



**MARCH EDITION
2023**

**The Nigeria Startup
Act, 2022**

NIGERIA STARTUP ACT, 2022

AN ACT TO ESTABLISH THE NATIONAL COUNCIL FOR DIGITAL INNOVATION AND ENTREPRENEURSHIP, PROVIDE FOR THE CREATION AND DEVELOPMENT OF AN ENABLING ENVIRONMENT FOR TECHNOLOGY-ENABLED STARTUPS IN NIGERIA; AND FOR RELATED MATTERS

The Nigeria Startup Act, commenced 19th October, 2022 as enacted by the National Assembly of the Federal Republic of Nigeria.

Section 1 refers to the objectives of this Act which is to provide a legal and institutional framework for the development of startups in Nigeria, provide an enabling environment for the establishment, development and operation of startups in Nigeria; ensure the development and growth of technology-related talents; and position Nigeria's startup ecosystem, as the leading digital technology centre in Africa, having excellent innovators with cutting edge skills and exportable capacity.

Section 2: This Act applies to companies incorporated under the CAMA Act, and granted the startup label in accordance with the provisions of the Act. It also applies to organisations and establishments whose activities affect the creation, support and incubation of labelled startups in Nigeria.

Establishment of the National Council for Digital Innovation and Entrepreneurship

Section 3 & 4: This Act also lead to the establishment of the National Council for Digital Innovation and Entrepreneurship. The Council will consist of the President of the Federal Republic of Nigeria who shall serve as the Chairman; the Vice President of the FRN will serve as the Vice-Chairman; in the absence of the President and Vice-President, the Minister of Communications and Digital Economy will preside over the Council. It also consist of Minister for Finance, Budget and National Planning, Minister for Industry, Trade and Investment, Minister for Science, Technology and Innovation, the Governor of the Central



Bank of Nigeria(CBN), four representatives of the Startup Consultative Forum established under section 12 of this Act; one member to represent the Nigeria Computer Society; one member to represent the Computer Professionals (Registration Council of Nigeria); and the Director-General of the National Information Technology Development Agency, who shall serve, as the Secretary of the Council.

The responsibility of the Council includes the following; formulate and provide general policy guidelines for the realization of the objectives of this Act; monitor and evaluate the regulatory framework that will encourage the development of startups in Nigeria; monitor and ensure the implementation of the policies and programmes of the Secretariat; support digital technological development through grants to persons, research institutions, and universities pursuing postgraduate programmes in the areas of science, technology and innovation.

The Council shall appoint , as it may deem fit, a Council agent, who shall act in accordance with any general or specific directions of the Council towards the effective monitoring and implementation of the provisions of this Act.

OPERATIONAL STRUCTURE OF THE COUNCIL

Secretariat of the Council

Section 9: The National Information Technology Development Agency shall serve as the Secretariat of the Council, and the Director-General of the National Information Technology Development Agency shall serve as its Head.

The Secretariat shall manage the process of labeling a startup, as provided under this Act; establish public online platforms and other platforms to provide access to information on matters pertaining to the establishment and development of a startup, incubation, acceleration and venture building programmes, access to fiscal and non-fiscal support;

The Secretariat shall establish a Startup Support and Engagement Portal which shall serve as a platform through which a startup conducts registration process with relevant MDAs. The Startup Portal will facilitate the issuance of a permit or licence to a labelled startup; the startup portal will provide platform for interaction between a startup and the Federal Government, private institutions, angel investors, venture capitalists, incubators, accelerators and other relevant institutions; foster access of a startup to finance, information, innovation, and the global market; provide access to tools and resources to a startup;

The Secretariat will appoint a Coordinator for the Startup Portal with at least 10years' experience in technology and entrepreneurship who will maintain a

register of labelled startups in Nigeria, keep relevant documents and records of labelled startups, implement the decisions of the Council on the labeling of a startup under this Act.

