**Doing Business in Nigeria**

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**1 Fact Sheet**

Facts and figures as presented in sections 1 through 4 are correct as at 31 August, 2020.

**Geography**

Location: Western Africa

Area: 923,768km²

Land boundaries: Benin, Cameroon, Chad and Niger

Coastline: Gulf of Guinea

Climate: Equatorial in the south, tropical in the centre and arid in the north

Terrain: Central hills and plateaus, mountains in the south east and plains in the north

Time zone: GMT +1

**People**

Population: 206.139 million (August 2020 estimate)

Religion: Muslim 53%, Christian 46%, Traditional religious beliefs 1% (2020 estimate)

Language: English (official), Hausa, Yoruba, Igbo (Ibo) and Fulani; there are approximately 500 additional indigenous languages

**Government**

Country name: Federal Republic of Nigeria

Government type: Federal republic

Capital: Abuja

Administrative divisions: There are 36 states and the federal capital territory of Abuja

**Political situation**

Nigeria is a federal republic. It is a parliamentary democracy with an executive, legislature and judiciary. The executive is divided into three levels: federal, state and local. The legislature is divided into two houses of parliament, the House of Representatives and the Senate. The President of Nigeria is the Head of State and the Head of Government.

**Economy**

GDP – per capita: US$2,250 (2020)

GDP – real growth rate: 2.9% (2020)

Labour force: 82.3m (2020 estimate)

Unemployment: 27.1% (August 2020 estimate)

Currency (code): Naira (NGN)

**2 Business Entities and Accounting**

The company forms available in Nigeria are companies limited by shares, companies limited by guarantee and unlimited companies. Other types of business forms include partnerships, branches and sole proprietorships.

Foreign investors can generally conduct business in Nigeria under the same conditions and to the same extent as Nigerian investors.

**2.1 Companies**

A company limited by shares must have at least one shareholder. The minimum issued share capital requirement is NGN100,000 for a private company and NGN2,000,000 for a public company. The liability of shareholders is limited to the amount unpaid on shares held by them. A private company limited by shares may have up to a maximum of 50 shareholders. There is no upper limit of shareholders in a public company limited by shares. A private company limited by shares must restrict the transfer of shares and may not offer shares or debentures to the public.

A company limited by guarantee must have at least two members and seek the consent of the Attorney General of the Federation as a pre-requisite for the grant of registration of the Company. This type of company does not have a registered share capital, but members must undertake a guaranteed amount of liability of not less than N100,000 in the event of the company being wound up.

No more authorised share capital.

A private company can have one director according to CAMA 2020. All company types are administered by members in the general meeting, a board of directors (at least two directors where applicable) and by other officers or agents appointed or authorised by the annual general meeting or board of directors.

Public Companies must also have a company secretary. Small companies can choose not to have a company secretary.

Companies with foreign participation must register with the Nigerian Investment Promotion Commission. Foreign nationals not residing in Nigeria do not require a permit to establish a business in Nigeria. However, companies wholly owned by foreign nationals residing in Nigeria must obtain a business permit from the Federal Ministry of Internal Affairs to establish a business in Nigeria. Foreign companies can now undertake business activities in Nigeria in Nigeria. However, such foreign company must file an application for exception directly to the Minister of Trade and notify the Corporate Affairs Commission accordingly.

Companies must check the availability of their proposed business name and reserve it prior to registration. The business name must meet certain conditions, including the requirement that it must not fall among the prohibited names (be identical or confusingly similar to the name of another entity already registered, and not be offensive or misleading.)

Once a business name has been reserved, the company must register with the Corporate Affairs Commission within 60 days. A newly formed business must register with the Federal Inland Revenue Service (FIRS) for tax purposes and to obtain a tax identification number (TIN).

Companies are taxed at the corporate level and are subject to corporate income tax which is presently 30% of the assessable profit of the Company

**2.2 Partnerships**

A general partnership may be formed by a minimum of two and a maximum of 20 partners (individuals or legal entities). Partners are responsible for the debts, liabilities and other obligations of the partnership. The profits of general partnerships are not taxed at the partnership level. Profits of partners are subject to individual income tax of rates stipulated under their Personal Income Tax Act., even for partners that are legal entities.

