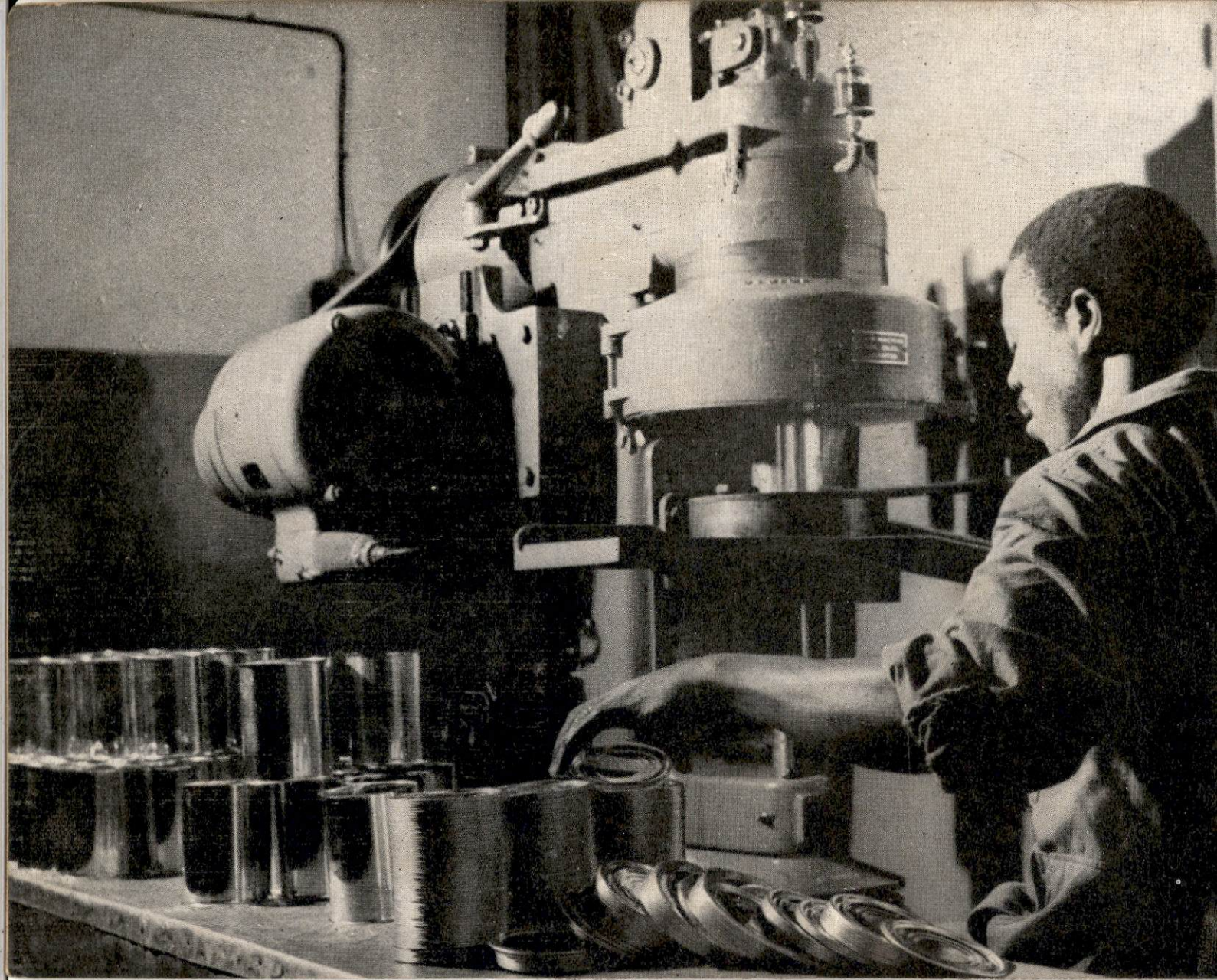
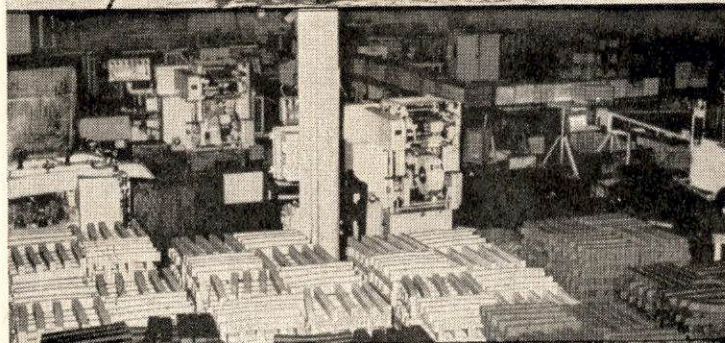


