

# Doing Business in Nigeria



THINK AFRICA  
THINK PKF



# COUNTRY OVERVIEW

Nigeria is strategically located with access to the Economic Community of West African States (ECOWAS), sharing land borders with Benin, Cameroon, Chad and Niger, making it a natural hub for the region and the rest of Africa.

Nigeria has 3,798 km of railway tracks and 168,000 km of road network.

The country has four international airports (Lagos, Kano, Port Harcourt, Abuja) and major seaports in Lagos, Calabar and Bonny Island.

## GEOGRAPHY

Area	923,768 km²
Population	213,145,112
Capital	Abuja

## POLITICS

Form of Government	Presidential
Republic Head of State	Muhammadu Buhari

## LANGUAGES

Official Language	English
National Language	Igbo, Hausa, Yoruba and 250+ ethnic national groups

## ECONOMY

Gross Domestic Product (2021)	USD 440 billion
Per capita GDP	USD 2,432 (nominal, 2021 est.)
GDP Real Growth Rate (2021)	0.51%
Inflation Average Rate (2021)	15.97%
Currency	Naira (NGN)
Current exchange rate	1 USD = 412.22 Naira approx.* *as at 24 June 2021

# WHY NIGERIA?



With over two decades of stability of the civilian government, Nigeria's trade has more than quadrupled.



Nigeria is the largest populated country in Africa with over 200 million inhabitants. The country is highly diversified with over 250 ethnic groups and 500 indigenous languages.



Nigeria tops South Africa as the continent's biggest economy. The two countries make up half of sub-Saharan Africa's GDP.



Nigeria has the largest oil and gas reserves in the African region, with around 37 billion barrels of oil and 5.4 trillion cubic meters (tcm) of gas.



Section 22 of the Nigeria Investment Promotion Act 2004 allows foreigners to invest and participate in operations of any Nigerian enterprise (up to 100% ownership) without any restriction.



Nigeria's financial and capital markets are among the most sophisticated in Africa, boasting numerous domestic companies and regional offices of multinationals.



The country has developed significant human resources skills in the energy, fast-moving consumer goods, telecommunications, financial services, agriculture and construction sectors.



Nigeria's geographical location in West Africa positions the country favourably for investors in sub-Saharan Africa.



Nigeria's information and communications technology (ICT) industry has developed rapidly on the back of state-led growth initiatives and as a result of rising levels of private sector activity. ICT is the single fastest-growing sector across Nigeria's economy.

---

# INVESTMENT INCENTIVES



- No restriction on business ownership (Sections 17 and 18 Nigerian Investment Promotion Commission (NIPC) Act)
- Customs and excise tariff incentives under the Finance Act 2020
- Special incentives for strategic or major investments (Section 22 NIPC Act)
- Unconditional transferability of capital and funds for foreign investors in an enterprise (Section 24 NIPC Act)
- Protection against nationalisation and expropriation of investors (Section 25 NIPC Act)
- Recourse to international arbitration process for the settlement of disputes involving foreign investors (Section 26 NIPC Act)

## BILATERAL INVESTMENT TREATIES

- Elimination of Double Taxation Agreement with respect to taxes on income and capital gains (Section 41 CGTA) with the following countries: Belgium, Canada, China, Czech Republic, France, Italy (airline & shipping only), Pakistan, Philippines, Romania, Slovakia, South Africa, the Netherlands, United Kingdom
- Investment Promotion and Protection Agreement with the following countries: China, Finland, France, Germany, Italy, Korea (Republic of), the Netherlands, Romania, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan Province of China, United Kingdom
- ECOWAS Trade Liberalisation Scheme with the following countries: Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone, Togo
- Commonwealth tax relief for profits earned (Section 44 CITA)



# EXPORT PROCESSING ZONE INCENTIVES

Ministry:	Federal Ministry of Industry, Trade and Investment
Regulator:	Nigeria Export Processing Zones Authority 100% foreign ownership of investment permitted

- Free movement of capital, profits and dividends by foreign investors
- Rent-free land at construction stage (thereafter rent is payable)
- Full tax holiday (from federal, state and local government taxes) for three consecutive years for all industrial undertakings (including foreign companies and individuals) operating in an export processing zone
- Duty-free, tax-free import of raw materials for goods destined for re-export
- Waiver on all import and export licenses
- Waiver on all expatriate quotas for companies operating in the zones
- 100% capital allowance for a company which has incurred expenditure on its qualifying building and plant equipment on an approved manufacturing activity in an export processing zone (Section 35(1))
- Unlimited sale of product within the customs territory – enterprises operating in the zones are allowed to export into the Nigerian customs territory up to 100% of their goods produced, assembled or packaged within the zones.