It is possible to incorporate either a limited partnership or a limited liability partnership which combine the organizational flexibility and tax status of partnership with the limited liability of members of a company.

**2.3 Sole Proprietorship**

The sole proprietorship is registered under a business name in Nigeria. A sole proprietor is an individual who owns and operates a business. The owner provides all of the capital and has unlimited liability for the sole proprietorship’s debts and obligations. The profit or loss of the sole proprietorship is included in the owner’s individual income tax return each year.

**2.4 Trusts**

Trusts are available in Nigeria but are not generally used for profit motive.

**2.5 Branches and Representative Offices**

A joint venture exists where two or more parties combine in a venture for their mutual benefit. Joint ventures in Nigeria are commonly established between oil companies and the Nigerian National Petroleum Corporation.

**2.6 Audit and Accounting**

**Requirements**

All companies except small companies and companies that have not carried out business since incorporation are required to comply with the law relating to audit of accounts in respect of a financial year. All companies are also expected to keep accounting records that detail and explain the company’s transactions and include the financial position of the company. Financial statements must be prepared annually and must include (amongst others) the balance sheet, a profit and loss account (or income and expenditure account if not operating for profit), the auditor’s report and the directors’ report. Companies that have subsidiaries at the end of the year must generally prepare individual accounts and group financial statements. Companies must generally prepare their accounting records in accordance with the International Financial Reporting Standards (IFRS). Small and medium-sized companies are required to use the IFRS for SMEs. Micro-enterprises (as defined) may use the IFRS for SMEs or the Small and Medium-sized Entities Guidelines on Accounting (SMEGA).

Companies are required to have their financial statements audited. The auditors’ report must include (amongst others) a view as to whether the company’s accounting records have been kept properly, whether the balance sheet and profit and loss accounts match the accounting records, and if the statements provide a true and fair view of the company’s affairs.

CAMA 2020 states that small companies which annual turnover is less than N120 million and net asset total is less than N60 million, where directors hold 51% of the shares of the company and where there is no alien member are exempted from audit in that financial year. However, the company in that financial year must not have carried on business as an insurance company, bank or such other company as CAC stipulates.

Accounting records must be retained for a period of six years from the date of creation at the company’s registered office or at another location in Nigeria deemed fit by the directors.

**2.7 Filing Requirements**

Companies are generally required to file an annual return to the Corporate Affairs Commission. Annual returns must be completed within 14 days after the annual general meeting. A copy of the annual report and financial statements certified by a director and the company secretary must be submitted immediately after the AGM to the Corporate Affairs Commission. Companies (excluding specified unlimited and small companies) are required to submit with their annual return certified copies of all balance sheets and profit and loss accounts submitted at the annual general meeting, and certified copies of the auditors’ and directors’ reports.

**3 Finance and Investment**

**3.1 Exchange Control**

There are generally no exchange controls in Nigeria relating to foreign currency. However, certain transactions must be reported to bodies, including the Central Bank of Nigeria and the Nigerian Customs Service.

The Money Laundering (Prohibition) Act 2011 applies to various individuals and entities, including banks, insurance companies, legal practitioners and tax consultants. Those, subject to the legislation are required to verify the identity of customers and scrutinize on-going transactions.

The Nigerian Financial Intelligence Unit (NFIU) has been established to combat money laundering.

**3.2 Banking and Sources of Finance**

The Central Bank of Nigeria (CBN) is responsible for ensuring monetary and price stability, issuing legal tender currency, and maintaining external reserves.

The commercial banks operating in Nigeria provide the majority of short and medium-term loans/financing. Nigerian banks are free to participate in virtually all forms of financial services. Nigeria also has merchant banks, micro-finance banks, development finance institutions and finance and investment companies, that offer various financial and investment services.

Both residents and non-residents can hold foreign currency bank accounts.