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ment Policy relating to Foreign Investment

formerly the largest British dependency in terms of population, became a free and nation on 1st October, 1960. Like the States of America, it has a federal constitution composed of four Governments—the Government and the Governments of Northern and Western Nigeria. The Regional Governments have internal autonomy, but it is essential that the Federation as a single economic unit. The Federal Minister of Commerce said in a recent speech to a foreign country that we have a federal constitution with four Governments with their own distinct responsibilities for the purpose of economic development. It is essential that you should look upon Nigeria as a single market. I know that in saying this I am not only for myself, but also for my colleagues. With a population estimated at 40 million, Nigeria offers the largest single market in Africa. It is a country endowed with raw materials. These are mineral oil, tin, columbite, coal,

limestone, cotton, oil-seeds, palm produce, rubber, timber and cocoa.

The four Governments realise that in order to exploit fully the potentialities of the country and raise the standard of living of the people, overseas capital, skills and experience will be required. Consequently, the Federation's policies, attitudes, laws and regulations are generally favourable to private investment. As far back as 1958 the Governments issued a joint statement unequivocally welcoming outside participation in the country's development. They have also repeatedly given assurance that they have no plans for nationalisation of industry to any greater extent than certain public utilities, such as the railways, telecommunications and electricity, which are publicly operated can be said to be nationalised. Besides, consideration is given to the generation of electricity by private concerns where the Electricity Corporation of Nigeria is unable to provide this service.

The industrial policy of all the Governments is to encourage private enterprise in all industrial sectors apart from the public utilities already mentioned. Only in certain cases do the Governments or their

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participate. There is no rigid insistence on participation but Governments may wish to have the financing of certain large enterprises have a special significance to the public. Financial assistance in the initiation and development of an industry, either by way of loan or investment, may be given by the Government when sufficient private capital is not available, but the aim is to supplement private enterprise and not to displace it. The Governments consider industrial development is essentially a collective endeavour for private enterprise and that the role of Government is to provide essential facilities as the basis upon which private enterprise can flourish. Owing to lack of capital in the private sector, the Governments may have taken greater interest in the establishment of industries by direct participation than might have been thought necessary. This should be interpreted as a movement away from a free enterprise economy.

Government Incentives to Industrial Development

The Federal Government, which has exclusive powers in the fields of company taxation and tariff policy, offers special incentives to industrial enterprises where such assistance is held to be in the overall economic interest of Nigeria. These are embodied in four acts—the Industrial Development (Income Tax Relief) Act, 1958; the Industrial Development (Import Duties Relief) Act, 1957; the Customs Duties (Dumped and Subsidised Goods) Act, 1958; the Customs (Drawback) Regulations, 1958; and the Income Tax (Amendment) Act, 1958.

(a) The Industrial Development (Income Tax Relief) Act

The object of the Act is to encourage the development or establishment of such industries as the Council of Ministers may consider to be beneficial to Nigeria and to which assistance would be in the public interest. By making relief from income tax possible during the early years of public companies engaged in 'pioneer industries,' this Act

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is designed to attract capital to Nigeria for the development of her natural resources and the expansion of her industrial capacity.

Before benefits provided by the Act can be enjoyed, it is necessary that the industry which is to be established or developed should be declared a pioneer industry. For this purpose a representation must be made to the Federal Minister of Commerce and Industry on Form API/1 for consideration by the Federal Government. If the representation is successful, it is open to any company, or body of persons proposing to register a company, which is to engage in the pioneer industry, to apply to the Minister on Form API/2 for the issue of a pioneer certificate. Only a public limited liability company registered in Nigeria is eligible for a pioneer certificate. A period of three months is allowed necessary, for the registration of the company, before the award of a certificate has been applied for.

The grant of a pioneer certificate entitles a company to certain reliefs from income tax and from the observance of the conditions stipulated in the certificate. The most important of these reliefs are that:

company shall not engage, during the tax period, in any enterprise except the industry in respect of which the certificate is granted; and

company shall start to operate the factory where a mining company is concerned, mining operations—within one year of the date estimated by the company in its application.

relief is granted in the first place for a period of five years, provided that a minimum qualifying capital expenditure (as specified in the Fourth Schedule to the Income Tax Act) of £5,000 has been incurred on fixed assets before production begins. Where, by the end of the two years, the qualifying capital expenditure incurred by the company has reached £15,000, relief will be given for a further year; and, if by the end of that year the total reaches £50,000 another year will be added. A final year, making a total of three years, will be given if the qualifying capital expenditure reaches £100,000 at the end of the

If losses are incurred during the tax holiday, a further extension may be given. For each accounting period within the tax holiday in which a loss is incurred, the tax relief period is extended by the same period.

