3 Federal Ministry of Petroleum Resources

The Federal Ministry of Petroleum Resources is responsible for the formulation, determination and monitoring of Government policy for the petroleum industry in Nigeria. The Ministry also regulates the industry through parastatals like the Nigerian National Petroleum Corporation (NNPC), the Department of Petroleum Resources (DPR) and the Petroleum Products Pricing Regulatory Agency (PPPRA).

The NNPC is the statutory corporation through which the Federal Government participates in the Nigerian oil and gas industry. It oversees the Federal Government's investments and interests in the joint ventures and production sharing contracts. The NNPC owns and manages processing, storage and distribution infrastructure, marketing outlets and associated infrastructure in the country.

It is expected that the Ministry of Petroleum Resources, agencies and parastatals and, in fact, the entire Nigerian petroleum industry will undergo significant reform under the Petroleum Industry Bill when it is passed into law.

1.4.4 Federal Ministry of Works and Housing (FMWH)

The FMWH and its parastatals for the formulation and administration of policies relating to:

- i. Planning, engineering design, construction and rehabilitation, monitoring and maintenance of Federal roads, highways and bridges, and surveying and mapping Nigeria's internal and international boundaries.
- ii. National lands and housing, urban development programmes and plans, and the supervision of the Federal Housing Authority and Federal Mortgage Bank of Nigeria.

1.4.5 Federal Ministry of Finance, Budget and National Planning (FMFBNP)

The FMFBNP formulates economic and fiscal policies and co-ordinates the financial affairs of the Government, including annual budgets. Until June 2007, when the Federal Inland Revenue Service (Establishment) Act was enacted, the FMFBNP oversaw the fiscal affairs of the Federation through the Federal Board of Inland Revenue.

1.4.6 Federal Inland Revenue Service (FIRS)

The FIRS, established by the Federal Inland Revenue Service (Establishment) Act, 2007 (FIRSEA), among other things, is empowered to assess, collect and account for the tax revenue accruable to the Federal Government of Nigeria and refund excess tax paid to affected taxpayers.

The FIRSEA confers operational and financial autonomy on the FIRS to enhance its overall effectiveness and efficiency.

The taxes, levies and duties which the FIRS administer are as follows:

- i. Companies Income Tax
- ii. Tertiary Education Tax
- iii. Petroleum Profits Tax
- iv. National Information Technology Development Agency Levy
- v. Value Added Tax
- vi. Personal Income Tax⁶
- vii. Withholding Tax⁷
- viii. Capital Gains Tax⁸
- ix. Stamp Duties⁸

The FIRS is empowered to conduct a periodic review of taxpayers' records with a view to ascertaining their extent of compliance with any or all of the above taxes. Further, the FIRS is empowered to sanction erring taxpayers through additional assessments and imposition of penalties and interests for non-compliance with the extant tax laws.

1.4.7 Central Bank of Nigeria (CBN)

The CBN is was established by the CBN Act of 1959. The Act was repealed and replaced by the CBN Act of 1991, which was also repealed and replaced by the CBN Act, No. 7 of 2007.

The Federal Government of Nigeria is the sole subscriber to the share capital of the CBN. The principal functions of the CBN, as stated in the CBN Act and the Banks and Other Financial Institutions Act (BOFIA), 2020 (which repealed the BOFIA, 2004), are to:

- serve as banker and financial adviser to the Federal Government of Nigeria;
- ensure monetary and price stability;
- issue legal tender currency in Nigeria;
- maintain external reserves
- safeguard the international value of the legal tender currency;
- promote a sound financial system in Nigeria; and
- license, supervise and regulate the activities of banks and other financial institutions such as microfinance banks, finance companies, leasing companies, primary mortgage financial institutions and *bureaux de change*

Other functions of the CBN include: formulation and implementation of the trade, exchange, monetary and credit policies of the Government; regulation of the foreign exchange market; control of Government expenditure; formulation of currency and banking policies; provision of funds for public services and institutions; and acting as a general watchdog over the nation's monetary matters.

1.4.8 Nigeria Customs Service (NCS)

The NCS administers customs and excise duties in Nigeria. It is also responsible for the enforcement of the country's importation and exportation regulations.

1.4.9 Federal Ministry of Transport (FMT)

The FMT oversees and administers the country's transport sector comprising aviation, marine, railways and federal highways.



⁶ For persons employed by the Nigerian Army, Navy, Air Force, Police Force, officers of the Nigerian Foreign Service and any person resident outside Nigeria but who derives income or profit from Nigeria. Until the establishment of the Federal Capital Territory Internal Revenue Service (FCT IRS) in 2015, the FIRS was empowered by law to administer income tax on residents of the FCT, Abuja.

⁷ Withholding taxes deducted on payments made to limited liability companies are payable to the FIRS.

⁸ These relate to capital gains tax and stamp duties payable by bodies corporat

1.4.10 **Federal Ministry of Labour and Employment (FMLE)**

The FMLE is responsible for industrial relations in general, including conciliation in labour disputes, technical training (through the Industrial Training Fund), manpower development, safety and welfare in the workplace and supervision of trade union activities. It also oversees the activities of the Nigeria Social Insurance Trust Fund.

1.4.11 **Federal Ministry of Interior (FMI)**

The FMI is generally responsible for maintenance of law and order. It has oversight of the prisons, fire service, civil defence, public safety, citizenship, immigration, emigration, the control and registration of aliens, including the issuance of visitors' visas and residence permits.

Specifically, the Business and Citizenship Section of the Ministry is charged with the responsibility of processing and granting applications for business permit and expatriate quota, which allow foreigners to establish business and take up employment in Nigeria.

1.4.12 **Federal Ministry of Justice (FMJ)**

The FMJ is the legal arm of the Federal Government of Nigeria. The Ministry is primarily responsible for bringing cases before the courts on behalf of the Federal Government. The Ministry is headed by the Minister of Justice who is also the Attorney General of the Federation.

1.4.13 **Federal Ministry of Communications and Digital Economy (FMCDE)**

The FMCDE was established in 2011 as Federal Ministry of Communication Technology. The main objective of the Ministry are as follows:

- i. To develop policies that will enhance the build-up of an accessible, reliable and cost-effective telecommunications infrastructure across the country;
- ii. To drive, support and encourage the utilisation of the telecommunications infrastructure through widespread ownership of Information Communications Technology (ICT) devices; and
- iii. To leverage ICT in driving the effectiveness and efficiency of the public service.

The Ministry through one of its agencies, the Nigerian Communications Commission, regulates the telecommunications sector in Nigeria.

1.4.14 **Federal Ministry of Agriculture and Rural Development (FMARD)**

The vision of the FMARD is to grow Nigeria's agricultural sector. The Ministry's key objectives include: executing an agricultural transformation agenda to support the Federal Government's intention of diversifying the economy; utilising the transformation of the agricultural sector to create jobs, create wealth and ensure food security; focusing on value chains where Nigeria has comparative advantage; and developing strategic partnerships to stimulate investments to drive a market-led agricultural transformation⁹.

1.4.15 **Bureau of Public Procurement (BPP)**

The Public Procurement Act, 2007 established the Bureau of Public Procurement as the regulatory authority responsible for the monitoring and oversight of public procurement, harmonizing the existing government policies and practices by regulating, setting standards and developing the legal framework and professional capacity for public procurement in Nigeria.

1.4.16 **Federal Ministry of Power (FMoP)**

The FMoP is the policy making arm of the Federal Government focusing on the electric power industry. FMoP is guided by the provisions of the National Electric Power Policy (NEPP) of 2001, the Electric Power Sector Reform (EPSR) Act of 2005, and the Roadmap for Power Sector Reform of August 2010 in discharging its mandate of initiating and coordinating policies and strategies for the sustainable development of reliable power supply in Nigeria.

1.4.17 **The Corporate Affairs Commission (CAC)**

The CAC was established pursuant to Companies Allied Matters Act (CAMA), and is responsible for administering the CAMA, including the regulation and supervision of the formation, incorporation, registration, management and winding-up of companies. It also has powers to arrange and conduct investigation into the affairs of any Nigerian company, if and when the interests of the shareholders and the public demand.

“The CAC is responsible for the regulation and supervision of the formation, incorporation, registration, management and winding-up of companies”

⁹ <http://www.fmard.gov.ng/>

1.4.18 The Nigerian Communications Commission (NCC)

The NCC was established by the NCC Act, No. 75 of 1992 to regulate the Nigerian telecommunications industry. In 2003, the Act was repealed and replaced with the Nigerian Communications Act (NCA), No.19 of 2003 (now Cap N97, LFN, 2004).

Based on the NCA, the functions of the NCC include:

- the facilitation of investments in and entry into the Nigerian market for provision and supply of communications services, equipment and facilities;
- the protection and promotion of the interests of consumers against unfair practices, including matters relating to tariffs and charges for, and the availability and quality of, communications services, equipment and facilities;
- ensuring that licencees implement and operate the most efficient and accurate billing system at all times;
- the promotion of fair competition in the communications industry, and protection of communications services and facilities providers from misuse of market power or anti-competitive and unfair practices by other service or facilities providers or equipment suppliers;
- granting and renewing communications licences whether or not the licences themselves provide for renewal in accordance with the provisions of the NCA and monitoring and enforcing compliance with licence terms and conditions by licencees;
- proposing and effecting amendments to licence conditions in accordance with the objectives and provisions of the NCA;
- fixing and collection of fees for grant of communications licences and other regulatory services provided by the NCC;
- the development and monitoring of performance standards and indices relating to the quality of telephone and other telecommunications services and facilities supplied to consumers in Nigeria having regard to the best international performance indicators; and
- making and enforcement of regulations made pursuant to the NCA.

1.4.19 The National Broadcasting Commission (NBC)

The NBC was established by the NBC Act, No. 38 of 1992¹⁰ (now Cap N11, LFN, 2004) as the regulatory authority of the Nigerian broadcasting industry. Under the NBC Act (as amended), the powers of the NBC include:

- receiving, processing and considering applications for the establishment, ownership or operation of radio and television stations, including cable television services, direct satellite broadcast and any other medium of broadcasting; and radio and television stations owned, established or operated by the Federal, State or Local Government;
- recommending applications, through the Minister of Communication Technology, to the President for the grant of radio and television licences;
- regulating and controlling the Nigerian broadcasting industry;
- receiving, considering and investigating complaints from individuals and corporate bodies regarding the contents of a broadcast and the conduct of a broadcasting station;
- establishing and disseminating national broadcasting code and setting standards in respect of contents and the quality of materials for broadcast;
- regulating ethical standards and technical excellence in public, private and commercial broadcast stations in Nigeria;
- approving the transmitter power, the location of stations, areas of coverage as well as regulating types of broadcast equipment to be used; and
- ensuring strict adherence to the national laws, rules and regulations relating to the participation of foreign capital in relation to local capital in broadcasting.

There are indications in the final draft of the National Information and Communications Technology Policy (NICTP) published in August 2012, that the NCC will become a converged ICT regulator by assuming the communications technology regulatory functions of the NBC on the one hand, and the regulatory functions of the National Information Technology Development Agency and the Nigerian Postal Service on the other. However, the recommendations are yet to be approved and implemented.

¹⁰ The NBC Act No. 38 of 1992 was amended by the NBC (Amendment) Act No. 55 of 1999.

1.4.20 Nigeria Deposit Insurance Corporation (NDIC)

The NDIC was established by the NDIC Act, 1988. The Act was repealed and replaced by the NDIC Act, No. 16 of 2006 under which the NDIC has responsibility to:

- insure all deposit liabilities of licensed banks and such other deposit taking financial institutions operating in Nigeria in order to engender confidence in the Nigerian banking system;
- provide assistance to insured institutions in the interest of depositors in case of imminent or actual financial difficulties particularly where suspension of payments is threatened, to avoid damage to public confidence in the banking system;
- guarantee payments to depositors, in case of imminent or actual suspension of payments by insured institutions up to the maximum amount specified in the Act¹¹;
- assist monetary authorities in the formulation and implementation of banking policy so as to ensure sound banking practice and fair competition among insured institutions in the country; and
- pursue any other measure necessary to achieve the function of the NDIC provided that such measures and actions are not repugnant to the objects of the Corporation.

The NDIC, which is independent of the CBN, has the general responsibility of instilling and maintaining public confidence in the Nigerian banking industry.

The NDIC is empowered to, in consultation with the CBN, acquire, manage and dispose of impaired assets of a failing insured institution, either directly or through an Assets Management Company. It may also in consultation with the CBN set up bridge banks to assume the assets and liabilities of failing insured institutions. The NDIC exercised these powers in 2011, when it transferred the assets and liabilities of three Nigerian banks to newly incorporated bridge banks, namely, Mainstreet Bank Limited¹², Keystone Bank Limited and Enterprise Bank Limited.

Furthermore, the NDIC may terminate the insured status of an institution where such institution violates the provisions of the NDIC Act. The CBN may revoke the licence of such insured institution, in which case the NDIC shall act as the liquidator of the failed insured institution and exercise the powers conferred on a liquidator by CAMA. The NDIC is supervised by the Federal Ministry of Finance.

¹¹ Based on Section 20(1) of the NDIC Act, this amount is ₦200,000 for depositors of licensed banks and ₦100,000 for depositors of other licensed deposit-taking financial institutions. However, this amount has been reviewed upward to ₦500,000 for deposit money banks and primary mortgage banks.

¹² In 2014, Skye Bank acquired 100% equity stake in Mainstreet Bank Limited from Asset Management Corporation of Nigeria. However, the bank became defunct in 2018 when its licence was revoked by CBN and was acquired by Polaris Bank Limited.

1.4.21 Department of Petroleum Resources (DPR)

The DPR is responsible for ensuring compliance with the terms governing the award of oil licences to companies engaged in petroleum operations. It monitors the oil companies' operations to ensure consistency with international industry standards and practices.

Its other functions include:

- enforcing safety and environmental regulations;
- keeping and updating records on petroleum industry operations, particularly on matters relating to petroleum reserves;
- advising government and relevant agencies on technical matters and public policies, which may affect the administration and control of petroleum;
- processing all applications for licences to ensure compliance with laid down guidelines; and
- ensuring timely and adequate payments of all rents and royalties as and when due.

Any company wishing to render any service to the oil industry in Nigeria is required to register with, and obtain a permit from, the DPR.



1.4.22 National Petroleum Investment Management Services (NAPIMS)

NAPIMS is the arm of the Nigerian National Petroleum Corporation that oversees the Federal Government's investments in the Joint Ventures with international oil companies (IOCs) and interests in Production Sharing Contracts (PSCs) and Service Contracts.

The functions of NAPIMS are to:

- maximise Petroleum Profits Tax and guarantee a high rate of return through efficient cost reduction mechanisms;
- ensure that a reserve base is maintained and that reserve targets are met;
- ensure that production targets are also met;
- encourage gas utilisation and commercialisation;
- promote transfer of managerial skills and technology;
- diversify the country's revenue base in the hydrocarbon sector through development of gas initiatives;
- ensure zero gas flare-out;
- negotiate and manage all third-party operating agreements; and
- promote maximum co-operation in communities of oil and gas producing areas and ensure that environmental protection standards are strictly maintained.

1.4.23 Nigerian Export Promotion Council (NEPC)

The NEPC was established by the NEPC Act, Cap N108, LFN, 2004 to:

- promote the development and diversification of Nigeria's export trade;
- co-ordinate, monitor and promote the development of export-oriented industries in Nigeria;
- collect and disseminate information on products available for export;
- maintain adequate and effective representation to other countries and provide services to trade delegations in export-related matters; and
- administer grants and other benefits related to export promotion and development.

All companies engaged in export-related activities are required to register with the NEPC prior to exporting goods out of Nigeria.

1.4.24 National Agency for Food and Drug Administration and Control (NAFDAC)

NAFDAC, established by the NAFDAC Act of 1993 (now Cap N1, LFN, 2004), has wide-ranging responsibilities in the area of food, drug administration and control.

It formulates policies and issues guidelines on product specification and quality control for all foods, drugs, cosmetics, medical devices, bottled water, raw materials used in production processes, manufactured in, exported out of, or imported into, Nigeria.

The NAFDAC also carries out inspections and tests on these products to ensure compliance with its stipulated standards and guidelines, and the raw materials and the production processes in factories and other establishments.

All foods, drugs, cosmetics, etc., produced, distributed or to be imported into Nigeria must be registered with the NAFDAC, which in turn issues out licences to evidence such registration. The NAFDAC also issues quality certification of foods, drugs, cosmetics, etc. intended for export.

1.4.25 Nigeria Customs Service Board (NCSB)

The NCSB, originally named the Board of Customs and Excise, was established by the Nigerian Customs Service Board Act, No. 45 of 1992 (now Cap N100, LFN, 2004). The NCSB is controlled by the Federal Ministry of Finance and is responsible for the:

- administration of the Customs and Excise Management Act, Cap C45, LFN, 2004. In practice, this is carried out through the Nigeria Customs Service (NCS);
- formulation of general policy guidelines for the NCS; and
- collection of the customs and excise revenue in Nigeria;
- control and management of the administration of all areas designated as customs ports, airports, borders and customs stations; and
- inspection of all exports and imports passing through the above areas and, in the case of imports, assess and collect import duty payable thereon.

1.4.26 Nigerian Maritime Administration and Safety Agency (NIMASA)

NIMASA was established on 1 August 2006 from the merger of the National Maritime Authority and Joint Maritime Labour Industrial Council, both of which were former parastatals of the Federal Ministry of Transport.

One important objective behind the establishment of NIMASA is to improve Nigeria's potential to earn foreign exchange through the development of its shipping industry and accelerate the rate of growth of the national economy.

The NIMASA Act, which was enacted in 2007, repealed the following pieces of legislation:

- Nigerian Shipping Policy Act Cap. 279, LFN, 1990;
- Nigerian Maritime Labour Act, 2003;
- Section 288 of the Merchant Shipping Act, Cap. 224, LFN, 1990¹³; and
- Merchant Shipping (Delegation of Powers) Notice under section 395 of the Merchant Shipping Act, Cap. 224, LFN, 1990.

Based on the NIMASA Act, the Merchant Shipping Act, 2007, and the Coastal and Inland Shipping (Cabotage) Act, 2003, NIMASA has the mandate to perform the following functions among others:

- pursue the development of shipping and regulate matters relating to merchant shipping and seafarers;
- administer the registration and licensing of ships;
- regulate and administer the certification of seafarers;
- establish maritime training and safety standards;
- regulate the safety of shipping as regards the construction of ships and navigation;
- provide directions and ensure compliance with vessel security measures;
- provide maritime security;
- control and prevent maritime pollution;
- provide direction on qualification, certification, employment and welfare of maritime labour;

- develop and implement policies and programmes which will facilitate the growth of local capacity in ownership, manning and construction of ships and other maritime infrastructure; and
- enforce and administer the provisions of the Cabotage Act, 2003.

In addition to the above, NIMASA is empowered to make recommendations to the Minister of Transport on the grant of national carrier status to indigenous shipping companies. It also monitors the activities of vessels of such companies following the grant of national carrier status; and is expected to assist indigenous companies in the areas of fleet expansion and ship ownership.

Upon being granted national carrier status, NIMASA ensures that indigenous shipping companies exercise Nigeria's carrying rights, such as the exclusive right to carriage of export and import cargo belonging to the Federal, State and Local Governments, and the right to carry at least 50% of bulk dry and liquid cargo, etc.

1.4.27 The National Agency for Science and Engineering Infrastructure (NASENI)

NASENI was established by the NASENI Act, Cap N3 LFN 2004 in 1992 with a mandate to manage the research and development of capital goods, production and reverse engineering to enhance local mass production of standard parts, goods, and services required for the nation's technological advancement.

Section 20 (2)(b) of the Act imposes a levy of 0.25% on the "income or turn-over of commercial companies and firms with turnover of ₦4 million and above". The levy, which is tax deductible, would be collected by the FIRS or any other suitable means as may be specified by the Agency.

Since its enactment in 1992, the funding provisions of the NASENI Act have not been fully implemented, especially with respect to the levy on commercial companies and firms that meet the turnover threshold. Consequently, His Excellency, President Muhammadu Buhari, GCFR during the NASENI Governing Board meeting on 26 January 2021 directed the Honourable Minister of Finance, Budget and National Planning, and Chairman of the FIRS to collect and subsequently remit the statutory levy due to the NASENI to enable it to achieve its mandate. Following the Presidential directive, the NASENI Governing Board increased the ₦4 million threshold to ₦100 million. However, the Act does not empower the Governing Board to vary the threshold.

¹³ The Merchant Shipping Act, Cap. 224, LFN, 1990 itself was repealed in its entirety and replaced by the Merchant Shipping Act, No. 27 of 2007.

1.4.28 *The National Insurance Commission (NAICOM)*

NAICOM was established by the NAICOM Act, No. 1 of 1997 (now Cap N53, LFN, 2004) as the regulator of the Nigerian insurance industry.

The functions of NAICOM listed in the NAICOM Act and the Insurance Act, Cap I17, LFN, 2004, include:

- the establishment of standards for the conduct of insurance business in Nigeria;
- the regulation of transactions between insurers and re-insurers within and outside Nigeria;
- the approval of standards, conditions and warranties applicable to all classes of insurance business;
- acting as adviser to the Government on all insurance-related matters;
- the approval of rates of insurance premiums to be paid in respect of all classes of insurance business;
- the protection of insurance policy holders and beneficiaries and third parties to insurance contracts; and
- contribution to the educational programmes of the Chartered Insurance Institute of Nigeria and the West African Insurance Institute.

NAICOM is supervised by the Federal Ministry of Finance.

1.4.29 *Securities and Exchange Commission (SEC)*

The SEC was established in 1979 to regulate capital market activities in Nigeria. The enabling legislation of the SEC has undergone a number of revisions over the years, the latest being the enactment of the Investments and Securities Act (ISA), No. 29 of 2007 (which repealed and replaced the ISA No. 45 of 1999 (Cap I24, LFN, 2004)).

The SEC is the apex regulatory organisation for the Nigerian capital market. Its functions include the:

- regulation of investments and securities business in Nigeria as defined in the ISA;
- registration and regulation of securities exchanges, capital trade points, futures, options and derivatives exchanges, commodity exchanges and any other recognised investment exchange;
- regulation of all offers of securities by public companies and entities;

- registration of securities of public companies;
- provision of assistance as may be deemed necessary to promoters and investors wishing to establish securities exchanges and capital trade points;
- registration and regulation of the workings of venture capital funds and collective investment schemes in whatever form;
- facilitation of the establishment of a nationwide system for securities trading in the Nigerian capital market in order to protect investors and maintain fair and orderly markets;
- registration and regulation of securities depository companies, clearing and settlement companies, custodians of assets and securities, credit rating agencies and such other agencies and intermediaries;
- promotion and registration of self-regulatory organisations, including securities exchanges, capital trade points and capital market trade associations to which it may delegate its powers;
- review, approval and regulation of mergers, acquisitions and all forms of business combinations and affected transactions of all companies registered under the CAMA;
- calling for information from and inspection, conducting of inquiries and audits of securities exchanges, capital market operators, collective investment schemes and all other regulated entities;
- levying fees, penalties and administrative costs of proceedings or other charges on any person in relation to investments and securities business in Nigeria in accordance with the provisions of the ISA;
- intervention in the management and control of capital market operators which it considers failed, is failing or in crisis, including entering into the premises and doing whatsoever it deems necessary for the protection of investors;
- seeking of judicial order to freeze the assets (including bank accounts) of any person whose assets were derived from the violation of the ISA, or any securities law or regulation in Nigeria or other jurisdictions; and
- relating effectively with domestic and foreign regulators and supervisors of other financial institutions, including entering into co-operative agreement on matters of common interest.

1.4.30 Nigerian Investment Promotion Commission (NIPC)

The NIPC was established in 1995 by the NIPC Act (now Cap. N115, LFN, 2004), to serve as an investment promotion agency of the Federal Government with powers to:

- co-ordinate and monitor investment promotion activities, initiate and support measures aimed at improving the investment climate in Nigeria;
- register and keep records of foreign investments;
- maintain liaison between investors and ministries, Government departments and agencies, institutional lenders and other authorities concerned with investments;
- provide and disseminate up-to-date information on incentives available to investors; and
- assist incoming and existing investors by providing support services.

Every Nigerian company with foreign participation is required to register with the NIPC before commencing business.

The NIPC also operates a One-Stop Investment Centre with desk officers from key government agencies that new investors have to register with, or obtain approval from, during their start-up.

1.4.31 Standards Organisation of Nigeria (SON)

The SON was established in 1970 by the SON Act (now Cap. S9, LFN, 2004). The organisation establishes standards for, and monitors, the quality of products manufactured in Nigeria to ensure that such products meet international standards.

The organisation prescribes the Nigerian Industrial Standards (NIS) issued to companies engaged in manufacturing activities in Nigeria. The NIS stipulates the minimum compliance requirements for different types of manufactured products. In enforcing the standards, the organisation is empowered to seal up the premises of any defaulting manufacturer. The SON issues NIS certificate to qualifying manufacturing companies as evidence of compliance with the prescribed NIS.

1.4.32 National Office for Technology Acquisition and Promotion (NOTAP)

NOTAP is responsible for regulating and monitoring the transfer of foreign technology to Nigeria. All agreements involving technology transfer into Nigeria are required to be submitted to NOTAP for approval and registration. Examples of such contracts are software licensing agreements, trademarks and patents licensing agreements, technical and management services and consultancy services agreements. Without NOTAP's certificate of registration, the fees payable under the related agreement will not qualify as an eligible transaction for foreign exchange remittance to the beneficiary.

1.4.33 National Pension Commission (PENCOM)

PENCOM was established by the Pension Reform Act, 2004 (which was repealed and replaced by the Pension Reform Act, 2014) to regulate, supervise and ensure the effective administration of pension matters in Nigeria. The PENCOM has powers to:

- request or call for information from any employer or Pension Fund Administrator (PFA) or Pension Fund Custodian (PFC) or any other person or institution on matters relating to retirement benefits;
- formulate, direct and oversee the overall policy on pension matters in Nigeria;
- impose administrative sanctions or fines on erring employers or pension fund administrators or custodians; and
- order the transfer of management or custody of all pension funds or assets being managed by a PFA or held by a PFC whose licence has been revoked under the Pension Reform Act or subject to insolvency proceedings to another PFA or PFC, as the case may be.



1.4.34 Nigerian Content Development and Monitoring Board (NCDMB)

The NCDMB was established by the Nigerian Oil and Gas Industry Content Development Act (NOGICDA), 2010, to supervise, co-ordinate, monitor and implement the provisions of the Act, with a view to improving indigenous participation in the Nigerian oil and gas industry.

In this regard, NCDMB is charged by NOGICDA to:

- implement the regulations made by the Minister of Petroleum Resources in relation to any aspect of the Act;
- supervise, co-ordinate, administer and monitor the development of Nigerian content in the Nigerian oil and gas industry;
- appraise, evaluate and approve the Nigerian content plans and reports submitted to the Board in compliance with the provisions of the Act;
- administer and operate the e-market place and Joint Qualification Systems set up in accordance with the provisions of the Act;
- assist local contractors and Nigerian companies to develop their capabilities and capacities to further the attainment of the goal of developing Nigerian content in the Nigerian oil and gas industry; and
- make procedures to guide the implementation of the Act and ensure compliance.

A Bill has been proposed for an Act to repeal the NOGICDA and enact the Nigerian Content Development and Enforcement Act. The Bill seeks, among other things, to extend the application of the local content principles and philosophy to other key sectors of the economy, such as information and communication technology, power, solid minerals, and construction.

Please refer to **Appendix 1** for contact information of the above Federal ministries, departments and agencies.

1.5 Other Self-regulatory Agencies

1.5.1 Nigerian Stock Exchange (NSE)

The NSE is the organised market for the sale of stocks, shares and debentures of companies, unit trusts and stocks/bonds issued by the Government. It provides essential facilities for companies and Government to raise funds for business expansion and development projects. It is governed by rules formulated by its National Council for the operation of the Exchange. Dealings on the floor of the Exchange are conducted through licensed stockbrokers.

The Exchange has trading floors in Lagos, which is its headquarters, and thirteen other cities in the six geopolitical zones in Nigeria, including Abuja, Ibadan, Onitsha, Kano, Ilorin, Port Harcourt, Kaduna, Benin and Yola. Stocks can be traded physically by licensed stockbrokers on the trading floors, and remotely by licensed stockbrokers that are registered on the NSE's Automated Trading System.

1.5.2 Abuja Securities & Commodities Exchange (ASCE)

The ASCE was set up in 1998 as a parallel stock exchange to the NSE and commenced trading in 2001. However, soon after its take-off, it was converted to a commodity trading exchange.

There are indications that the Federal Government (through the combined efforts of the SEC, Ministries of Finance, Agriculture, and Trade and Investment) may restructure the ASCE, to align its structure and operations with Government's agenda for agriculture and small and medium enterprises. It is envisaged that this measure will provide the much-needed stimulus to non-oil export promotion in the country.

1.5.3 Lagos Commodities and Futures Exchange (LCFE)

The LCFE was recently licensed by the SEC to function as a platform where traders exchange commodities and derivatives. The LCFE would be operationalised through partnerships with the Association of Stockbroking Houses of Nigeria and the Central Securities Clearing System (CSCS).