The Nigerian Stock Exchange provides a marketplace for listing and exchanging Nigerian securities. Companies may be listed on one of the three available boards (premium, main or alternative securities market) based on the company’s size and other factors. Companies must meet listing and on-going requirements.

Venture capital companies offer finance and support to companies with high growth potential.

**3.3 Investment Incentives and Restrictions**

For tax incentives available to businesses, see 5.7.

There are generally no restrictions on foreign business investment in Nigeria.9 10

**4 Employment Regulations**

For employment tax considerations,

**4.1 General Employment Matters**

**4.1.1 National employment standards**

Employees are entitled to minimum employment terms and conditions in relation to rest periods, remuneration periods, annual leave and pay, sick leave and pay, notice periods for termination of the employment contract and the provision of work.

Within three months of commencing employment, employers must provide employees with a written statement which must include:

• Name of the employer

• Employee’s name and address

• Place and date of employee’s engagement

• Nature of the employment

• Date on which the contract ends (for fixed term contracts only)

• Notice period for termination of the employment contract

• Remuneration and payment schedule, and

• Terms and conditions including hours of work, annual leave and holiday

pay, and sick leave and sick pay.

The following notice periods are required to terminate a contract of employment (not including the day that notice is given):

• Employed for three months or less – one day

• Employed for more than three months but less than two years – one

week

• Employed for two years or more but less than five years – two weeks

• Employed for five years or more – one month.

Notice periods of one week or more must be provided in writing. Employers and employees may waive these notice periods, and employees may accept payment in lieu of notice.

The national minimum wage in Nigeria is NGN30,000 per month.

Employers wishing to hire foreign workers must apply for an Expatriate Quota which determines the number of foreign workers the company may hire.

**4.1.2 Pensions and other benefits**

Employers and employees are required to make pension contributions, and employers are required to make contributions to the Employees Compensation Scheme (see 5.3).

Pension contributions generally grant individuals pension benefits upon retirement. Private pension schemes are also available. Contributions to the Employees Compensation Scheme provide employees with compensation as a result of injuries sustained during employment (amongst others). There are various health insurance programmes for different sectors of society which provide healthcare benefits.

**4.2 Visas**

Citizens from the Economic Community of West African States (ECOWAS) do not require a visa to enter Nigeria. All other visitors must obtain a visa prior to entry.

The types of visa available include:

• Business visa

• Tourist/visitor visa

• Subject to regularisation/employment visa, and

• Temporary work permit visa.

**4.3 Trade Unions**

There are various trade unions in Nigeria. Trade unions may negotiate collective

**5 Taxation**

Facts and figures as presented in section 5 are correct as at 31 August, 2020.

The Finance Act 2019 was enacted on 13 January 2020 and became effective on 1, February 2020. The Finance Act 2019 on enactment made amendments to the provisions of the underlisted Principal Acts in Nigeria.

* Companies Income Tax Act
* Petroleum Profit Act
* Personal Income Tax Act
* Value Added Tax Act
* Customs and Excise Tariff etc. (Consolidation) Act
* Capital Gains Tax Act
* Stamp duties Act

**5.1 Corporate Income Taxes**

**Companies Income Tax (CIT)**

Resident companies, defined as those incorporated in Nigeria, are subject to tax on their worldwide income. Non-resident companies are generally subject to tax only on their Nigerian derived income.

Small companies with gross turnover below N25million in a year are exempted from payment of Companies Income Tax.

There are now two corporate income tax rates of 20% and 30%.

Tax rate of 20% is applicable to Medium sized companies (that is, companies with gross turnover above N25million but below N100m) while tax rate of 30% is applicable to Large companies (that is companies with gross turnover above N100m). In addition, companies registered in Nigeria which qualifies are required to pay a 2% tertiary education tax.

An alternative minimum tax system computed at the rate **of 0.5% of gross turnover of the company less franked investment income** now applies to all companies, excluding:

• Companies in operation for less than four years

• Companies in the agricultural sector, and

• Companies that earns gross turnover of less than N25 million in the relevant year of assessment.