There is also provision for capital expenditure, of the type which normally attracts relief from income tax and which is incurred in a tax relief period, to be written off wholly from the taxable profits arising after that period.

As a corollary to the exemption from tax of profits earned by the company in its tax relief period, shareholders are exempted from tax on dividends up to the amount of such profits.

(b) The Industrial Development (Import Duties Relief) Act

The Act was based on the recommendations of a committee set up to advise on the stimulation of Nigerian industry by giving it relief from import duty and tariff protection.

The Act allows the repayment of import duties to be authorised on materials brought into Nigeria for use in the manufacture or processing of goods or in the provision of services, provided that certain

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conditions are fulfilled. Applications are made on Form IDR/1.

To qualify for relief an applicant must satisfy the Federal Government that it is impossible to provide the goods or services in question at prices low enough to compete with the imported equivalent; or that the imported finished article bears a lower proportion of import duty than the materials imported to manufacture the same article in Nigeria.

The Federal Government must also be satisfied that any repayments to be made are to the overall economic advantage of Nigeria, having regard to certain criteria.

Any relief given may be restricted both as to the amount of duty to be refunded annually and as to the period of relief, the maximum being ten years.

As with income tax relief, import duties relief is intended as a measure of temporary assistance in order to enable a new industry to become established in Nigeria, or for an already established industry to be developed on a scale suitable to the country's overall economic requirements.

(c) *The Customs Duties (Dumped and Subsidised Goods) Act*

This Act permits, when necessary, the imposition of a special duty on any goods which are dumped in Nigeria or are subsidised by any government or authority outside Nigeria. The power to exercise this power is vested in the Federal Government which must be satisfied both that injury will be threatened, or caused, by the importation of such goods to a potential or established industry in Nigeria and that the imposition of a special duty will not conflict with Nigeria's obligations under the General Agreement on Tariffs and Trade.

(d) *The Customs (Drawback) Regulation,*

Under these regulations, importers may, in certain circumstances, claim repayment of import duty. Repayment will be made in full:

- (i) if goods are exported in the same form in which they were imported;
- (ii) if materials are imported for use in the manufacture of goods and then exported;
- (iii) on paper imported for use in the manufacture of education goods where such goods are supplied to recognised educational institutions.



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(Tobacco imported and then exported in cigarettes is covered by special regulations).

(e) *The Income Tax (Amendment) Act, 1958*

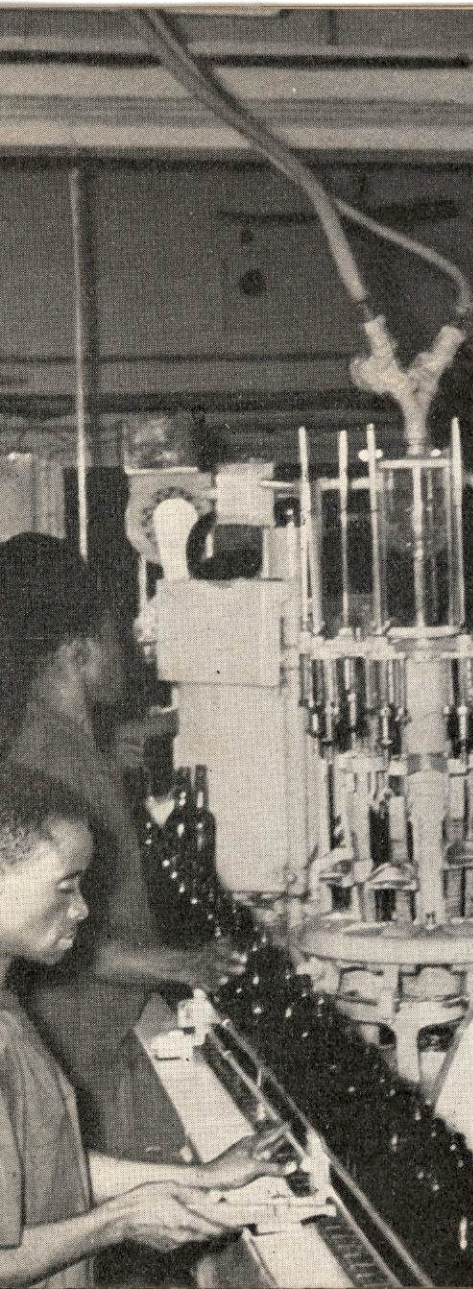
This Act has as its objective the granting to companies of a very much quicker write-down of their capital assets in the early years of trading, so as to enable them to amortise their capital assets during their formative years, and to build up liquid reserves at an early date. The initial capital percentages for the write-down of capital assets in the case of machinery have been increased from nil to forty per cent. This is in addition to the ordinary annual write-down of five per cent to fifteen per cent. Thus in the first taxable year of its existence a company would be enabled to write off from profits, for the purposes of computing taxable income, some fifty per cent of the capital value of the machinery employed in that company. Where the taxable income of a company does not absorb fully the capital allowances claimed, the unabsorbed balance may be carried forward indefinitely against future taxable profits. Unabsorbed losses may be similarly carried forward against future taxable profits but for a limited period of ten years. The Income Tax (Amendment) Act does not merely

