



## START UP BILL: AVAILABLE INCENTIVES AND TAX RELIEFS FOR STARTUPS AND OTHER PIONEERS IN NIGERIA

By Kayode Adeniji and Edesiri Eke-Ighoroje

A startup is simply a company starting up business in an industry or sector. Starting up a business in Nigeria can be very beneficial to you as an individual or group driving a startup. There are various incentives in place via the Start-up Bill to enhance your business in Nigeria. These incentives will reduce the cost of doing your business in addition to the fact that your company will spend less on taxes and other concessions. The aim of this literature is to help you maximize the profitability of your start-up ideas.

Your startup after being incorporated in Nigeria, can enjoy financial benefits under the Nigeria Startup Bill when it is granted the 'startup status', either after incorporation or where the company's activities affect the creation, support and incubation of labelled startups in Nigeria. There are qualifications your company must have before it is issued a certificate of start-up by the Secretariat.<sup>1</sup> It is worthy to note, that if your company is a holding or subsidiary entity of an existing company, which is not registered as a startup, it cannot enjoy the incentives under the Startup Bill.<sup>2</sup> Under the bill, the government can simplify the requirement which is to be met by your startup company to enjoy fiscal

benefits<sup>3</sup>. This is a great relief for your start-up company. You can have quick access to incentives without the tedious process of meeting set requirements which may be very cumbersome. Your company, from the date of the issuance of a certificate of startup, is exempted from the payment of income tax and other tax chargeable on its income for a period of 4years.<sup>4</sup> Tax reliefs can also be enjoyed by your startup in relation to the number of their employees. Where your startup has a minimum of ten employees 60% of whom are without any work experience and within three (3) years of graduation, it enjoys tax relief from income tax of 5% of its assessable profit.<sup>5</sup> Loan facilities are readily available to your startup for adequate funds. This is to enhance the possible expansion and growth of your company. Your company has access to loans and facilities granted by agencies like Central Bank of Nigeria, Bank of Industry and other bodies empowered to assist small and medium-scale enterprises and entrepreneurs.<sup>6</sup>

With respect to incentives and fiscal reliefs, the Startup bill is an all-inclusive bill. It is not only focused

<sup>1</sup> See Section 13(2) Nigeria Startup Bill 2021

<sup>2</sup> Section 13 Nigeria Startup Bill 2021

<sup>3</sup> Section 25 Nigeria Startup Bill 2021

<sup>4</sup> Section 25(2) Nigeria Startup Bill 2021

<sup>5</sup> Section 26 Nigeria Startup Bill 2021

<sup>6</sup> Section 28 Nigeria Startup Bill 2021



on providing incentives for the startups as legal entities- Investors, employees and even foreign entities who render services to startups enjoy incentives for being part of the startup. This extends to angel investors, venture capitalists, private equity fund, accelerators or incubators, who invest in your startup. Also, profits accruing from the disposal of assets are not subject to capital gains tax.<sup>7</sup> The employees in your startup are entitled to a tax exemption of 35% on their income for a period of 2years.<sup>8</sup> Foreign entities that provide technical, consulting, professional or management services to your startups are subject to a 5% withholding tax income derived from the provision of such services.<sup>9</sup> Where the company rendering the service is not registered in Nigeria, the withholding tax will be the final tax to be paid by such a company.<sup>10</sup>

Secondly, there are certain incentives available to you under the Nigerian Investment Promotion Act. The Nigeria Investment Promotion Commission, as part of its functions, consults with government agencies to negotiate specific incentive packages for start-ups.<sup>11</sup> After these consultations have been made and such packages approved, your start-

up could be entitled to such incentives. As a foreign investor in an enterprise, you are guaranteed unconditional transferability of funds through an authorized dealer in convertible currency, in respect of dividends attributable to your investment or payment in respect of loan servicing.<sup>12</sup> If you own any interest in an enterprise, you will not be compelled to surrender your interest to any person.<sup>13</sup> Also, there shall be no nationalization or expropriation of your enterprise by the government of Nigeria, save for where the acquisition is for national interest or for public purpose. Where there is need for such acquisition, you are entitled to compensation without undue delay.<sup>14</sup> Where there is dispute between you and any government agencies, all efforts will be made to reach an amicable settlement through a mutual discussion. If the dispute is not amicably settled, such dispute can be taken to arbitration at the instance of the aggrieved party. Where there is disagreement on the method of dispute settlement to be adopted, parties would have recourse to the International Centre for Settlement of Investment Dispute.<sup>15</sup>