Under commencement and cessation rule, effective 2020 YOA, new and existing businesses will now be taxed on their actual accounting period thus eliminating the double taxation of the same income in the first few years of operation of a new business and in the last two years of a business that is being wound up.

**Petroleum profit tax (PPT)** is levied on the income of companies engaged in the upstream petroleum operations in Nigeria. Petroleum operations is defined as the winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of a business carried on by the company engaged in such operations, and all operations incidental thereto and any sale of or any disposal of chargeable oil by or on behalf of the company.

PPT is imposed instead of corporate income tax. The tax rate is generally 85% for petroleum operations carried out under a joint venture arrangement with eth Nigerian National Petroleum Corporation (NNPC) or any traditional oil concession after 5 years; 65.75% is available for non-Production Sharing Contract (PSC) in the first five years of operation during which the company has not fully amortized all pre-production capitalized expenditure. The tax rate is 50% for companies operating under a Production Sharing Contract with the Nigerian National Petroleum Corporation in respect of taxable profits from the contract area.

Payments with respect to PPT in any accounting period of 12 months are made in 12 instalments, with a final 13th instalment (if there is an underpayment). The first instalment for the year is due by the end of March.

In addition to investment allowances, the following incentives are available to upstream companies:

 • Graduated royalty rates and lower PSC tax rates to encourage offshore production • Tertiary Education Tax is treated as a tax-deductible expense for petroleum companies

 • Gas income is taxable at CIT rate of 30% while capital investment for gas are deductible as capital allowances against crude oil income at the higher PPT rate.

Capital gains from the sale of assets situated in or out of Nigeria are generally subject to capital gains tax at the rate of 10%, subject to exemptions.

Unutilised trading losses may generally be carried forward indefinitely (insurance companies inclusive) to offset future profits from the same trade/business in which the loss was incurred. Losses cannot be carried back.

Insurance companies can now carry forward tax losses indefinitely, deduct reserve for unexpired risks on time apportionment bases while special minimum tax for insurance has been abolished.

Capital losses cannot be offset against current year capital gains or carried forward.

Nigeria does not have a system of group taxation. Consolidated returns are therefore not permitted for tax purposes. Consequently, the losses of a company cannot be set off against the profits of another company in the same group. However, companies with subsidiaries are generally required to prepare group financial statements (see 2.7).

The taxable period which is the fiscal year runs from 1 January to 31 December. Nigerian companies file their tax returns based on a self-assessment system where the taxpayer prepares its annual returns and determines its tax liability.

 Corporate tax returns are generally due for filing within six months of the company’s accounting year end. Corporate Taxpayers shall make payments of tax due on or before the due date of filing in one lump sum or in installments by writing with evidence of payment of first installment and obtain approval of the Service to pay in such number of instalments as may be approved by the Service. The final installment must be paid on or before the due date of filing.

Companies that pay their tax 90 days before the due date will be entitled to a bonus on the amount of tax paid which will be available to the company as a credit against its future taxes. A medium sized company (with turnover above N25m but below N100m) will be entitled to 2% bonus while any other company with turnover equal to and above N100m will be entitled to a 1% bonus.

Failure to file CIT returns attracts a penalty of NGN 25,000 for the first month and NGN 5,000 for each subsequent month of default. Late payment of CIT attracts a 10% penalty and interest at the commercial rate.

Late submission of PPT returns attracts an initial penalty of NGN 10,000 and NGN 2,000 for each day such failure continues, while late payment of tax attracts a penalty of 5% of the tax not paid.

 Electronic filing of tax returns is now permitted and tax payers are encouraged to register on the e-filing portal of the Service and enjoy the convenience of paying taxes on line, filing online ,obtaining receipts online, Credit notes on line, applying and receiving Tax clearance on line among so many other services offered by the FIRS from the comfort of their offices.

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**5.2 Personal Income Taxes**

Resident individuals are subject to tax on their worldwide income. Non-resident individuals are generally subject to tax on their Nigerian sourced income.