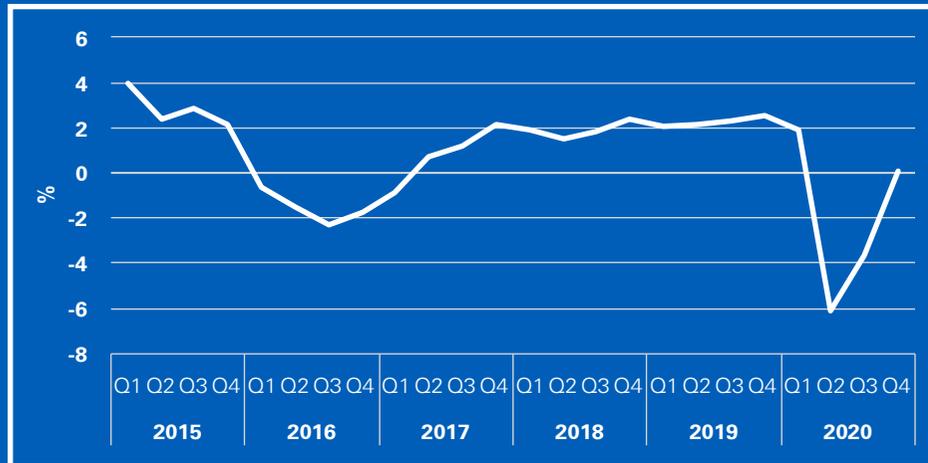
Based on a Memorandum of Understanding between LCFE and CSCS, the latter would serve as the depository, clearing and settlement house for the LCFE.



1.6 Economic Overview

Nigeria is a mono-cultural economy to the extent of its dependence largely on crude oil export for over 90% of its foreign exchange earnings, though oil contributes less than 10% to its Gross Domestic Product (GDP). According to the National Bureau of Statistics (NBS), Nigeria's GDP in real terms grew by 0.11% (year-on-year) in Q4 2020. This was an improvement of 3.73% points over the -3.62% growth rate recorded in the preceding quarter (Q3 2020) and -2.44% points lower than that of Q4 2019.¹⁴ Overall, the country ended 2020 with a negative annual GDP growth rate of -1.92%, a decline of -4.19% points when compared to the 2.27% recorded in 2019. Nonetheless, the improved performance of the economy in Q4 2020, following the easing of the lockdown, return to regular trading activities and international travels imply a return to positive growth from 2021.

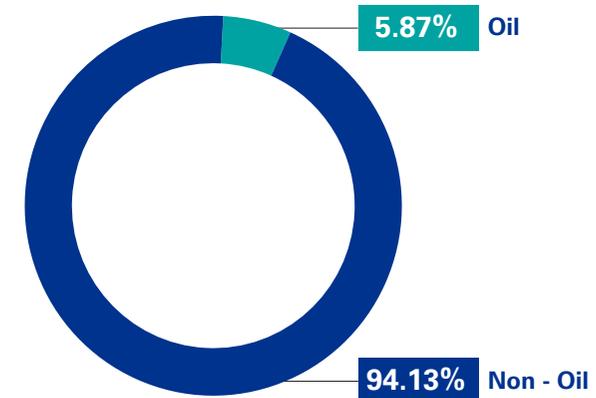
Real GDP growth



Source: NBS

Contribution from the oil sector declined from 8.73% in Q3 to 5.87% in Q4 2020, while non-oil contribution rose from 91.27% in Q3 to 94.13% in Q4, 2020. Overall annual oil and non-oil sector contribution to GDP amounted to 8.16% and 91.84%, respectively.

Contribution of oil and non-oil sectors



Non-oil GDP									
Q1 2019	Q2 2019	Q3 2019	Q4 2019	Total	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
90.78	91.02	90.23	92.68	91.22	90.50	91.07	91.27	94.13	91.84

Oil GDP									
Q1 2019	Q2 2019	Q3 2019	Q4 2019	Total	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
9.22	8.98	9.77	7.32	8.78	9.50	8.93	8.73	5.87	8.16

Source: NBS

Major contributors to the annual GDP growth rate in 2020 included quarrying and other minerals (21.16%), information and communication sector (12.90%), finance and insurance sector (9.37%), motor vehicles and assembly (4.03%), water supply, sewage, waste management and remediation (3.81%) and agricultural sector (2.17%).

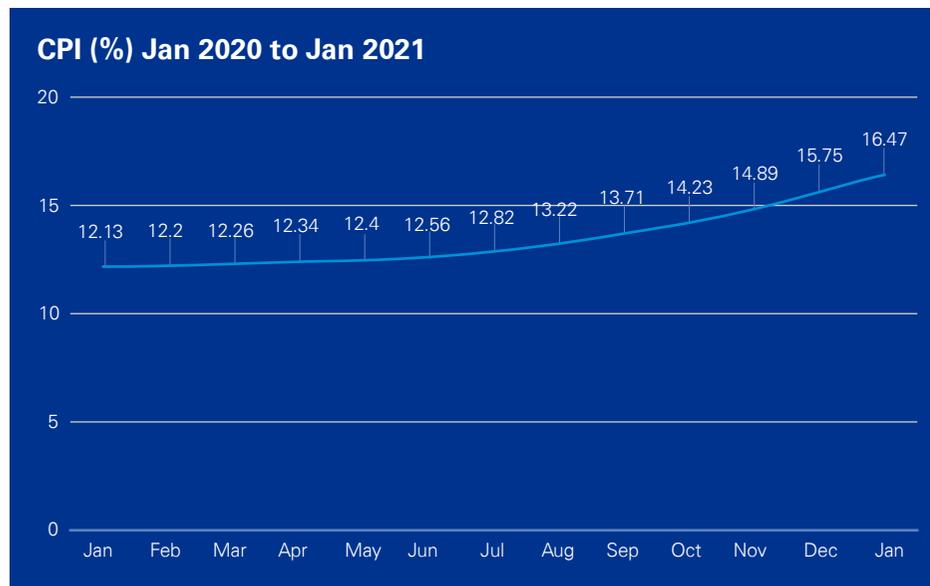
Nigeria's headline inflation¹⁵ increased from 12.13% in January 2020 to 15.75%¹⁶ at year end, signifying a record high since November 2017. The rise in headline inflation continued into 2021, with a 0.71% increase from 15.75% in December 2020 to 16.47% in January 2021. Meanwhile, core inflation¹⁷ stood at 11.85% in January 2021, representing a 2.5% increase from 9.35% in January 2020.

¹⁵ Headline inflation refers to the rate of change in the consumer price index (CPI)

¹⁶ <http://www.cbn.gov.ng/rates/infrates.asp>

¹⁷ Core inflation is a measure of inflation which excludes certain items that face volatile price movements.

Consumer Price Index (CPI) growth rate



Source: NBS

The CBN operates a tight monetary policy to control inflation in Nigeria. The “Monetary Policy Rate (MPR)” was introduced in December 2006 to replace the Minimum Rediscount Rate. The MPR was set at 10%, using the prevailing rate of inflation and the expected inflation rate outcome of 9% at that time as a guide, to ensure that interest rates remained positive in real terms. This translated into an upper limit of 13%, which was the Repo rate, and a lower limit of 7%, which was the rate at which the CBN took deposits from banks at the time. As at 23 March 2021, the MPR was 11.5%.

Since the introduction of the MPR, a number of changes have been made to the monetary policy process, and the MPR has been varied several times by the Monetary Policy Committee of the CBN in response to developments in the economy – especially as indicated by inflation rate and exchange rate trends.

Despite the current economic realities, Nigeria’s economy is still estimated to be the largest in Africa with a nominal GDP of over \$400 billion in 2020.¹⁸

¹⁸ [https://en.wikipedia.org/wiki/List_of_African_countries_by_GDP_\(nominal\)](https://en.wikipedia.org/wiki/List_of_African_countries_by_GDP_(nominal))

Chapter Two: Business Organisation and Regulation



CAMA 2020¹⁹ regulates the operation of businesses in Nigeria. Under CAMA, business can be carried on in Nigeria through any of the following vehicles:

- (i) Sole proprietorship or sole trader;
- (ii) Partnership; or
- (iii) Incorporated company.

2.1 Sole Proprietorship

The sole proprietorship form of doing business is typically used by an individual intending to do business on his account. In general, this form of business is open to anyone in Nigeria wishing to engage in any kind of lawful business activity. The statutory requirements for this form of business are very limited, the major one being the requirement for registration of a business name, where a name other than the true name of the sole proprietor is used as the trade name.

Every sole trader having a place of business in Nigeria is required to register under Part B of 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)²⁰ after payment of the prescribed fee.

2.2 Partnerships

In most parts of Nigeria, the laws governing partnerships are based on the English Partnership Act, 1890 applicable to general partnerships. Section 1 of the Act defines a partnership as “*the relationship which subsists between persons carrying on a business in common with a view to profit*.” Prior to the enactment of CAMA 2020, only Lagos State permitted the registration of limited partnerships (LPs) and Limited Liability Partnerships (LLPs) in addition to general partnerships. However, CAMA 2020 now provides for the registration of LPs and LLPs across the country. This is aimed at improving the ease of doing business in Nigeria.

The rights and duties of partners are generally governed by the English Partnership Act, 1890, and the provisions of the specific partnership laws of some States (largely States within the former Western Region and Lagos) that have enacted their own laws in that regard. The provisions of the Act or Laws are, however, subject to any contrary agreement by the partners. In a general partnership, the partners are the joint owners of the partnership property and are personally liable (both jointly and severally) for the debts and obligations of the firm. The surname and initials of all the partners must be disclosed on the firm’s letterhead and trade circulars.

In an ordinary or general partnership, the liability of each partner is unlimited. The transfer of a partnership interest is permitted, if agreed between the partners. Each partner is an agent of the other and may enter into contracts, undertake obligations, and dispose of the partnership property in the ordinary course of business on behalf of the partnership.

In a limited partnership²¹, there must be at least one general partner who will have unlimited liability with respect to all the debts and obligations of the firm. The limited partners contribute capital or property to the business but have no liability for the debts or obligations of the business beyond their actual contributions thereto. This is much like the limited liability of shareholders in a limited liability company. All limited partnerships in Lagos State have to be registered at the Limited Partnership Registry of Lagos State, which became operational with the appointment of a Registrar of Limited Partnerships by the Lagos State Government in June 2002.

¹⁹ President Muhammadu Buhari signed the Companies and Allied Matters Act, 2020 which repeals the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004. CAMA 2020 seeks to establish an efficient means of regulating businesses, minimize the compliance burden of small and medium enterprises (SMEs), enhance transparency and shareholder engagement, and promote a friendly business climate in Nigeria.

²⁰ The CAC has launched an electronic platform for business registration in a bid to shorten business set-up time and minimize registration costs.

²¹ CAMA 2020 introduced general framework for the regulation of limited partnerships and limited liability partnerships, including registration and other compliance requirements in Nigeria.

In a limited liability partnership, all the partners are legally capable of limiting their liability in the event of the winding up of the partnership. Unlike a limited partnership, there is no requirement for the limited liability partnership to have a general partner. However, to ensure the protection of members of the public, all the partners are required to take out indemnity bonds and maintain professional liability insurance. The limited liability partnership was introduced in Lagos State in 2009 by the Partnership (Amendment) Law of Lagos State.

A corporation may be a partner with other corporations or with individuals. The maximum number of partners in every partnership is twenty (20), except partnerships of legal practitioners or accountants. A partnership is terminated on the death or resignation of a partner, to the extent of the liability of the deceased or resigning partner, or on the admission of a new partner. However, in practice, the partnership continues with the new partner becoming subject to the same or any newly agreed terms and conditions of the partnership. Non-resident foreigners may not be able to use a partnership as a vehicle for running a business in Nigeria.

2.3 Incorporated Companies

In Nigeria, the word “company” is used to describe a company incorporated with limited or unlimited liability and registered under CAMA. Subject to certain exceptions, CAMA provides that no foreign company shall carry on business in Nigeria unless it is incorporated in Nigeria as a separate entity. Foreign companies have a choice to set up wholly owned or partially owned subsidiaries or affiliates in Nigeria.

CAMA generally regulates the affairs of companies in Nigeria and has ample provisions dealing with such matters as formation, shareholding, directorships, borrowing, book-keeping, auditing, management, meetings of the board of directors and shareholders, administration and liquidation.

There are three primary types of incorporated companies – an unlimited liability company, a company limited by guarantee and a company limited by shares. An unlimited liability company has no limit on the liability of its members and, therefore, has little attraction for investors. A company limited by guarantee limits its members’ liability to the amount of their respective guarantees. This type of company is generally incorporated as a not-for-profit organisation for charitable purposes.

By far the most common type of company is a company limited by shares. The liability of the members of such a company is limited to the amount, if any, unpaid on the shares respectively held by them.

A limited liability company may be either privately or publicly owned. A private company must have a minimum of two (2)²² and a maximum of fifty (50) members, excluding present and ex-employees. Furthermore, the right of a private company to transfer its shares is restricted and the company is prohibited from inviting the public to subscribe to any of its shares or debentures.

Private companies limited by shares are the most common form of business organisation utilised by foreign investors in Nigeria.

A public company must also have a minimum of two (2) members but there is no restriction on the maximum number of members or their right to transfer shares freely. The public may be invited to subscribe to its capital and the shares may be traded on the Stock Exchange. A public company becomes publicly quoted when it is listed on the Stock Exchange.

2.4 Incorporation

Incorporation of companies is generally handled by lawyers, although this may also be undertaken by accountants and chartered secretaries. The documents required to be filed with the CAC include the following:

- Memorandum of Association;
- Articles of Association;
- Statement of Share Capital;
- Declaration of Compliance with CAMA;
- Notice of Situation of the Registered Office of the Company;
- Return of Allotment of Shares; and
- Particulars of First Directors.

Stamp duty is payable on the authorised share capital at the rate of 0.75% of the authorised share capital. Filing fees are also applicable.

“Subject to certain exceptions, CAMA provides that no foreign company shall carry on business in Nigeria unless it is incorporated in Nigeria as a separate entity.”

²² CAMA exempts small companies from the requirement to have two directors.

The Memorandum of Association of a private limited liability company must contain the following:

- (i) The name of the company with the word “Limited” or “Ltd.” as the last word, if it is a company limited by shares. The name must have the prior approval of CAC and must not conflict with that of any other company;
- (ii) The location of the registered office, which must be situated in Nigeria (specification of a State in Nigeria will be sufficient for this purpose);
- (iii) The objects or businesses of the company and the restrictions, if any, on its powers;
- (iv) The amount of the minimum issued share capital (or the par value of the authorised capital), the number of shares into which it is to be divided and the nominal or par value of each share. There is a minimum capital requirement of ₦100,000²³ and ₦2,000,000 for private and public companies, respectively;
- (v) A statement confirming whether the company is a private or public company; and
- (vi) A statement on whether the liability of members is limited (either by shares or guarantee) or unlimited.

There is no restriction under CAMA on the number of classes into which shares may be divided or on the rights or privileges of any particular class of shares. The usual classes of shares are ordinary and preference shares. CAMA, however, stipulates that each share shall carry one vote and entitle the shareholder to attend and vote at general meetings of the company.

The Memorandum and Articles of Association must be printed, signed by the subscribers and duly witnessed by at least one person. It is also required to be stamped as a deed. Alteration of the memorandum and articles of association is subject to approval by a special resolution of the company. Reduction of capital is also allowed subject to a special resolution of the company and sanction of the court.

The Registrar General of the CAC issues a Certificate of Incorporation to a company if satisfied that the conditions for incorporation have been fulfilled.

2.4.1 Foreign Enterprises

Any Nigerian company with foreign participation is required to register as a foreign enterprise with the Nigerian Investment Promotion Commission (NIPC) established under the NIPC Act, No. 16 of 1995 (now Cap N117, LFN, 2004). The NIPC facilitates liaison by investors with other government agencies for the purpose of obtaining their start-up approvals.

The NIPC now houses the One Stop Investment Centre (OSIC) through which new investors can process all their start-up statutory registrations and approvals, especially company incorporation, tax registration and expatriate quota.

Further to its mandate for investment promotion, the NIPC administers the Industrial Development (Income Tax Relief) Act, Cap 17, LFN, 2004, under which eligible investors can obtain pioneer status and enjoy income tax holiday for three (3) years, in the first instance, which can be renewed for additional one (1) or two (2) years.

2.4.2 Expatriate Employment

Where foreigners will be engaged in the actual running of the operations of a company in Nigeria, an application will have to be made to the FMI for the grant of expatriate quota approval. In addition, companies operating in the Nigerian oil and gas industry are required under the Nigerian Oil and Gas Industry Content Development Act, 2010 to obtain prior approval of their expatriate quota requirement from the Nigerian Content Development and Monitoring Board, before submitting applications to the FMI.

The Nigeria Immigration Service (NIS) issues temporary work permits (TWP) for expatriates intending to work in Nigeria on short term basis, to enable them to undertake work of a temporary nature, such as plant installation and commissioning. A TWP visa is typically granted for less than three (3) months in the first instance. However, it may be extended (while in-country) to a maximum duration of 365 days, subject to approval of the NIS and payment of the associated statutory fees.

In line with the Federal Government's ease of doing business initiative, the NIS introduced electronic application for visa-on-arrival (VOA) in May 2019. The estimated time for VOA approval is 48 hours after submission of the required documents by the applicant.

²³ In practice, foreign investors require a minimum share capital of ₦10,000,000 as a pre-condition for registering as a foreign enterprise with the Nigerian Investment Promotion Commission and obtaining expatriate quota approval from the Federal Ministry of Interior.

2.4.3 Prospectuses

A public company wishing to raise funds from the public must generally prepare a prospectus. CAMA defines a prospectus as “any prospectus, notice, circular, advertisement, or other invitation, offering to the public for subscription or purchase of any shares or debentures of a company.”

Every prospectus issued by or on behalf of a company or company promoter must include certain information unless the company obtains a certificate of exemption from the Nigerian Stock Exchange.

2.4.4 Publication of Name

In addition to stating a company’s name in its Memorandum and Articles of Association, the name of the company is required to be displayed conspicuously outside its office or place of business.

A company’s name must also be engraved in legible characters on its common seal and must appear on all notices, advertisements and other publications, bills of exchange, invoices, receipts and similar documents. In addition, all trade circulars and business letters in which the company’s name appears must bear the incorporation number of the company, and the forenames (initials) and surnames of the directors (together with their nationality, in the case of non-Nigerians).

2.4.5 Statutory Report and Meeting

Public companies are required to hold a general meeting of the company (otherwise called “statutory meeting”) within six (6) months from the date of incorporation or the end of the financial year, as appropriate. A statutory report is presented at this meeting setting out certain significant facts about the company, such as capital structure, formation, expenses, and the names and addresses of the directors.

2.5 Members, Shareholders and Types of Shares

For companies limited by shares, the terms ‘shareholder’ and ‘member’ are synonymous for all intents and purposes.

A company must maintain a Register of Members showing names and addresses of all shareholders, the number of shares and other particulars. Transfer of ownership of shares is not accomplished by simple delivery of a share certificate. The company secretary must enter a notation of the transfer in the Register of Members and this entry is conclusive evidence of the legal ownership of the shares and of membership. Upon transfer, the old share certificate (of the transferor) is cancelled and a new one is issued to the transferee.

Transfer of shares in publicly quoted companies is subject to the requirements of the Nigerian Stock Exchange and the Securities and Exchange Commission. Besides redeemable preference shares, a Nigerian company may not, except as authorised by CAMA and the Securities and Exchange Commission Rules and Regulations, purchase its own shares or those of its parent company, notwithstanding anything to the contrary in its Memorandum and Articles of Association.

Furthermore, upon meeting certain conditions, a company may give financial assistance to anyone to enable such person to purchase its shares.

2.5.1 Share Premiums and Discounts

When a company issues shares at a premium, the premium must be transferred to a share premium account that may be used only for the following limited purposes, namely, to:

- pay up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- write off preliminary expenses of a newly incorporated company;
- write off the expenses of, or the commission paid on any issue of shares; or
- provide for any premium payable on the redemption of redeemable preference shares.

The account may not be used for payment of cash dividends and can be extinguished only by a reduction of capital.

It is unlawful for a company to issue shares at a discount.

2.5.2 Ordinary Shares

Ordinary shares carry a right to a share in the profits of a company after shareholders with preference rights have been satisfied. Similarly, after all the creditors and preferred stockholders have been satisfied on liquidation, the remaining assets are distributable to the holders of ordinary shares.

2.5.3 Preference Shares

Preference shares may be issued in several classes, such as cumulative or non-cumulative as to dividend, participating or non-participating as to surplus profits, preferential as to income or capital, or convertible or non-convertible as to ordinary shares. Redeemable preference shares may be redeemed only if they are fully paid-up and must be redeemed only out of accumulated earnings or out of the proceeds of a new issue of shares.

2.5.4 Deferred Ordinary Shares

The claims of the holders of deferred ordinary shares rank after preference shares and ordinary shares. Such shares may, however, be entitled to a larger portion of distributable profits than the ordinary shares after a certain amount of dividend has been paid on the ordinary shares. In practice, deferred ordinary shares are hardly ever created or issued.

2.5.5 Debentures and Bonds

The term “bond” is not used in CAMA. The closest term to it used in CAMA is “debentures,” which denotes instruments issued by a company acknowledging a loan or other indebtedness and providing for payment of a specified sum by a given date at a specified rate of interest. A debenture, if secured, would typically create a charge, either fixed or floating, on the company’s assets. The charge may be contained in the main body of the debenture or in a separate trust deed. Provision may be made for the redemption of debentures by means of an invested sinking fund, annual drawings or by purchase in the open market.

2.6 Shareholders’ Meetings

The first annual general meeting of a company must be held within 18 months of incorporation. Subsequent annual general meetings must be held each calendar year, provided that not more than 15 months shall elapse between one annual general meeting and another. Twenty-one days’ written notice to all shareholders is required for an annual general meeting, although this requirement may be waived by agreement of all the shareholders. A copy of the audited financial statements, the directors’ report and the auditor’s report must be sent to every shareholder at least 21 days before the annual general meeting.

At the request of shareholders holding at least 10% of a company’s paid-up share capital, the directors must convene a general meeting known as an extraordinary general meeting. Twenty-one days’ written notice of every extraordinary general meeting is required, unless shareholders holding not less than 95% of the issued share capital waive this requirement.

2.7 Annual Returns

Every company must file its annual returns with the CAC within 42 days of its annual general meeting. The annual return is made by completing and filing Form CAC 10 at the CAC. Documents to be attached to the annual returns form include a copy of the balance sheet and profit and loss accounts presented to the annual general meeting, together with a copy each of the auditor’s report and directors’ report.

2.8 Directors and Officers

Every company other than a small company²⁴ must have a minimum of two directors. A company must also have a secretary. Unless required by the articles of association, a director need not own any shares. There is no restriction on the nationality of directors of Nigerian companies under CAMA. Although corporations are prohibited from acting as directors, a corporation may nominate a person as a director to represent its interest on the board. The appointment of directors is governed by the provisions of the articles of association of a company.

Generally, the articles provide for appointment of the first directors by the subscribers to the memorandum of association.

The names of all directors (and their nationalities, for non-Nigerians) must be listed in the Register of Directors kept in the company’s registered office and disclosed on its trade catalogues, trade circulars, show cards and business letters.²⁵

The remuneration of directors is determined by the company in a general meeting. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in the course of their duties.

With certain exceptions, a company may not make a loan, directly or indirectly, to a director unless with the permission of its shareholders. Similarly, companies may not compensate a director for loss of office without shareholders’ approval.

Directors are officers of the company. The secretary of the company and other officers are appointed by the board of directors. The title of ‘chairman’ is used in Nigeria much in the same way as it is used in the United Kingdom and the United States. However, instead of ‘president’ as is used in the United States, a Nigerian company generally uses the title of ‘managing director’ for its Chief Executive. There may also be a ‘vice-chairman’ and/ or ‘deputy managing director’. The chief financial officer is usually called chief accountant or finance director (or, occasionally, controller) and, in most cases, will also carry out the duties of a treasurer.

2.9 Dividends

The payment of dividends is not subject to statutory limits in Nigeria, to the extent that it is supported by profits. Therefore, a company may declare its entire profit after tax as dividends if it decides not to keep it in retained earnings. Dividend payments are subject to 10% withholding tax (7.5% for bona fide beneficiaries based in a country with which Nigeria has a double taxation agreement (DTA), subject to the satisfaction of the conditions specified in the DTA).

²⁴ CAMA 2020 defines a small company as a private company having an annual turnover of N120,000,000 and net assets value of not more than N60,000,000, with no foreigner as its members and where the company has a share capital, the directors hold at least 51% of the share capital.

²⁵ CAMA requires the disclosure of the multiple directorship held by a director of a public company. In addition, a person cannot be a director of more than five public companies.

At the annual general meeting, the shareholders cannot approve any amount exceeding the amount recommended by the directors, as dividend. In general, and as may be provided in the articles of association, the directors may declare and pay interim dividends between one annual general meeting and another.

2.10 Bonus (Scrip) Issue

A company having accumulated earnings or reserves may distribute stock dividends (bonus shares) out of those earnings. The earnings are thereby capitalised and share certificates will be issued proportionally to existing shareholders.

2.11 Statutory Books of Account

The CAMA requires every Nigerian company to keep proper books of account that give a true and fair view of the state of the company's affairs and are sufficient to explain its transactions. Such books must be kept at the company's registered office or such other place in Nigeria as the directors think fit and shall at all times be open to inspection by the officers of the company.

In addition, a company must keep the following statutory books:

- Register of members;
- Minutes book (to record proceedings at meetings of shareholders and directors and committee meetings, if any);
- Register of directors and secretaries;
- Register of charges (to record every charge created by the company, for example, a mortgage of the company's real estate, a floating charge on all assets from time to time or a charge relating to debenture issue);
- Register of shares or stock transfers;
- Register of directors' interests in shares and debentures; and
- Register of debenture holders.

2.12 Patents, Designs, Trademarks and Copyrights

There are detailed pieces of legislation for the protection of proprietors of registered patents, designs, trademarks and copyright. Of particular importance are:

- Patents and Designs Act, Cap P2, LFN, 2004;
- Trade Marks Act, Cap T13, LFN, 2004; and
- Copyright Act, Cap C28, LFN, 2004.

A trademark is any mark used or proposed to be used in relation to goods to indicate a connection in the course of trade between the goods and some persons having the right either as a proprietor or as a registered user of the mark. Trademarks are registrable at the Trademarks Registry, Abuja. Registration of a trademark confers on the person registering it, a right to the exclusive use of that trademark for a period of seven (7) years, which may be renewed from time to time.

Patents and designs, on the other hand, relate only to inventions. An invention can be patented if it is new, results from inventive activity and is capable of industrial application, or if it constitutes an improvement upon a patented invention. This must also be registered to be protected. The right to patent and design in respect of an invention is vested on the statutory inventor, that is, the person, whether or not the inventor, who is the first to file or validly claim priority for a patent or design application in respect of an invention. A patent expires after twenty (20) years from the date of registration, while a design is effective in the first instance for five (5) years but renewable for two (2) consecutive periods of five (5) years each.

Unlike the other intellectual property rights discussed above, copyright does not require registration since it automatically applies to creative works as soon as they are created. The works eligible for copyright protection include literary, musical and artistic works, cinematograph films, sound recordings and broadcasts. To be eligible, however, such work must be original.

A copyright is valid for fifty (50) years in the case of broadcasts, sound recordings and cinematograph, and seventy (70) years for literary and musical works.

2.13 Coastal and Inland Shipping (Maritime Cabotage)

The Coastal and Inland Shipping (Cabotage) Act, No. 5 of 2003, was enacted in April 2003. The main thrust of the Act is to restrict the use of foreign vessels in domestic trade, in order to encourage the indigenisation of domestic coastal trade. "*Coastal trade*" is defined as carriage of goods by vessels or other mode of transportation from one place in Nigeria, or above Nigerian waters, to any other place in Nigeria or above Nigerian waters, either directly or via a place outside Nigeria. "*Carriage of goods*" is defined to include the carriage of goods in relation to the exploration, exploitation or transportation of the mineral or non-living natural resources in Nigeria. A Bill for the amendment of the Cabotage Act, which seeks to modify the definition of "*coastal trade*" and bring rigs and similar vessels within the purview of the Act, is currently pending before the National Assembly.

Under the Cabotage Act, the Minister of Transport has power to grant approvals and waivers, and to issue guidelines on the administration of the Act. The Minister may grant a waiver to a duly registered foreign vessel, where there are no credible Nigerian alternatives.

How we can support you

KPMG's approach helps you cut through the complexity of market entry and business start-up in Nigeria, by taking on your burden of start-up compliance and back-office activities so that you can focus on your core business.

Our services include:

- **Company incorporation, business registration and licensing**

- Incorporation with Corporate Affairs Commission
- Corporate secretarial services
- Obtainment of industry operating licences

- **Regulatory Services**

- Company liquidation and divestitures
- Trademark registration
- Resolution of foreign exchange control issues
- Structuring of commercial agreements
- Registration of limited partnerships and private equity funds
- Litigation support

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Chapter Three: Labour and Social Security Regulations



3.1 Legislation

Labour matters are overseen by the Ministry of Labour and Employment. Labour relations are regulated by the following pieces of Federal legislation:

- Employee's Compensation Act, 2010²⁶;
- The Factories Act, Cap F1, LFN, 2004;
- Industrial Training Fund (ITF) Act, Cap I9, LFN, 2004 [as amended by the ITF (Amendment) Act, 2011];
- Labour Act, Cap L1, LFN, 2004;
- National Health Insurance Scheme (NHIS) Act, Cap N42, LFN, 2004;
- National Salaries, Incomes and Wages Commission Act Cap N72, LFN, 2004;
- Pension Reform Act, 2014;
- Trade Disputes Act, Cap T8, LFN, 2004;
- Trade Disputes (Essential Services) Act, Cap T9, LFN, 2004;
- Trade Unions Act, Cap T14, LFN, 2004;
- Trade Unions (International Affiliation) Act, Cap T15, LFN, 2004; and
- Immigration Act, 2015²⁷.