apply to pioneer companies. These benefits apply to all companies both public and private, whether they operate in Nigeria, whether incorporated in Nigeria or overseas, and are not confined to companies engaged in pioneer industries. Where a company receives a pioneer certificate the write-down of capital assets described in this paragraph can be claimed *pro rata* at the end of the tax-free holiday.

Foreign Ownership of Companies

There are no restrictions preventing the ownership of a business in the Federation by foreign companies animated by a spirit of enterprise. Such companies are preferred. All companies—whether indigenous or foreign—are governed by the same law throughout Nigeria. Several firms in which foreign States interests have a substantial stake.

A 'Guide to the Registration of Companies' has been published by the Federal Ministry of Commerce and may be obtained on application to the Permanent Secretary, Federal Ministry of Commerce and Industry, Lagos.



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Foreign Ownership of Land

IN Eastern and Western Nigeria it is often not easy to obtain land quickly with a clear title. But where difficulties are encountered in obtaining leasehold land for an approved industrial project, Government may compulsorily acquire such land and lease it to the company. In the Federal territory of Lagos and that part of Western Nigeria bordering Federal territory any person or company incorporated or registered in Nigeria is at liberty to acquire private property by agreement with the owners. In Eastern Nigeria and in the remainder of Western Nigeria, the main feature is that without the approval of the Regional Government there is an absolute prohibition in the acquisition of land by persons who are not natives of Nigeria or by companies consisting of such persons. In Northern Nigeria all land is governed by the Land and Native Rights Act. This Act declares all land to be land under the control of, and subject to the disposition of, the Governor of Northern Nigeria and to be held and administered for the use and common benefit of the inhabitants. Pressure on land is not so strong in the North, how-

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ever and satisfactory long-term leases can usually be obtained without difficulty by genuine industrial and commercial investors.

Industrial Estates

To promote industrial development all the Governments of the Federation are developing industrial estates. The Federal Government has developed an industrial area at Apapa and the Western Nigeria Government is developing a 700-acre industrial estate at Ikeja, just outside Lagos. The two Governments have indisputable title to the lands comprising these estates and an industrialist can rent from them direct. The Government of Eastern Nigeria has also set aside and is developing 2,000 acres in Port Harcourt, the second largest seaport of Nigeria. In Northern Nigeria, industrial layouts exist or are planned in numerous terms and the Government has powers to make land available on lease for up to 99 years. Conditions in the various industrial layouts differ considerably and while it is eventually hoped to

provide all services and facilities, financial conditions prevent this in some areas at the present time.

Enquiries regarding land for industrial estates and for housing should be directed to the following authorities:

Northern Nigeria The District Office, Lagos. The District Office is the Authority in charge of all matters concerned.