Resident and non-resident individuals, including partners of partnerships, sole proprietors and individual beneficiaries of trust or estate income, are taxed at progressive rates of income tax on their personal income (after deductions and allowances):

|  |  |
| --- | --- |
| Taxable Income (NGN)  | Tax Rate (%)  |
| Up to 300,000  | 7  |
| Over 300,000 – 600,000  | 11  |
| Over 600,000 – 1.1m  | 15  |
| Over 1.1m – 1.6m  | 19  |
| Over 1.6m – 3.2m  | 21  |
| Over 3.2m  | 24  |

A minimum tax of 1% of gross income applies if an individual has no tax liability due to deductions, allowances etc or where the total liability is less than 1%.

Capital gains from the sale of assets situated in or out of Nigeria are generally subject to capital gains tax at the rate of 10%, subject to exemptions.

There is no inheritance or estate tax in Nigeria; however, stamp duty may apply (see 5.6.2).

There is no wealth tax in Nigeria.14

**5.3 Employment Related Costs and Taxes**

**5.3.1 Fringe benefits tax**

There is no separate fringe benefits tax in Nigeria. The value of taxable benefits-in-kind is generally included in taxable income.

**5.3.2 Pension contributions**

Pension contributions are calculated on monthly gross salary (including basic pay as well as housing and transport allowances). Private sector employers/ employees are only required to contribute if there are at least 3 employees. The contribution rate is generally a minimum of 10% for employers and a minimum of 8% for employees. Employers may choose to pay the employee contribution as well, however, in such circumstances; the total contribution must not be less than 18%. Military personnel are exempt from pension contributions.

**5.3.3 Employees compensation scheme** Employers are required to contribute a percentage based on payroll to the Employees Compensation Scheme. Rates as determined by the Social Insurance Trust Fund is currently 1% of monthly payroll of the entire staff payable to the NSITF.

**5.4 Withholding Tax** WHT is an advance payment of income tax deductible at source on specified transactions. It can be applied as a tax credit against income tax liability in most instances. The relevant provisions are in the CITA, PITA, PPTA, and WHT Regulations.

**Transactions** **Companies**  **Individual**

* Dividend, Interest and rent 10% 10%
* Royalties 10% 5%
* Hire of equipment, motor vehicles,

plants, and machinery 10% 10%

* Commission, consultancy, technical and

 management fees, legal fees, audit fees,

 and other professional fees 10% 5%

* Building, construction and related activities

 excluding one single delivery, survey,

 and installation. 5% 5%

* All types of contracts and agency

 arrangements, other than sales in the

ordinary course of business 2.5% 2.5%

* Directors' fees N/A 10%

 **Withholding Taxes on Payments Abroad**

Dividend and interest payments made to non-resident companies and individuals are generally subject to withholding tax at the rate of 10%. Royalty payments made to non-resident companies are generally subject to withholding tax at the rate of 10% (5% for payments made to non-resident individuals).

The above rates may be reduced under the terms of a double tax treaty. The rate of WHT on dividend, interest and royalty is reduced to 7.5% when paid to a corporate recipient resident in a treaty country. In the case of individuals, 7.5% is applied on dividend and interest and 5% on royalty.

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**5.5 Value Added Tax (VAT)**

VAT is levied on the supply of goods and services within Nigeria and on the importation of goods into Nigeria.

The standard VAT rate is 7.5%. A 0% rate applies to non-oil exports, goods and services purchased by diplomats, and goods purchased for humanitarian projects. Some goods and services are exempt from VAT, including medical and pharmaceutical products, medical services and basic food items.

Taxable persons must register for VAT with the FIRS on commencement of business. The enactment of the Finance Act 2019 introduced the threshold of N25 million taxable supplies or sales for eligibility to register for and operate VAT.

**5.6 Other Taxes**

**5.6.1 Property taxes** An annual land use charge is levied on the assessed value of property located in Lagos state at varying rates, subject to exemptions. Other fees relating to property may be payable.