²⁶ The Employee's Compensation Act repealed the Workmen's Compensation Act, Cap W6, LFN, 2004

²⁷ Immigration Regulations 2017 was released to provide a legal framework for the effective implementation of the Immigration Act, 2015 and consolidate existing Immigration Regulations in Nigeria.

3.2 Labour Unions

The Trade Unions Act (TUA) Cap T14, LFN, 2004, requires a trade union to be registered before it commences operation. The minimum number of members of a trade union of workers is 50, except as authorised by the Minister of Labour and Employment. The Act prohibits any staff within the management structure of any organisation from being a member of, or holding office in, a trade union.

Under the TUA, membership of trade unions is strictly voluntary. Consequently, an employee is entitled to refrain from joining a trade union and is guaranteed protection from victimisation for refusing to join the union.

The Nigerian Labour Congress (NLC) was founded in 1975, as an umbrella organisation for trade unions, to add impetus to trade unionism in Nigeria. It was the sole central trade union organisation in Nigeria until the 1990s when the Trade Union Congress (TUC) was registered.

The Trade Unions (International Affiliation) Act, Cap T15, LFN, 2004 regulates the capacity of the Nigeria Labour Congress and other trade unions to affiliate with related bodies outside Nigeria.

3.3 Employers' Organisations

The Nigeria Employers' Consultative Association (NECA) serves the interest of its members (employers of labour) in labour and industrial matters. It represents the members' interests in dealings with Government agencies and advises members on industrial matters affecting them. Apart from the NECA, there are other sector-based employer organisations, such as Association of Food, Beverages and Tobacco Employers.

3.4 Trade Disputes

The Trade Disputes Act (TDA), Cap T8, LFN, 2004, requires trade disputes to be settled first, at the company level, then by the Ministry, after which resolution of disputes lies with the Industrial Arbitration Panel and, lastly, the National Industrial Court (NIC), whose decision is final. The TDA confers exclusive jurisdiction over intra-and inter-union disputes on the NIC and limits appeals from its decisions to the Court of Appeal to only matters affecting fundamental human rights.

The Trade Disputes (Essential Services) Act, Cap T9, LFN, 2004, makes it an offence for anyone to engage in acts calculated to disrupt the economy or obstruct the smooth running of any essential services, or for anyone to wilfully fail to comply with the procedure laid down in the Trade Disputes Act which, among other things, prohibits strike actions or lockouts whilst trade disputes are being resolved.

3.5 Termination of Employment/ Suspension of Employees

An employment may be terminated if the parties to the contract jointly agree to do so. Generally, however, for an employment to be unilaterally terminated, a notice of termination (the period of which would depend on the terms of the contract of employment and/or the circumstances surrounding the employment) must be given or payment of salary must be made in lieu of such notice.

An employer may dismiss an employee when he has committed an act of misconduct e.g., fraud, insubordination or any other wrongdoing.

In justifiable circumstances, e.g., pending investigation of a crime, an employer may place an employee on suspension. However, unless it is clearly stipulated that suspension shall be without pay, an employee on suspension is entitled to be paid his salaries and emoluments during the period of suspension.

Nonetheless, the law implies a right to suspend an employee without pay in favour of an employer, during the period of such employee's trial for an offence that leads to his conviction and subsequent dismissal.

3.6 Minimum Wage

The National Minimum Wage (Repeal and Re-enactment) Act, 2019 ("the Act") places a statutory obligation on every employer (except as provided for under the Act) to pay a wage not less than the National Minimum Wage of ₦30,000 per month to every worker in his employment. The stipulated amount is clear of all deductions, except deductions required by law or in respect of contributions to provident or pension funds or schemes agreed to by the workers and approved by the Minister of Labour and Employment (the Minister).

The minimum wage provisions do not apply to the following:

- an establishment in which less than twenty-five (25) workers are employed;
- an establishment in which workers are employed on part-time basis (i.e. less than forty hours per week);
- an establishment in which workers are paid on commission or piece-rate basis;
- workers in seasonal employment, such as agriculture;
- any person employed in a vessel or aircraft to which the laws regulating merchant shipping or civil aviation apply; and
- other exemptions granted by the Minister in the interest of national economy, after taking into consideration reports from National Salaries Income and Wages Commission or such other body as might make representation for exemption.

An employer is mandated to keep proper records of the wages and conditions of employment of its employees and to retain such records for a period of three (3) years. Failure to do this is an offence under the Act and attracts a fine not exceeding ₦75,000.00 and a penalty not exceeding ₦10,000.00 for each day in which the offence continues.

Civil service officers, so authorised by the Minister, are empowered to enter an employer's premises for the purpose of examining such records. The authorised officers may order an employer found contravening the provisions of the Act to remedy the situation within a specified time. Criminal proceedings may also be instituted against such an employer.

Any agreement for payment of wages less than the prescribed national minimum wage is void. Contravention of the minimum wage provision of the Act by an employer is an offence that attracts, on conviction, a fine not exceeding 5% of the offender's monthly wage, and a penalty of not less than the CBN lending rate on the wages owed, for each month during which the offence continues. Contravention of other provisions of the Act, through falsification of records, refusal to provide information requested by an authorised officer, etc., also qualifies as an offence under the Act. The offence, on conviction, attracts a fine not exceeding ₦250,000 or imprisonment for a term not exceeding six months, or to both such fine and imprisonment.

3.7 Industrial Training Fund (ITF)

The ITF Act, Cap I9 LFN, 2004 [as amended by the ITF (Amendment) Act, 2011] established the Industrial Training Fund (ITF) to:

- promote and encourage the acquisition of skills in industry or commerce with a view to generating a pool of indigenous trained manpower sufficient to meet the needs of the economy;
- provide training for skills in management for entrepreneurial development of the economy;
- set training standards in all sectors of the economy; and evaluate and certify vocational skills acquired by apprentices, craftsmen and technicians in collaboration with relevant organisations.

The ITF Governing Council is charged with the responsibility of administering the Fund in accordance with the provisions of the Act.

Based on the ITF Act (as amended), an employer shall be liable to contribute 1% of his annual payroll costs to the ITF, not later than 1 April of the following year, if it:

- (a) has 5 or more employees or an annual turnover of ₦50 million and above;
- (b) bids for or solicits contracts, businesses, goods and services from public and private establishment;
- (c) requires approval for Expatriate Quota; or
- (d) utilises Customs services for import and export.

Employees, as defined under this Act, means all persons, whether or not they are Nigerians employed to work for any establishment in return for a salary, wage or other consideration, and whether employed on full-time or part-time, and includes temporary employees who work for periods of not less than thirty days.

If any contribution is not paid within the statutory time, a sum equal to 5% of the amount unpaid shall be added for each month or part of a month after the date on which payment should have been made.

The ITF Governing Council may make a refund of up to fifty-per cent of the contributions made by an employer, upon satisfaction that the employer's training programmes are in accordance with the ITF's reimbursement schemes.

3.8 Factories Act

Every person who occupies or intends to occupy a factory is mandated to apply to the Director of Factories for registration of the factory. The Director shall, on receipt of the application, cause the factory to be registered and issue a certificate of registration if satisfied that the factory is suitable. Employers are compelled under the Factories Act to protect factory workers against factory and industrial hazards. All factories must display an extract of the Factories Act in their factory premises.

3.9 Employee's Compensation Act (ECA)

The ECA 2010, which repealed the Workmen's Compensation Act, is designed to provide an open and fair system of guaranteed and adequate compensation for employees or their dependents in the event of death, injury, disease or disability arising out of or in the course of, employment. The Act is also intended to provide for safer working conditions for employees, by ensuring that all relevant stakeholders contribute to the prevention of occupational hazards and disabilities.

The provisions of the Act apply to all employers and employees in the public and private sectors of the economy, except members of the armed forces of the Federal Republic of Nigeria.

The ECA saddles the Nigeria Social Insurance Trust Fund Management Board (the Board) with the responsibility of coordinating and implementing the provisions of the Act, managing the Fund and compensating employees (or their dependants) out of the Fund, in the event of injury, disability or death.

Under the ECA, every employer is required, within two years of commencement of the Act, to make a minimum monthly contribution of 1% of its total payroll into the Employees' Compensation Fund. However, the Board may by regulations determine the actual contribution or rate of contribution to be made by each employer, which will vary based on the categorisation of the risk factors of the particular class or sub-class of industry to which the employer belongs.

In November 2016, however, the Nigeria Social Insurance Trust Fund (NSITF) and NECA signed an Agreement on the implementation and administration of the ECA. Based on the Agreement, employers are required to pay 1% of their employees' remuneration excluding pension contributions, bonuses (performance-related payments), overtime payments, and irregular one-off payments (such as driver's allowance, medicals, 13th month payment, etc.) as ECF contribution with effect from 1 January 2017.

An employer who fails to comply with the provisions of the Act will be liable to the following penalties, among others:

- i. provisional or best of judgement assessment to be levied by the Board and a penalty calculated as a percentage of the assessment to be determined by the Board;
- ii. on conviction, imprisonment for a term of one year or a fine of ₦100,000 for an individual employer (₦1 million in the case of a body corporate) or both; and
- iii. a penalty of 10% of the unpaid assessment or the value of the security required, for non-payment of an assessment, or non-provision of a security against an assessment required by the Board.

3.10 National Salaries, Incomes and Wages Commission

This Commission was set up in 1993 to replace the Board established under the defunct Productivity, Prices and Incomes Board Act, Cap 372, LFN, 1990. Its functions include advising the Federal Government on general policies and guidelines on pricing, productivity, wages and hoarding control. The Commission issues guidelines, which have the force of law after having been approved by the Federal Government.

3.11 Employment of Expatriates

The Immigration Act, 2015 precludes any person other than a Nigerian citizen from accepting employment (not being employed by the Federal or State Government) without the consent in writing of the Minister of Interior. This provision ensures that the Minister's consent, in the form of Expatriate Quota (EQ) approval, is obtained before a foreigner is employed in Nigeria. The validity of the EQ ranges from two to three years [renewable for a maximum period of ten (10) years]²⁸. Limited quota positions are granted as Permanent Until Reviewed (PUR). This is usually for senior executive positions, such as the Chief Executive, Managing Director, or General Manager.

Once the EQ approval is granted, the expatriate concerned must apply for and obtain a Subject to Regularisation (STR) visa from the Nigerian Mission in his country of residence. Upon arrival in Nigeria, the STR visa would be regularised into a Work/ Residence Permit pursuant to an application by the company employing the expatriate.

For expatriates wishing to work in Nigeria for a short period, i.e., for three months or less, a Temporary Work Permit (TWP) is obtainable from the Nigeria Immigration Service (NIS)²⁹. Issuance of a TWP visa is subject to prior approval of the Comptroller General of the Nigerian Immigration Service (CGNIS). Typically, a TWP visa is issued for highly technical and short-term engagement-specific assignments, such as installation and repair of equipment, commissioning, conducting specialized training, etc. A TWP visa is granted for less than three (3) months in the first instance. However, it may be extended (while in-country) to a maximum duration of 365 days, subject to approval of the NIS and payment of the associated statutory fee. In June 2020, the NIS automated the mode of applications for both visa on arrival and TWP pre-approval, and introduced electronic visa as a separate channel for processing Nigerian visas alongside the existing channels.

Upon the approval of the CGNIS, a TWP Cable is issued to facilitate the visa application at the relevant Nigerian Mission abroad where the expatriate is a citizen or has residence status.

In 2018, President Muhammadu Buhari (GCFR) signed Executive Order 005 ("the Order") for Planning and Execution of Projects, Promotion of Nigerian Content in Contracts and Science, Engineering and Technology. The Order promotes the utilisation of indigenous resources (raw materials and personnel) in public procurement process. Amongst other things, it:

- prohibits the Federal Ministry of Interior from granting visas to foreign workers whose skills are readily available in Nigeria.

- provides that the grant of expatriate quota should be contingent on applicants training the number of persons required for the execution of the
- project in Nigeria,
- directs Ministries, Departments and Agencies of government to engage indigenous professionals in the planning, design and execution of national security projects, and considers foreign professionals only where it is certified by the appropriate authority that such expertise is not available in Nigeria.



²⁸ Three (3) years in the first instance and subsequent renewals of two (2) years each, subject to an aggregate of ten (10) years maximum.

²⁹ Oil and gas companies that intend to engage the services of expatriates on TWP are required to obtain the recommendation of the Nigerian Content and Development Monitoring Board (NCDMB) which must be submitted to the NIS before the TWP would be issued. This was communicated as a joint resolution of the Federal Ministry of Interior and NCDMB via a Public Notice dated 18 November 2019.

3.12 Contributory Pension Scheme (CPS)

The Pension Reform Act (PRA), 2004 was amended in 2011 by the PRA (Amendment) Act, 2011, and was repealed and re-enacted as the PRA, 2014 on 1 July 2014.

The PRA introduced mandatory contributory pension schemes with Pension Fund Administrators (PFA) and Pension Fund Custodians (PFCs) operating as pension fund managers and custodians of pension fund assets, respectively. The Act requires employees (except those exempted from the Scheme) to maintain a Retirement Savings Account (RSA) with a PFA of their choice.

The rates of contribution for the employee and employer in the private sector are a minimum of 8% and 10%, respectively. The rates are applicable to the employee's monthly emoluments (the total emoluments as may be defined in the employee's contract of employment, but which shall not be less than a total sum of basic salary, housing allowance and transportation allowance). However, where an employer chooses to contribute 18% of the employee's monthly emoluments, the employee may not be required to make any contribution.

In addition to making monthly pension contributions, an employer is also required to maintain a group life insurance policy for each of its employees for a minimum of three times the annual total emolument of the employee.

Specific provisions are made for permissible forms of withdrawal from the RSA under the PRA. From the age of 50 years, withdrawals can be made by way of programmed monthly or quarterly withdrawals, annuity purchased from a life insurance company, or a lump sum withdrawal (provided that the balance left after the lump sum withdrawal is enough to finance a programmed fund withdrawal or annuity for life).

The PRA allows individuals to make additional voluntary pension contribution (VC) above the statutory limit and the VC is available for withdrawal subject to certain conditions. Where the VC is withdrawn within five years of contribution, the amount withdrawn may be liable to income tax.

To curb the abuse of VC withdrawals for tax planning purposes, PENCOM issued a set of Guidelines in 2017 to provide the modalities for contribution and withdrawal of VCs for various classes of contributors. This was followed by another set of Guidelines in 2018³⁰ to further increase the participation base for pension contributions, and to address the quantum of monthly voluntary contributions and the amount that can be withdrawn by active contributors.

30 <https://www.pencom.gov.ng/wp-content/uploads/2018/10/guidelines-for-voluntary-contributions-under-contributory-pension-scheme.pdf>

How we can support you

KPMG in Nigeria meets the increasing needs of our clients for outsourcing their non-core business functions through our people services team. We relieve our clients of the burden of dealing with regulatory agencies to enable them focus on their core business. Our services include:

• Tax Compliance Management

Compliance services

- Review/completion and submission of VAT registration forms.
- Registration on FIRS' online filing portal - Taxpro max
- Review/computation of the monthly VAT and WHT liabilities
- Review/completion and submission of VAT and WHT returns
- Obtaining LIRS bulk receipts and credit notes
- Indirect tax health check
- Provision of support during audits/investigation and queries by the relevant tax authorities
- VAT and WHT Regularisation Services

Consulting and Advisory Services

- Review of contracts, international structures, and cross-border arrangements to determine its VAT and WHT implications
- Advice on importation/customs procedures, applicable Harmonized System Codes (HSC), taxes and levies, incentives and other need to know information on importation
- Advice on the applicability and applicable excise rates.
- Identification of opportunities for tax planning and savings
- Provision of detailed opinion on client specific needs based on review and interpretation of the provisions of the relevant legislation/regulations
- Engaging the tax authorities with a view to obtaining a favorable ruling on specific client needs

• Immigration & Business Support Services

- Obtaining business permit and all expatriate quota facilities
- Relevant entry visas and work permits
- Filing of relevant statutory returns
- Resolution of immigration queries
- Immigration compliance audit
- Country briefing services for expatriate personnel
- Administrative staff recruitment and management of contract personnel
- Home and Office Space Rental

• Payroll Advisory

- Payroll management
- Annual payroll reconciliation
- Filing of employee & employer annual pay as you earn (PAYE) tax returns
- Filing of social security returns
- Processing employees' tax clearance certificates
- Registration of companies for PAYE and social security purposes
- Tax audit services & social security verification support
- Personal income tax training services
- Employee compensation structuring/restructuring for tax efficiency.

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Chapter Four: The Nigerian Financial Services Industry

The Nigerian financial services industry (FSI) is one of the major sectors of the Nigerian economy. The structural transformation of the industry over the last decade is symbolised by:

- the full autonomy of the Central Bank of Nigeria (CBN) under the CBN Act of 2007;
- mandatory recapitalisation of banks;
- emergence of microfinance banks;
- reversal of universal banking, giving way to divestment of banks from non-core banking businesses and emergence of bank holding companies;
- industry stratification into national and regional banks, commercial and merchant banks; and the evolution of electronic banking. Besides, international banks are investing in Nigeria through acquisitions and start-ups just as Nigerian banks are making cross-border investments in representative offices, branches and full-fledged subsidiaries on the continent and international financial centres.

The 2007 recapitalisation in the insurance sector led to industry consolidation and entry of foreign investors with the expectation that stronger operators will emerge in the industry.

4.1. Money Market

Money market is based on the issuance of short-term securities by the CBN. These securities are taken up by banks and other financial institutions for further placement with individuals and businesses. The market is made up of:

- Regulators comprising CBN, NDIC and FMF
- Banks and non-bank financial institutions

As of the date of this publication, the money market comprised 22 commercial banks, 5 merchant banks, 2 non-interest banks, 911 micro-finance banks, 6 development finance institutions, 1 stock exchange, 3 commodity exchanges, 5 discount houses, 35 primary mortgage institutions, 45 finance companies, 2,991 bureaux de change³¹, 14 life insurance companies, 28 general insurance companies, 13 composite insurance companies, 2 takaful insurance companies and 2 re-insurance companies³².

4.1.1 Regulatory environment in the money market

The market regulators are saddled with varying responsibilities to ensure a sound and efficient system. The responsibilities of the various regulatory agencies are summarised below:

- The CBN is responsible for maintaining a sound and stable financial system;
- The NDIC is responsible for insuring deposit liabilities of licensed banks and assisting depositors in the event of financial difficulties on the part of the banks; and
- The FMF is responsible for administering the fiscal policies and controlling the finances of the federal government.

4.1.2 Major statutes and regulations

The main statutes and regulations applicable to the operators are:

- CBN Act, 2007;
- Banks and Other Financial Institution Act (BOFIA), Cap B3, LFN, 2020;
- CBN Regulation on the Scope of Banking Activities and Ancillary Activities, No. 3 of 2010

³¹ <https://www.cbn.gov.ng/Supervision/fstitutions.asp>

³² www.naicom.gov.ng

However, some of these companies may merge or be acquired in order to meet the ongoing capitalisation requirements.

- NDIC Act, 2006;
- Investment and Securities Act (ISA), 2007;
- Insurance Act, Cap I17, LFN, 2004;
- Revised Operating Guidelines for Discount Houses (CBN 2003);
- Nigerian Investment Promotion Commission (NIPC) Act, Cap N117, LFN, 2004;
- Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, Cap F34, LFN, 2004; and
- Money Laundering (Prohibition) Act No.3 of 1995 (now Cap M18, LFN, 2004).
- Securities and Exchange Commission (SEC) Rules and Regulations 2011
- Pension Reform Act (PRA), 2014
- CBN Foreign Exchange Manual, March 2018

The CBN Act sets out the functions of the CBN, while BOFIA vests it with the primary responsibility for a sound and stable financial system in Nigeria. The CBN is empowered by BOFIA to license banks and discount houses, supervise and examine their operations and apply sanctions against erring operators under the Act.

The NDIC Act, was enacted in the wake of imminent bank failures following the deregulation of the banking industry in the mid-eighties. All deposits of licensed banks, with few exceptions, are required to be insured with the NDIC. Banks are required to pay a premium based on their total deposits as at the end of the government fiscal year (December). Based on the Act, the maximum guaranteed payment to depositors in the event of bank failure (i.e., the insured deposit) is ₦200,000. However, after the initial payment, depositors who have deposits in excess of the guaranteed amount may be able to recover all or part of their uninsured deposits upon

“The CBN is empowered by BOFIA to license banks and discount houses, supervise and examine their operations and apply sanctions against erring operators under the Act.”

4.1.3 Profile of the Nigerian FSI

4.1.3.1 Banking sector

In the aftermath of the global financial crisis, the CBN made significant reforms to the FSI to enhance the quality of banks, ensure financial system stability, evolve a healthy financial sector and ensure that the financial sector contributes to the real economy.

One of such reforms was the conduct of special audits by the CBN on banks. The audits focused on three major areas, namely, liquidity, capital adequacy and corporate governance. Based on the results of the audit, the CBN dismissed some bank executives and injected a total of ₦620 billion into troubled banks in 2009 to save the banking system from collapse. Following the CBN special audit, the Asset Management Corporation of Nigeria (AMCON) Act was enacted in 2010. AMCON’s main purpose was to efficiently resolve the non-performing loan assets of banks in Nigeria.

In 2011, AMCON purchased non-performing loans with an aggregate face value of about ₦3.2 trillion from banks in the Nigerian FSI at a negotiated price of about ₦1.6 trillion, and thus injected liquidity into the banking system in the form of tradable securities. The CBN also requested banks that failed the audit to shore up their shareholders’ funds – which had been significantly eroded – before the end of the year. This measure led to another round of consolidation by way of mergers and acquisitions that resulted in the emergence of 20 licenced and operational banks at the end of September 2011 and three “bridge banks” created through the combined efforts of the CBN, NDIC and AMCON. Since then, creation of bridge banks to take over the operations of distressed commercial banks has become a constant in the sector.

Another notable reform in the banking sector, is the revocation of universal banking licences, and the introduction of a new banking licence regime by the CBN in November 2010 via its Regulation on the Scope of Banking Activities and Ancillary Matters. The banking licences available under the new regime are:

- commercial banking licence (with international, national or regional authorisations)
- merchant banking licence; and
- specialised banking licences (for non-interest banks, microfinance banks, mortgage banks and development banks).

Based on the Regulation, CBN directed banks to divest from non-banking business before the 'effective date' of 14 May 2012.

In 2018, the CBN issued a directive for the recapitalisation of microfinance banks in Nigeria with a deadline of April 2021 for compliance. However, due to the impact of Covid-19 pandemic on economic activities, CBN issued a circular on revised deadlines in April 2020. Consequently, different tiers of microfinance banks are required to attain specific capital threshold by April 2021 and April 2022, respectively.

The CBN in December 2020 issued a Circular Ref. No: *PSM/CIR/GEN/CIR/01/22* introducing licence categorisations and requirements for Nigerian payment systems, to regulate the operation of participants in the financial technology space. The Circular mandates all market participants, both existing and new, in the Nigerian payment system to comply with the new requirements not later than 30 June 2021.

4.1.3.2 Insurance Sector

The insurance sector has also undergone significant transformation in recent years, although at a slower pace than the banking industry. The industry is regulated by the Insurance Act and supervised by NAICOM.

NAICOM has been making moves to enforce the following compulsory insurance policies in Nigeria with a view to deepening market penetration and enhancing the premium income of insurance companies:

- Group Life Insurance required under the Pension Reform Act, 2014.
- Occupier's Liability Insurance required by Section 65 of the Insurance Act, 2003.
- Motor Third Party Insurance as required by Section 68 of the Insurance Act, 2003.
- Builder's Liability Insurance as required by Section 64 of the Insurance Act.
- Health Care Professional Indemnity Insurance as required by Section 45 of the NHIS Act.

In 2018, the Federal Government announced a recapitalisation programme for insurance companies through a 3-level Tier-Based

Minimum Solvency Capital model, effective 1 January 2019. However, after a review of the recapitalisation plans submitted by various stakeholders, NAICOM extended the deadline for full compliance from 31 December 2019 to 31 September 2021. Meanwhile, insurance and reinsurance businesses were required to meet 50% and 60% of the new minimum capital requirements by 31 December 2020, respectively.

4.2 Capital Market

The capital market is regulated by the Securities and Exchange Commission (SEC) and the Nigeria Stock Exchange (NSE) - as the self-regulatory agency in charge of listing of securities and operation of the trading floor.

In 1995, the Federal Government of Nigeria liberalised the capital market to pave the way for foreign portfolio investments on the stock exchange. As a result, the Exchange Control Act 1962 and Nigerian Enterprises Promotion Act 1989 were repealed and NIPC Act and the Foreign Exchange (Miscellaneous and Monitoring) Provisions Act were enacted to allow foreigners to participate as operators and investors in the Nigerian capital market.

The NSE is the only Exchange in the country dealing in listed equities with trading floors in the major cities in Nigeria. The Exchange has undergone significant transformation through the operation of the Central Securities Clearing System. Transactions are completed in T+1 day, which conforms to global standards.

There are other regulated private securities exchanges operating as over-the-counter (OTC) platforms, such as FMDQ and NASD OTC Securities Exchange, for trading in debt instruments and unlisted securities, including equity and fixed income securities.

“The NSE is the only Exchange in the country dealing in listed equities with trading floors in the major cities in Nigeria. The Exchange has undergone significant transformation through the operation of the Central Securities Clearing System. Transactions are completed in T+1 day, which conforms to global standards”

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Chapter Five: Tax System



There are three levels of taxation in Nigeria based on the three-tiers of government in the country, viz:

- (i) Federal Government
- (ii) State Government
- (iii) Local Government

The Federal Government has jurisdiction over Companies Income Tax, Tertiary Education Tax, Personal Income Tax, Capital Gains Tax (on capital gains made by companies), Value Added Tax, Petroleum Profits Tax, Custom Duties (comprising import, export and excise duties) and Stamp Duties payable on transactions involving bodies corporate. In respect of Personal Income Tax, the authority of the Federal Government is restricted to the following:

- persons employed in the Nigeria Army, Navy, Air Force, Police other than in a civilian capacity;
- officers of the Nigerian Foreign Service;
- any other non-resident who derives income or profit from Nigeria.

The States and the Federal Capital Territory Internal Revenue Service, respectively, have responsibilities for the assessment and collection of Personal Income Tax payable on the income of individuals resident within their States and Capital Territory, respectively. They also collect Capital Gains Tax on capital gains derived by individuals from disposal of assets located in their jurisdictions, and Stamp Duties on instruments executed between individuals in their jurisdictions.

The Local Governments are responsible for miscellaneous taxes, levies and rates, such as tenement rates.

In 1998, the Federal Government enacted the Taxes and Levies (Approved List for Collection) Act, which defines the taxes and levies collectible by the three tiers of Government, to avoid multiple taxation and conflict among the three levels of Government. However, in practice, the Act is not always respected by State and Local Governments thereby making multiple taxation a common practice.

The applicable taxes in Nigeria can be classified as follows:

- **Direct taxes**

- companies' income tax
- tertiary education tax
- personal income tax
- capital gains tax
- petroleum profits tax
- miscellaneous taxes

- **Indirect taxes**

- value added tax
- custom duties on imports and exports
- excise duties
- stamp duties

Finance Act, 2020 ("the Act"), which was signed into law on 31 December 2020 by His Excellency, President Muhammadu Buhari, GCFR, introduced amendments to the Capital Gains Tax Act, Companies Income Tax Act, Industrial Development (Income Tax Relief) Act, Personal Income Tax Act, Tertiary Education Trust Fund (Establishment, etc.) Act, Customs, Excise Tariff, etc. (Consolidation) Act, Value Added Tax Act, Stamp Duties Act, Federal Inland Revenue Service (Establishment) Act, Nigeria Export Processing Zones Authority Act, Oil and Gas Export Free Zone Act, Companies and Allied Matter Act, Fiscal Responsibility Act and the Public Procurement Act.

Following the implementation of Finance Act, 2019, Finance Act, 2020 signifies a second consecutive wave of amendments aimed to align the fiscal laws of Nigeria with global best practices. The passage of the Act reinforces the Federal Government's commitment to making incremental changes to Nigeria's fiscal framework with a view to achieving the country's economic growth and development objectives.



5.1 Companies Income Tax (CIT)

The CIT Act (CITA), Cap C21, LFN, 2004 (as amended), is the enabling legislation on taxation of profits of any company (other than profits derived by oil exploration and production companies from petroleum operations³³) accruing in, derived from, brought into, or received in, Nigeria.

Any company incorporated in Nigeria is liable to tax on its worldwide income. A non-Nigerian company, however, is subject to tax on profits accruing to it in, or derived by it from, Nigeria, to the extent that the profit is not attributable to operations outside Nigeria.

The profit of a non-Nigerian company from trade or business is deemed to be taxable in, or derived from, Nigeria for tax purposes under the following circumstances:

- if the company has a fixed base³⁴ of business in Nigeria, to the extent that the profit is attributable to the fixed base;
- if it does not have such a fixed base of business in Nigeria, but habitually operates a trade or business through a dependent agent;
- if it transmits, emits or receives signals, sounds, messages, images or data of any kind by electronic or wireless apparatus in Nigeria to the extent that the company has significant economic presence (SEP) in Nigeria and profit can be attributable to such activity.
- if that trade or business or activity involves a single contract for surveys, deliveries, installation or construction;
- if the trade or business comprises of the furnishing of technical, management, consultancy or professional services outside of Nigeria to a person resident in Nigerian to the extent that the company has SEP in Nigeria
- where the trade or business or activity is between the company and another person (or company) controlled by it or which has controlling interest in it such that the transactions between them are deemed to be artificial or fictitious.

