



## **Navigating Business Registration in Nigeria: A Foreign Investor’s FAQ Guide**

### **Frequently Asked Questions by Foreigners Seeking to do Business in Nigeria**

#### ***Can a local Nigerian company be 100% foreign owned by foreigners or a foreign company?***

Yes. In Nigeria, foreigners are free to set up their own companies and commence operations in the Country without having any local participation in their company’s shareholding. This they can do in different sectors of the Nigerian economy, save for businesses in the Negative List.

#### ***What is the Common type of company registered in Nigeria?***

The common type of company registered in Nigeria is the Private Company Limited by Shares [Ltd.]. This is the most common business vehicle chosen by foreign entities seeking business registrations in Nigeria. The private company limited by shares must end with the word “limited” or “Ltd.”

#### ***Can a foreigner register a company in Nigeria without physically coming to Nigeria?***

Yes. Foreigners can get their Nigerian entities registered without being physically present in Nigeria. The directors and shareholders need not come physically to Nigeria as incorporation can be done without their physical presence in the country.

#### ***What is the Corporate Tax rates for companies in Nigeria***

Corporate income tax rate in Nigeria for company income tax stands at 30% for companies operating with an annual turnover of ₦100 million or more; a reduced tax rate exists for medium-sized companies with annual turnover of ₦25 million and less than ₦100 million

while zero corporate tax rate exists for companies with annual turnover less than ₦25 million. The reason for the lower and zero company income tax rates for the companies with lower earnings is to serve as an incentive for them to continue operations in Nigeria.

### ***How Many Directors are Needed in a Company in Nigeria?***

Every company incorporated in Nigeria must have a minimum of one director for private limited companies and a minimum of two directors for public companies. The number of directors in these types of companies can never fall below the legal minimum—if it does, then the company is expected to rectify same immediately to avoid regulatory sanctions from the Corporate Affairs Commission.

### ***Must All Directors be Local?***

Company directors for a foreign-owned company in Nigeria need not be local; they can be 100% foreign to go in line with ownership leverage of 100% foreign ownership of companies in Nigeria, as prescribed by Law. In some industries, there's a requirement for local participation, though, but this isn't the norm, it's the exception. Foreigners are allowed to operate their companies on a 100 percentile foreign ownership basis with foreign directors.

### ***What is the Minimum shareholder Requirement for companies with foreign participation in your Jurisdiction?***

In Nigeria, the minimum shareholder for companies registering in Nigeria with foreign participation is one shareholder. There can be more than one shareholder, but the minimum is one. The maximum for private companies limited by shares is fifty shareholders; if the number exceeds fifty then the company is required to incorporate as a public company.

### ***Must Every Company Registering in Nigeria have a Company Secretary?***

If a company is a “Small Company”, then it does not need a company secretary. A small company is a private company with annual turnover and net asset value of not more than ₦120,000,000 and ₦60,000,000 respectively. Besides this statutory exception, every other company in Nigeria is required to have a company secretary. The company secretary need not be local. This Rule also applies to companies with foreign ownership in Nigeria.

### ***Do Companies Need to Take Care of their Bookkeeping and Financial Statements?***

It is very advisable to maintain books of account for accounting and tax purposes, especially if your company is fully operational in Nigeria.

### ***What is the Minimum share capital for Companies in Nigeria owned by Foreigners?***

The Minimum share capital for a company with foreign participation is ₦10,000,000 [Ten Million Naira].

### ***Will the Share Capital Remain the Same if We Have Local Shareholders?***

A Nigerian company that has foreign participation who own the company either wholly or in part/together with local shareholders is required to have a minimum ₦10,000,000 [Ten Million Naira]. As long as there is foreign participation in that company, the minimum share capital requirement remains the same, pegged at a minimum of ₦10,000,000 [Ten Million Naira] share capital.

### ***Is the Share Capital Required to be Paid Up?***

If your new Nigerian entity intends to commence business within Nigeria then it has to import that capital—the entirety of it—through authorized dealers and obtain certificate of capital importation to that effect.

### ***What are the General Procedures for registering a company in Nigeria?***

- **Timing:** Company registration can typically be completed within fourteen working days, so long as all necessary and required documentation and information are provided to the Corporate Affairs Commission.

- **Cost:** The cost varies depending on the type of company, the shareholding [which determines the stamp duties payment for the incorporation] and other factors.

### ***Can a P.O. Box Serve as Registered address & Registered Office in Nigeria?***

Every company being registered in Nigeria MUST have a physically verifiable local Nigerian address. Post office boxes are NOT acceptable. For foreigners with local addresses in Nigeria, they can use same as the registered address of the company. For foreign entities without local Nigerian addresses there are several virtual office address providers that offer convenience and use of their address/facilities.

### ***What Corporate Documents Do We Receive upon Incorporation in Nigeria?***

Upon incorporation, you receive: Certificate of Incorporation, Memorandum and Articles of Association, and Form CAC 1.1 (which is the new E-Status Report that contains the company details, business activity details, details of persons with significant control of the company, directors' details and shareholders' details). All are issued upon incorporation by the Director-General of the Corporate Affairs Commission in Nigeria.