Thirdly, there are tax reliefs you can enjoy under the Companies Income Tax Act for engaging in different

---

<sup>7</sup> Section 30 Nigeria Startup Bill 2021

<sup>8</sup> Section 31(1) Nigeria Startup Bill 2021

<sup>9</sup> Section 32 Nigeria Startup Bill 2021

<sup>10</sup> See supra

<sup>11</sup> Section 22 NIPC Act

---

<sup>12</sup> Section 24 NIPC Act

<sup>13</sup> Section 25(1) NIPC Act

<sup>14</sup> Section 25(2) NIPC Act

<sup>15</sup> Section 26 NIPC Act



aspects of the Nigerian economy. Your company will have investment allowance of 10% for expenditures incurred by the company on plants and equipments.<sup>16</sup> When your company engages in research and development (R&D), you are eligible to receive allowance not exceeding 10% of the total profit of the company.<sup>17</sup> In addition to other allowances, you can also access the Rural Investment Allowance, where your company incurs capital expenditure on the provision of facilities such as; electricity, water, road or telecommunication infrastructures located at least 20km away from such facilities provided by government.<sup>18</sup> Furthermore, where your company engages in any approved manufacturing activities in the export processing zone, your company is guaranteed 100% capital allowance. Where your company is 100% export oriented, its profit or gain is exempted from tax for the first three consecutive years.<sup>19</sup> Where your start-up is going into mining of solid minerals, you are exempted from tax for the first three years of its operation.<sup>20</sup> If you intend for your startup to engage in hotel and tourism services, you will be entitled to 25% tax exemption of income in convertible currencies derived from tourist by your hotel, provided that

such income is put in a reserved fund to be utilized within Five (5) years for the expansion of the hotels, conference centers and other facilities for the purpose of tourism development. A Start-up could also decide to engage in gas utilization downstream. That being the case, your company is entitled to a tax free period of three (3) years and can be renewed for an additional period of (2) years. There is an additional investment allowance of 35% which shall not reduce the value of the assets. Furthermore your company enjoys an accelerated capital allowance after the tax-free period.<sup>21</sup> Other incentives under the Company Income Tax Act available to your startup are: Employment tax reliefs, bonus for filing on time, infrastructure tax relief amongst others.

Furthermore, there are tax reliefs available to you as an individual if you invest in a startup under the Personal Income Tax Act. Where you derive income from a source outside Nigeria and it is brought into Nigeria through an approved channel, you will be allowed a tax credit against tax payable by you.<sup>22</sup> You are entitled to personal relief and relief for your children and dependants. A consolidation relief allowance of ₦200,000.00 (Two hundred thousand naira) is allowed, subject to

---

<sup>16</sup> Section 32 CITA

<sup>17</sup> Section 26(2) CITA

<sup>18</sup> Section 34 CITA

<sup>19</sup> Section 35 CITA

<sup>20</sup> Section 36 CITA

---

<sup>21</sup> Section 39 CITA

<sup>22</sup> Section 11 PITA



a minimum of 1% of the gross income whichever is higher, plus 20% of the gross income will be granted to you.<sup>23</sup> Where your only source of income is an employment where you earn ₦30,000 (thirty thousand naira) or less, return of income is not to be filed by you in the year of assessment.<sup>24</sup> There is also tax exemption for you, pursuant to any treaty or convention or agreement between the Federal Government of Nigeria and your country of origin<sup>25</sup>

In addition to the aforementioned incentives, under the Industrial Development (Income Tax Relief) Act, there are certain reliefs available for companies granted a pioneer status after the issuance of pioneer certificate. Your company is entitled to tax relief of three years-commencing from the date of production of the company. This relief period can be extended by the President for a period of two years.<sup>26</sup> As a pioneer company, any capital expenditure incurred in respect of an asset used for the purpose of the new trade before the end of its tax period, will be deemed to have been incurred on the next day following the end of the tax relief period.<sup>27</sup> Any dividend debited to the account as received by a shareholder in your

company will be exempted from tax in the hands of the shareholder and will be deemed to be paid out of the profit on which tax is not paid or payable.<sup>28</sup>

We are open to attend to your request for clarifications via [info@lawracles.com](mailto:info@lawracles.com)



---

<sup>23</sup> Section 33 PITA

<sup>24</sup> Section 43 PITA

<sup>25</sup> Section 19 PITA

<sup>26</sup> Section 10(2) IDA

<sup>27</sup> Section 14 IDA

---

<sup>28</sup> Section 17(3) IDA