5.1.1 Income Liable to Tax

Under CITA, the profits of any company accruing in, derived from, brought into, or received in, Nigeria that are not subject to tax under Capital Gains Tax Act, Petroleum Profit Tax Act and Personal Income Tax Act, such as stated below are liable to tax:

- any trade or business for whatever period of time such trade or business may have been carried on;
- rent or any premium arising from a right granted to any other person/ company for the use or occupation of any property;
- dividends³⁵, interest³⁶, royalties, discounts, charges or annuities;
- profits from securities lending other than compensating payments to lender or borrower;
- fees, dues and allowance for service rendered;
- any amount of profits or gains arising from acquisition and disposal of short-term monetary instruments; and
- any source of annual profits or gains not falling within the above categories.

5.1.2 Allowable Expenses

For any expense or outgoing to be allowed as a deduction from the income of a business in any period, that expense must be *wholly, exclusively, necessarily* and *reasonably* incurred during that period for the purpose of earning that chargeable income and, ultimately, borne by the business.

The following expenses, if incurred for the purpose of acquiring taxable profits, are allowable:

- interest on money borrowed and employed as capital in acquiring the profit³⁷;
- rent and any premium paid in respect of land or building, including rent on residential buildings. In the case of residential building, allowable rent is restricted to the basic salary of employees for the relevant period;



³³ Profits derived by a company from petroleum operations are currently exempt from CIT, but liable to Petroleum Profits Tax (PPT).

³⁴ A fixed place of business does not include facilities held solely for the storage or display of goods and merchandise and for the collection of information.

³⁵ Dividend includes compensating payments received by a lender from its approved agent or borrower in a Regulated Securities Exchange Transaction (RSET).

³⁶ Interest includes compensating payments received by a borrower from its approved agent or a lender in a RSET.

³⁷ The Seventh Schedule of CITA, introduced by the Finance Act, 2019, restricts the interest expense deductible in respect of loan received from a foreign connected person, except where the foreign company is engaged in banking or insurance. Accordingly, the allowable interest expense in any year of assessment (YOA) is limited to 30% of earnings before interest, taxes, depreciation and amortisation of the Nigerian company. The excess interest expense would be available for deduction for five subsequent YOAs.

- repairs and renewal costs relating to the premises, plant, fixtures etc., used in the business;
- bad and doubtful debts to the extent that they are estimated to the satisfaction of the FIRS to have become bad or doubtful of collection, respectively. In practice, general provisions for doubtful debts are not deductible;
- contributions to approved pension, provident or other retirement benefit funds, society or scheme;
- expenses incurred on research and development;
- donations to approved bodies listed in the Fifth Schedule to the CITA, as may be amended from time to time by the Minister of Finance. In December 2011, the list of approved bodies was expanded to include public institutions established for the promotion of the defense of human rights, women empowerment, accident prevention, transparency in governance and electoral processes, sports, art and culture, etc.;
- dividends or mandatory distributions made by a real estate investment company duly approved by SEC to its shareholders;
- compensating payments, which qualify as interest made by a lender to its approved agent or a borrower in a Regulated Securities Lending Transaction (RSLT).

5.1.3 Disallowable Expenses

The following expenses are specifically disallowed under the Act:

- capital repaid or withdrawn or any expenditure of a capital nature;
- any sum recoverable under an insurance or contract of indemnity;
- taxes on income or profits levied in Nigeria or elsewhere. Where foreign tax is levied on profits chargeable to tax in Nigeria and there is no double taxation relief for such tax, the tax would be allowed as a deduction;
- payments to unapproved pensions, provident, savings, widows and orphan society, funds or schemes;
- depreciation;
- appropriation of profits;
- any related party expense incurred within or outside Nigeria not consistent with the Transfer Pricing Regulations;

- any expenses incurred in deriving tax exempt incomes, losses of a capital nature and any expense allowable under the Capital Gains Tax Act;
- any compensating payment made by a borrower, which qualifies as dividends to its approved agent or to a lender in a RSET;
- any compensating payment made by an approved agent which qualifies as interest or dividends to a borrower or lender in a RSET;
- any penalty prescribed by any Act of the National Assembly for violation of any statute; and
- any tax or penalty borne by a company on behalf of another person.

5.1.4 Capital Allowances

Depreciation does not qualify as an allowable deduction for tax purposes. However, capital allowances are granted to companies on their qualifying capital expenditure. These allowances comprise:

- *Investment Allowance* - this is a 10% uplift granted only in the year that an item of plant and equipment is first put to use.
- *Initial Allowance* - this is also a one-off allowance granted only in the first year based on prescribed rates. It applies to all items of qualifying expenditure.
- *Annual Allowance* - this is granted every year based on prescribed rates. It is computed on the residue of qualifying expenditure, after deduction of initial allowance on a straight-line basis. An amount of ₦10 per item is retained in the books for tax purpose until the asset is disposed of.
- *Balancing Adjustment* - this arises on the disposal of an asset. It represents the difference between the consideration received on the disposal of an asset and the tax written down value (TWDV) of the asset (cost of the asset less the total initial and annual allowances claimed to date on the asset). If the consideration is higher than the TWDV, there is a balancing charge, which represents additional income liable to tax. However, the amount taxable will be restricted to the actual capital allowances (initial and annual allowances only) claimed to date on the asset. On the other hand, if the consideration is less, there will be a balancing allowance, which is added to the capital allowance for the year and qualifies for tax deduction.

The amount of capital allowances claimable in any year is restricted to $66\frac{2}{3}\%$ of assessable profits (accounting profits after adjustment for tax items) for companies, other than those involved in agricultural and manufacturing businesses.

The current rates of capital allowance are as follows:

Qualifying Expenditure	Initial Allowance %	Annual Allowance %	Period of Claim (Years)
Building (Industrial and non-Industrial)	15	10	10
Plant and Machinery:			
• Agricultural Production	95	Nil	1
• Others	50	25	4
Motor Vehicles:			
• Public Transportation	95	Nil	1
• Others	50	25	4
Housing Estate	50	25	4
Ranching and Plantations	30	50	2
Mining	95	Nil	1
Plantation Equipment	95	Nil	1
Furniture & Fittings	25	20	5
Research and Development	95	Nil	1

5.1.5 Income Tax Rates

Nigeria now operates a progressive three-tier CIT rate system. Companies are graded and taxed according to their gross annual turnover:

- small companies with less or an annual gross turnover of ₦25million are taxed at 0% and exempt from minimum tax³⁸,
- medium size companies with annual gross turnover of more than ₦25million but less than ₦100million are taxed at 20%, and
- large companies with annual gross turnover of ₦100million and above are taxed at 30%.

These rates are applied to taxable profit to determine the CIT liability for the relevant year. Taxable profit is based on the profit reported in the financial statements adjusted in accordance with tax law provisions (i.e. actual profit basis).

Notwithstanding the above, small and medium sized companies engaged in primary agricultural production may apply to the President through the Minister of Finance for a tax holiday for an initial tax-free period of four years which may be renewed for additional two years, subject to satisfactory performance.

Historically, the taxable profit of non-resident companies (NRCs) operating in Nigeria, particularly in the oil and gas industry, was determined, in practice, on a deemed profit basis by multiplying the company's gross revenue from Nigeria by a 20% deemed profit rate. The effective CIT rate of such NRCs was, therefore, 6% of their Nigerian revenue. However, in 2015³⁹, the FIRS issued a directive that requires NRCs carrying on business in Nigeria to file their tax returns on an actual profit basis.

5.1.6 Income Tax Returns

Every company (including NRCs doing business in Nigeria) assessable to tax under the CITA, must prepare and file on self-assessment basis with the FIRS, an income tax return within 6 months after the end of its accounting period. However, in the case of a new company, the returns are to be filed within 18 months from the date of incorporation, or 6 months after its first accounting period, whichever occurs first.

The returns include audited accounts, income tax and capital allowances computations and the duly completed self-assessment forms. In addition to the above documents, NRCs are required to submit a statement in writing containing their profits from every source in Nigeria. However, an NRC that only earns an income on which WHT is the final tax, is exempted from all documentation requirements.

Any company which fails to file its tax returns within the stipulated time frame is liable to a penalty of ₦25,000 for the first month of default and ₦5,000 for each subsequent month of default.

³⁸ Although small companies are exempt from CIT, they are required to register and file their tax returns as and when due.

³⁹ Public Notice on Filing of Tax Returns by Non-Resident Companies under the Companies Income Tax Act, Cap C21 LFN 2004 (as amended).

5.1.7 Payment of Tax

Tax computed on self-assessment basis is payable either in a lump sum or by instalments. The timeline for remittance of CIT was amended by Finance Act, 2019. Consequently, companies are required to remit the tax due by the due date of filing. Where a company intends to pay the tax liabilities in instalment, the final instalment must be paid by the due date of filing.

This amendment aligns with the Tax Administration (Self-assessment) Regulations issued by the FIRS in 2011 which required taxpayers to commence payment of the tax due in the relevant year of assessment in a manner that the final instalment payment is made not later than the due date of filing the related tax returns.

Medium and large companies who remit their tax liabilities 3 months before the due date of filing are entitled to a bonus incentive of 2% and 1%, respectively. The bonus is available as a credit which can be used to offset future taxes.

Where an assessment is raised by the FIRS on a company, the assessed tax, if not disputed, is payable in a lump sum within 30 days from the date of service of the assessment. However, where an objection or appeal is raised by the company in respect of the assessment, collection of the assessed tax will remain in abeyance until the objection/appeal is determined. Upon determination of the assessment, the FIRS is required to serve a notice of the tax payable upon the company, and the company is obliged to pay the liability (if any) within one month from the date of service of the notice.

For both self-assessed and FIRS-assessed CIT liabilities, failure to pay the assessed tax within the statutory period attracts a penalty of 10% of the tax due and interest at the prevailing MPR of the Central Bank of Nigeria plus a spread to be determined by the Minister of Finance. In July 2017, the Honourable Minister of Finance approved a new interest rate spread of 5 per cent on unpaid taxes. Thus, on the basis of the current 11.5% MPR announced by the CBN in March 2021, taxpayers would be liable to interest charges for non-payment and late payment of taxes at the rate of 16.5%.

“...companies are required to remit the tax due by the due date of filing.”

5.1.8 Profits Exempted from Tax

The profits of the companies and organisations engaged in the following specified activities are exempt from taxation under the CITA:

- statutory or registered friendly societies;
- co-operative societies registered under any enactment or law relating to co-operative societies;
- ecclesiastical, charitable or education establishments of a public character;
- companies formed for the purpose of promoting sporting activities where such profits are wholly expendable for such purposes;
- any company being a trade union registered under the Trade Union Act;
- dividend distributed by a Unit Trust;
- companies engaged in petroleum operations, in so far as their profits are derived from operations liable to tax under the Petroleum Profits Tax Act, Cap P13, LFN, 2004;
- body corporate established by or under any local government law or edict in force in any State in Nigeria;
- any body corporate being a purchasing authority established by an enactment and empowered to acquire any commodity for export from Nigeria for the purchase and sale of that commodity;
- profits of a company other than Nigerian company which would have been chargeable to tax by reason of their being brought into or received in Nigeria;
- dividend, interest, rent or royalty brought into Nigeria through Government approved channels;
- interest on deposit accounts of an NRC;
- profits of a small company (with turnover of not more than ₦25million);
- profit of a company established with the export processing zone or free trade zone;
- dividend received from investments in wholly export-oriented business;
- profits of any Nigerian company in respect of goods exported from Nigeria, if such proceeds are used to purchase raw materials, plant equipment and spare part;

- profit of a company whose supplies are exclusively inputs to the manufacturing of export products;
- dividend and rental income received by a real estate investment company on behalf of its shareholders provided that a minimum of 75% of the income is distributed within 12 months;
- compensating payments which qualify as dividend received by a lender from its approved agent or borrower in a RSLT;
- compensating payments which qualify as dividend or interest received by an approved agent from a borrower or lender on behalf of a lender or borrower in a RSLT;

However, profits derived by such companies/organisations from a trade or business (other than their core activities) are not entitled to such exemptions.

In December 2011, the Federal Government issued an Order which exempts from CIT, bonds issued by the Federal, State and Local Governments and their agencies, and bonds issued by corporate and supra-national entities. The Order also exempts interest earned by holders of the bonds and short-term securities from CIT. The exemption was effective from 2 January 2012 and is, generally, for a period of 10 years. However, bonds issued by the Federal Government will continue to enjoy the exemption after the 10-year term.

5.1.9 Tax Losses

Under Nigerian tax laws, a company can carry forward its tax losses for offset against its future assessable profits indefinitely.

Prior to Finance Act, 2019, unutilised losses of a company during its first tax year could not be deducted from its assessable profits after the fourth year of its commencement of business⁴⁰. Likewise, insurance companies were only allowed to carry forward their unutilised losses for a maximum period of four years. However, the Act has removed these restrictions on the availability of unutilised tax losses to companies operating in Nigeria. Consequently, companies can offset their losses against future profits indefinitely. However, a company cannot offset the loss from one trade or business against the profit from another trade or business.

5.1.10 Minimum Tax

Minimum tax applies when a company makes a loss and has no tax payable or the tax computed is less than the minimum tax. The current minimum tax rate is 0.5% of gross turnover⁴¹ of a company less any franked investment income. However, to mitigate the harsh economic conditions occasioned by COVID-19 pandemic, Finance Act, 2020 has temporarily reduced the 0.5% minimum tax rate to 0.25% for companies liable to minimum tax in the years of assessment falling due on any dates between 1 January 2020 and 31 December 2021..

The minimum tax provision does not apply to the following companies:

- a company with a gross turnover of less than ₦25 million in any relevant year of assessment;
- a company carrying on agricultural trade or business; and
- a company that is in its first four (4) calendar years of commencement of business operations.

5.1.11 Basis of Assessment

Generally, tax is assessed on profit from the accounting period ended in the preceding fiscal year (i.e. 1 January – 31 December). The basis period for assessment is determined on prior year basis such that the profits assessable to tax in a year of assessment is the profits in the preceding accounting year. The only exception is the year of cessation of business which is determined on actual year basis. The tax returns are due within six months of the end of a company's accounting period.

Further, Finance Act, 2019 has amended the erstwhile "commencement" and "cessation" rules which applied specific rules for determination of the basis period for assessment in the first three and last two years of operations for companies commencing and ceasing business operations in Nigeria, respectively. By virtue of the amendment, the preceding and actual year rules now apply for commencement and cessation of business operations in Nigeria.

"Under Nigerian tax laws, a company can carry forward its tax losses for offset against its future assessable profits indefinitely."

⁴⁰ The rationale for this distinction is not quite clear and it may well be due to a referencing error in the amendment legislation.

⁴¹ "Gross turnover" is defined as the "gross inflow of economic benefits during the period arising in the course of the operating activities of an entity, other than increases relating to contributions from equity participants, including sales of goods, supply of services, receipt of interest, rent, royalties or dividends"

5.1.12 Tax Clearance Certificates

A Tax Clearance Certificate (TCC) is a document that certifies that a company has paid income tax for the three immediately preceding years of assessment. However, issuance of a TCC to a company does not preclude the FIRS from subsequently assessing the company to additional tax based on a tax query, audit or investigation.

Based on the CITA, a company is required to demonstrate compliance in respect of CIT and Withholding Tax only, in order to be eligible to obtain a TCC from the FIRS. In practice, however, the FIRS has extended this requirement to include compliance with Tertiary Education Tax, Value Added Tax, etc. In some FIRS offices, companies are also required to submit copies of the TCCs of their directors or promoters before the corporate TCC is issued.

A TCC is a prerequisite for practically all official transactions conducted by a company in the public sector, including tendering for government contracts, etc.

5.1.13 Head Office Expenses

Generally, expenses incurred outside Nigeria for and on behalf of a company (e.g. head office expenses attributable to Nigerian subsidiaries) are deductible only to the extent that they are *wholly, reasonably, necessarily and exclusively* incurred by the company for the purpose of generating its profits and consistent with the Transfer Pricing Regulations.

5.1.14 Pioneer Companies

Except otherwise stated, eligible companies operating in designated pioneer industries and or producing pioneer products, which apply for and are granted pioneer status, are entitled to income tax holiday under the Industrial Development (Income Tax Relief) Act, Cap I7, LFN, 2004, for up to five (5) years – three (3) years in the first instance, but renewable for an additional maximum period of two (2) years. In addition to income tax holiday, dividends paid out of pioneer profits are not subject to withholding tax.

Where capital expenditure on qualifying assets has been incurred during the tax relief period, and the assets are available for use after the period, the expenditure is treated as having been incurred on the first day following the tax relief period. In addition, any aggregate loss (losses less profits) incurred during the tax relief period is deemed to have been incurred on the first day following the tax relief period and is available for carrying forward by the company.

5.1.15 Taxation of the Digital Economy

Prior to the enactment of Finance Act, 2019, Nigeria had no legal basis for taxing digital transactions, as CITA only provides for the taxation of NRCs with a degree of physical presence in the country. Finance Act, 2019 expanded the scope of taxable income derived by a NRC from Nigeria from digital activities to include income from transmission, emission or receipt of signals, sounds, messages, images or data of any kind by cable, radio, electromagnetic systems or any other electronic or wireless apparatus to Nigeria, provided that the company has Significant Economic Presence (SEP) in Nigeria, and the income derived is attributable to the digital activity.

Consequently, NRCs involved in e-commerce, filming, computing, ride-hailing, media, etc., who previously had no fixed base or tax obligations in Nigeria, are now liable to CIT provided they meet the SEP threshold.

In addition, NRCs that transact businesses with connected persons or render technical, management, consultancy or professional services to a person resident in Nigeria are liable to tax to the extent that the NRC has SEP in Nigeria. However, withholding tax shall be the final tax applicable to the profit of such NRCs.

5.1.16 Significant Economic Presence (SEP)

In line with the provisions of Finance Act 2019, the Minister of Finance, Budget and National Planning has issued the Companies Income Tax (Significant Economic Presence) Order, 2020 (“the Order”) by which a NRC will be deemed to have SEP in Nigeria in any accounting year, where it

- a) derives ₦25 million annual gross turnover or its equivalent in other currencies from any or combination of the following digital activities:
 - i. streaming or downloading services of digital contents, including but not limited to movies, videos, music, applications, games and e-books to any person in Nigeria; or
 - ii. transmission of data collected about Nigerian users which has been generated from such users’ activities on a digital interface including website or mobile applications; or
 - iii. provision of goods or services other than those under subparagraph 5 of the SEP Order, directly or indirectly through a digital platform to Nigeria; or
 - iv. provision of intermediation services through a digital platform, website or other online applications that link suppliers and customers in Nigeria;

- b) uses a Nigerian domain name (i.e. .ng) or registers a website address in Nigeria; or
- c) has a purposeful and sustained interaction with persons in Nigeria by customizing its digital page or platform to target persons in Nigeria, including reflecting the prices of its products or services in Nigerian currency or providing options for billing or payment in Nigerian currency.

Further, the Order provides that the activities carried out by connected persons in any accounting year shall be aggregated in order to determine whether the ₦25 million annual gross turnover threshold was met.

The Order also provides that a foreign company providing technical, professional, management or consultancy services shall have a SEP in Nigeria in any accounting year where it earns any income, or receives any payment from a person resident in Nigeria, or a fixed base or agent of a foreign company in Nigeria.

The Order, however, exempts the following activities of foreign companies from constituting a SEP in Nigeria:

- foreign company under a multilateral agreement and consensus arrangement to address tax challenges arising from the digitalisation of the economy who will be treated under such agreement or arrangement;
- foreign company making any payment, where the payment is made to its employee under a contract of employment, or for teaching in or by an educational institution, or to its Nigerian fixed base.

5.1.17 Transfer Pricing Regulations

The FIRS' Revised Income Tax (Transfer Pricing) Regulations, 2018 (the new Regulations)⁴² repealed the Income Tax (Transfer Pricing) Regulations, 2012. The commencement date of the new Regulations was 12 March 2018 and is applicable to basis periods of taxpayers beginning after that date.

The major changes introduced by the new Regulations are:

- **Stiff penalties for non-compliance**

The new Regulations stipulate exorbitant penalties for non-compliance. For instance, failure to submit Declaration Form within statutory deadline attracts a penalty of ₦10 million plus ₦10,000 for every day in which the failure continues.

- **Procurement arrangements**

The new Regulations requires companies to include supporting documents in respect of goods, assets, services, or other item procured from unrelated parties, through a connected person, in the contemporaneous documentation.

- **Safe harbour**

The only pricing arrangement that can be considered for safe harbour is in respect of those priced in accordance with specific guidelines that may be published by the Service for that purpose from time to time.

- **Connected persons**

Persons are deemed to be connected where *“one person has the ability to control or influence the other person in making financial, commercial or operational decisions, or there is a third person who has the ability to control or influence both persons in making financial, commercial or operational decisions”*

- **Capital-rich-low-function companies**

The new Regulations defines a capital-rich-low function company as one which has huge equity capital but limited capacity to carry out risk management functions. The new Regulations provides that capital-rich-low-function companies would be entitled to only risk-free returns where they do not control the financial risks associated with their funding activities.

- **Intragroup services and intangibles**

The new Regulations specifies the maximum amount that will be allowable for tax purposes in respect of *“transfer of rights in an intangible, other than the alienation of an intangible.”* This is 5% of direct earnings before interest, tax, depreciation, amortisation and the consideration derived from the commercial activity in which the right was exploited.

⁴² The FIRS issued Guidelines on the implementation of the new Regulations on 3 October 2018, directing taxpayers to regularize their TP compliance in line with the new Regulations before 31 December 2018.



- **Transfer Pricing Documentation**

Connected persons whose total value of controlled transactions are less than ₦300 million are exempt from maintaining contemporaneous documentation under the new Regulations.

- **Filing of updated Transfer Pricing Declaration**

The new Regulations specifies certain trigger events for the filing of updated declaration by connected persons. These include merger and acquisition transactions involving the connected person or its parent company, and *“any other change in the structure, arrangement or circumstances of the person ... which influences whether it will be considered to be connected or not connected to another person”*.

- **Dispute Resolution**

The dispute resolution mechanism has been changed under the new Regulations. Previously, a taxpayer dissatisfied with the decision of the FIRS could appeal directly to the Decision Review Panel (DRP). However, under the new Regulations, only the Head of the TP Function (within the FIRS) has the right to refer a taxpayer’s objection to the DRP.

5.1.18 Country-by-Country Reporting Regulations

The FIRS published the Income Tax (Country-by-Country Reporting) Regulations⁴³, 2018 (CbCR Regulations) on 19 June 2018, with commencement date of 1 January 2018. The CbCR requires Multinational Enterprises (MNE) Groups headquartered in Nigeria with a consolidated revenue of ₦160 billion or above to file CbC report with the FIRS annually.

Nigerian resident members of MNE Groups, headquartered outside Nigeria, are required to notify the FIRS of the identity and tax jurisdiction of the entity that will be responsible for filing the CbC report, where the Group have a consolidated revenue of EUR750 million or near equivalent in the domestic currency of the jurisdiction of the UPE or surrogate parent entity. However, where the CbC report has not been implemented in the jurisdiction where the UPE is tax resident, the Nigerian entity is required to file the CbC report. The due date for filing the CbC report is not later than one year after the end of each accounting period to which the report relates.

The Regulations also impose stiff penalties for non-compliance. For instance, failure to file CbC report within the statutory deadline attracts a penalty of ₦10 million and ₦1 million for every month in which the failure continues.

⁴³ The FIRS issued a Public Notice directing MNE groups that meet the notification requirement in Regulation 6 of the CbCR Regulations to comply with the provision.

5.1.19 Income Tax (Common Reporting Standard) Regulations

The Income Tax (Common Reporting Standard) Regulations (“the Regulations”) commenced on 1 July 2019 and became applicable from the fiscal year ending 31 December 2019.

The Regulations gives effect to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters & the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (AEOI), and Common Reporting Standards (CRS) & its Commentaries contained in the Standard for AEOI in Tax Matters approved by the Organisation for Economic Cooperation and Development (OECD).

The Regulations applies to Nigeria Financial Institutions (NFIs) which are defined by the CRS Guidelines as custodial institution, depository institutions, investment entities, specified insurance company. The NFIs are required to establish, maintain and document due diligence procedures to identify reportable accounts maintained by the Institution. The NFIs are also obligated to submit certain information, such as name, address, tax identification number, place of birth, account balance/value of reportable persons, gross total amount of interest paid into each account during the year and other information specified in the CRS Guidelines, to the FIRS by 31 May of the following year.

The Regulations also stipulates penalties for failure to comply with the obligation imposed under the Regulations, file information returns as and when due, keep proper records, and falsification and omission of required information.

5.1.20 Tertiary Education Tax (TET)

The Tertiary Education Trust Fund (Establishment) Act, 2011 requires every company incorporated in Nigeria, other than small companies⁴⁴, to pay 2% of its assessable profit as TET. In the case of oil companies, the tax is deductible for the purpose of computing Petroleum Profits Tax (PPT). The TET return is filed along with the relevant tax return (PPT or CIT).

NRCs are not subject to TET in Nigeria.

⁴⁴ Small companies are defined in the TET Fund (Establishment) Act (as amended) in line with CITA as companies that earn gross turnover of less than ₦25 million.

5.1.21 Double Taxation Agreements⁴⁵

Nigeria currently has double taxation agreements (DTAs) with the United Kingdom, Belgium, Pakistan, Romania, France, the Netherlands, Canada, Philippines, Italy (Air and Shipping only), Czech Republic, Slovakia, Singapore, Spain, China and South Africa⁴⁶. In addition, Nigeria has signed DTAs with Mauritius, South Korea, the United Arab Emirates, and Qatar. However, these treaties are yet to be ratified by the National Assembly as required under the Constitution.

The Nigerian taxes to which the treaties apply include CIT, Personal Income Tax, Capital Gains Tax, Tertiary Education Tax, Information Technology Tax and Petroleum Profits Tax. The DTAs are largely based on the OECD treaty model.

5.2 Personal Income Tax (PIT)

The legal basis for the imposition of PIT is the PIT Act (PITA), Cap P8, LFN, 2004, as amended by the PIT (Amendment) Act, 2011 and Finance Acts, 2019 and 2020, respectively. The Operation of Pay-As-You-Earn (PAYE) Scheme Regulations 2002, issued pursuant to the PITA, forms the basis for the administration of PIT on employment income.

The PAYE Scheme appoints employers of labour as agents of the tax authority for the purpose of remitting the taxes deducted from the salaries, allowances and other benefits (including benefits-in-kind) due to their employees. For this purpose, employers are required to register with the zonal office of the tax authority(ies) in the State(s) to which its employees' income taxes are payable.

The Joint Tax Board (JTB) is vested with the responsibility for the general administration of PIT in Nigeria. Each State and the Federal Capital Territory has a State Internal Revenue Service (SIRS) that is responsible for the assessment and collection of PIT from persons resident (or whose employees are resident) in that State or territory. The FIRS is responsible for the assessment and collection of PIT from personnel of the Nigerian Armed Forces and the Nigerian Police Force (other than civilian employees), officers of the Nigerian Foreign Service, and non-residents who derive income or profit from Nigeria.

5.2.1 Residence

The concept of residence is important in determining the extent of a taxpayer's liability to tax in Nigeria. It is also critical in determining the relevant tax authority (RTA) responsible for assessing and collecting the PIT of the taxpayer.

Under the PITA (as amended), a person's place of residence (POR) is defined as a place available for his domestic use in Nigeria on a relevant day. This excludes a hotel, rest house or other place at which he is temporarily lodging unless no more permanent place is available for his use on that day. Where an individual has two or more PORs in different States of the Federation, his residency in Nigeria will be determined based on his principal place of residence (PPOR). PPOR is defined to include a branch office or operational site (oil terminals, oil platforms, flow stations, factories, quarries, construction site) with a minimum of 50 workers.

Once a POR or PPOR is determined, the RTA is the tax authority of the territory in which the taxpayer has his POR or PPOR.

5.2.2 Taxation of Non-resident Individuals

Finance Act, 2020 introduced the SEP rule under PITA for the taxation of income earned by non-resident individuals, executors or trustees that provide technical, management consultancy or professional services to a person resident in Nigeria.

The Act does not specify what constitutes a SEP but empowers the Honorable Minister of Finance, Budget and National Planning to determine through an Order what would constitute SEP for a non-resident individual, executor or trustee providing the aforementioned services.



⁴⁵ Nigeria has signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, which is a legal instrument developed as part of Action 15 of the OECD's BEPS Project to modify existing bilateral treaties to implement BEPS measures. However, Nigeria is yet to deposit its instrument of ratification with the OECD.

⁴⁶ www.firs.gov.ng/Tax-Management/Pages/Tax-Treaties.aspx

5.2.3 Taxable Income

Though the employer is statutorily required to make tax deduction from the emoluments paid to an employee, not all the income is liable to tax. Under the PITA (as amended), any salary, wages, fees, allowances or other gains or profits from an employment including compensations, bonuses, premiums, benefits or other perquisites allowed, given or granted to an employee (temporary or permanent) are chargeable to tax, except the following:

- reimbursement of expenses incurred by the employee in the performance of his duties, and from which the employee is not expected to make any profit;
- relocation allowance paid an employee by reason of a change of the employee's employment which requires the employee to change his POR;
- retirement gratuities and compensation for loss of office;
- interest on loans for developing an owner-occupied residential house;
- contribution to any pension, provident or other retirement benefits fund approved by the JTB;
- expenses proved to the satisfaction of the RTA to have been incurred by the individual on research for the period, including the amount of levy paid by him under the National Agency for Science and Engineering Infrastructure Act;
- National Housing Fund contributions; and
- National Health Insurance Scheme contributions.