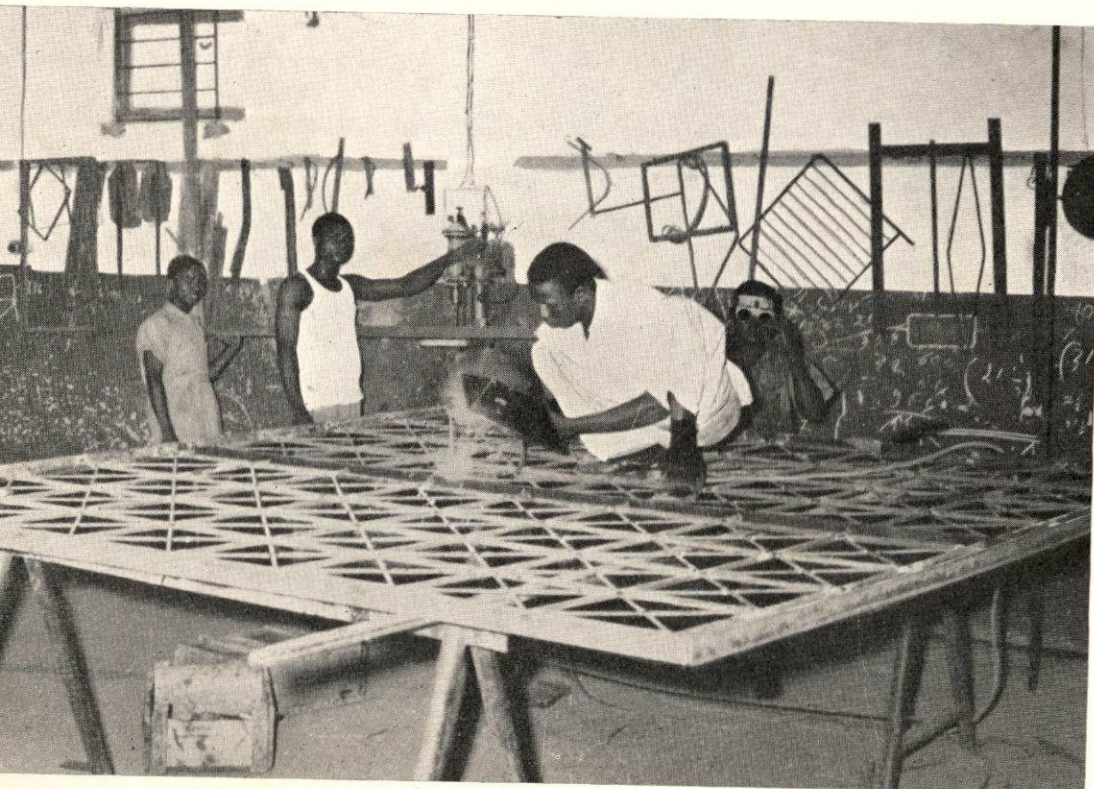
Eastern Nigeria The Ministry of Town and Country Planning, Enugu, or to the District Officer in charge of the area concerned.

Western Nigeria The Ministry of Housing, Ibadan, or to the District Officer in charge of the area concerned.

Mineral Rights

Mining is governed by the Minerals Act, 1954. All minerals are vested in the Crown. Mining may be carried on by licence holders in accordance with the terms of the Act. Exploitation of mineral deposits requires the payment of royalties to the Federal Government.

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Entry Remittances and Repatriation of Capital

Nigeria welcomes foreign capital investment. Such capital directly invested is granted "Approved Status" after careful assessment of its economic benefits to the country. Profits and dividends arising from an investment may be freely transferred to the country of origin after payment of income tax. Capital may also be repatriated with Exchange Control permission.

Trade Factors

(i) Import Control Regulations

At the end of the war a very large part of the import and export trade was subject to licensing restrictions which were retained in the immediate post-war years to enable Nigeria, as a member of the sterling area, to play her part in conserving reserves of scarce currencies. Exports were similarly directed mainly to hard currency countries or to the sterling area.

