FREQUENTLY ASKED QUESTIONS (FAQS): OPERATING A BUSINESS IN NIGERIA – Introduction

Commencing a business in Nigeria can be a promising venture, given the country’s large population, growing economy, and various business opportunities. Like any other country, however, Nigeria has its own unique set of regulations and hurdles which entrepreneurs must navigate.

Operating a business in Nigeria involves several steps, such as registering the business with the Corporate Affairs Commission (CAC), tax registration with the Federal Inland Revenue Service (FIRS), obtaining necessary permits and licenses, amongst others.

To assist aspiring entrepreneurs in navigating the environment, we have summarised in this article, a list of frequently asked questions (FAQs) in respect of which entrepreneurs often require answers before proceeding to do business in Nigeria.

1. What are the relevant business structures for operating in Nigeria?

In Nigeria, the law requires that any individual or entity intending to engage in commercial activities in Nigeria must register with the Corporate Affairs Commission (CAC). The Companies and Allied Matters Act (CAMA) 2020 is Nigeria’s primary legislation governing the formation and operation of companies. Under CAMA, businesses can adopt various legal structures such as:

Private Limited Company: This is the most common structure for small to medium-sized businesses. The company is required to have at least two shareholders (one shareholder in the case of a small company) and two directors.

Public Limited Company: This structure is suitable for larger enterprises and it allows for the public sale of shares. It is required to have at least two shareholders and two directors.

Limited Liability Partnership (LLP): This is a more recent option provided for under CAMA. It combines the characteristics of partnerships and corporations such that all the partners participate in the management of the partnership and also have limited liability protection.

Limited Partnership: It consists of at least two persons, one limited partner and one general partner in which the liabilities of the limited partner are limited to the amount of his investment in the partnership while the general partner’s liabilities are unlimited. It is suitable where one of the partners desires to be a mere sponsor and will not partake in the daily running of the partnership business.

Business Name: This structure is ideal for sole proprietors/entrepreneurs. It does not provide limited liability protection and the owner is personally liable for the obligations of the business.

2. What are the key regulatory bodies for businesses in Nigeria?

There are several regulatory bodies in Nigeria and whether or not a business falls within their purview may depend on the nature of the business. Some of the prominent regulatory bodies include;

The Corporate Affairs Commission (CAC): responsible for regulating all corporate matters.

The Federal Competition and Consumer Protection Commission (FCCPC): responsible for ensuring that the interests of Nigerian consumers of goods and services are protected.

The Central Bank of Nigeria (CBN): responsible for regulating financial services in Nigeria.

The Federal Inland Revenue Service (FIRS): responsible for enforcing tax regulations as they relate to businesses.

3. What are the tax implications for operating in Nigeria?

Nigeria has a tax system which includes federal, state, and local taxes. Businesses in Nigeria are subject to a number of taxes, including Companies Income Tax (CIT), Value-Added Tax (VAT), Withholding Tax (WHT) and Personal Income Tax (PIT) for employees. It should be noted that upon incorporation with the CAC, companies are now automatically given a tax identification number which is shown on the Certificate of Incorporation.

4. Can foreigners own businesses in Nigeria?

Yes, foreigners can fully own and operate businesses in Nigeria except in specific sectors such as oil and gas, aviation, domestic coastal carriage, etc, which require majority local ownership and control.

5. Are there immigration requirements for foreign business owners and employees?

Yes, there are. For foreign business owners and employees, Nigeria has specific immigration requirements. One of the most vital immigration requirements is the Combined Expatriate Residence Permit and Aliens Card (“CERPAC”) which employers of foreign employees must obtain on their behalf to enable them lawfully work and reside in Nigeria.

6. How long does it take to register a business in Nigeria?

The time frame for registering a business may vary depending on the nature of the business and relevant regulations applicable to the business. On the average, however, it typically takes about 5 to 10 business days to register a business at the CAC.

Conclusion

In conclusion, establishing a business in Nigeria offers significant opportunities, but also requires careful planning to ensure compliance with existing regulatory frameworks. By addressing these FAQs and seeking professional guidance, entrepreneurs can embark on a successful business journey in this dynamic and profitable market.