Employment income earned by an individual whose employer is in Nigeria, or has a fixed base in Nigeria, is deemed to be derived from Nigeria, and is liable to tax in Nigeria. Please refer to **5.2.9** below for specific comments on the taxation of expatriates.

Aside from employment income, incomes earned by an employee from other sources (e.g., trade, business, rental income, etc.) are liable to PIT. Furthermore, incomes/ profits earned by other categories of individuals other than employees (e.g., sole proprietors and self-employed individuals, such as partners in a firm) from trade, business, profession, vocation or investments are chargeable to PIT.

5.2.4 Gross Income

PITA did not define "gross income" rather, it only defined "gross emolument" in relation to individuals in paid employment. This created ambiguity in determining the appropriate base for calculating Consolidated Relief Allowance (CRA) granted to taxpayers under the Act.

The above gap was addressed in Finance Act, 2020 which has defined "gross income"; as "income from all sources less non-taxable income, franked investment income, National Housing Fund contribution, National Health Insurance Scheme contribution, life insurance premium, National Pension Scheme contribution, gratuities, allowable business expenses and capital allowances."

5.2.5 Statutory Reliefs

These are granted to a taxpayer, depending on his circumstances, to reduce his tax liability. These reliefs, except the CRA, can only be granted if claimed by the taxpayer on his/her Income Tax Form for Return of Income and Claims for Allowances and Relief (Form A). The RTA may also require documentary evidence in order to substantiate any claim made by the taxpayer.

The various types of tax reliefs are as follows:

- *CRA*: This is computed as the higher of ₦200,000 or 1% of gross income, plus 20% of gross income.
- *Pension contribution*: Statutory pension contribution which is calculated as 8% of at least basic, housing and transport allowances, and voluntary pension contributions.
- Life insurance premiums.
- National Health Insurance Scheme contributions.
- National Housing Fund contributions.
- Interest on loans for developing an owner-occupied residential house.
- Interest on money borrowed and employed as capital in acquiring income.
- Rents payable in respect of land and buildings occupied for the purpose of acquiring the income.
- Repairs and maintenance expenses for premises, plant, machinery, or fixtures used in generating income.

- Bad and doubtful debts, subject to certain conditions.
- In the case of income from trade, business, profession or vocation, expenses incurred wholly and exclusively for the purpose of trade, business, profession, or vocation.
- Any expenses which is proved to the satisfaction of the relevant tax authority to have been incurred by the individual on research.

5.2.6 Tax Rates

Income tax is levied at progressive rates as shown below:

Tax Table (from 14 June 2011)

<i>Taxable Income</i>	<i>Tax Rate</i>
1st ₦300,000	7%
Next ₦300,000	11%
Next ₦500,000	15%
Next ₦500,000	19%
Next ₦1,600,000	21%
Above ₦3,200,000	24%

Where an individual does not have any chargeable income, or his chargeable income results in a tax payable lower than 1% of his gross income, the individual will be liable to a minimum tax of 1% of his gross income.

5.2.7 Returns and Payment of Tax

PAYE taxes must be remitted within 10 days after the end of the month of deduction. Where the RTA has raised an assessment for the tax due, the assessment must be paid within 2 months from the date the assessment is received, if the assessment is not in dispute. If the assessment is disputed by means of a valid objection letter, it stays in abeyance until the dispute is determined. The RTA would typically raise an assessment when the employer has failed to submit monthly PAYE tax returns as and when due. The RTA can also levy a penalty of 10% per annum plus interest at the prevailing commercial rate, if and when taxes are not remitted.

At the end of every year, the employer is required to submit its employees' tax deduction cards together with the employer's remittance card (Form G). The summary of the tax deducted from each employee would be shown on the Employer's Annual Declaration Form (Form H1) and submitted to the RTA by 31 January of the following year. Failure to submit the Form H1 attracts a penalty of ₦500,000 and ₦50,000, for companies and individuals, respectively.

Aside from PAYE scheme-related returns, all taxable persons (including employees) are required under Section 41 of the PITA (as amended) to file annual returns of income (Form A) not later than 90 days from the commencement of every year of assessment. The return to be filed by each taxpayer is required to state his/her income from all sources in the preceding year of assessment.

5.2.8 TCCs

A TCC is issued on application by the taxpayer, which is processed by their employers. It contains the following information in respect of the last three years of assessment:

- chargeable income;
- tax payable;
- tax paid; and
- tax outstanding, or, alternatively, a statement to the effect that no tax is due.

TCCs are required to be produced in respect of various transactions, such as application for foreign exchange or application for remittance of funds, application for registration as a contractor, application for Government loan for industry or business, etc.

5.2.9 Taxation of Expatriates

Income earned by expatriates working in Nigeria or by expatriates outside Nigeria for work performed in Nigeria, is liable to PIT in Nigeria under the PITA (as amended). The Act stipulates that income from paid employment shall be deemed to be derived from, and taxable in, Nigeria where the employer is in Nigeria or has a fixed base in Nigeria; or where the duties of employment are wholly or partly performed in Nigeria, unless the:

- duties are performed on behalf of an employer who is in a country other than Nigeria and the remuneration of the employee is not borne by a fixed base of the employer in Nigeria; and

- employee is not in Nigeria for a period or periods amounting to an aggregate of 183 days (inclusive of annual leave or temporary period of absence) or more in any twelve-month period; and
- remuneration of the employee is liable to tax in the other country under the provisions of the DTA between Nigeria and the other country.

In practice, where an expatriate fails to declare his actual income, or where the RTA considers the actual income declared to be grossly inadequate, the RTA may assess the expatriate to tax on deemed income basis, either based on deemed income levels published by the RTA for general application, or deemed income levels specifically determined by the RTA for the company. Deemed income levels are usually based on the nationality, job classification and industry where the expatriate employee works.

5.3 Petroleum Profits Tax (PPT)

Profits derived by a company from petroleum operations, defined as the winning or obtaining and transportation of petroleum, are subject to tax under the PPT Act. Generally, the chargeable profit of a petroleum company is subject to tax at 85%. However, the applicable rate for companies that are yet to fully amortise their pre-production capitalised expenditure (in practice, companies within the first five years of operation) is 65.75%. The PPT rate for companies involved in a production sharing contract (PSC) is 50%.

A PSC is defined as an agreement between the holder of an oil licence and any other petroleum exploration and production company for the purpose of exploration and production of oil in the deep offshore (any water depth beyond 200 meters) and inland basin. Income generated by a petroleum company not related to its petroleum operations is subject to CIT rather than PPT.

5.3.1 Taxable Income

Taxable income of a petroleum company comprises the proceeds from the sale of oil and related substances extracted by the company, plus the value, determined for royalty purposes, of the oil and related substances used by the company in its own refineries, plus any other income of the company incidental to, and arising from, its petroleum operations. All expenses incurred whether within and outside Nigeria for petroleum operations are deductible under the PPT Act, provided they are *wholly, exclusively and necessarily* incurred.

5.3.2 Capital Allowances

Capital allowances (annual allowances) are deductible in respect of qualifying expenditure, in arriving at taxable income. The current rates for capital allowances are 20% in the first four years and 19% in the fifth year.

Qualifying expenditure comprises machinery and equipment, pipelines and storage facilities, buildings and drilling costs. The deduction for capital allowances is restricted so that for any accounting period, the tax on the company should not be less than 15% of the tax which would have been assessable had no capital allowances been granted to the company. Capital allowances not utilised because of this restriction are available to be carried forward indefinitely – just like unrelieved losses – until relieved.

The PPT Act makes provision for petroleum investment allowance on qualifying capital expenditure. The allowance, which is added to capital allowance, is granted only in the accounting period in which the related asset was first used for the purpose of petroleum operations. The rates, which are based on qualifying capital expenditure, are based on the location of the assets and are stated as follows:

<i>Land operations</i>	5%
<i>Offshore operations in up to 100 metres of water</i>	10%
<i>Offshore operations in between 100 and 200 metres of water</i>	15%
<i>Offshore operations in more than 200 metres of water</i>	20%

However, PSC operators are entitled to either investment tax allowance (ITA) or investment tax credit (ITC), depending on when the relevant PSC was signed, at the rate of 50% of qualifying capital expenditure.

Operators of PSCs signed before 1 July 1998 are entitled to claim ITC, which is treated as a deduction from the assessable tax payable. On the other hand, operators of PSCs signed after 1 July 1998 are entitled to ITA, which is deducted in the same manner as capital allowance to determine their chargeable profit.

“Profits derived by a company from petroleum operations, defined as the winning or obtaining and transportation of petroleum, are subject to tax under the PPT Act.”

5.3.3 PPT Returns

Every company engaged in petroleum operations is required to prepare and submit an estimated tax return within 2 months of the commencement of an accounting period. Revised estimates can be submitted if, at any time during the accounting period, the company becomes aware that the initial estimate submitted requires revision.

Annual year-end returns are due within 5 months from the end of the accounting period (i.e., 31 May of the following calendar year for a typical company).

5.3.4 PPT Payment

PPT liability is payable in 12 monthly instalments, starting from the end of March of each accounting period. The amount payable is based on the estimated tax liability as shown in the estimated returns submitted.

Where a company's year-end income tax return indicates a higher tax liability than its (revised) estimated tax, the balance must be paid within 21 days of the receipt of a notice of assessment from the FIRS. However, where the estimated tax is higher, the over-payment can only be deducted from the next monthly instalment.

5.3.5 The Deep Offshore and Inland Basin Sharing Contract (Amendment) Act, 2019

The Deep Offshore and Inland Basin Production Sharing Contract (DOI/BPSC) (Amendment) Act, 2019 was signed into law on 4 November 2019. Amongst others, the DOI/BPSC Amendment Act replaced the existing production-based royalty regime with a combination of production and price-based royalty regime, introduced provisions on offence and penalty for non-compliance, and mandated a review of the PSCs every 8 years.

5.4 Value Added Tax (VAT)

VAT was introduced by the VAT Act, No. 102 of 1993, (now Cap V1, LFN, 2004) to replace the Sales Tax applicable in the States. The VAT Act has been amended by the VAT (Amendment) Act, 2007 and Finance Acts, 2019 and 2020.

5.4.1 Operation of VAT

VAT is a consumption tax, which is levied at each stage of the value chain and is borne by the final consumer. Allowable VAT paid by businesses on purchases, known as input tax, is recoverable from VAT charged on the company's sales, known as output tax. The excess of a company's output tax over its allowable input tax is payable to the FIRS through designated banks. The taxpayer is, however, entitled to a refund from the FIRS, if the reverse is the case.

Allowable input VAT is limited to VAT on goods purchased or imported directly for resale and goods which form stock-in-trade used for the direct production of any new product on which output tax is charged. The input VAT on fixed assets is to be capitalised with the cost of the assets, while input VAT on overheads, general administrative expenses and services is to be expensed in the profit and loss account. In essence, the input VAT on these categories of expenses is not allowable as a deduction from output VAT.

In 2007, the FIRS, through its Information Circular on the operation of VAT, mandated every company operating in the oil and gas industry to deduct VAT due from payments to its suppliers or service providers and remit same to the FIRS. The Circular was issued pursuant to the provisions of Section 5 of the VAT (Amendment) Act, 2007. Prior to the issuance of the Circular, only ministries, statutory bodies and agencies of the Federal, State and Local Governments, and Nigerian companies dealing with foreign vendors, were required to deduct VAT at source from their suppliers/service providers.

5.4.2 Rate of Tax

Effective 1 February 2020⁴⁷, VAT is charged at a flat rate of 7.5%, except when it is charged on "zero-rated" goods or services at 0%.

"VAT is charged at a flat rate of 7.5%"

⁴⁷ The change in VAT rate was introduced by the Finance Act, 2019. Although the Act became effective on 13 January 2020, the Minister of Finance announced that the new VAT rate would commence on 1 February 2020 in order to give stakeholders a 2-week transition period for adequate preparation for compliance with the new rate.

5.4.3 Definition of Goods and Services

Finance Act, 2020 defines “goods” as “*all forms of tangible properties, move able or immovable, but does not include, land and building money, or securities*” while “services” are defined as “*anything other than goods, or services provided under a contract of employment and includes any tangible or incorporeal (product, asset or property) over which a person has ownership or rights, or from which he derives benefits, and which can be transferred from one person to another, excluding interest and land and building, money or security*”

5.4.4 Taxable Persons

A taxable person is defined as a manufacturer, wholesaler, importer or a supplier of VATable goods or services for a consideration. Previously, Section 8 of the VAT Act provides that a taxable person shall register at the earlier of the date of its commencement of business or the commencement of the Act. However, this has been amended to require taxable persons to register with the FIRS upon commencement of business. This aligns with the current practice whereby taxpayers are registered for taxes (including VAT) following incorporation at the Corporate Affairs Commission.

5.4.5 Tax Exempt Goods and Services

The VAT Act covers the supply of goods and services (i.e., almost all business transactions) except goods and services specifically exempted in the Schedule to the Act. Such exempted goods and services include:

- All medical and pharmaceutical products;
- Basic food items;
- Books and educational materials;
- Baby products;
- Plant and machinery imported for use in the Export Processing Zone;
- Plant, machinery and equipment purchased for utilisation of gas in downstream petroleum operations;
- Tractors, ploughs, agricultural equipment and implements purchased for agricultural purposes.
- Medical services;
- Services rendered by Microfinance Banks, People’s Bank and Mortgage Institutions;

- All exported services;
- Oil exports;
- Fertiliser, locally produced agricultural and veterinary medicine, farming machinery and farming transportation equipment;
- Locally manufactured sanitary towels, pads or tampons; and
- Nursery, primary, secondary and tertiary tuition.
- Commercial aircrafts, commercial aircraft engines, commercial aircraft spare parts;
- Airline transportation tickets issued and sold by commercial airlines registered in Nigeria;
- Hire, rental or lease of tractors, ploughs and other agricultural equipment for agricultural purposes; and
- Sale or transfer of interest in land and building, money or securities.

In December 2011, the Federal Government issued an Order which exempts the following items from VAT effective from 2 January 2012:

- (a) proceeds from the disposal of short-term Federal Government of Nigeria securities and bonds; and
- (b) proceeds from the disposal of short-term State, Local Government and corporate bonds (including supra-national bonds).

The VAT exemption for the proceeds of bonds in (b) above will lapse after a term of 10 years. However, there is no timeline for proceeds from short-term Federal Government securities and bonds.

5.4.6 Zero-rated Goods and Services

The following goods and services are zero-rated:

- Non-oil exports.
- Goods and services purchased by diplomats.
- Goods purchased for use in humanitarian donor funded projects.

5.4.7 Tax Returns and Payment of Tax

A taxable person who has made or expects to make taxable supplies of ₦25 million or more is required to render monthly VAT returns within 21 days of the month following the month of the VATable transaction.

The returns are to be filed using the VAT returns Form 002 which can be obtained from the FIRS office nearest to the taxpayer or downloaded from the FIRS website. Failure to file returns within the statutory deadline attracts a penalty of ₦50,000 for the first month of default and ₦25,000 for every month in which the failure continues.

Taxable persons with cumulative taxable supplies of less than ₦25 million in a calendar year are not required to render a return or charge VAT on their invoices. However, the person to whom the taxable supply has been made is required to self-account for the VAT on the transaction and remit to the FIRS, as and when due.

Non-remittance of VAT payable to the FIRS attracts a penalty of 10% of the tax not remitted and interest charged at the prevailing CBN minimum re-discount rate on the amount of tax in default.

5.4.8 VAT on Transactions with NRCs

Where an NRC makes taxable supply of goods⁴⁸ and services⁴⁹ in Nigeria, the NRC is required to register for VAT in Nigeria, obtain a tax identification number, and file monthly VAT returns with the FIRS, or appoint a representative for the purpose of fulfilling their VAT obligation in Nigeria.

The VAT Act also requires Nigerian companies to self-account for the VAT on transactions with NRCs on services that are provided outside of Nigeria. VAT is remitted in the currency of the transaction.



⁴⁸ Goods are deemed to be supplied in Nigeria if they are physically present in Nigeria at the time of supply, or if the goods are imported into, assembled in, or installed in Nigeria.

⁴⁹ A service is deemed to be supplied in Nigeria where: the service is provided to and consumed by a person in Nigeria, regardless of whether the service is rendered within or outside Nigeria or whether or not the legal or contractual obligation to render such service rests on a person within or outside Nigeria; or where the service is connected with existing immovable property located in Nigeria.

5.5 Withholding Tax (WHT)

The Nigerian income tax laws provide that where any payment on which WHT should be deducted is due from one person to another, the person making the payment should deduct tax at the applicable rate and remit same to the RTA not later than 30 days (21 days in CITA) from the date of deduction or the time the duty to deduct arose. The above provision is contained in sections 69 to 74 of the PITA (as amended), sections 78 to 82 of the CITA (as amended), section 56 of the PPT Act and section 40 of the FIRSEA.

The activities and services on which WHT is deductible and the current applicable rates are as follows:

Payment	Rate (%)	
	Corporate	Individual/ Partnership
Rent	10	10
Dividend, Interest	10	10
Royalty, Commission	10	5
Professional, Management, Technical and Consultancy Fees	10	5
Director's Fees		10
Construction	2.5 ⁵⁰	5
Contract of Supplies and Other Contracts	5	5

WHT deducted at source from NRCs in respect of interest, rent, dividend, royalty and fees received by NRCs with SEP in Nigeria for services⁵¹ rendered to persons in Nigeria, is the final tax liability due on the incomes. It is an offence not to deduct WHT, or not to remit the tax deducted. Failure to deduct and/ or remit WHT attracts a penalty of 10% of the amount in default plus interest at the prevailing MPR.

WHT payments must be made in the currency of the transaction (i.e. currency of payment). WHT deducted from Naira payments to limited liability companies are to be remitted to the FIRS by bank draft payable to "FGN-FIRS-WHT Account" or via the FIRS's online payment platforms while WHT on foreign currency payments are to be remitted via wire transfer to the relevant domiciliary accounts of banks designated by the FIRS for this purpose. WHT deducted from payments to individuals/partnerships are remitted to the SIRS of the State/territory where the individual/partnership is tax-resident.

⁵⁰ This rate was reduced from 5% to 2.5% in 2015 by the CIT (Rates etc., of Tax Deducted at Source (WHT)) Amendment Regulations, 2015, and was reversed to 5% effective 9 November 2016 by the Honourable Minister of Finance. However, by virtue of amendment by Finance Act, 2019, the prevailing WHT rate is now a maximum of 2.5%.

⁵¹ These include technical, management, consultancy, or professional services.

5.6 Capital Gains Tax (CGT)

CGT is chargeable under the CGT Act, Cap C1, LFN, 2004, with effect from 1 April 1967. The CGT Act was amended by Finance Acts, 2019 and 2020, respectively. The tax is applicable to all companies, including pioneer companies, and all individuals and non-corporate bodies. CGT rate is currently 10% and is chargeable on actual year basis. The tax is levied on capital gains accruing on disposal of assets, irrespective of whether the asset is situated in Nigeria or not. For the purpose of CGT, a “*disposal of assets*” will arise where any capital sum is derived from a sale, lease, transfer, assignment or any other disposal of assets, notwithstanding that the person making the capital sum acquires no asset.

However, capital gains accruing outside Nigeria to a non-resident company or individual, are subject to CGT only on the amount received or brought into Nigeria.

Capital gains are calculated on the basis of the difference between the sales price (net of any incidental expenses of sale) and the historical cost together with any expense incurred in enhancing the value of the asset. The Nigerian tax rules do not recognise indexation allowance. Expenses which are deductible for income tax purposes are not deductible for the purpose of computing CGT.

The CGT Act has provisions defining ‘chargeable assets’, ‘disposal of assets’, ‘market value’, ‘location of assets’, etc. There are also rules governing part disposal of assets, lost assets, bargains comprising two or more transactions, connected persons, etc. The FIRS is empowered to adjust the CGT liability that may be due on disposal of any asset where it is of the opinion that the disposal is artificial or fictitious and the transaction is designed to reduce the amount of the tax payable.

Taxable persons who dispose of a chargeable asset are required to self-assess, file a return of the chargeable gain and pay the resultant CGT by 30 June or 31 December of the same year.

5.6.1 Capital Losses

A capital loss arising from disposal of one asset cannot be set off against a gain from the disposal of another asset even where both disposals occur in the same year of assessment. However, under certain circumstances, a set-off may be achieved where assets are sold together as a single bargain without ascribing sale values to the individual items. In this situation, only the net gain may be chargeable to the tax.

5.6.2 Exempted Bodies

Certain charitable institutions, statutory bodies, pension funds, etc. are exempted from CGT to the extent that the gain is not derived from the disposal of an asset used for a trade or business and the gain is applied purely for the purposes of the institution.

5.6.3 Disposals not chargeable to Tax

Under the CGT Act, gains accruing to a person on the disposal of certain assets are not considered as chargeable gains. Examples include: gains from disposal of Nigerian government securities, shares and stocks; sums obtained by way of compensation or damages for private or professional wrong or injury; capital sums derived by way of compensation for any loss of office less than ₦10,000,000, and sums obtained from disposal of a life assurance policy or contract for deferred annuity by its original beneficial owner.

In addition, the sale or transfer of a business to a Nigerian company, for the purpose of reorganisation, is exempt from CGT to the extent that the parties have been related for 365 consecutive days prior to the date of reorganisation, and the assets acquired under the transaction would not be disposed within 365 days following the date of the transaction.

5.6.4 Reliefs

Tangible moveable property sold for ₦1,000 or less in any year of assessment is not chargeable to CGT. Where the consideration exceeds ₦1,000, the tax is limited to 50% of the difference between the consideration and ₦1,000.

There are anti-avoidance provisions directed at arrangements to split up assets for separate disposal to the same person or to persons acting together or who are connected persons.

The CGT Act also contains roll-over provisions to defer the tax where business assets are disposed of, and the proceeds are applied in acquiring replacement assets. The assets covered by the roll-over relief are limited to plant and machinery, buildings, land, ships, aircraft and goodwill.

5.7 Luxury Tax

In 2015, the Federal Ministry of Finance issued a Circular titled *Implementation of the 2015 Fiscal Policy Measures on Luxury Surcharge*. The Circular imposes a surcharge of ₦3,200 per kilogramme (based on the weight of each aircraft) on all registered local and foreign private jets operating in Nigeria, and a levy of ₦15,000 on first class and business class international air travel tickets. Although 11 February 2015 was fixed for commencement of the levy, it is not yet operational.

How we can support you

We have extensive experience in designing tax and regulatory advisory, compliance and management solutions. Along this line, we have delivered locally and globally direct and indirect tax projects for a number of clients in various industries and sectors of the economy, including government ministries, departments and agencies.

Our tax services include:

• Tax Compliance & Advisory Services

- Personal Income Tax
- Value-Added Tax
- Withholding Tax
- Petroleum Profit Tax
- Corporate Income Tax
- Capital Gains Tax
- Tax Audit/Investigation Support
- Tax Audit Readiness and Virtual Data Room Services
- Tax Controversy and Dispute Resolution
- Obtainment of fiscal incentives

• Transfer Pricing (TP)

- TP Policy Documentation
- TP Compliance and Filing
- TP Planning and Advisory
- TP Audit Support

• Tax Transformation

- Tax System Transformation
- Tax Risk Management
- Tax Administrative Framework Design
- Tax Policy Design and Implementation
- Tax Compliance Capacity Building/ Training
- Tax intelligence solutions
- Data & Analytics

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Chapter Six: Foreign Exchange Transactions



The Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, 1995 (FEMMP Act) replaced the Exchange Control Act (1962), the Exchange Control (Anti-Sabotage) Act (1984), the Foreign Currency (Domiciliary Accounts) Act 1985 and the Second-tier Foreign Exchange Market Act (1986), which hitherto restricted dealings in foreign exchange.

The FEMMP Act liberalised dealings in foreign exchange at the Autonomous Foreign Exchange Market (AFEM) in 1995. The foreign exchange market was further liberalised in October 1999 with the introduction of the Inter-Bank Foreign Exchange Market (IFEM). The FEMMP Act provides that, except where a transaction is prohibited by law, any transaction adequately supported by appropriate documentation shall be an eligible transaction for the purchase of foreign exchange in AFEM/IFEM. The major highlights of the FEMMP Act are:

- (i) retention of foreign currency in domiciliary accounts;
- (ii) permission of payment for foreign equity investment with cash or equipment, machinery, spare parts, raw materials and other business assets;
- (iii) relaxation of controls on dividend remittance and equity capital repatriation; and
- (iv) procurement and repayment of foreign loans and interest thereon without prior ministerial approval.



6.1 Inter-bank Foreign Exchange Market (IFEM)

The participants at IFEM include authorised dealers, authorised buyers, oil companies, oil service companies, exporters, end-users and any other entity that the CBN may designate from time to time.

The permissible instruments for dealing in the market are convertible foreign currencies, foreign bank notes, foreign coins, travellers' cheques, bank drafts, mail or telegraphic transfers and other money market instruments approved by the CBN.

Based on the flexible exchange rate policy launched by the CBN on 15 June 2016, exchange rates at the IFEM are to be determined by market forces. All eligible foreign exchange transactions supported by appropriate documentation, can be carried out through the IFEM, except for those listed as 'Not Valid for Foreign Exchange' in the CBN Circular of 23 June 2015⁵².

6.2 Foreign Currency Domiciliary Accounts

Corporate bodies, individuals and firms can maintain and operate domiciliary accounts in any internationally convertible currency in any bank in Nigeria.

Exporters of goods are specifically required to open domiciliary accounts where their entire export proceeds are to be lodged. Holders of the account are given the discretion to retain foreign currencies in the account or have the funds converted to Naira.

Generally, foreign currency domiciliary account holders have unfettered access to funds in their accounts with minimum documentation.

The CBN issued two Circulars on 17 April 2015 and 21 May 2015, on Currency Substitution and Dollarisation of the Nigerian Economy. The Circulars stipulate that it is an offence for any person or body corporate to refuse to accept the Naira as the legal tender currency for the payment of goods and services in Nigeria. The Circulars, however, exempt the following revenue generating agencies of government and operators permitted by law (and any other agency that may be prescribed by the CBN from time to time):

- The Federal Inland Revenue Service
- Nigerian Ports Authority
- Nigerian Maritime Administration and Safety Agency
- Federal Airport Authority of Nigeria
- Nigerian Airspace Management Agency

⁵² The list of imported goods and services that are not valid for foreign exchange has subsequently been reviewed to include fertilizer and textile products. On 17 May 2017, the CBN issued a Circular stating certain categories of items which are still valid for foreign exchange in the official foreign exchange market. To clarify, the Circular provided the description and Harmonized System Codes of the eligible items.

- Nigerian Shippers' Council
- Operators in the oil and gas industry including oil service companies
- Operators in the maritime and aviation industries, and
- Licensed operators in the Export Processing and Free Trade Zones.

6.3 Remittance of Profits and Repatriation of Capital

The NIPC Act guarantees foreign investors the unrestricted transferability of dividends or profits (net of tax) attributable to foreign investment in Nigeria and capital repatriation in the event of liquidation. Dividend payments are subject to withholding tax at 10% as final tax (7.5% for qualifying recipients in a treaty country).

There is currently no ceiling on profits distributable as dividends, provided such distributions are from profits and not capital, and there are no reasonable grounds for believing that the company is or would be insolvent after the payment. However, remittance of dividends and interest on foreign loans, or repatriation of equity or loan capital is subject to foreign exchange inflow at the time of the investment, evidenced by a certificate of capital importation issued by the receiving bank.

6.4 Remittance of Management and Technical Services Fees

Management or Technical Services Contracts have to be registered with the NOTAP to qualify for foreign exchange remittance. NOTAP typically disaggregates Technical Services Assistance and Technical Know-How Agreements, and approves payment of compensation on per diem and net sales basis, respectively. Payment for training, installation, etc. is approved by reference to man-day or hourly rates for short term assignments or Personal Home Remittance.

Based on the NOTAP Guidelines, management fees for management services approved by NOTAP (other than management of hotels by international hotel chains) range from 1% to 5% of profit before tax. However, management fee of 1% to 2% of net sales would apply on projects where profit is not anticipated during the early years (first three to five years).

Payment of technical service fees and management fees to corporate beneficiaries is subject to withholding tax at 10%.

6.5 Royalty Payments

A maximum fee of 5% of net sales has been fixed for royalties by the NOTAP. These payments are permissible only where the royalty agreement is registered with NOTAP. However, royalty payments may be disallowed (for foreign exchange remittance purpose) where the licensor holds more than 75% of the equity of the Nigerian company.

Royalty payment is subject to withholding tax at 10% for corporate beneficiaries (7.5% for qualifying recipients in a treaty country).

6.6 Consultancy Fees

Consultancy fees are eligible for direct payment abroad up to a maximum of 5% of the project cost.

The fees are paid through man day/ man month rates, taking into account the complexity and the sophistication of the services to be provided. The payment is typically for projects of very high technology content for which indigenous expertise is not readily available.

Payment of consultancy fees is subject to withholding tax at 10% for corporate beneficiaries.

6.7 Personal Home Remittance by Expatriates

Expatriates working in Nigeria can remit 100% of their income net of tax as personal home remittance (PHR). However, an expatriate with accompanying spouse and resident permit may not be eligible for PHR facility. All foreign nationals wishing to remit income out of Nigeria are expected to obtain a TCC covering the amount to be remitted. The TCC will show that the relevant tax has been paid on the amount or that the amount is not liable to tax.

“The NIPC Act guarantees foreign investors the unrestricted transferability of dividends or profits”

6.8 Demurrage

Demurrage collected by a local shipping agent on behalf of its foreign principal and deposited in a dedicated account, may be repatriated. This is, however, subject to payment of the appropriate tax on the amount to be remitted and compliance with other documentation requirements. In addition, there must be an underlying agreement between the local shipping agent and the principal, and the vessel must be duly certified by the Nigerian Ports Authority as having arrived in the country.