### ***Can We Obtain a Certificate of Incumbency for our Registered Company?***

In Nigeria the term is not associated with companies. The Certificate of Incumbency is what's called the Form CAC 1.1 in Nigeria, or the Status Report—same will be obtained and issued upon incorporation of the company. It shows the entire details of the registered company, together with its shareholding, registered address details, principal officers, details of persons with significant control of the company, among other details. It's certified and shows the status of the company as at the specific date it was issued. This is issued upon incorporation and

subsequently will be issued from the Commercial Register upon any modifications made to a company's details at the Corporate Affairs Commission. The Status Report is issued in the form of an e-document because of the switch to an electronic database.

### ***Can We apply for a Certificate of Good Standing?***

Application can be made for same and obtained after 48 hours from incorporation, with the Corporate Affairs Commission. This is NOT mandatory and only applies if needed by the entity that registered the company for whatever business reasons they require same for.

### ***Can We Get Certifications of official Company Documents?***

Incorporation documents are certified upon registration of the company, save the certificate of incorporation. That aside, any officer of a company can apply for certification of company documents, for a fee.

### ***Do We Have to Register for Value Added Tax and Tax IDs?***

Yes, you do. All newly registered companies in Nigeria are fully expected to register with tax authorities in order to obtain their Tax Identification Number (TIN). Companies register for value added tax if they're providing services that are liable to payment of value added tax (at the rate of 7.5%).

### ***Are We Required to Renew Our Registered Company?***

In Nigeria, every registered entity has a duty to file "Annual Returns" with the Corporate Affairs Commission. This compliance requirement to file Annual Returns commences from the end of the 18<sup>th</sup> month after incorporation. That is the due date of accounts. From the end of that eighteen months from incorporation, companies are expected to "renew" their companies by filing Annual Returns with the Corporate Affairs Commission so as to keep the Commission abreast of its existence and status as an entity in Nigeria.

### ***Asides the Annual Returns, are there other Reporting requirements?***

Yes. Companies are also expected to make their returns to the Federal Inland Revenue Service (FIRS) for tax purposes.

### ***Do We need to Register with the Nigerian Investment Promotion Commission after incorporating with the CAC?***

For a company that is intending to commence business in Nigeria, the answer is yes. This allows such company to access investment incentives due to them as foreigners investing in the Nigerian economy.

### ***Are there Sectors Where Foreign Ownership of Company in Nigeria is restricted?***

Yes, there are.

### ***Are there Specific Requirements for Shareholding Structure and Share distribution?***

No, there aren't.

### ***Can a foreign company operate without registering a subsidiary in Nigeria?***

No. If a foreign company intends to do business in Nigeria, then such company has to register a Nigerian entity for its operations. Registration is a regulatory requirement and the law prevents such foreign company from operating in Nigeria without a formal company registration with the Corporate Affairs Commission.

### ***Are There Benefits for Foreign Investors in Nigeria?***

Yes, there are. Foreign investors benefit from tax incentives offered by the Government of the Federal Republic of Nigeria to them in order to encourage them to invest in Nigeria. Furthermore, they have assurances for 100% capital and profits repatriation to their home countries whenever they so wish.

### ***How long does it take to Register a company in Nigeria?***

From the name availability check and reservation of name, to register and issuance of registration documents, the process takes around five to seven working days. At most, the process will take fourteen working days but not more than that.

### ***At Kabbiz Legal & Advisory, do you provide Nominee Director Services?***

Yes. We provide nominee director services to international companies registering in Nigeria. This, we provide if clients require nominee (non-executive) directors to be listed in their company's public record, in order to maintain their confidentiality, or just so they can have local participation in their company.

### ***Do you provide Company Secretarial services?***

Yes, we do. This is a service we provide through our sister company Kabbiz Global Nominees Limited. As your company secretary we can provide a suite of corporate governance and compliance services/Advisory.

### ***Do you provide Nominee Shareholder services?***

Yes, we do. Sometimes clients wish to maintain confidentiality, or to handle sensitive contracts and so do not wish to have their details available on public records. Thus, they require nominee shareholders to hold shares in trust for them as beneficial owners.

### ***Can You Help with Registered address & Registered Office in Nigeria?***

Yes. We can help secure virtual office address, as there are several virtual office address providers that offer convenience and use of their address/facilities.

### ***Upon incorporation, can we open a Bank Account in Nigeria?***

Yes, you can.

### ***What is the rate for Value Added Tax for companies in Nigeria?***

It is 7.5%

### *Is Every Company expected to Register for Value Added Tax?*

Yes, they are...if they provide certain type of services to clients in Nigeria.

### *Can a foreign company open a bank account in Nigeria?*

A foreign company cannot open a business bank account in Nigeria. Such a company will have to incorporate a Nigerian entity so they can open an account in Nigeria.

### *If we register a Nigerian Company, What Do We Need to open a Bank Account in Nigeria?*

You will need the following: certificate of incorporation, Tax Identification Number (TIN) of the company; in some cases the Bank will require a Special Control Unit against Money Laundering (SCUML) Certificate if the company is into certain specific business types that is subject to certain regulatory guidelines against money laundering.

### *Can a Foreign Individual Open a Personal Bank Account in Nigeria asides the company Account?*

Yes, a foreigner can, if they possess a valid Bank Verification Number (BVN), a National Identification Number (NIN) and a residence permit which allows them to live in Nigeria.

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For further information on the registration of your company in Nigeria, or for general inquiries regarding business registrations, kindly contact our [Business Registration practice group](mailto:corporateservices@kabbizlegal.com) at [corporateservices@kabbizlegal.com](mailto:corporateservices@kabbizlegal.com)

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