# OIL AND GAS FREE ZONE (OGFZ) INCENTIVES



- 100% foreign ownership of investment permitted
- Free movement of capital, profits and dividends by foreign investors
- Rent-free land at construction stage (thereafter rent is payable)
- Full tax holiday (from federal, state and local government taxes) for all industrial undertakings (including foreign companies and individuals) operating in an OGFZ
- Duty-free, tax-free import of raw materials for goods destined for re-export
- Waiver on all import and export licenses
- Waiver on all expatriate quotas for companies operating in the zone
- 100% capital allowance for a company which has incurred expenditure on its qualifying building and plant equipment on an approved manufacturing activity in an export processing zone (Section 35(1) of CITA)
- Unlimited export into the customs territory of any product or goods manufactured, assembled or prepackaged in the OGFZ (Part 1, 3.7 OGFZA Regulations)
- 75% duty rebate on raw materials processed in the OGFZ (FZO 2015)

# SECTOR SPECIFIC INCENTIVES



## AGRICULTURE/AGRO-ALLIED

Ministry: Federal Ministry of Agriculture and Rural Development

- Enhanced capital allowance (tax depreciation) regime
  - A. 95% capital allowance available in the year qualifying expenditure is incurred (Paragraph 24 Table 1 & 2 Second Schedule CITA)
  - B. Companies engaged in wholly agricultural activities entitled to unrestricted capital allowances (Paragraph 24 (7) CITA)
  - C. Companies engaged in wholly agricultural activities entitled to carry forward unutilised capital allowances indefinitely
- **Agricultural credit guarantee scheme fund: loan guarantee of up to 75%** – provides guarantees on the payment of interest and principal in respect of loans granted by any bank for certain agricultural purposes with the aim of increasing the level of bank credit to the agricultural sector.
- **Exemption from minimum Corporate Income Tax (Section 33(3)(a) CITA)** – exempts the income of a company carrying on agricultural trade from payment of minimum tax.
- **Indefinite carry forward of losses (Section 31(3) CITA)** allows companies engaged in agricultural trade or business to carry forward their losses indefinitely.
- **Commercial Agriculture Credit Scheme** allows maximum obligor limit of NGN 2 billion for medium and large-scale private sector enterprises with single digit interest rate (9% all-in, max).



## TOURISM/HOSPITALITY

Ministry: Federal Ministry of Information and Culture

Sector Regulator: Nigerian Tourism Development Corporation

- **Subject to other conditions, 25% of incomes earned from tourists by hotels in Nigeria will be exempt from Companies Income Tax**



## SOLID MINERALS

Ministry: Federal Ministry of Mines and Steel Development

- **Exemption from Companies Income Tax (Section 36 CITA)** – a new company engaged in mining of solid minerals is exempt from tax for the first three years of its operation
  - **95% accelerated capital allowance (Second Schedule CITA)** – accelerated capital allowance at 95% of qualifying capital expenditure on mining in the first year of use of the asset
- 



## MANUFACTURING

Ministry: Federal Ministry of Industry, Trade and Investment

- **Interest drawback programme fund for cassava processing** – 60% repayment of interest paid for borrowings from banks under Agricultural Credit Guarantee Scheme for the purpose of cassava production and processing
- 



## OIL & GAS

Ministry: Federal Ministry of Petroleum Resources

Sector Regulator: Department of Petroleum Resources

- Graduated royalty rates approved for oil companies in line with Section 5 of the Deep Offshore and Inland Basin Production Sharing Contracts Act
  - A. On shore production – 20%
  - B. Production in territorial waters and continental shelf areas up to 100 metres water depth – 18.5%
  - C. Production in territorial waters of continental shelf areas beyond 100 metres – 16.67%
  - D. For production sharing contracts for deep offshore operation, the royalty rates are:
    - Up to 200 metres water depth – 16.67%
    - 201–500 metres water depth – 12%
    - 501–800 metres water depth – 8%
    - 800–1,000 metres water depth – 4%
    - Above 1,000 metres water depth – 0%