6.9 Foreign Mortgages

The Nigerian foreign exchange regulations permit the remittance of foreign exchange for payments in respect of foreign mortgages. The critical documentation requirements include the mortgage deed in the name of the applicant, evidence of tax payment in Nigeria, schedule of outstanding mortgage liability and letter of request from the applicant.

Chapter Seven: Investment in Nigeria

Foreign investment capital, both in cash and in kind (e.g., by way of machinery and equipment, technical expertise and services), plays a vital role in the development of Nigeria.

In theory, there are different kinds of investment vehicles used for carrying on business in Nigeria. These include partnerships, unincorporated joint ventures and corporate entities. In practice, investment by foreign investors is made through a limited liability company.

7.1 Exemption from Incorporation

Under Section 54 of CAMA, no foreign company may carry on business in Nigeria unless it incorporates a local company in Nigeria. However, the Federal Executive Council (FEC) is empowered by Section 56 to grant exemption from this mandatory requirement.

The categories of foreign companies that are eligible for exemption are:

- Foreign companies invited by or with the approval of the Federal Government to execute special projects;
- Foreign companies which are in Nigeria for the execution of specific loan projects on behalf of donor countries or international organisations;
- Foreign government-owned companies engaged solely in export promotion activities; and
- Engineering consultants and technical experts engaged in specialist projects under contracts with any of the Governments of the Federation or any of their agencies or under contracts with any person where such contracts have been approved by the Federal Government.

Exemption from the local incorporation requirement may confer tax-free status on the beneficiary for the duration of the exemption. However, it does not confer automatic tax-exempt status in the absence of a certificate to that effect. The grant of exemption status has become increasingly rare, and entities previously granted this status have, generally, been unable to renew their status on expiration of the initial period. The ability to perform as a local entity is an important factor in contract awards as bid requirements usually include certificate of incorporation of the bidders in Nigeria.



7.2 Investments and Securities Act

The Investments and Securities Act (ISA) 2007⁵³ contains comprehensive provisions on matters relating to securities and investments in Nigeria.

Among other things, ISA⁵⁴ regulates transfer of registered shares, capital market operations in all their ramifications, borrowing by States, Local Government and other Government agencies, etc.

ISA provides for the establishment of:

- the Securities and Exchange Commission
- an Investor Protection Fund for compensation of investors who suffer pecuniary loss from any defalcation committed by a member of a stock exchange and any directors/employees of capital market operators; and
- an Investment and Securities Tribunal to settle any dispute arising from the operators of capital trade points and exchanges in Nigeria.

7.3 Nigerian Investment Promotion Commission (NIPC) Act

This Act established the NIPC as an investment promotion agency of the Government. The agency is responsible for registering foreign investments in Nigeria. It is also responsible for liaison between investors and ministries, government departments, institutional lenders and other institutions concerned with investments.

Following the repeal of the Nigerian Enterprises Promotion Act, 1990, the NIPC Act has removed the ceiling on foreign investment in Nigerian companies. The only surviving restriction, which also affects local investors, relates to enterprises on the “negative list,” which are reserved exclusively for the Government. The negative list includes enterprises engaged in:

- i. the production of arms and ammunition;
- ii. narcotics and psychotropic substances; and
- iii. military, para-military, police, customs, immigration and prison service uniforms and accoutrements.

Notable among the positive changes introduced by the NIPC Act are:

- foreign portfolio investment in Nigerian-quoted companies through the NSE;
- enlargement of the modes of payment for foreign equity to include spare parts, raw materials and other business assets acquired without initial disbursement of foreign exchange from Nigeria;

⁵³ The Investments and Securities Act 2007 repealed the Investments and Securities Act 1999.

⁵⁴ Mergers, acquisitions and other forms of business combination which were previously under the purview of the ISA are now regulated by the Federal Competition and Consumer Protection Act, 2019.

- remittance of dividends and interest by guaranteeing to foreigners the unrestricted transferability of dividends or profits (net of taxes) attributable to foreign investment in Nigeria, and capital repatriation in the event of liquidation. In effect, prior ministerial approval of such transactions is no longer required. All that a foreign investor needs to do is to instruct an authorised dealer in foreign exchange to transfer the related funds in a defined currency on submission of the prescribed documents; and
- procurement and repayment of foreign loans and interest thereon by Nigerian companies without prior ministerial approval.

The requirement for registration of foreign enterprises in Nigeria by the NIPC should normally dispense with the requirement for business permit from the FMI. However, in view of the provisions of the Immigration Act and Immigration Regulations, FMI still requires foreign investors to obtain business permit⁵⁵ as a pre-condition for obtaining expatriate quota approval.

7.4 Federal Competition and Consumer Protection Act, 2018⁵⁶

The Federal Competition and Consumer Protection Act (“FCCPA”) was enacted by the National Assembly in December 2018, and subsequently signed into law by President Muhammadu Buhari in January 2019. The FCCPA repealed the Consumer Protection Act, dissolved the Consumer Protection Council, and established the Federal Competition and Consumer Protection Commission in its stead.

Some highlights of the FCCPA include the following:

- Establishment of the Federal Competition and Consumer Protection Tribunal
- Annulment of restrictive agreements
- Price regulations
- Prohibition of abuse of dominant position
- Regulation of mergers
- Prohibition of monopolies
- Oversight of regulated industries

The FCCPA also stipulates stiff penalties against competition such as price-fixing, conspiracy, bid-rigging, obstruction of investigation or inquiry, offences against records, giving of false or misleading information, etc.

7.5 Investment Incentives

The various investment incentives in Nigeria are as follows:

7.5.1 Pioneer Status

Pioneer status is granted only upon application to the NIPC, to eligible companies operating in industries or producing products or services categorised as pioneer industries and products or services.⁵⁷ The incentive is granted by NIPC as part of its investment promotion mandate.

After NIPC has granted the approval-in-principle, the Industrial Inspectorate Department (IID) of the Federal Ministry of Industry, Trade and Investment will, on application by the beneficiary, inspect its operations and certify its commercial production date for the purpose of commencement of the incentive.

The NIPC will issue the pioneer status certificate and publish the grant of the incentive in the Gazette after the IID has issued the production day certificate.

Some of the benefits available to companies enjoying pioneer status are as follows:

- (i) the profits derived by the pioneer company from its pioneer products are exempted from Companies Income Tax (CIT);
- (ii) capital expenditure on qualifying assets incurred during the tax relief period and available for use after the period, is treated as having been incurred on the first day following the tax relief period. Pioneer companies are therefore able to fully claim capital allowances on such assets;
- (iii) dividends paid out of pioneer profits are not taxable in the hands of the shareholders of the company; and
- (iv) losses incurred during the tax relief period is deemed to be incurred on the first day following the tax relief period and can be set off against the assessable profits of the company in subsequent tax years.

⁵⁵ Required for both wholly foreign owned and joint venture entities

⁵⁶ <https://assets.kpmg/content/dam/kpmg/ng/pdf/tax/ng-Federal-Competition-and-Consumer-Protection-Act.pdf>

⁵⁷ See Appendix 2 for the current list of pioneer industries and products/services. The list includes the 27 pioneer industries recently approved by the Federal Government.

7.5.2 Export Incentives

The Nigerian Export Promotion Council (NEPC) is the agency vested with the responsibility of administering non-oil export incentives in Nigeria. Among other things, the NEPC was established to:

- promote the development and diversification of Nigeria's export trade;
- assist in the promotion of export-oriented industries in Nigeria;
- advise government on new export incentives;
- actively promote the implementation of export policies and programmes;
- co-ordinate and monitor export promotion activities in the country;
- collect and disseminate information on products available for export;
- provide technical assistance to local exporters in such areas as export procedure and documentation, transportation, financing, marketing techniques, quality control, export packaging, costing, pricing and publicity;
- administer grants and other benefits related to export promotion and development; and
- co-operate with other institutions on matters relating to export financing, export incentives and specialised service to exporters.

Every non-oil exporter is required to register with the NEPC. This will entitle the exporter to qualify for the available incentives upon satisfying the prescribed requirements.

The existing incentives are as follows:

7.5.2.1 Duty Drawback/Suspension Scheme (DDSS)

This incentive enables an exporter to:

- claim a refund of import duty paid on raw materials and intermediate products imported for use in the production of finished goods for export; and
- apply for exemption from, or suspension of, import duty prior to actual importation. When this is done, the exporter is conferred with the status of a manufacturer-in-bond.

DDSS is administered by the Duty Drawback Committee of the NEPC.

7.5.2.2 Manufacture-in-bond Scheme

This incentive provides for duty-free importation of raw materials for production of export goods. To access the incentive, a prospective exporter is required to enter into a bond with an approved bank, insurance company or Nigerian Export-Import Bank, guaranteeing that all the end products manufactured by the company will be exported. The bond will be discharged after evidence of exportation and repatriation of foreign proceeds has been produced.

7.5.2.3 Location within a Free Trade Zone (FTZ)

The benefit of import duty relief can also be obtained if an exporter is located within an FTZ. Exporters located within an FTZ are entitled to import thereto, free of customs duty, "any capital goods, consumer goods, raw materials, components or articles" intended to be used in relation to an approved activity. Companies carrying on approved activities in an FTZ are exempt from Federal, State and Local Government taxes, levies and rates.

7.5.2.4 Export Expansion Grant (EEG)

The EEG incentive scheme⁵⁸ was introduced to facilitate an increase in export volume and enable exporters to diversify export products and market coverage. Under the scheme, eligible exporters are issued with Export Credit Certificates in lieu of the erstwhile Negotiable Duty Credit Certificates after they have repatriated in full, proceeds from their export transactions as confirmed by the CBN.

To qualify for EEG, the exporter must:

1. be registered with the NEPC;
2. be a manufacturer, producer or merchant of Nigerian-made products for the export market; and
3. have a minimum annual export turnover of ₦5,000,000 and evidence of repatriation of export proceeds.

"Companies carrying on approved activities in an FTZ are exempt from Federal, State and Local Government taxes, levies and rates."

⁵⁸ The EEG scheme was suspended in 2013 due to perceived abuse by beneficiaries in claiming the grant. In December 2016, the President, in his 2017 Budget Speech, announced that EEG would be revived and administered as tax credits. This is in response to industry demand and alignment with the government's diversification policy.

7.5.2.5 **Export Development Fund (EDF)**

The EDF administered by NEPC is a special fund set up by the Federal Government to provide financial assistance to exporters to cover a part of their initial expenses incurred on export promotion activities, such as participation in export-related training courses, seminars, workshops, export market research, advertising and publicity campaigns in foreign markets, participation in overseas trade missions, trade fairs, exhibitions, trade information gathering, organisation of joint export groups and mutual export guarantee associations.

7.5.2.6 **Currency Retention Scheme**

Section 19 of the FEMPP Act enables exporters to open and maintain foreign currency domiciliary accounts into which export proceeds can be paid and retained. Exporters have unfettered access to funds in their export proceeds domiciliary accounts with minimal documentation.

7.5.2.7 **Rediscounting of Short-term Bills**

This incentive entitles an exporter to discount bills of exchange and promissory notes with his bank to increase his liquidity and minimise cash flow problems before export proceeds are realised from overseas buyers.

7.5.2.8 **Tax Incentives**

The profits derived from the following activities are tax-exempt:

- profits derived from exports, provided that the proceeds from the export are used for the purchase of raw materials, plant, equipment and spare parts;
- profits of a company whose supplies are exclusively imported for the manufacturing of products for export, where the company has obtained a certificate of purchase of the inputs of the exportable goods from the exporter;
- Profits/gains of export-oriented undertakings established within an export processing zone; and
- Interest income earned by banks on loans to companies manufacturing for export. The exemption will apply as prescribed in the Third Schedule to the CITA, where the bank is able to present the certificate issued by the NEPC stating that the level of export specified has been achieved by the manufacturing company (the borrower).

7.5.3 **Gas Industry Incentives**

7.5.3.1 **Gas Utilisation (Downstream Operations)**

- Enhanced investment allowance of 35% on assets acquired, or a 3-year tax holiday which is renewable for an additional period of 2 years, subject to satisfactory performance;
- An annual allowance of 90% plus an additional investment allowance of 15% after the tax-free period. Where a gas company opts for the enhanced allowance, it will not be entitled to the 15% investment allowance;
- Tax free dividends during the tax holiday, provided that the investment for the business was in foreign currency or the value of imported plant/machinery introduced is not less than 30% of the equity share capital of the company;
- Plant, machinery and equipment purchased for gas utilisation are exempt from VAT; and
- Profit from gas utilisation operations is subject to tax under the CITA.

Finance Act 2020 clarified that gas utilisation incentives are not restricted to companies set up to engage solely in downstream gas utilisation. Consequently, the incentives may extend to companies that carry on other kinds of trade or businesses alongside the trade or business of gas utilisation in downstream operations. However, the gas utilisation incentives are mutually exclusive of the pioneer status incentives and the incentives provided under Section 11(1) of the PPTA, regarding the same qualifying capital expenditure.

7.5.3.2 **Gas Utilisation (Upstream Operations)**

- Gas income is subject to tax under CITA at the rate of 30%;
- Capital investment on facilities and equipment required to deliver associated gas in usable form at utilisation or designated custody transfer points is treated as part of the capital investment for oil development;
- Investment required to separate crude oil and gas from the reservoir into usable products is also considered as part of oil field development; and
- Gas transferred from a Natural Gas Liquid (NGL) facility to the gas-to-liquids facilities is subject to 0% Petroleum Profits Tax and 0% royalty.

75.4 Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme⁵⁹

The Federal Government on 25 January 2019 established a ten-year Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme ("the Scheme"). The Scheme was set-up as a public-private intervention that enables the Federal Government to leverage private sector capital and efficiency for the construction, refurbishment and maintenance of critical road infrastructure in key economic areas in Nigeria.

Participants under the Scheme will be entitled to utilize the project cost incurred in the construction or refurbishment of an eligible road as a tax credit against their income tax liability, until full cost recovery is achieved.

The Scheme also provides an incentive to participants by granting a single non-taxable uplift on project cost. The uplift, which is a percentage of the project cost (MPR+2%), will be included in the total tax credit available to each participant.

75.5 Other Tax Incentives

- Dividends distributed by unit trusts⁶⁰ are tax-exempt in the hands of the unit holders;
- Exemption of small companies from CIT;
- Agricultural companies are entitled to initial tax-free period of five years, subject to further extension for three years;
- Dividend and rental income received by a REIC are tax-exempt provided that 75% of the received income is distributed within 12 months of the end of the financial year in which they were earned
- Accelerated capital allowance of 95% in the first year in respect of replacement of industrial plant and machinery.
- Tax-free interest on loans to companies engaged in agricultural trade or business, or the fabrication of local plant and machinery, provided that the moratorium is not less than 18 months and the interest rate of the loan at the time it is granted is not higher than the prevailing base lending rate;
- Interest payable on foreign loans granted to Nigerian companies (in any industry) may be partially exempted from tax, where the loan arrangement meets the prescribed criteria;

- Interest earned on foreign currency domiciliary account in Nigeria is fully exempted from tax;
- 5-year tax holiday for companies involved in the mining of solid minerals;
- Exemption of stocks, shares and Nigerian government securities⁶¹ from CGT;
- Investment (dividend, rent, interest and royalty) income derived by the beneficiary from outside Nigeria and brought into Nigeria through government-approved channels are tax-exempt;
- Companies engaged in research and development activities for commercialisation are entitled to 20% investment tax credit on their qualifying capital expenditure; and
- Withholding tax on dividend, interest, rent and royalty due to residents from a DTA country is 7.5% (subject to satisfaction of the conditions specified in the DTA).



⁵⁹ <https://assets.kpmg/content/dam/kpmg/ng/pdf/tax/Road-Infrastructure-Development.pdf>

⁶⁰ In accordance with the provisions of Finance Act, 2019, dividends distributed by unit trusts are exempt from withholding tax.

⁶¹ "Nigerian government securities" is defined to include Nigerian treasury bonds, savings certificates and premium bonds issued under the Savings Bonds and Certificates Act.

7.6 Doing Business in Nigeria

7.6.1 Business Environment

The World Bank ranked Nigeria 131st in the world in its Doing Business 2020 ranking⁶² (146 in 2019) with a score of 56.9 out of 100. In its report, the World Bank noted Nigeria as one of the 10 economies with the most notable improvement after implementing regulatory reforms including registration of businesses, dealing with construction permits, improving access to electricity, registration of property, cross-border trades and enforcement of contracts.

However, public procurement/ contracting with the Government was highlighted as an area of concern in the 2020 report, as bureaucratic delays and cost overruns continue to hinder the efficiency of public procurement in Nigeria. Notwithstanding, Finance Act 2020 has introduced some regulatory amendments to the Public Procurement Act and Fiscal Responsibility Act which, coupled with other Government economic and fiscal reforms, will improve governance, ease of doing business in Nigeria and attract fresh investments to the economy.

7.6.2 Capital Importation

Investors are required to obtain a Certificate of Capital Importation (CCI) upon importation of foreign currency, raw materials or equipment into Nigeria. The CCI is used to access the official Foreign Exchange (FX) Market for repatriation of dividends, profits, and capital or other investments by foreign investors, through an authorized dealer (i.e., any bank licensed by the CBN to operate in the foreign exchange market).

In Q4 2020, the total value of capital importation into Nigeria stood at US\$1,069.68 million⁶³. This represents a decrease of -26.81% and -71.87% when compared to Q3 2020 and Q4 2019, respectively. Similarly, the total value of capital importation in 2020 stood at US\$9,680.49 million, compared to US\$23,990.05 million in 2019, representing a decline of -59.65% between the two periods.

Capital Importation by Type of Investment in 2020 (\$ million)

	Q1	Q2	Q3	Q4	Total
Foreign direct investment	\$214.25	\$148.59	\$414.79	\$251.27	\$1,028.91
Equity	\$213.84	\$148.59	\$414.79	\$248.73	\$1,025.96
Other capital	\$0.41	---	\$0.00	\$2.54	\$2.95
Portfolio investment	\$4,309.47	\$385.32	\$407.25	\$35.15	\$5,137.20
Equity	\$639.72	\$53.25	\$44.10	\$18.05	\$755.12
Bonds	\$231.22	---	\$0.00	---	\$231.22
Money market instruments	\$3,438.54	\$332.07	\$363.15	\$17.10	\$4,150.86
Other investment	\$1,330.65	\$761.03	\$639.44	\$783.26	\$3,514.39
Trade credits	\$0.05	---	\$0.00	---	\$0.05
Loans	\$559.79	\$726.00	\$624.45	\$668.66	\$2,578.90
Currency deposits	\$0.82	---	\$0.00	---	\$0.82
Other claims	\$769.99	\$35.04	\$14.99	\$114.60	\$934.62
Total	\$5,854.38	\$1,294.94	\$1,461.49	\$1,069.68	\$9,680.49

Source: NBS

The United Kingdom emerged as the top source of capital investment in Nigeria in Q4 2020 with US\$236.88 million which accounted for 22.14% of the total capital inflow in Q4 2020. By Destination of Investment, Lagos State emerged as the top destination of capital investment in Nigeria in Q4 2020 with US\$829.64m (about 77.56% of the total capital inflow in Q4 2020). Citibank Nigeria Limited emerged the leading bank for capital investment in Nigeria in Q4 2020 with US\$216.17m (about 20.21% of the total capital inflow in Q4 2020).

⁶² The Doing Business ranking measures the ease of doing business around the world and is updated annually by the World Bank

⁶³ NBS (Nigerian capital importation Q4 & full year 2020 report)

7.6.3 Infrastructure

Since independence in 1960, Nigeria's infrastructural facilities have suffered neglect from successive governments. For instance, the rail transport system is outmoded, and the road network is limited and largely decrepit. To reverse the trend, the country needs to modernise its rail system, expand the road networks and rehabilitate existing roads.

Flight connections to and within Nigeria by international and domestic airlines are efficient and readily available. There are a few domestic airlines with scheduled flights operating to international standards within the country, in addition to chartered flight operators.

The Federal Government commenced electric power sector reform in 2000 resulting in the enactment of the Electric Power Sector Reform Act in 2005 and establishment of the Nigerian Electricity Regulatory Commission as the independent industry regulator. The industry is open to participation by the private sector through investment in the generation and distribution segments of the industry. The defunct monopoly, the National Electric Power Authority (NEPA), was replaced by the Power Holding Company Nigeria Limited (PHCN) as the successor to its assets and liabilities. PHCN was subsequently unbundled into eighteen successor companies (1 transmission company, 6 generation companies and 11 distribution companies) which were later privatised and handed over to their core investors on 1 October 2013.

In 2001, the Government awarded licences for the Global System for Mobile Telecommunications (GSM) to three companies. The auction process was widely acclaimed as very transparent and successful. The launching of GSM in the country has significantly improved the country's domestic and international telecommunication services. A second national carrier licence was awarded in 2002, which increased the number of GSM operators to four. Though a fifth operator was licensed in 2007, Nigeria currently has four active GSM operators.

Under the current unified licensing regime, which was introduced by the Nigerian Communications Commission in 2006, there is no more segmentation of wireless licences into mobile and fixed service categories. On allocation of a spectrum, all licensees are free to offer voice, data or multimedia services as they deem fit. Subject to any geographical or regional limitation contained in their licences, fixed wireless and mobile operators are now able to operate on a level playing field. This harmonised platform has led to increased competition from all the telecommunication service operators in the country.

How we can support you

At KPMG, our tax team consists of experienced professionals who provide our clients with value-added tax and regulatory advice. We can support you with the following:

• Regulatory Compliance & Advisory Services

- Start-up compliance
- Liaison with regulatory agencies for the obtainment of operating licences, permits and incentives (including pioneer status incentive and registration and licensing of Approved Enterprises in Export Processing Zones and Free Trade Zones) etc.
- Corporate Secretarial Services
- Company liquidation and divestitures

• Deal Advisory Tax Services

- Tax Due Diligence Services
- Tax Structuring of M & A transactions
- Corporate Restructuring – entity, capital, balance sheet etc.
- Fund raise and capital market advisory
- Private equity/Venture capital advisory services
- Management Buy-out
- Liquidation and dissolution of companies

Key Contact

Ajibola Olomola

Partner,

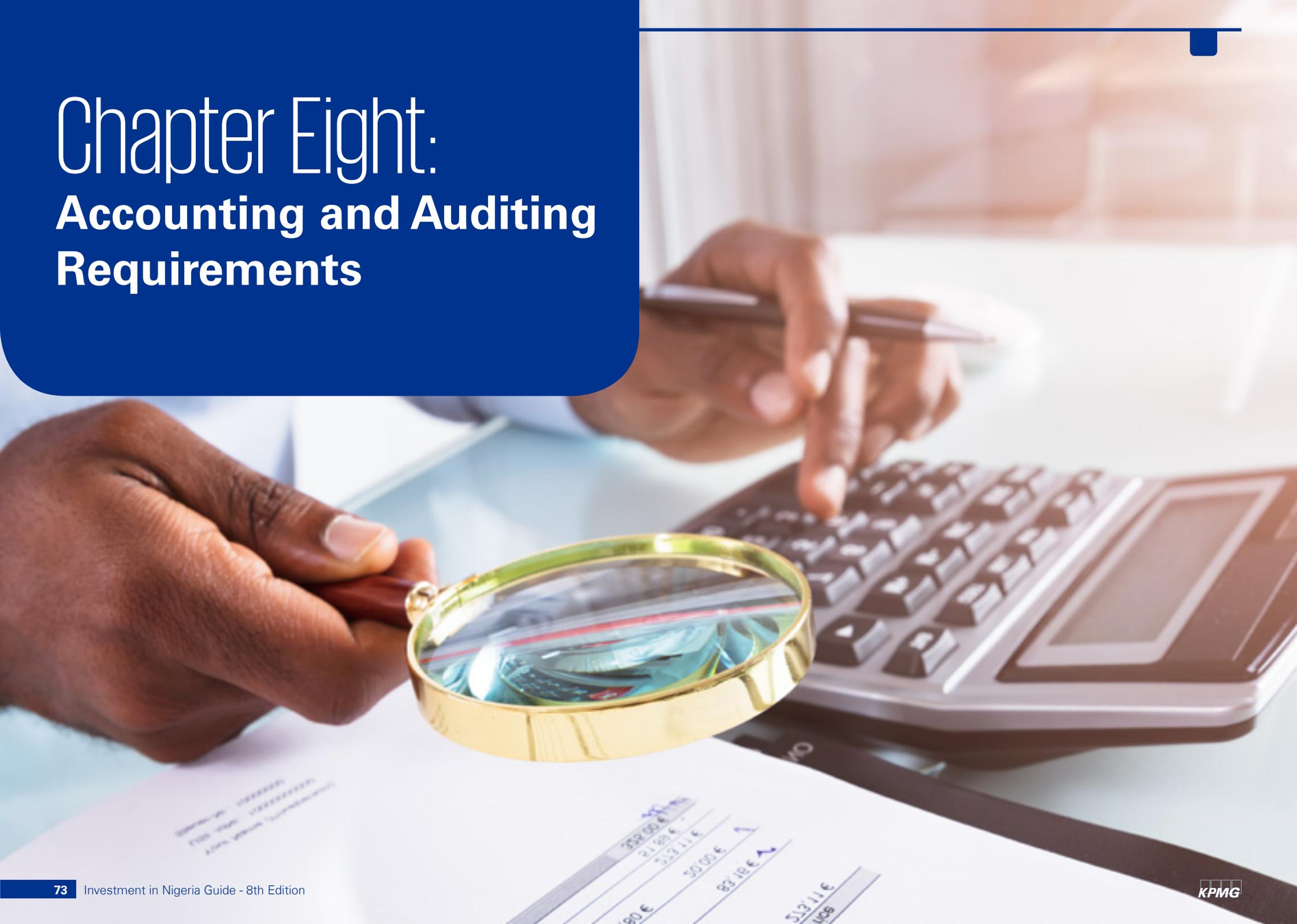
Deal Advisory, M&A Tax Services

KPMG in Nigeria

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E: ajibola.olomola@ng.kpmg.com

Chapter Eight: Accounting and Auditing Requirements



CAMA is the enabling law on administration of companies in the country. It regulates how the affairs of any company in Nigeria will be run in many respects, including the following:

8.1 Accounting Records

CAMA requires every company to keep proper accounting records at its registered office or such other place in Nigeria as the directors may think fit. The records should be sufficient to show and explain the transactions of the company with reasonable accuracy at any time and facilitate the preparation of the financial statements⁶⁴.

CAMA provides that the accounting records should contain:

- entries from day to day of all sums of money received and expended by the company, and the matters in respect of which receipt and expenditure take place;
- a record of the assets and liabilities of the company;
- statements of stocks held by the company at the end of the financial year; and
- all statements of stocktaking from which the statements of stock have been prepared.

Every officer of a company who fails to comply with the above provision will be guilty of an offence, unless he can prove that he acted honestly, and that the default was excusable in the circumstances in which the business of the company was carried on.

8.2 Financial Statements

The directors are obliged, at the first meeting after incorporation of the company, to determine the financial year of the company. They are also responsible for the preparation of the company's financial statements for each year.

The financial statements must comply with the requirements of CAMA with respect to their form and content, and prepared in accordance with the prevailing accounting standards in Nigeria.

In July 2010, the Executive Council of the Federation (ECF) approved January 2012 as the effective date for transition from Statements of Accounting Standards issued by the defunct Nigerian Accounting Standards Board (NASB) to International Financial Reporting Standards. The ECF also directed the NASB to take further necessary actions to give effect to the decision.

In June 2011, the Financial Reporting Council of Nigeria (FRCN) Act was enacted to repeal the NASB Act of 2003 and establish the FRCN. The FRCN is charged with the responsibility for, among other things, developing and publishing accounting and financial reporting standards to be observed in the preparation of financial statements in Nigeria.

8.3 Audit Requirements

Every company is required, at each annual general meeting, to appoint an auditor or auditors to audit the financial statements prepared by its directors. The auditor(s) have the statutory responsibility of carrying out such investigations that will enable them to form an opinion on whether:

- proper accounting records have been kept by the company and proper returns, adequate for their audit, were received from branches not visited by them; and
- the company's balance sheet and (if not consolidated) its profit and loss account agree with the accounting records and returns and have been properly prepared in accordance with CAMA.

A company's auditor is obliged, in the performance of his duties, to exercise all such care, diligence and skill as is reasonably necessary in each circumstance. Consequently, where a company suffers loss or damage as a result of negligence, the directors can institute an action for negligence against the auditor in the court.



How we can support you

Our experienced professionals bring both deep technical and industry experience to bear and can help organisations meet the complex demands of financial reporting regulators and key stakeholders and transform their financial reporting function as necessary.

Our accounting advisory services are outlined below:

- Outsourced Bookkeeping and Financial Reporting Services
- Assets Verification Services
- Accounts Clean-Up and Reconciliation Services
- Secondment Services (Accountants, Financial Controllers and CFOs)
- Accounting Change Services
- Training and Capacity Building Solutions
- Technical Accounting Advice
- Financial Reporting Function Set-Up and Process Advisory
- Financial Reporting Function Diagnostic Assessment and Remediation Support
- Audit Readiness Support
- Development of Management Reporting Packs

Key Contact

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Chapter Nine: Importation of Goods



9.1 Import Prohibition List

The Import Prohibition List maintained by the Nigeria Customs Service (NCS) as an agency of the Federal Ministry of Finance is updated from time to time and should be consulted by importers before they ship any cargo to Nigeria.

9.2 Destination Inspection (DI)

In January 2006, the NCS commenced the implementation of DI to replace the defunct pre-shipment inspection scheme after previous failed attempts due to incessant port congestion.