**5.6.2 Stamp duty** The collection of stamp duties is carried out by the state or federal authority, depending on the parties to the transaction. Stamp duties are charged at a flat rate or as a percentage of the transaction value, depending on the document type.

**5.6.3 Excise duties** Excise duties are imposed on various goods, including alcohol, cigarettes and tobacco.

**5.6.4 Information technology levy**

A levy of 1% is imposed on the profits of certain companies with an annual turnover of NGN100m or more. Companies operating in the following areas are subject to the levy:

• Global system for mobile communications (GSM) service providers

• Telecommunications companies

• Internet companies and internet service providers

• Pension managers and pension related companies

• Banks and other financial institutions, and

• Insurance companies.15 16

The amount of levy paid by the company to the National Science and technology fund for the period is allowable as deduction against the profit from the trade or business for the purpose of ascertaining the taxable

profit of such trade or business.

**5.6.5 Nigerian content development fund levy** A 1% levy is imposed on the total value of every contract awarded in the oil and gas upstream industry in Nigeria. The levy is paid to the Nigerian Content Development Fund.

**5.6.6. Nigeria Police Trust fund levy** All companies operating in Nigeria to pay a levy of 0.005% of the company’s net profit to the Fund for training of the Nigeria Police Force.

**5.7 Tax Incentives for Businesses**

5.7.1 Research and development Tax Incentives

* All expenses which had been proved to the satisfaction of the Revenue Board to have been incurred by the company on Research and Development for the period are allowable as deduction against the profit from the trade or business for the purpose of ascertaining the taxable profit of such trade or business**.**
* The amount of donation made out of the profits of the period by the company, to a university and other tertiary or research institution for research or any developmental purpose or as an endowment fund (whose activitiesare meant to benefit Nigerians in general; whose profits are not available for distribution to its promoters; whose promoters and members of Board of Trustees or other Governing Board are in compliance with the relevant tax law and which satisfies the conditions for listing under Schedule 1 of the Regulation for requirements for funds, bodies or institution under the 5th schedule to the companies income tax act regulation 2011) shall for the purpose of ascertaining profit or loss of any company for the period from any source chargeable with tax under the company Income Tax Act shall be considered as deductible donation not withstanding that the donation is of a revenue or capital nature provided it does not exceed an amount equal 15% of the total profits or 25% of the tax payable in the year of the donation, whichever is higher.
* For the purpose of ascertaining the profit or loss of any company for any period from any source chargeable with tax under the Companies Income Tax Act, there shall be deducted the amount of reserve made out of the profit of that period by that company for Research and Development. This shall not exceed an amount which is equal to 10% of the total profit of that company for that year as ascertained before any deduction is made under this section and section 25 of this Act, that is, Companies Income Tax Act.
* Companies and other organizations engaged in Research and Development activities for commercialization shall be allowed 20% investment tax credit on their qualifying expenditure for that purpose.

**5.7.2 Tax holidays** Tax holiday may be granted on application to Pioneer companies investing in specified industrial activities for three years initially, and extended for up to additional two years upon satisfaction of specified conditions.

Tax holiday may also be granted to a new company that engages in the mining of solid minerals as it is exempted from tax for the first three years of its operation.

**5.7.3 Export Expansion Grant (EEG) Scheme** The Export Credit Certificate (ECC) granted by the EEG scheme is an incentive that can be used to settle all federal government taxes, such as VAT, WHT, CIT, etc., and It can also be used to purchase government bonds and repay government credit facilities and debts due to the Assets Management Company of Nigeria (AMCON).

To encourage export of value added and processed/manufactured products are encouraged by dividing the exporters into four categories with maximum applicable EEG rates as indicated below:

* Fully manufactured products: 15%.
* Semi-manufactured products: 10%.
* Processed/intermediate products: 7.5%.
* Merchants/primary agricultural commodities: 5%.

**5.7.4 Incentives for Rural Location of business** Incentives that take the form of tax reductions at graduated rates are available for businesses that are located in rural areas, that is, at least 20 kilometers from available water, electricity and tarred roads.