- **Investment tax credit allowance (Section 22 PPTA):** Investment tax credit allowance is granted in accordance with the provisions of the production sharing contract. The investment tax credit rate applicable to the contract area is 50% of chargeable profit for the duration of the production sharing contract.
- **Allowable deductions:** Chargeable tax is the amount of tax paid after adjusting for allowable deductions made pursuant to the provisions of Section 10 PPTA. Allowable deductions are treated as charges against income and not as tax offsets and are wholly incurred in the process of petroleum operations.
- **Gas utilisation – Investment allowance:** For companies in gas utilisation (downstream operations), an additional investment allowance of 35% (which shall not reduce the value of the asset) is allowed, as an alternative to the initial tax-free period granted under Section 39(b) CITA.
- **Gas utilisation – Accelerated capital allowance:** Section 39(c) CITA provides for accelerated capital allowance after the tax-free period for companies in gas utilisation (downstream operations).
- **Gas utilisation – Tax-free dividends:** Section 39(d) CITA provides for tax-free dividends during the tax-free period for companies in gas utilisation (downstream operations).
- **Gas utilisation – Interest deduction:** Subject to obtaining prior approval from the Minister of Petroleum Resources for such a loan, Section 39(e) CITA provides that interest payable on any loan obtained for a gas project shall be deductible.
- **Investment tax relief:** Section 40 CITA provides that where a company has incurred expenditure on electricity, water, tarred road or telephone for the purpose of a trade or business carried on by the company, it is allowed an 'investment tax relief'.



# TAX INCENTIVES

- Tax credit allowable against tax payable on income derived from outside Nigeria (Section 11 Personal Income Tax Act (PITA))
- Exemption on retirement benefit schemes (Section 28 Capital Gains Tax Act (CGTA))
- Exemption of gains accruing on Nigerian government securities and stocks (Section 30 CGTA)
- Tax exemption on gain arising from takeover, absorption or merger provided no cash is exchanged in respect of the shares (Section 32 CGTA)
- Double taxation relief (Section 41 CGTA)
- 20% investment tax credit on qualifying expenditure by companies and other organisations that engage in research and development activities for commercialisation
- Rural investment allowance available to companies that incur capital expenditure on the provision of facilities such as electricity, water or tarred road for the purpose of a trade or business (Section 34 CITA)







# TAX

## Corporate Tax

Medium: 20%

Large: 30%

## Withholding Tax

Construction: 2.5%

Dividends, interest and rents: 10%

Hire of equipment: 10%

Royalties and management services: 10%

Contracts other than sales in the ordinary course of business: 5%

Commission, consultancy, technical & professional services: 10%

## VAT Rate: 7.5%

## Capital Gains Tax: 10%

## Petroleum Profit Tax (PPT)

Petroleum operations under production sharing contracts (PSC) with Nigerian National Petroleum Corporation: 50%

Non-PSC operations including joint ventures in the first five years: 65.75%

Non-PSC operations after the first five years: 85%



# BUSINESS PERMIT

A business permit is an authorisation or approval issued by the Nigerian government through the Department of Citizenship and Business, Ministry of Interior to a foreign-owned corporate body registered for the set-up and operation of a business in Nigeria.

Prior to making an application for a business permit, a foreigner or foreign-owned company must have incorporated a company with the Corporate Affairs Commission (CAC) before applying for the requisite business permit or license.

For a full list of requirements visit [here](#).

# COMPANY STRUCTURES

Requirement	LTD	PLC
Duration		
Company set-up	8 weeks	10 weeks
Bank account set-up	4 weeks	4 weeks
Company Structure		
Resident Director required	Yes	Yes
Resident Shareholder required	No	No
Resident Company Secretary required	Not required for small companies	Yes
Corporate shareholders permitted	Yes	Yes
Wholly foreign owned	Yes	Yes
Minimum paid-up share capital	NGN 100,000	NGN 2,000,000
Legal Liability	Limited	Limited
Annual Tax Return Submission	Yes	Yes
Tax Registration Certificate	Yes	Yes

# ADDRESSES OF RELEVANT GOVERNMENT AGENCIES

## **Bank of Agriculture**

Website: [www.boanig.com](http://www.boanig.com)

## **Bank of Industry**

Website: [www.boi.ng](http://www.boi.ng)

## **Central Bank of Nigeria**

Website: [www.cbn.gov.ng](http://www.cbn.gov.ng)

Email: [contactcbn@cbn.gov.ng](mailto:contactcbn@cbn.gov.ng)