The decision to abolish the pre-shipment inspection scheme was driven by the reported loss of revenue due to inaccurate import duty assessment on goods by the pre-shipment inspection agents and their inability to prevent shipment of contrabands and expired goods into the country.

Under the DI scheme, goods are inspected on arrival in Nigeria, as the destination/importing country, as opposed to the erstwhile pre-shipment inspection scheme where goods were inspected in the country of procurement or origin before shipment to Nigeria.

The following destination inspection agents (DIAs) were contracted by the Federal Government for DI (their designated zones are stated below):

- (i) **Cotecna Destination Inspection Limited:** Apapa and Tin-Can seaports, Kano and Abuja airports, Jibiya and Banki posts;
- (ii) **Societe Generale Du Surveillance:** Onne and Port Harcourt seaports, Port Harcourt airport and Idiroko Border post; and
- (iii) **Globalscan Systems Limited:** Warri and Calabar seaports, Ikeja airport and Seme Border post.

Following the expiration of their (extended) contracts in December 2013, the DIAs have handed over the operation of the scheme to the NCS.

9.3 Payment Procedures

The importer pays for imports through the banks. Payment for imports can be made through documentary letter of credit or bills for collection.

9.4 Current Guidelines for Imports into Nigeria

The provisions of the current guidelines on imports and payment of import duties are summarised as follows:

- (a) Importers are required to process e-Form 'M'⁶⁵ (application for importation of physical goods) through any authorised dealer bank irrespective of the value and whether payment is involved;
- (b) Depending on whether foreign exchange remittance would be involved, supporting documents should be marked 'VALID FOR FOREIGN EXCHANGE or NOT VALID FOR FOREIGN EXCHANGE', as the case may be.
- (c) The initial validity periods⁶⁶ of the e-Form 'M' for general goods and plant & machinery are 6 months and 1 year, respectively. These periods may be extended for another 6 months or 1 year, respectively. However, any subsequent request for revalidation of the e-Form "M" shall be forwarded to the Director, Trade and Exchange Department of the Central Bank of Nigeria (CBN), for consideration;
- (d) The prefix of the numbering system of the e-Form 'M' will be coded depending on whether the goods are subject to DI. Goods subject to DI shall carry the "BA" code, while goods exempted by the Minister of Finance shall bear the "CB" code in the prefix of the numbering system of the e-Form 'M';
- (e) To facilitate price verification, the following pieces of information are to be included on the e-Form 'M' and pro-forma invoice (which should have a validity period of 3 months):
 - the generic product name i.e., product type and category;
 - mark or brand name of the product where applicable;
 - model name and or model or reference number, where applicable;
 - description of the quality, grade, specification, capacity, size, performance etc.; and
 - quantity and packaging and or packing.

⁶⁵ The CBN, via its circular of 18 November 2020, introduced additional documentation requirements for authorized dealers to open Form M for letters of credit, Bills for collection and any other forms of payment in favor of procurement companies.

⁶⁶ According to the Revised Foreign Exchange Manual released by the CBN in 2018, the validity period of an approved e-Form M for general merchandise and capital goods shall be 360 and 720 days, respectively, and can be extended for another 180 and 360 days, respectively.

- (f) The import transaction documents must include the name of the product, country of origin, specifications, date of manufacture, batch or lot number and applicable standards to which the goods have been produced (e.g., Nigeria Standards (NIS), British Standards PD, ISO, IES, Din etc.).
- (g) Import items regulated for health and environmental reasons, such as food, drinks, cosmetics, etc., must bear expiry dates or the shelf life (minimum of half shelf life at the time of importation) and specify the active ingredients, where applicable.
- (h) Electrical appliances (fluorescent lamps, electric bulbs, electric irons, etc.) must have information on life performance, whilst items, such as cables, must carry information on their ratings.
- (i) All electronic equipment and instruments must include an instruction manual, safety information and a guarantee or warranty of at least six months.
- (j) Goods imported without proper labelling shall automatically qualify for seizure and destruction without warning and subject to prosecution. Also, any false or fraudulent misrepresentation of facts will result in impoundment/seizure.
- (k) e-Form 'M' shall be valid for importation after acceptance by the NCS.
- (l) All goods imported into Nigeria must be labeled in English (in addition to any other language of the transaction) to avoid confiscation.
- (m) All imports shall be accompanied by the following documents:
- Final invoice and Certificate of Origin attested by the Chamber of Commerce of the exporting country and, where not available, certified by a Notary Public who must indicate his official address and registration number. It must also contain the e-Form 'M' number, adequate description of the goods, port of entry into Nigeria, shipment identification, date of shipment, country of origin, and country of supply.
 - Packing list.
 - Shipped/Clean On-Board Bill of Lading/ Airway Bill/Waybill/ Road Way Bill.
 - Manufacturer's certificate of production, the Phytosanitary Certificate or Chemical Analysis Report, which should state standards.
 - Laboratory test certificates for chemicals, foods, beverages, pharmaceuticals, electrical appliances and other regulated products.

- (n) For transactions with post-landing charges, a retention fee of 5 -15% of the project cost as agreed between the exporter and importer shall be indicated on the contract and the pro-forma invoice. This shall form part of the supporting documents for registration of the e-Form 'M'. Other requirements are:
- the retained fee shall not be remitted until a satisfactory evaluation of the project has been undertaken by the Industrial Inspectorate Department (IID) of the Federal Ministry of Industry, Trade and Investment.
 - the NCS shall forward copies of the contract and pro-forma invoice of such projects, to the IID.
 - during DI, the NCS shall take cognizance of the value of shipment and post landing charges indicated on the Pre-Arrival Assessment Report (PAAR).
 - thereafter, the IID will carry out an evaluation of the project and advise the CBN accordingly.
- on receipt of the report of evaluation from the IID, the CBN shall advise: (a) the NCS on the issuance of the PAAR for the retained value; and (b) the authorised dealer to remit the funds to the beneficiary.
- (o) A maximum amount of 2% of the free on board (FOB) value of the consignment shall be paid to agents or confirming house acting as intermediary between importers and exporters as buying commission.

9.5 Marine Insurance

Marine insurance of all goods imported into Nigeria must be undertaken by a Nigeria-based insurance company. Premiums to be paid in Nigerian currency typically range from 2% to 3% for marine haul (for goods brought in vessels, the insurance covers the goods, vessel and crew members), while 0.25% - 0.35% of the cost and freight value of goods is for marine cargo. However, in practice, the premium paid by the importer to the insurance company for the issuance of marine certificate depends on the agreed premium rate and insurance policy.



9.6 Import Duties

In line with an agreement reached in October 2013, Nigeria and other members of the Economic Community of West African States (ECOWAS) have adopted a Common External Tariff (CET) with effect from 1 January 2015.

CET is a uniform tariff structure applicable to all goods imported into any ECOWAS member country from a jurisdiction outside the sub-region. The import tariffs under the ECOWAS CET are aimed at trade harmonisation to ensure all ECOWAS member countries apply a single tariff structure. The CET has five tariff bands into which goods are categorised and taxed as follows:

- Category 0 comprises essential social goods (medicine), which are subject to 0% duty
- Category 1 covers essential commodities, basic raw materials, capital goods and specific inputs which are taxed at 5%.
- Category 2 is made up of inputs and intermediate products which are taxed at 10%.
- Category 3 covers final consumer goods which are subject to 20% duty.
- The final category (Category 4) comprises specific goods for economic development which will be taxed at 35%.

The new ECOWAS CET 2015 – 2019 and the accompanying Supplementary Protection Measures (SPM) were approved for implementation in the country by the President of the Federal Republic of Nigeria for a period of 5 years.

The SPM comprises the following:

- An Import Adjustment Tax (IAT) list which involves additional taxes on 175 Tariff Lines of the CET 2015 – 2019. The IAT is imposed to effectively increase the import duty payable on the specified tariff lines beyond the uniform duty rate applicable, in order to discourage importation of the goods into the country, for instance, because there is excess local capacity.
- A National List consisting of items whose import duty rates have been reviewed to encourage more development in strategic sectors of the economy.
- An Import Prohibition List (Trade) applicable only to certain goods originating from third countries.

A Comprehensive Import Supervision Scheme (CISS) administrative charge of 1% is payable on imported goods, except where exempted. The 1% CISS is on the F.O.B. value of all imports assessed and is additional to the import duty on the product/good imported.

The assessed duty stated on the imported goods, together with the 1% CISS administrative charge, is payable to the designated bank. Despite this, it is possible to obtain import duty exemption for special government projects if it was negotiated as part of the contractual terms.

The following additional charges/levies are also payable in respect of imports:

- 7% surcharge calculated on the import duty;
- 0.5% trade liberalisation scheme levy calculated on the Cost Insurance and Freight (CIF) value (where import is from countries outside the ECOWAS region);
- VAT calculated at 7.5% on the CIF value of the imports, customs duty and the charges stated above; and
- Other levies – typically port surcharges.

9.7 Temporary Importation

The NCS is responsible for granting temporary importation status for importation of the underlisted machinery and equipment, which are to be re-exported within a period of two years or on completion of specialised government-approved projects:

- aircraft;
- ships/vessels and boats;
- barges/pontoons, tugs for oil exportation or approved projects;
- dredger for soil erosion projects or oil drilling operations, etc.;
- oil rigs and accessories; and
- super cranes used for petrochemical construction/oil exploration-related projects.

Chapter Ten: Exportation of Goods



Generally, all goods (raw material or finished) are exportable from Nigeria except the following:

- raw hides and skin (including Wet Blue and all unfinished leather);
- timber (rough or sawn)
- unprocessed rubber latex and rubber lumps;
- artefacts and antiquities;
- wildlife animals classified as endangered species and their products e.g. crocodile, elephant, lizard, eagle, monkey, zebra, lion, etc.;
- maize;
- scrap metals
- all goods imported.

10.1 Registration of Exporters

Any individual or company doing business in Nigeria may export goods from Nigeria if duly registered with the NEPC. After registration, the exporter is issued a certificate which is valid for an initial period of two years and subject to annual renewal. NEPC is, among other things, responsible for the development of traditional exports, promotion of export markets, provision of advice to government on export financing and incentives, provision of trade information services, facilitation of existing export procedures and documentation, the organisation of training programmes in export management and international marketing, and assistance in securing prompt payment for exports. NEPC is the sole agency responsible for administration of export incentives in Nigeria.

10.2 Export Procedures and Documentation

All goods (oil and non-oil inclusive) exported from Nigeria are subject to inspection by Government-appointed pre-shipment inspection agents (PIAs) with respect to the quality, quantity and price-competitiveness of such goods. The goods are typically inspected at seaports, airports, terminals or other points of dispatch subject to the PIAs' right to request inspection at production or storage points. Expenses incurred in the course of inspection, sampling and testing are borne by the exporter, including provision of necessary facilities for inspection.

Below is a summary of export procedures contained in the guideline issued by the Honourable Minister of Finance, Budget & National Planning and public notice issued by the Central Bank of Nigeria on e-Form NXP:

- i. Completion by the exporter (at least 10 days before shipment) of e-Form NXP (Nigerian Export Proceeds) on the Trade Monitoring System. The exporter pays a charge of ₦5,000 per declaration of the e-Form NXP in addition to Nigerian Export Supervision Scheme (NESS) charge of 0.5% and 0.12% of FOB value of the intended non-oil and oil/gas exports, respectively. The designated bank shall remit this to the NESS fee account in the CBN;
- ii. Collection of RFI Form (Request for Information) by the exporter from the inspection agent with a view to arranging a suitable time and place for the physical inspection of the consignments;
- iii. Pre-shipment inspection of all exports by inspection agents who shall issue a Clean Certificate of Inspection (CCI) certifying the quality, quantity and value of the goods to the consignee, within 72 hours after the inspection of the goods. The pre-shipment agent shall collaborate with other relevant regulatory agencies for the inspection and certification of regulated products;
- iv. Submission of the Bill of Lading Declaration Form by the exporter to the inspection agent after loading;
- v. Commencement of loading to sea-going vessel, aircraft, or border crossing vessel. Where discrepancies are noted, the PIA will issue a non-negotiable Certificate of Inspection which will remain valid until a CCI is issued after the discrepancies are resolved;
- vi. Delivery of the original CCI by the inspection agent to the exporter.
- vii. Once goods have been inspected and CCI issued, any variation will render the exporter liable to penalties, and any cargo without a duly issued CCI will not be granted access by the NCS.

Chapter Eleven: COVID-19 - Economic and Fiscal Measures



The COVID-19 pandemic and drop in oil prices caused significant reduction in Government revenues and income of citizens in 2020. Specifically, the enforcement of a lockdown occasioned a loss of livelihood for many Nigerians who depended on daily commercial activities, events and physical movement to earn a living. Also,

the significant fall in oil prices in the first half of 2020 led the Federal Government (FG) to amend the benchmark oil price in the 2020 budget from \$57 per barrel to \$20 per barrel. Consequently, Nigeria's GDP in real terms declined by 6.10% and 3.62% year-on-year in Q2 2020 and Q3 2020, respectively, plunging the economy into a recession.

According to the World Bank's Nigeria Development Update report, Nigeria's GDP is expected to contract by 4.1% in 2020, while about 11 million more Nigerians are expected to fall into poverty as a result of the COVID-19 pandemic and the economic recession by 2022. By implication, the total number of persons categorized as "poor" will increase from 90 million to 100 million (about half of the nation's population) by 2022.

The economy's poor performance necessitated the formulation of the following recovery plan by the FG to cushion the effect of the pandemic on the citizenry, tighten government expenditure and improve revenue collection:



11.1 Passage of the Finance Act, 2020

On 31 December 2020, His Excellency, President Muhammadu Buhari, GCFR, signed Finance Bill, 2020 into law following its passage by the National Assembly. The amendments made by Finance Act, 2020 are intended to provide counter-cyclical fiscal policy measures that will aid economic recovery and growth from the effect the COVID-19 pandemic on the Nigerian economy. The following changes were introduced by Finance Act 2020 as palliatives in response to the COVID-19 pandemic:

- i. A 50% temporary reduction of the 0.5% minimum tax rate for companies liable to minimum tax for the years of assessment falling due on any date between 1 January 2020 to 31 December 2021.
- ii. Reduction of import duty payable on tractors from 35% to 5%, and the duty on motor vehicles for the transport of goods from 35% to 10%.
- iii. Exemption of airlines registered in Nigeria from import duty on aircraft, engines, spare parts and components.
- iv. Exemption of airline transportation tickets issued and sold by commercial airlines registered in Nigeria from VAT.
- v. Temporary reduction in the minimum tax rate for insurance companies from 0.5% to 0.25% of gross premium and gross income for non-life and life insurance businesses, respectively.
- vi. Inclusion of donations made to the government during a pandemic, natural disaster or other exigency as allowable deductions for CIT purposes.

Please click [here](#) to read our Impact Analysis of Finance Act, 2020.

11.2 Economic Measures:

CBN announced the following policy measures worth ₦3.5 trillion:

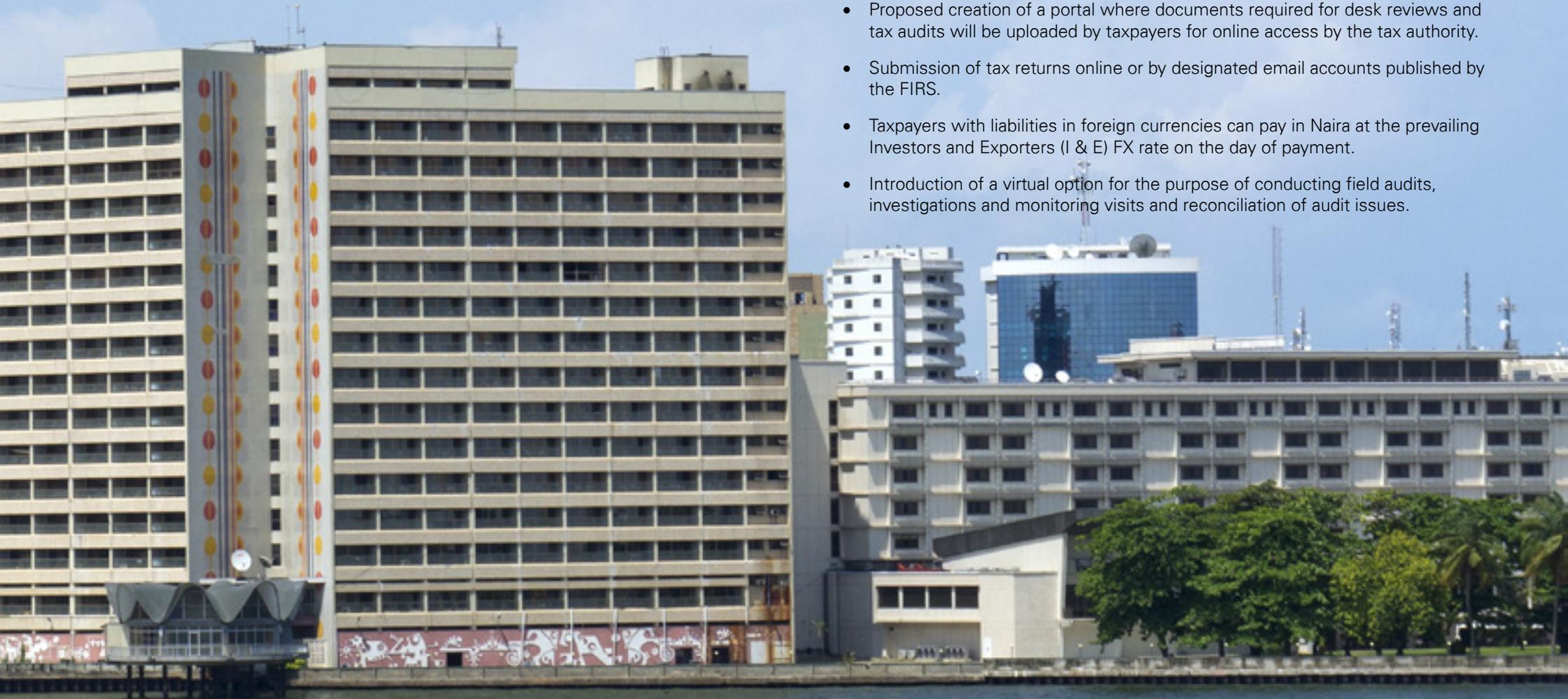
- Additional moratorium of 1 year on CBN intervention facilities.
- Interest rate reduction on intervention facilities from 9% to 5%.
- Creation of ₦50 billion target credit facility for affected households and small and medium enterprises.
- Granting regulatory forbearance to banks to restructure terms of facilities in affected sectors.
- Improve FX supply to the CBN by directing oil companies and oil servicing companies to sell FX to the CBN rather than the NNPC.

- Additional ₦100 billion intervention fund in healthcare loans to pharmaceutical companies and healthcare practitioners intending to expand/build capacity.
- Identification of few key local pharmaceutical companies that will be granted funding facilities to support the procurement of raw-materials and equipment required to boost local drug production.
- ₦1 trillion in loans to boost local manufacturing and production across critical sectors.

11.3 Fiscal Measures

In 2020, the FIRS introduced the following measures to mitigate the impact of COVID-19 on taxpayers:

- Extension of timeline for filing of VAT and WHT from the 21st day to the last working day of the month, following the month of deduction.
- Use of electronic platforms for payment of taxes and processing of TCC.
- Proposed creation of a portal where documents required for desk reviews and tax audits will be uploaded by taxpayers for online access by the tax authority.
- Submission of tax returns online or by designated email accounts published by the FIRS.
- Taxpayers with liabilities in foreign currencies can pay in Naira at the prevailing Investors and Exporters (I & E) FX rate on the day of payment.
- Introduction of a virtual option for the purpose of conducting field audits, investigations and monitoring visits and reconciliation of audit issues.





Appendix 1: Useful addresses

Bureau of Public Enterprises/National Council on Privatisation
Street: 11 Osun Crescent, Off Ibrahim Babangida Way, Maitama District
Postal: PMB 442, Garki, Abuja, Nigeria
Tel: +234 9 4134636-8, 4134640-6
Fax: +234 9 4134655, 4134657, 4134671-2
E-mail: bpe@bpeng.org
Website: www.bpeng.org

Central Bank of Nigeria
Street: Plot 33, Abubakar Tafawa Balewa Way, Central Business District, Cadastral Zone, FCT Abuja
Postal: PMB 0187, Garki, Abuja, Nigeria
Tel: +234 9 2342132-6, 2342516, 2343191
E-mail: info@cenbank.org
Website: www.cenbank.org/www.cbn.gov.ng

Corporate Affairs Commission
Street: Plot 420, Tigris Crescent, Off Aguiyi Ironsi Street, Maitama Abuja.
Postal: PMB 198, Garki, Abuja, Nigeria
Tel: +234 9 4618800-19
Fax: +234 9 3142669
E-mail: cservice@cac.gov.ng
Website: www.cac.gov.ng,

Department of Petroleum Resources
Street: 7 Kofo Abayomi Street, Victoria Island
Postal: PMB 12650, Lagos, Nigeria
Tel: +234 1 2612320, 2618228, 2622398, 2616869, 2622205
Fax: +234 1 2622529
E-mail: publicaffairs@dprnigeria.com
Website: www.dprnigeria.com

Federal Inland Revenue Service
Street: Revenue House, Plot 522, Sokode Crescent, Off Dalaba Street Off Michael Okpara Street, Wuse Zone 5
Postal: PMB 33, Garki, Abuja, Nigeria
Tel: +234 9 5236611, 5236598
Fax: +234 9 5236612
Website: www.firs.gov.ng

Federal Ministry of Interior
Street: Block F, Old Federal Secretariat, Garki Area 1
Postal: PO Box 16, Garki, Abuja, Nigeria
Tel: +234 9-6713526
Website: www.interior.gov.ng

Industrial Training Fund
Street: No. 1 Kufang Village, Miango Road, Jos
Postal: PMB 2199, Jos, Nigeira
Tel: +234 73 465297, 465437, 462738, 463633
E-mail: dg-itf@nova.net, lib-itf@nova.net.ng
Website: www.itf-ng.com

Industrial Inspectorate Department, Federal Ministry of Industry, Trade and Investment
Street: Block C, Old Federal Secretariat, Area 1 Garki
Postal: PMB 85, Garki, Abuja Nigeria
Tel: +234 9 2341367, 2341721, 2341570
Fax: +234 9 2341919.

Joint Tax Board
Street: Plot 1863, Lee Kuan Yew Street,
(Off Mohammed Mahathir Street) Asokoro, FCT.
Postal: PMB 33, Garki Abuja, Nigeria
Tel: +234 9 5238827, 5236593-4, 5236598
Website: www.jtb.gov.ng

National Housing Fund (Federal Mortgage Bank of Nigeria)
Street: Plot 266 Cadastral AO Central Business District
Postal: PMB 2273, Garki, Abuja, Nigeria
Tel/Fax: +234 9 44601992, 4602102, 4602199
Email: info@fmbn.gov.ng
Website: www.fmbn.gov.ng

National Insurance Commission
Street: NAICOM National Office, Plot 1239 Ladoke Akintola Boulevard, Garki II
Postal: PMB 457, Garki, Abuja, Nigeria
Tel/Fax: +234-9-8752061, +234 9 5238260
Website: www.naicom.gov.ng/

National Office for Technology Acquisition and Promotion
Street: 4 Blantyre Street Wuse II, off Adetokunbo Ademola Crescent, Wuse II, Abuja
Postal: +234 9 5239775, 5239823
Fax: +234 9 5239823

Nigeria Customs Service
Street: 3-7 Abidjan Street, off Sultan Abubakar Way, Wuse Zone 3
Postal: PMB 26 Garki, Abuja, Nigeria
Tel: +234 9 5236394, 5234680
Fax: +234 9 5236394, 5234690

Nigeria Deposit Insurance Corporation
Street: NDIC Building, Plot 447/448, Constitution Avenue, Central Business District
Postal: PMB 284, Garki, Abuja, Nigeria
Tel: +234 9 5236007, 5236009, 5236359, 5236369, 5237002-26, 5237395
Fax: +234 9 5236667, 5237718
E-mail: info@ndic.org.ng
Website: www.ndic-ng.com

Nigeria Export Processing Zones Authority
Street: No. 2 Zambezi Crescent, Cadastral Zone A6, Off Aguiyi Ironsi Street Maitama, Abuja
Postal: PMB 037, Garki, Abuja, Nigeria
Tel: +234 9 413 1598, 780 4077
Fax: +234 9 413 1550
E-mail: info@nepza.com, nepza@nigol.net.org
Website: www.nepza.com

Nigeria Immigration Service
Street: Nnamdi Azikiwe Airport Road, Sauka Abuja
Postal: PMB 38, Garki, Abuja, Nigeria
Tel: +234 9 2341550, 2341594, 2347232
Fax: +234 9 2341594, 2341550
E-mail: info@immigration.gov.ng
Website: www.immigration.gov.ng

Nigeria Social Insurance Trust Fund
Street: Plot 794, Muhammadu Buhari Way, behind National War College, Central Area
Postal: PMB 446, Garki, Abuja, Nigeria
Tel: +234 9 2340121-3
Fax: +234 9 2340112
E-mail: nsitf@infoweb.abs.net
Website: www.nsitf.com

Nigeria Communications Commission
Street: Plot 423, Aguiyi Ironsi Street, Maitama, Abuja
Postal: PMB 326 Garki, Abuja, Nigeria
Tel: +234 9 4617000, 2344589
Fax: +234 9 2344593, 4617514
E-mail: ncc@cyberspace.net.ng
Website: www.ncc.gov.ng

Nigerian Export Promotion Council
Street: Plot 424, Aguiyi Ironsi Street, Maitama, Abuja, Nigeria
Postal: PMB 133, Garki, Abuja
Tel: +234 9 2910966, +234 8099EXPORTS
Fax: +234 9 5230931, 5233384
E-mail: ceo@nepc.gov.ng; info@nepc.gov.ng;
Website: www.nepc.gov.ng

Nigeria Investment Promotion Commission
Street: Plot 1181 Aguiyi Ironsi Street, Maitama District
Postal: PMB 381 Garki, Abuja, Nigeria
Tel: +234 9 4134380, 4134317, 4131403, 4134112, 4130581-2
Fax: +234 9 4134112, 4134306
E-mail: nipc@nipc-nigeria.org, infodesk@nipc-nigeria.org
Website: www.nipc-nigeria.org

Nigeria National Petroleum Corporation
Street: NNPC Towers, Herbert Macaulay Way, Central District
Postal: PMB 190, Garki, Abuja, Nigeria
Tel: +234 9 5239141, 5234760, 5232717
Tel/Fax: +234 9 2340029
E-mail: gm@nnpc-publicaffairs.com
Website: www.nnpc-publicaffairs.com

Nigerian Stock Exchange
Street: Stock Exchange House (8th, 9th & 11th Floors), 2-4 Customs Street
Postal: PO Box 2457, Lagos, Nigeria
Tel: +234 1 266 0287, 2660305
Fax: +234 1 2668724

Securities and Exchange Commission
Street: SEC Towers, Plot 272, Samuel Adesujo Ademulegun Street
Central Business District
Postal: PMB 315, Garki, Abuja
Tel: +234 9 6330000, 6330399, 2344902-5
Fax: +234 9 2346276



Appendix 2: Schedule of Pioneer Industries & Products



S/N	Pioneer Industries	Pioneer Products
1	Growing of perennial and non-perennial crops	All crops
2	Raising and breeding of animals in ranches and farms	Cattle, swine/pigs, sheep, goat and poultry
3	Marine and freshwater fishing and aquaculture	All Fish, shellfish and aquaculture
4	Plantation of rubber and acacia trees	Latex and gum arabic
5	Mining and processing of coal	Coal
6	Mining and processing of lead, zinc, iron ore and gold	Lead, zinc, iron ore and gold
7	Quarrying of limestone and mining of barite, bitumen and bentonite.	Limestone, barite, bitumen, and bentonite
8	Manufacture of refined petroleum products	(a) Oil-based lubricating oils/grease: hydraulic/engine oil, gear oil, low power oil, brake fluid; (b) Motor fuel: gasoline, kerosene, diesel; (c) Fuel: Light, medium and heavy fuel oil, refinery gases (hydrogen, methane, ethane, propane, butane); (d) Aviation fuel; (e) Products for road covering: asphalt.
9	Processing and preserving of meat/poultry and production of meat/poultry products.	(a) Operation of modern slaughterhouses engaged in slaughtering, dressing and packaging of meat/poultry; (b) Processing and packaging of fresh, chilled, or frozen meat/poultry; dried, smoked or salted meat/poultry and meat/poultry products.
10	Processing and preserving of fish and shellfish	(a) Fresh, frozen, dried, smoked, salted fish and shellfish; (b) Fish meal, animal feed.