As the world supply position and the strength of

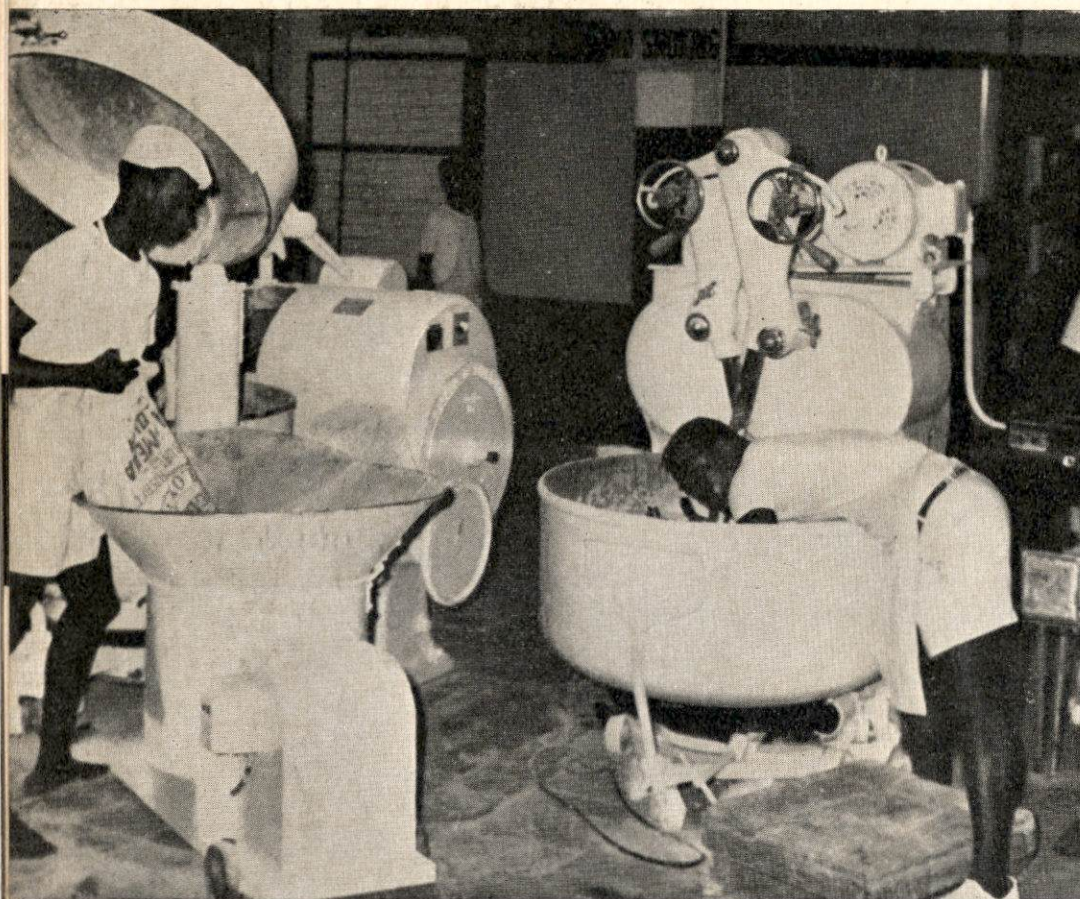
sterling have continued to improve, restrictions on imports have been very much relaxed and many commodities may now be freely imported from the United Kingdom and the Scheduled Territories and Easy Currency Countries under open general licences.

In regard to goods originating in the Sterling Area, important measures to liberalise imports have been taken by widening the scope of the open general licences by successive revisions until as from 1 February, 1960, the importation into Nigeria of goods, excepting coal, tin, cement and flour, hand clothing and household rummage, and articles manufactured wholly or mainly in the Sterling Area, is freely permitted.

A position has, therefore, been reached where complete liberalisation of imports into the domestic market and only goods originating from the Soviet Block excepting Poland and Czechoslovakia remain subject to quantitative restrictions. In this sphere, the controls are, to a large extent, of a different character.

Merchants wishing to import goods not covered by any of the open general licences are required to make application in each instance to the Import





Authority, Federal Ministry of Industry, Lagos, for a specific licence.