**5.7.5** **Tax exemption of Agricultural Production from Income tax** Companies engaged in agricultural production are now eligible to an initial tax-free period of five years which may be renewed for an additional three years subject to satisfactory performance of the agricultural performance.

**5.7.6. Gas Utilisation Incentives C**ompanies engaged in gas utilisation are granted tax free period for up to five years, Tax free dividends during the tax free period and after the tax free period, accelerated capital allowance.

**5.7.8. Tourism Incentives** 25% of the income derived from tourism by hotels in convertible currencies is exempt from tax if such income is put in a reserve fund to be used within five years for expansion or construction of new hotels and other facilities for tourism development.

**5.7.9. Capital allowance I**nvestment allowance of 10% is granted on the cost of qualifying expenditures of plant and machinery as a deduction from assessable profits in the year of purchase of the qualified capital expenditure.

For companies in the mining, manufacturing, and agricultural sectors, the full claim of capital allowance is allowed.

**5.8.0 Road Infrastructure Development and**

 **Refurbishment Investment Tax Credit Scheme**

**Companies that participate** in the Road Infrastructure Development and Refurbishment Investment Tax Scheme are entitled to recover the cost they incurred in the construction or refurbishment of eligible roads by way of credit against CIT liability payable by them.

 The participants are also entitled to a single uplift which is equivalent to the Central Bank of Nigeria (CBN) Monetary Policy Rate plus 2% of the project cost and is not taxable in the hand of the participant. The tax credit can be carried forward to subsequent years if not fully utilised. A participant may also sell or transfer its tax credit to other companies, as a form of security or otherwise.

**5.8.1 Interest Incentives**

* Interest on foreign-currency domiciliary account are exempted from income tax.
* Interest accruing to a non-resident company on the deposit account , if the deposits are transferred to Nigeria on or after 1 January 1990 and the depositor had been a non-resident before making the deposit in Nigeria.
* Provided the moratorium period of the loan is not less than 18 months and the rate of interest is not more than the base lending rate, Interest on any loan granted by a bank to a company engaged in agricultural trade, fabrication of local plant and Machinery or interest on a loan granted by a bank as working capital to any cottage industry is 100% exempted from income tax.
* Based on the schedule below, Interest on any foreign loans and interest on any loan granted by a bank for the purpose of manufacturing goods for export are exempted from income tax at the percentage rate and the moratorium range.

| **Repayment period Moratorium Exemption (%)** |
| --- |
| Over 7 years |  Not less than 2 years | 70 |
| 5 to 7 years |  Not less than 1.5 years | 40 |
| 2 to 4 years |  Not less than 1 year | 10 |

**5.8.2 Export Incentives**

* Creation of Export processing zones (EPZs) and free trade zones (FTZs) by the Nigerian Government to carry on export trade activities free of tax and foreign exchange restrictions.
* A company, who in a year of assessment, is engaged in an approved manufacturing activity in an EPZ and incurs expenditures in its qualifying building and plant equipment is entitled to 100% capital allowance in that year of assessment.
* A company that is 100% export oriented located outside an EPZ, provided the company is not formed by splitting up or reconstruction of an already existing business and the export proceeds form at least 75% of its turnover, will enjoy a three-year tax holiday.
* Profits of companies whose supplies are exclusively inputs to the manufacture of products for export are exempt from tax. To claim tax exemption, such companies will obtain a certificate of purchase of the input from the exporter.
* Where plant and machinery are transferred to a new company, the tax written down value of the asset transferred must not exceed 25% of the total value of plant and machinery in the new company. The company should also repatriate at least 75% of the export earnings to Nigeria and place it in a Nigerian domiciliary account in order to qualify for a tax holiday.
* Profits of any Nigerian company in respect of goods exported from Nigeria are exempt from tax, provided that the proceeds from such exports are repatriated to Nigeria and are used exclusively for the purchase of raw materials, plant, equipment, and spare parts.