11	Processing and preservation of fruits, nuts and vegetables.	<ul style="list-style-type: none"> (a) Frozen, dried fruits, nuts and vegetables; (b) Fruit and vegetable food products; (c) Fruit and vegetable juices; (d) Jam, marmalade and table jellies; (e) Fruit and vegetable concentrates; (f) Nut foods and pastes.
12	Manufacture of edible oils, meals and kernels	<ul style="list-style-type: none"> (a) Palm oil, soya-bean oil, cotton seed oil, sesame seed oil, sunflower seed oil, coconut oil; (b) Meal of oil seeds, oil nuts/oil kernels.
13	Manufacture of dairy products	<ul style="list-style-type: none"> (a) Fresh liquid milk, pasteurised, sterilised, homogenised and/or ultra-heat treated; (b) Dried or concentrated milk; (c) Cream from fresh liquid milk, pasteurised, sterilised, homogenised; (d) Milk or cream in solid form; (e) Butter, yoghurt, cheese and curd, lactose, ice cream.
14	Manufacture of grain mill products	<ul style="list-style-type: none"> (a) Grain milling: flour, groats, meal/ pellets of wheat, maize, cassava; (b) Rice milling: husked, milled, polished, glazed, parboiled rice; rice flour; (c) Vegetable milling: flour or meal from dried leguminous vegetables of roots or tubers or of edible nuts; (d) Cereals.
15	Manufacture of starches and starch products	<ul style="list-style-type: none"> (a) Starches from rice, maize, potatoes, wheat, cassava; (b) Wet corn milling; (c) Glucose, glucose syrup, maltose, inulin; (d) Gluten

16	Manufacture of sugar	Refined sugar, sugar substitutes, sugar syrups, molasses
17	Processing of cocoa	<ul style="list-style-type: none"> (a) Cocoa, cocoa butter, cocoa fat, cocoa oil; (b) Chocolate
18	Manufacture of coffee and tea products	<ul style="list-style-type: none"> (a) Decaffeinating and roasting of coffee; and coffee products (ground and soluble coffee, extracts and concentrates of coffee); (b) Blending of tea
19	Manufacture of yeast, spices and condiments	Yeast, spices and condiments including salt.
20	Manufacture of animal feeds	Animal feed concentrates and feed supplements.
21	Preparation, spinning of textile fibres, weaving of textile and manufacture of made up textiles	<ul style="list-style-type: none"> (a) Yarn or thread for weaving or sewing; (b) Broad woven textiles, cotton-type, woollen-type, worsted-type, silk-type fabrics including from synthetic yarns; (c) Knitted and crocheted fabrics-pile and terry fabrics, net and window furnishing type fabrics; (d) Twine, cordage, rope and cables of textile fibres; (e) Products of rope or netting: fishing net, insecticide treated nets; (f) Synthetic filament tow, staple fibres, filament yarn, monofilament; (g) Synthetic hair threads, weave-ons and attachments.
22	Manufacture of wearing apparels	<ul style="list-style-type: none"> (a) Workwear; (b) Outerwear made of woven, crocheted, knitted fabric, non-woven for men, women and children; (c) Underwear and night wear made of woven, crocheted, knitted fabric, non-woven for men, women and children; (d) Wearing apparel made of leather.

23	Tanning and dressing of leather	(a) Tanning, dyeing and dressing of hides and skins; (b) Leather-chamois dressed, parchment dressed, patent or metallised, composition leather.
24	Manufacture of leather luggage and handbags	Luggage and handbags of leather
25	Manufacture of leather footwear	(a) Leather footwear of all purposes; (b) Leather parts of footwear: uppers and parts of uppers, outer and inner soles, heels.
26	Manufacture of pulp and paper	(a) Bleached, semi-bleached or unbleached paper pulp manufactured by mechanical, chemical or semi-chemical processes; (b) Cotton-linters pulp; (c) Removal of ink and pulp from wastepaper; (d) Paper and paperboard for further industrial processing; (e) Creped or crinkled paper.
27	Manufacture of household and personal hygiene paper products	(a) Wallpaper; (b) Sanitary towels, tampons and diapers.
28	Manufacture of basic chemicals	Organic and inorganic basic chemicals.
29	Manufacture of fertilisers and nitrogen compounds	(a) Fertilisers: straight or complex nitrogenous, phosphatic or potassic fertilisers, urea, crude natural phosphates, crude natural potassium salts; (b) Associated nitrogen products: nitric and sulphonitric acids, ammonia, ammonium chloride, ammonium carbonate, nitrites and nitrates of potassium.
30	Manufacture of pesticides and agrochemicals	Insecticides, rodenticides, fungicides, herbicides.

31	Manufacture of paint, varnishes and printing ink	(a) Paints and varnishes, enamels or lacquers; (b) Pigments and dyes; (c) Printing ink.
32	Production of enzymes	Enzymes
33	Manufacture of pharmaceuticals and medical chemicals.	(a) Medicinal active substances to be used for their pharmacological properties in the manufacture of medicaments: antibiotics, basic vitamins, salicylic and o-acetylsalicylic acids; (b) Medicaments - antisera and other blood functions, vaccines; (c) Processing of blood; (d) Medical diagnostic preparations; (e) Radioactive in-vivo diagnostic substances; (f) Biotech pharmaceuticals; (g) Medical impregnated wadding, gauze, bandages, dressing.
34	Manufacture of glass and glass products.	(a) Flat glass (toughened or laminated, wired, coloured or tinted); (b) Laboratory, hygienic or pharmaceutical glassware.
35	Manufacture of refractory products.	(a) Refractory mortars, concretes; (b) Refractory ceramic goods: refractory bricks, blocks, tiles, heat insulating ceramic goods; (c) Laboratory wares: crucibles, nozzles, tubes, pipes, retorts, muffles; (d) Refractory articles containing magnesite, dolomite.

36	Manufacture of cement, lime, plaster	<ul style="list-style-type: none"> (a) Clinker and cement (until 01 August 2020); (b) Quicklime, slaked lime and hydraulic lime ; (c) Plasters of calcined gypsum; (d) Calcined dolomite; (e) Powdered and pre-mixed mortar.
37	Manufacture of alum	Alum
38	Processing and finishing of locally quarried stone.	Cutting, shaping and polishing of stone for construction and furniture.
39	Manufacture of rubber products and moulds.	Rubber tyres and tubes, pipes, hoses, belting, rubber profiles, seals, gasket washers, packings, rings and rubber linings, anti-vibration, damping and sound insulation products, latex products and moulds.
40	Manufacture of plastic products (builders' plastic ware) and moulds.	Builders' plastic ware (plastic doors, windows, coverings in rolls or tiles), resilient floor covering (vinyl, linoleum), plastic moulds frames, shutters, blinds, skirting boards, plastic floor, wall or ceiling coverings in rolls or tiles), resilient floor covering (vinyl, linoleum), plastic moulds.
41	Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus	<ul style="list-style-type: none"> (a) Distribution transformers; (b) Power generators; (c) Transmission and distribution regulators; (d) Electric motors, power circuit breaker, surge suppressors (for distribution level voltage); (e) Control panels, for electric power distribution; (f) Electrical relays; (g) Ducts for electrical switchboard apparatus, electric fuses, power switching equipment.

42	Manufacture of batteries and accumulators	<ul style="list-style-type: none"> (a) Primary cells and primary batteries; (b) Electric accumulators; (c) Lead acid batteries; (d) NiCad batteries; (e) NiMH batteries; (f) Lithium batteries; (g) Dry cell batteries; (h) Wet cell batteries;
43	Manufacture of electrical lighting equipment.	Manufacture of discharge, incandescent, fluorescent, ultra-violet, infra-red bulbs.
44	Manufacture of wiring.	<ul style="list-style-type: none"> (a) Electric wires; (b) Fibre optic cables; (c) Insulated wire and cables made of steel, copper and aluminium.
45	Manufacture of domestic appliances.	Refrigerators, freezers, oven, cookers, dishwashers, washing and drying machine, vacuum cleaners, floor polisher, blenders, juicers, electric shavers, electric toothbrush, tin openers, microwave, toasters, coffee makers, air conditioners.
46	Manufacture of electronic components.	<ul style="list-style-type: none"> (a) Electrical capacitors, resistors, condensers; (b) Carbon and graphite electrodes; welding electrodes; (c) Diodes, transistors, light emitting diodes; (d) Inverters, rectifying apparatus, fuel cells, photovoltaic modules, regulated and unregulated power supplies, solar home systems; (e) Uninterrupted power supplies, surge protectors.

47	Manufacture of computer and peripheral equipment	Desktop computers, laptop computers, main frame computers, printers, monitors, keyboards, computer servers, scanners, smart card readers, virtual reality helmets, computer projectors, automatic teller machines (ATM), point of sale terminals (POS).
48	Manufacture of communication equipment	Central office switching equipment, data communication equipment (bridges, routers, gateways), transmitting and receiving antenna, cable television equipment, cordless telephones, cellular phones, private branch exchange (PBX) equipment, radio and television studio and broadcasting equipment (television cameras), modem, carrier equipment, burglar and fire alarm systems, radio and television transmitters, infrared devices (remote control).
49	Manufacture of consumer electronics.	Televisions, television monitors and displays, audio recording and duplicating systems, radio receivers, speaker systems, video cameras, video recorders and duplicating equipment, amplifiers, microphones, CD and DVD players, karaoke machines, headphones, video game consoles

50	Manufacture of measuring, testing and navigation equipment.	<p>(a) Search, detection, navigation, guidance, aeronautical and nautical systems and instruments; aircraft engine instruments; automotive emissions testing equipment;</p> <p>(b) Meteorological instruments;</p> <p>(c) Instruments for measuring and testing electricity and electrical signals;</p> <p>(d) Radiation detection and monitoring instruments; consumption meters;</p> <p>(e) Flow meters and counting devices, radar equipment, GPS devices;</p> <p>(f) Measuring and recording equipment; motion detectors;</p> <p>(g) Laboratory analytical instruments;</p> <p>(h) Watches and clocks; casing and watch; time-recording equipment; time switches and clock components.</p>
51	Manufacture of irradiation, electromedical and electrotherapeutic equipment.	Irradiation apparatus and tubes, CT scanners, PET scanners, magnetic resonance imaging (MRI) equipment, medical ultrasound equipment, electrocardiographs, electromedical endoscopic equipment, medical laser equipment, pacemakers, hearing aids.
52	Manufacture of optical instruments and photographic equipment.	Cameras, motion picture and slide projectors, overhead transparency projectors, laser assemblies, lenses and prisms, optical microscopes, telescopes, magnifying instruments, optical machinist precision tools, optical mirrors, optical measuring and checking devices and instruments (e.g. fire control equipment, photographic light meters, range finders).

53	Manufacture of basic iron and steel.	<p>(a) Ferro-alloys, ferrous products by direct reduction of iron and other spongy ferrous products, iron of exceptional purity, granular iron and iron powder, steel in ingots and other primary forms, semi-finished products of steel, hot-rolled and cold-rolled flat rolled products of steel, steel bars and rods and solid and open sections of steel, wires of steel, sheet piling, railway track materials, seamless and welded tubes and pipes of steel, tube fittings of steel; flat sheets; angle bar.</p> <p>(b) Operation of blast furnaces, steel converters, rolling and finishing mills/foundries.</p>
54	Manufacture of other nonferrous metals.	Aluminium; aluminium alloys; lead, zinc, tin, copper, chrome, manganese, nickel from ores or oxides; lead, zinc, tin, copper, chrome, manganese, nickel from electrolytic refining; lead, zinc, tin, copper, chrome, manganese, nickel alloys; mattes of nickel; uranium; uranium from pitchblende or other ores.
55	Casting of metals	Tubes, pipes and hollow profiles and related fittings of iron and steel and non-ferrous metals; castings.
56	Manufacture of tanks, reservoirs and containers of metal.	Metal containers for compressed or liquefied gas, reservoirs, tanks, silos and similar containers of metal for storage or manufacturing use, boilers and radiators.
57	Manufacture of steam generators.	<p>(a) Steam, vapour generators;</p> <p>(b) Condensers, economisers, superheaters, steam collectors and accumulators;</p> <p>(c) Nuclear reactors;</p> <p>(d) Parts of marine and power boilers.</p>
58	Manufacture of nails and other fabricated metals.	Nails, rivets, washers, bolts, screws, nuts.

59	Manufacture of motor vehicles and components.	<p>(a) Passenger cars, buses, vans, coaches, truck, tractors; fire engines; armoured vehicle;</p> <p>(b) Motor vehicle engines, chassis, bodies, out fittings;</p> <p>(c) Parts and accessories for motor vehicles: brakes, batteries, gearbox, axles, road wheels, suspension shock absorbers, radiators, silencers, exhaust pipes, catalytic converters, clutches, steering wheels, steering columns, steering boxes, safety belts, airbags, doors, bumpers, car seats, alternators, spark plugs, ignition wiring harnesses, power window and door systems, voltage regulators.</p>
60	Manufacture of motorcycles and components.	<p>(a) Motorcycles, mopeds and cycles fitted with an auxiliary engine;</p> <p>(b) Engines, parts and accessories for motorcycles.</p>
61	Manufacture of tricycles and components.	<p>(a) Motorised and non-motorised tricycles;</p> <p>(b) Engines, parts and accessories for tricycles.</p>
62	Building of ships, boats and floating structures for transportation.	<p>(a) Commercial vessels (passenger vessels, ferry boats, cargo ships, tanker, tugs), warships, fishing boats and fish-processing factory vessels;</p> <p>(b) Drilling platforms, floating or submersible; floating structures (docks, pontoons, landing stages, buoys, tanks, barges, lighters, floating cranes);</p> <p>(c) Sail boats, motorboats.</p>

63	Manufacture of aircraft and components.	<p>(a) Airplanes for the transport of goods or passengers, helicopters;</p> <p>(b) Drones and UAD;</p> <p>(c) Parts and accessories of aircraft: fuselages, wings, doors, control surfaces, landing gears, fuel tanks, nacelles, airscrews, helicopter rotors and propelled rotor blades, aircraft motors and engines, parts of turbojets and turboprops, aircraft seats;</p> <p>(d) Conversion of aircraft and aircraft engines.</p>
64	Manufacture of railway locomotives and rolling stock.	Electric, diesel, steam and other rail locomotives:- self-propelled/non- self-propelled railway coaches, vans, trucks, maintenance/ service vehicles and wagons- specialised parts of railway locomotives; mechanical and electromechanical signaling, safety and traffic control equipment for railways, railway car seats.
65	Manufacture of lifting and handling equipment	Forklifts and cranes, lifts, escalators, moving walkways, conveyors.
66	Manufacture of office machinery and equipment	Binding equipment, photocopy machines, toner cartridge.
67	Manufacture of power-driven hand tools	Circular or reciprocating saws, drills and hammer drills, handheld power sanders, pneumatic nailers, buffers, routers, grinders, staplers, pneumatic rivet guns, planers, shears and nibblers, impact wrenches, power actuated nailers.
68	Manufacture of general purpose machinery	<p>(a) Industrial refrigerating or freezing equipment, industrial air conditioning machines, non-domestic fans;</p> <p>(b) Packaging and wrapping machinery;</p> <p>(c) Fire extinguishers.</p>

69	Manufacture of agricultural and forestry machinery	Ploughs, harvesters, threshers, planters, tractors used in agriculture and forestry, mowers, manure spreader, seeder, harrows, sorter, milking machines, spraying machines for agricultural use, poultry-keeping machinery, bee-keeping machinery, equipment for preparing fodder, machines for cleaning, sorting or grading eggs, fruits.
70	Manufacture of metal-forming machinery and machine tools.	<p>(a) Machine tools for working metals and other materials (wood, bone, stone, hard-rubber, hard plastics, cold glass);</p> <p>(b) Machine tools for turning, drilling, milling, shaping, planing, boring, grinding; stamping or pressing machine tools;</p> <p>(c) Punch presses, hydraulic presses, hydraulic brakes, drop hammers, forging machines;</p> <p>(d) Draw-benches, thread rollers or machines for working wires;</p> <p>(e) Stationary machines for nailing, stapling, glueing;</p> <p>(f) Stationary rotary or rotary percussion drills, filing machines, riveters, sheet metal cutters;</p> <p>(g) Presses for the manufacture of particle board;</p> <p>(h) Electroplating machinery.</p>
71	Manufacture of machinery for metallurgy.	<p>(a) Machines and equipment for handling hot metals (converters, ingot moulds, ladles, casting machines);</p> <p>(b) Metal-rolling mills and rolls for such mills.</p>

72	Manufacture of machinery for mining, quarrying and construction.	<ul style="list-style-type: none"> (a) Boring, cutting, sinking, tunnelling machinery; (b) Machinery for treating minerals by screening, sorting, separating, washing, crushing; (c) Earth-moving machinery; (d) Pile drivers and pile extractors, mortar spreaders, bitumen spreaders, concrete surfacing tractors and tractors used in construction and mining; (e) Bulldozer and angle-dozer blades; (f) Off-road dumping trucks.
73	Manufacture of machinery for food and beverage processing.	<ul style="list-style-type: none"> (a) Agricultural dryers; (b) Machinery for dairy industry, grain milling industry, bakery industry; (c) Presses, crushers for fruit juices; (d) Machines and equipment to process diverse foods; (e) Machines for extraction or preparation of animal or vegetable fats and oils.
74	Manufacture of machinery for textile, apparel and leather production.	<ul style="list-style-type: none"> (a) Textile machinery; (b) Auxiliary machines or equipment for textile machinery; (c) Textile printing machinery; (d) Machinery fabric processing; (e) Laundry machinery; (f) Sewing machines, heads and sewing machine needles; (g) Machines for producing or finishing felt or non-wovens; (h) Leather machines.

75	Manufacture of machinery for paper and paperboard production.	<ul style="list-style-type: none"> (a) Machinery for making pulp; (b) Paper and paperboard making machines; (c) Dryers for wood, paper, paper pulp, paper or paperboard.
76	Manufacture of plastics and rubber machinery	Machinery for working soft plastics and rubber or for production of plastic and rubber products.
77	Manufacture of furniture	<ul style="list-style-type: none"> (a) Chairs and seats for offices, workrooms, hotels, restaurants, public and domestic premises, theatres, cinemas; (b) Sofas, sofa beds and sofa sets; (c) Garden chairs and seats; (d) Shop furniture - counters, display cases, shelves; (e) Furniture for churches, schools, restaurants; (f) Office, kitchen, living room, bedroom, garden and laboratory furniture; (g) Mattresses

78	Manufacture of medical and dental equipment and supplies.	<ul style="list-style-type: none"> (a) Surgical drapes and sterile string and tissue; surgical instruments including disposables; (b) Dental fillings and cements, dental wax and other dental plaster preparations; (c) Bone reconstruction cements, dental laboratory furnaces; (d) Laboratory ultrasonic cleaning machinery; (e) Laboratory sterilisers; (f) Distilling apparatus, centrifuges; (g) Medical, surgical, dental or veterinary furniture (operating tables, examining tables, hospital beds, dentists chair); (h) Bone plates and screws, syringes, needles, catheters, cannulae; (i) Dental instruments; (j) Orthopaedic and prosthetic devices; medical thermometers.
79	Maintenance, repair and overhaul of aircrafts.	Repair, maintenance and overhaul of aircraft and aircraft engines.
80	Electric power generation, transmission and distribution	<ul style="list-style-type: none"> (a) Operation of generation facilities that produce electric energy including thermal, nuclear, hydroelectric, gas turbine, and renewable; (b) Operation of transmission systems that convey electricity from generation facility to distribution systems; (c) Operation of distribution systems (i.e. consisting of lines, poles, meters and wiring) that convey electric power received from generation facility or the transmission system to the final consumer.

81	Manufacture of gas and gas distribution.	<ul style="list-style-type: none"> (a) Manufacture of gaseous fuels with a specified calorific value, by purification, blending and other processes from gases of various types including natural gas; (b) Transportation, distribution and supply of gaseous fuels.
82	Waste treatment, disposal and material recovery	<ul style="list-style-type: none"> (a) Operation of landfills for the disposal of non-hazardous waste; (b) Disposal of non-hazardous waste by combustion or incineration or other methods with or without resulting in production of electricity or steam, substitute fuels, biogas; (c) Treatment of organic waste for disposal; (d) Production of compost from organic waste; (e) Operation of facilities for treatment of hazardous waste; (f) Treatment and disposal of toxic live or dead animals or contaminated waste; (g) Incineration of hazardous waste; (h) Treatment, disposal and storage of radioactive nuclear waste; (i) Recovery of materials from waste; (j) Processing of metal and non-metal waste and scrap and other articles into secondary raw materials, involving a mechanical or chemical transformation process.
83	Construction and operations of roads, railways and airports.	Roads, motorways, bridges and tunnels; railways; airfield runways, airport terminals, hangers and runways.
84	Construction and operations of utility projects.	<ul style="list-style-type: none"> (a) Long-distance pipelines, communication and power lines; (b) Construction of power plants.

85	Construction and operations of water projects	(a) Waterways, harbour and river works, ports; (b) Dams
86	Construction and operations of industrial projects.	(a) Refineries; (b) Petrochemical plants.
87	Construction of residential buildings	Low and middle-income housing estates of single and multi-family buildings.
88	Construction and operation of non-residential buildings.	(a) Holiday resorts, hotels (3* and above); (b) Health supporting structures: specialised hospitals, diagnostics, laboratories, medical cities; (c) Sporting and recreational facilities; (d) Office buildings; (e) Buildings for industrial production; (f) Warehouses; (g) Shopping malls and stores.
89	E-commerce services with sales done predominantly or exclusively online	E-commerce services with sales done predominantly or exclusively online.
90	Publishing of books	Copyrighted books
91	Development and publishing of ready-made software	Operating systems, software applications, computer games.
92	Production and post-production of digital content for motion picture, videos, television programmes, commercials, distribution and exhibition.	(a) Digital movies, animation, videos, television programmes, commercials; (b) Online distribution (c) Exhibition.
93	Music production, publishing and distribution.	Music production, publishing and online digital music distribution.

94	Telecommunication	<p>Indigenous providers of the following services, with the exception of GSM companies:</p> <ul style="list-style-type: none"> (a) Operating, maintaining or providing access to facilities for the transmission of voice, data, text, sound and video using a wired, wireless or satellite telecommunications infrastructure. (b) Operating and maintaining switching and transmission facilities to provide dedicated point to point or point to multi point. (PMP) communications via landlines, microwaves or combination of landlines and satellite linkups; (c) Build, own, operate and maintain fiber optic cable systems along with several cable landing stations and has, for the purpose of connecting customers to systems. (d) Furnishing of non-vocal communications using own facilities. (e) Purchasing access and network capacity from owners and operators of networks and providing telecommunications services using this capacity to businesses and households. (f) Provision of internet access by the operator of the wired, wireless or satellite infrastructure. (g) Maintaining and operating cellular and other wireless telecommunications networks through other technologies other than GSM. (h) Delivery of visual, aural or textual programming received from cable networks, local television stations or radio networks to consumers direct to home satellite systems.
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		<p>Other telecommunications activities:</p> <p>(i) Provision of specialised telecommunications applications such as satellite tracking, communications telemetry and radar station operations.</p> <p>(j) Operation of satellite terminal stations and associated facilities operationally connected with one or more terrestrial communications systems and capable of transmitting telecommunications to or receiving telecommunications from satellite systems.</p> <p>(k) Provision of Internet access over networks between the client and the ISP not owned or controlled by the ISP, such as dial-up Internet access etc.</p> <p>(l) Provision of telephone and Internet access in facilities open to the public</p> <p>(m) Operate MVNO model, Mobile Virtual Network Operator model by running on infrastructure of a GSM.</p> <p>(n) VOIP (Voice Over Internet Protocol) provision.</p> <p>(o) Co-location /Infrastructure hosting and sharing facility: building, erecting, construction or otherwise acquisition and ownership of telecommunications infrastructure and facilities that are open to sharing by network service providers provided however that such infrastructure and facilities are not core network facilities.</p>
95	Photography	Photograph for tourism purposes and aerial photography.
96	Real estate investment vehicles under Investment and Securities Act.	Real Estate Investment Trusts, Real Estate Investment Companies.

97	Mortgage backed securities under Investment and Securities Act.	Mortgage backed securities.
98	Setting up of Regional/Global shared services centres in Nigeria for the provision and management of technical services.	Shared services centres.
99	Rail, land, pipeline and water transportation	<p>(a) Passenger rail transport: inter and intra urban service.</p> <p>(b) Freight rail transportation: mainline rail network and short-line freight rail.</p> <p>(c) Freight transport by road: stock haulage; refrigerated haulage; heavy haulage; bulk haulage, including haulage in tanker trucks; haulage of automobiles and transportation of waste materials.</p> <p>(d) Transportation via pipelines: gases, liquids, slurry and other commodities.</p> <p>(e) Sea and coastal passenger transportation: operations of excursion, cruise or sightseeing boats; operations of ferries, water taxis.</p> <p>(f) Sea coastal freight water transport: transport of freight overseas and coastal waters; harbour operation and other auxiliary activities such as docking, pilotage, vessel salvage.</p> <p>(g) Inland passenger water transportation: transport of passenger via rivers, canals, lakes and other inland waterways including inside harbours and ports.</p> <p>(h) Inland freight water transportation: transport of passenger via rivers, canals, lakes and other inland waterways including inside harbours and port.</p>

Appendix 3:

List of abbreviations



A	
AFEM	Autonomous Foreign Exchange Market
AMCON	Asset Management Corporation of Nigeria
ASCE	Abuja Securities & Commodities Exchange
AU	African Union
B	
BOFIA	Banks and Other Financial Institutions Act
C	
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matters Act
CBN	Central Bank of Nigeria
CCI	Clean Certificate of Inspection
CET	Common External Tariff
CGNIS	Comptroller General of the Nigerian Immigration Service
CGT	Capital Gains Tax
CISS	Comprehensive Import Supervision Scheme
CIT	Companies Income Tax
CPI	Consumer price index
CRA	Consolidated Relief Allowance
CSCS	Central Securities Clearing System
D	
DIAs	Destination inspection agents
DI	Destination Inspection
DPR	Department of Petroleum Resources
DTAs	Double taxation agreements
E	
ECA	Employee's Compensation Act
ECF	Executive Council of the Federation
ECOWAS	Economic Community of West African States
EDF	Export Development Fund
EEG	Export Expansion Grant

F	
FBIR	Federal Board of Inland Revenue
FCT IRS	Federal Capital Territory Internal Revenue Service
FEC	Federal Executive Council
FEMMP	Foreign Exchange Monitoring and Miscellaneous Provisions
FIRS	Federal Inland Revenue Service
FMARD	Federal Ministry of Agriculture and Rural Development
FMCT	Federal Ministry of Communications Technology
FMF	Federal Ministry of Finance
FMI	Federal Ministry of Interior
FMJ	Federal Ministry of Justice
FMLE	Federal Ministry of Labour and Employment
FMT	Federal Ministry of Transport
FMWPH	Federal Ministry of Works, Power and Housing
FRCN	Financial Reporting Council of Nigeria
FSI	Financial services industry
FTZ	Free Trade Zone
G	
GSM	Global System for Mobile Telecommunications
H	
HSIC	Heads of State and Government Implementation Committee
I	
IAT	Import Adjustment Tax
ICT	Information Communications Technology
IFEM	Inter-Bank Foreign Exchange Market
IFRS	International Financial Reporting Standards
IID	Industrial Inspectorate Department
IOCs	International oil companies
ISA	Investment and Securities Act
ITA	Investment tax allowance
ITC	Investment tax credit
ITF	Industrial Training Fund

J	
JTB	Joint Tax Board
L	
LFN	Laws of the Federation of Nigeria
M	
MPR	Monetary Policy Rate
N	
NAFDAC	National Agency for Food and Drug Administration and Control
NAICOM	National Insurance Commission
NAPIMS	National Petroleum Investment Management Services
NASB	Nigerian Accounting Standards Board
NBC	National Broadcasting Commission
NCA	Nigerian Communications Act
NCC	Nigerian Communications Commission
NCDMB	Nigerian Content Development and Monitoring Board
NCSB	Nigeria Customs Service Board
NCS	Nigeria Customs Service
NDIC	Nigeria Deposit Insurance Corporation
NECA	Nigeria Employers' Consultative Association
NEPAD	New Partnership for Africa's Development
NEPA	National Electric Power Authority
NEPC	Nigerian Export Promotion Council
NESS	Nigerian Export Supervision Scheme
NGL	Natural Gas Liquid
NHIS	National Health Insurance Scheme
NIC	National Industrial Court
NICTP	National Information and Communications Technology Policy
NIMASA	Nigerian Maritime Administration and Safety Agency
NIPC	Nigerian Investment Promotion Commission
NIS	Nigeria Immigration Service
NIS	Nigeria standards
NLC	Nigerian Labour Congress

NNPC	Nigerian National Petroleum Corporation
NOGICDA	Nigerian Oil and Gas Industry Content Development Act
NOTAP	National Office for Technology Acquisition and Promotion
NRC	Non Resident Company
NSE	Nigerian Stock Exchange
NXP	Nigerian Export Proceeds
O	
OAU	Organisation of African Unity
OECD	Organisation for the Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
OSIC	One Stop Investment Centre
P	
PAYE	Pay As You Earn
PENCOM	National Pension Commission
PFA	Pension Fund Administrator
PFC	Pension Fund Custodian
PHCN	Power Holding Company Nigeria Limited
PIB	Petroleum Industry Bill
PIT	Personal Income Tax
POR	Place of residence
PPOR	Principal place of residence
PPPRA	Petroleum Products Pricing Regulatory Agency
PPT	Petroleum Profits Tax
PRA	Pension Reform Act
PSCs	Production Sharing Contracts
PUR	Permanent until Reviewed
R	
RAR	Risk Assessment Report
RECs	Regional Economic Communities
RFI	Request for Information
RSA	Retirement Savings Account
RTA	Relevant tax authority

S	
SAS	Statements of Accounting Standards
SEC	Securities and Exchange Commission
SEP	Significant Economic Presence
SIRS	State Internal Revenue Service
SON	Standards Organisation of Nigeria
SPM	Supplementary Protection Measures
STR	Subject to Regularisation
T	
TCC	Tax Clearance Certificate
TDA	Trade Disputes Act
TET	Tertiary Education Tax
TIP	Temporary Import Permit
TLS	Trade Liberalisation Scheme
TS	Technical Services
TUA	Trade Unions Act
TUC	Trade Union Congress
TWDV	Tax written down value
TWPs	Temporary work permits
U	
UN	United Nations
V	
VAT	Value Added Tax
VOA	Visa on Arrival
W	
WHT	Withholding Tax
WTO	World Trade Organisation
Y	
YOY	Year-on-Year