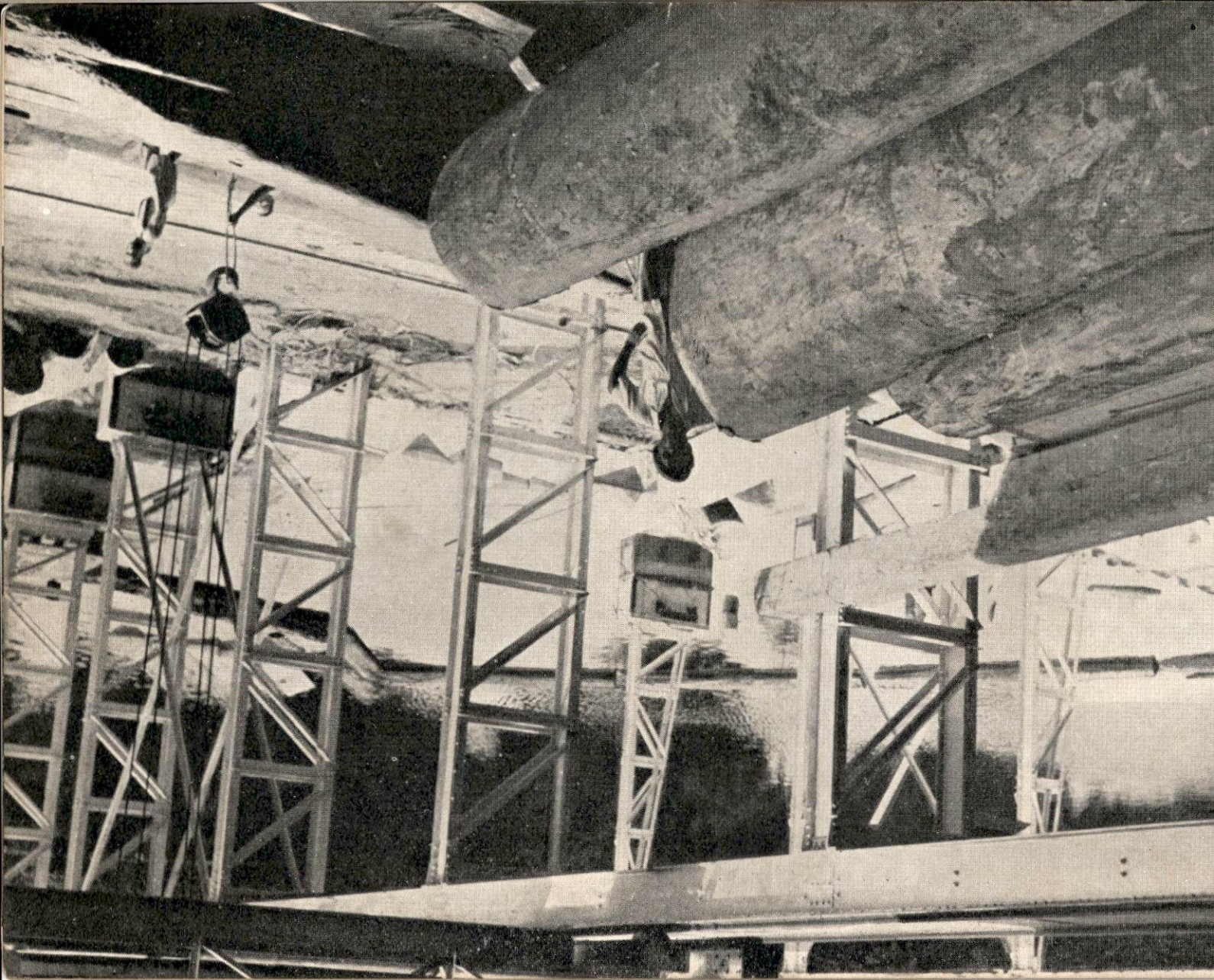
(ii) *Payment for Imports*

Foreign exchange is granted only for imports covered by open general licence if the importer holds a valid specific licence from the Import Licensing Authority. It is noted that foreign exchange is granted in accordance with the terms of the relevant regulations.

Goods imported into Nigeria from outside the Scheduled Territories (for example, the Sterling Area) must be paid for in foreign exchange as prescribed in the Exchange Control Regulations of 1962. All such payments require the approval of the Nigerian Exchange Control Commission. In this respect, have been delegated to the relevant authorities. Those who have been appointed authorised dealers should be submitted to the Commission in duplicate on Exchange Control Form No. 1.

(iii) *Quotations and Credit*

Normal terms of trade apply in all cases, whether being purchased against letter of credit or on the basis of deferred payment. The Commission is not raising credit for purely trade, as opposed to investment, purposes.



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purposes, and for obtaining temporary financial accommodation are limited.

(iv) Status Reports

Merchants overseas, and traders in Nigeria, who contemplate entering into business commitments with firms with which they have not previously had dealings, and who are desirous of obtaining information as to the standing and reliability of the opposite party to the proposed transaction, are invited to apply to the Federal Ministry of Commerce and Industry, Lagos, for a status report on the firm concerned. This service, which is provided free of charge and is being used increasingly, has led to a marked reduction in the number of unsatisfactory trade dealings between Nigeria and overseas.

Customs Tariff

Although Nigeria's tariff is still basically a revenue tariff, import duties are now arranged so that, *in general*, goods imported in a finished state ready for use or consumption are charged at the normal rate of

20 per cent *ad valorem*, or for certain higher rate. Goods which require to be processed or assembled attract an intermediate 10 per cent *ad valorem* while the raw industry which cannot be provided for by its own resources are in many cases permitted free entry.

It is important to note that drawback duty may be claimed in respect of any part of the cost of the materials used in the manufacture of goods subsequently exported.

Tariff Protection

The Federal Government is prepared to consider the imposition of protective tariffs in certain cases and for limited periods, provided the utility of the enterprise can be foreseen.

Types of Business Organisation

There are three types of business organisation governed by the Federal Legislation

Liability Companies

Liability companies can be either public or private under the Companies Act, 1958. Public companies are normally formed to enable the investor to share in the profits of an enterprise without taking any part in the management. Such companies usually have no limitation to the number of members and by their articles of association provide for the transfer of shares and for the exclusion of members from the public. Private companies are limited liability private traders to carry on the business. They control and whose profit they share in the business has been personified by the company and its liability has been divorced from the members. Such companies must, by their articles of association, restrict the transfer of shares, limit the number of members to fifty (except in certain circumstances) and prohibit any invitation to the public to subscribe for any shares or debentures.