## **Federal Inland Revenue Service**

Website: [www.firs.gov.ng](http://www.firs.gov.ng)

Email: [enquiries@firs.gov.ng](mailto:enquiries@firs.gov.ng)

## **Federal Ministry of Agriculture and Rural Development**

Website: [www.fmard.gov.ng](http://www.fmard.gov.ng)

Email: [info@fmard.gov.ng](mailto:info@fmard.gov.ng)

## **Federal Ministry of Finance**

Website: [www.finance.gov.ng](http://www.finance.gov.ng)

## **Federal Ministry of Health**

Website: [www.health.gov.ng](http://www.health.gov.ng)

Email: [info@health.gov.ng](mailto:info@health.gov.ng)

## **Federal Ministry of Industry, Trade and Investment**

Website: [www.fmiti.gov.ng](http://www.fmiti.gov.ng)

## **Federal Ministry of Information & Culture**

Website: [www.fmhc.gov.ng](http://www.fmhc.gov.ng)

## **Federal Ministry of Works and Housing Headquarters**

Website: [www.worksandhousing.gov.ng](http://www.worksandhousing.gov.ng)

Email: [info@worksandhousing.gov.ng](mailto:info@worksandhousing.gov.ng)

## **Federal Ministry of Petroleum Resources**

Website: [www.petroleumresources.gov.ng](http://www.petroleumresources.gov.ng)

## **National Automotive Design and Development Council**

Website: [www.naddc.gov.ng](http://www.naddc.gov.ng)

Email: [contact@naddc.gov.ng](mailto:contact@naddc.gov.ng)

## **National Sugar Development Council**

Website: [www.nsdcnigeria.org](http://www.nsdcnigeria.org)

Email: [contact@nsdc.gov.ng](mailto:contact@nsdc.gov.ng)

## **Nigeria Customs Service**

Website: [www.customs.gov.ng](http://www.customs.gov.ng)

Email: [info@customs.gov.ng](mailto:info@customs.gov.ng)  
[paarhelpdesk@customs.gov.ng](mailto:paarhelpdesk@customs.gov.ng)

## **Nigeria Incentive-Based Risk Sharing System for Agricultural**

Website: [www.nirsal.com](http://www.nirsal.com)

## **Nigerian Electricity Regulatory Commission**

Website: [www.nerc.gov.ng](http://www.nerc.gov.ng)

Email: [info@nerc.gov.ng](mailto:info@nerc.gov.ng)

## **Nigerian Export Processing Zones Authority**

Website: [www.nepza.gov.ng](http://www.nepza.gov.ng)

Email: [enquiries@nepza.gov.ng](mailto:enquiries@nepza.gov.ng)

## **Nigerian Export Promotion Council**

Website: [www.nepc.gov.ng](http://www.nepc.gov.ng)

Email: [ceo@nepc.gov.ng](mailto:ceo@nepc.gov.ng)  
[enquiries@nepc.gov.ng](mailto:enquiries@nepc.gov.ng)  
[helpdesk@nepc.gov.ng](mailto:helpdesk@nepc.gov.ng)

## **Nigerian Investment Promotion Commission**

Website: [www.nipic.gov.ng](http://www.nipic.gov.ng)

Email: [infodesk@nipic.gov.ng](mailto:infodesk@nipic.gov.ng)

## **Nigerian Tourism Development Corporation**

Website: [www.tournigeria.gov.ng](http://www.tournigeria.gov.ng)

Email: [hello@tournigeria.gov.ng](mailto:hello@tournigeria.gov.ng)

## **Oil & Gas Free Zones Authority**

Website: [www.ogfza.gov.ng](http://www.ogfza.gov.ng)

Email: [contact@ogfza.gov.ng](mailto:contact@ogfza.gov.ng)

right people  
right size  
right solutions

---

## TALK TO US

We'll help direct your enquiry to the right place.

Contact us at:

**PKF Professional Services**

205a Ikorodu Road,

Obanikoro, Lagos

Nigeria

Telephone: +2349030001351

Email: [nigeria@pkf-ng.com](mailto:nigeria@pkf-ng.com)

Website: [www.pkf-ng.com](http://www.pkf-ng.com)

**PKF International Ltd.**

Studio 215-216, Great Western Studios, 65 Alfred Road, London, W2 5EU, United Kingdom

Telephone: +44 20 3691 2500

[www.pkf.com](http://www.pkf.com)