

DOING BUSINESS IN NIGERIA:

WHAT YOU NEED TO KNOW





As one of Africa's largest economies, Nigeria presents compelling opportunities for both local and foreign investors. With a population exceeding 200 million, abundant natural resources, and a rapidly growing consumer base, the country continues to attract significant business interest. The current administration, through various policy reforms and initiatives, has reaffirmed its commitment to improving the ease of doing business. Nevertheless, entering the Nigerian business environment requires careful navigation of a complex legal and regulatory landscape.

This guide offers a foundational overview of the legal and compliance requirements that must be considered prior to setting up a business in Nigeria.

1. Legal Structure: Understanding Company Types under CAMA 2020

The Companies and Allied Matters Act (CAMA) 2020, the principal legislation governing corporate affairs in Nigeria, provides for four distinct types of companies under Section 21:

- Private Company Limited by Shares (Ltd)
- Public Company Limited by Shares (Plc)
- Company Limited by Guarantee
- Unlimited Company

Selecting an appropriate company type depends on the nature, size, and scope of the proposed business. For most commercial ventures, a Private Company Limited by Shares is the preferred vehicle, particularly for small and medium-sized enterprises. However, businesses intending to raise capital from the public or operate in regulated sectors may require a Public Company structure.

While CAMA permits incorporation with minimal share capital for general commercial activities, certain sectors impose statutory minimum share capital thresholds as mandated by industry-specific legislation or regulatory directives. Examples include, Banking and Financial Services, Oil and Gas, Aviation, Maritime and Shipping etc.

Prospective investors must consult a legal practitioner to confirm capitalisation requirements and licensing conditions.

2. Regulatory Approvals and Mandatory Licences

Compliance with Nigerian investment and immigration laws necessitates the acquisition of various approvals and licences, particularly for foreign investors. Key documentation includes:

- Certificate of Incorporation (from the Corporate Affairs Commission)
- Business Permit – Issued by the Ministry of Interior for foreign-owned companies
- Expatriate Quota Approvals – Authorising the employment of foreign nationals
- Certificate of Capital Importation (CCI) – Issued by the Central Bank of Nigeria via authorised dealers for repatriation of investment
- Tax Identification Number (TIN) and VAT Registration – From the Federal Inland Revenue Service (FIRS)
- Tax Clearance Certificate (TCC) – Required for most regulatory filings and government contracts

Additional licences and regulatory approvals may be required depending on the specific sector in which a business intends to operate. For instance, companies in the food, drug, and cosmetic industries must obtain approvals from the National Agency for Food and Drug Administration and Control (NAFDAC), while entities in the telecommunications sector are regulated by the Nigerian Communications Commission (NCC). Export-oriented businesses may require export permits from relevant trade and customs authorities. In cases involving the transfer or licensing of foreign technology, registration with the National Office for Technology Acquisition and Promotion (NOTAP) is mandatory. Furthermore, registration with the Nigerian Investment Promotion Commission (NIPC) is advisable for foreign investors seeking to benefit from investment incentives and structured facilitation services.

In addition to general corporate compliance, certain sectors impose local content obligations that require deeper regulatory engagement. For example, the Nigerian Oil and Gas Industry Content Development Act (commonly referred to as the Local Content Act) mandates minimum thresholds for Nigerian participation in ownership, management, and employment within the industry. Similarly, the Coastal and Inland Shipping (Cabotage) Act restricts the operation of foreign-owned vessels in Nigerian inland and coastal waters, except where specific waivers have been obtained. These sectoral requirements underscore the importance of tailored legal guidance to ensure compliance with both general and industry-specific regulations.

Adherence to these legal regimes requires expert guidance, particularly for foreign businesses aiming to enter heavily regulated industries.



3. Intellectual Property (IP) Protection

Protecting intangible assets is critical to sustaining a competitive edge in the Nigerian market. The primary avenues for IP protection include:

- **Trademark Registration** – Protecting brand identity elements such as names, logos, and slogans through the Trademarks, Patents and Designs Registry.
- **Copyright Protection** – Safeguarding literary works, software, artistic creations, and multimedia under the Copyright Act.
- **Patent Registration** – For new inventions, ensuring exclusivity in production and commercial use.

Intellectual property registration and enforcement are essential components of risk mitigation and legal strategy for market entrants.

4. Labour and Employment Compliance

Employment practices in Nigeria are governed by the Labour Act, sector-specific laws, and international labour standards. Employers must ensure compliance with the following:

- **Minimum Employment Standards** – Including minimum wage, leave entitlements, and working hours
- **Health and Safety Regulations** – Particularly in high-risk industries such as construction and energy
- **Employee Benefits and Social Security Contributions** – Including the National Housing Fund (NHF), Nigeria Social Insurance Trust Fund (NSITF), National Pension Scheme (PENCOM), and Industrial Training Fund (ITF)

For businesses operating in oil and gas or maritime sectors, compliance with local manpower requirements is crucial. Employers must prioritise indigenous capacity-building and meet staffing ratios in accordance with the Local Content Act and the Cabotage Act.

It is generally advisable that, prior to adopting a standard employment contract template, a company should engage a legal practitioner to review the document and ensure that it complies with all applicable labour laws and regulatory requirements.



5. Other Regulatory Considerations

Insurance

In Nigeria, the role of insurance in business operations goes beyond risk mitigation, it is often a statutory prerequisite for operating lawfully in certain sectors. Depending on the industry, specific insurance policies may be mandatory prior to the commencement of business activities. In highly regulated sectors such as construction, oil and gas, transportation, healthcare, and manufacturing, obtaining designated insurance coverage is not only a legal obligation but also a measure to protect third parties and the general public.

Even in sectors where insurance is not expressly required by law, it is strongly recommended as a best practice. Business owners are encouraged to adopt insurance policies that provide coverage for operational, legal, and reputational risks. These may include property insurance, product liability, professional indemnity, and business interruption insurance, among others.

Under the Insurance Act of 2003 and other applicable regulations, several insurance policies are classified as compulsory for businesses operating in Nigeria. These include:

- Group Life Insurance for Employees (under the Pension Reform Act)
- Motor Third Party Insurance
- Builders Liability Insurance (for buildings under construction exceeding two floors)
- Occupiers' Liability Insurance (for public buildings)
- Health Care Professional Indemnity Insurance
- Marine Insurance (for importers/exporters, where applicable)

Failure to obtain the required insurance policies can lead to regulatory sanctions, civil liabilities, and in some cases, criminal prosecution. As such, businesses are strongly advised to consult with licensed insurance practitioners or legal advisors to ensure full compliance with Nigeria's insurance and risk management framework.

Conclusion

Nigeria offers substantial commercial opportunities, but success depends on a deliberate and well-structured entry strategy. Understanding the legal framework, aligning with sector-specific compliance standards, and securing the appropriate licences are foundational steps in setting up a compliant and resilient business.

Engaging knowledgeable legal counsel with expertise in Nigerian regulatory frameworks is strongly advised. This not only ensures legal conformity but also protects long-term investments and aligns business operations with both local expectations and international best practices.

In the dynamic and competitive terrain of Nigerian commerce, legal clarity is not merely a formality, it is your strategic advantage.

Most importantly, hire a lawyer that can handle the legal intricacies of business setup.

AUTHORS



Damilola Osinuga, PhD
Partner



Abidemi Olowolagba
Associate

CONTACT

For more information,
please contact us at: info@damilolaosinugalp.com



www.damilolaosinugalp.com