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(b) *Limited liability companies established outside Nigeria*

Under Section 239 of the Companies Act every company incorporated outside Nigeria which establishes a place of business within Nigeria must, within six weeks of such establishment, file with the Registrar:

- (i) a certified copy of the charter, statutes, or memorandum and articles of the company, or other instrument constituting or defining the constitution of the company, and, if the instrument is not written in the English language, a certified translation thereof;
- (ii) a list of the directors of the company;
- (iii) the names and addresses of someone or more persons resident in Nigeria authorised to accept on behalf of the company service of process and any notices required to be served on the company.

(c) *Partnerships*

Under the registration of Business Names Act, 1961, a person or persons carrying on a business, the names of which differs from their own names, or which incorporates any words other than those of the

true names of their owners, must be registered under the Act. The number of such partners must not exceed twenty.

Patents

Under the Registration of United Kingdom Patents Act at present in force in Nigeria, any person who are grantees of a patent in the United Kingdom or any person deriving his rights from a patent by assignment, transmission or other means, if the law may apply to the Registrar of Patents, must have such patents registered in Nigeria. Within three years from the date of issue of such patent, must be accompanied by a certified copy of the specification or specifications (including drawings) of the United Kingdom patent and a certificate from the Comptroller-General of the United Kingdom Patent Office giving full particulars of the patent on such specification or specifications. Bills are being taken to amend the law relating to patents in Nigeria to allow patents issued or granted in other nations of the world to be registered.

Trade Marks

Section 14 of the Trade Marks Act any person may be the proprietor of a trade mark may or his agent apply to the Registrar for registration thereof. The application must be in prescribed form and must be accompanied by three representations of the mark and a type block of such representation. When an application for the registration of a trade mark is made in Nigeria, the applicant must give the Registrar an address for service in Nigeria. A trade mark registered elsewhere in the world will not be protected in Nigeria unless it is registered with the Registrar of Trade Marks in Nigeria.

Company Law

Provisions relating to the incorporation, registration and management of companies is contained in the Companies Act, 1958, and follows the general lines of the Companies Act of the United Kingdom of 1908.

Legislation

Legislation affecting commercial or industrial

enterprise includes: The Bills of Exchange Act; The Bills of Sale Act; The Factories Act; The Labour Act; The Weights and Measures Act; and The Workmen's Compensation Act.

Laws and Regulations Affecting Employment

The policies of the Governments of Nigeria, with regard to foreign investment, are based on the belief for the need of a spirit of partnership. As a rule approval is freely given for the employment of aliens in technical, managerial and professional posts, but it is expected that posts which can be filled by Nigerians should not be filled by non-Nigerians and enterprises which make arrangements for the progressive training of Nigerians in technical and managerial skills are especially valued. No statutory wage rates are laid down by Governments and wages are freely negotiated between employers and trade unions or employees. There is an ample supply of labour which generally responds well to training schemes and sympathetic supervision. Immigration enquiries should be addressed to the Principal Immigration Officer, Private Mail Bag 2532, Lagos.

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Social Insurance Laws

A national provident fund scheme is operated by the Federal Government. A number of employers operate their own provident fund schemes with employer and employee contribution. Limited hospital and other medical facilities provided by Governments are available throughout Nigeria.

Taxation

Company Income Tax

Company taxation is a Federal subject and companies pay a Federal Income tax of 8s. in the pound on undistributed profits. As has already been mentioned, the company tax legislation allows for the rapid write-down of capital assets in the formative years and companies granted pioneer status are exempted from payment of income tax for a period which may be up to five years or more. Full information will be supplied on request by the Federal Board of Inland Revenue, Lagos.

Personal Taxation

The taxation authority in respect of personal income tax is the Government in whose territory the person is resident. In respect of the Federal territory of

Lagos it is the Federal Government. A taxable person resident in the Federal territory is subject to taxation by the Federal Government. The Income Tax Management Act, 1954, provides that Regional Governments have similar powers.

In computing taxable income, personal and domestic circumstances, life assurance, are taken into consideration. Full details can be obtained from the Federal Board of Inland Revenue. Inland Revenue authorities of the Regions are also concerned.

Industries already established or about to be established

The following list is not exhaustive but is given merely as a guide: Cement manufacture, glass and tube manufacture, sugar-cane processing, sugar manufacture, tin-smelting, vegetable oil refining, metal fabricating, steel rolling, manufacture, soap-making, oil-seed processing and meat canning, plastic and metal products manufacture, glass container manufacture, aluminium sheet and hollow section manufacture, etc.