A Startup Consultative Forum will be set up with the approval of the Council. They will provide information sharing and collaboration in the Nigerian startup ecosystem. They will provide information on a startup which qualifies to be labelled under this Act; relevant incentives that apply to a startup; information on available local capabilities; nomination of representatives to the Council; deliberations on memorandum to be sent to Council for consideration; and other policy proposals that may be relevant to the Nigerian startup ecosystem.

STARTUP LABELLING PROCESS

Eligibility for grant of a startup label

Section 13: A certificate is issued by the Secretariat to a startup upon the fulfillment of the labeling requirements under this Act. For a startup to be eligible for labeling, it must be registered as a limited liability company under the CAMA Act, and has been in existence for a period not more than 10 years from the date of incorporation.

Its objects are innovation, development, production, improvement, and commercialization of a digital technology innovative product or process,

It has at least one-third local shareholding held by one or more Nigerians as founder or co-founder of the startup;

It is a holder or repository of a product or process of digital technology, or the owner or author of a registered software.

This Act is not applicable to an organization which is a holding company or subsidiary of an existing company which is not registered as a startup. A sole proprietorship or partnership shall be granted a pre-label status for a period of six months to enable the sole proprietorship or partnership comply with the requirements.

Procedure for labeling a startup

Section 14: A startup is granted a label under the provisions of the Act by submitting an application on the Startup Portal in the prescribed form supported by relevant documents approved by the Secretariat.

Issuance of a labeling certificate

Section 15: After compliance with all the requirements for labeling specified under the Act and upon the satisfaction of the Coordinator, an applicant shall be issued a labeling certificate. This comes with approval of the Secretariat.

A startup label shall be valid for a period of 10years from the date of issuance.

Obligations of llabeled startup

Section 16: Every llabeled startup must comply with all the extant laws governing businesses in Nigeria and provide information annually on the number of human resources, total assets and the annual turnover achieved from the period the startup label was granted ;

They must maintain proper book of accounts in accordance with reporting obligations provided under extant laws and regulations also provide an annual report on incentives received and advancement made by virtue of the incentives; notify the Coordinator of any change in structure, composition or objects within a period of one month from the date of such change ; and comply with the obligations set out by the Coordinator after issuance of the startup label.

Where a labelled startup defaults in any of the obligations, or fails to meet the eligibility criteria under this Act, the Coordinator shall notify the labelled startup of the default, and within 30 days of the notification, the startup shall take steps to rectify the default.

Withdrawal of startup label

Section 17: A llabeled startup who fails to regularize the default after being notified, the Secretariat shall withdraw the startup label and notify the relevant MDAs or investors that may have granted incentives to such llabeled startup.

Reissuance of startup label

Section 18: A startup whose startup label is withdrawn, rectifies the default, it may apply to the Secretariat for a re-issuance of the startup label.

Establishment of Startup Investment Seed Fund

Section 19: The Startup Investment Seed Fund will be managed by the Nigeria Sovereign Investment Authority and a sum not less than N10,000,000,000 from sources to be approved by the Council and be paid into the Fund on an annual basis. The Fund will provide a llabeled startup with finance, provide early-stage

finance for labelled startups on the recommendation of the Fund Manager subject to the approval of the Council; and provide relief to technology laboratories, accelerators, incubators and hubs.

Functions of the Fund Manager

Section 20: The Fund manager will create an innovation grant budget and management framework to support research and development projects, and issue a framework which shall set out modalities to fund, manage, and access the fund.

Training, Capacity Building and Talent Development

Training and capacity building

Section 21: A training and capacity building programme for startups shall be implemented by the Secretariat and shall utilize the startup portal to disseminate necessary information. The training can be facilitated by the Industrial Training Fund and any organization which partners with the Secretariat for the training of entrepreneurs and their employees.

Talent Development

Section 22: The Secretariat shall collaborate with the National Universities Commission, National Board for Technical Education and other tertiary institutions regulatory bodies within Nigeria to develop modules, programmes and hold workshops. The centres for the acquisition of digital technology in the six geopolitical zones of Nigeria will be established by the Secretariat for the promotion of digital technology utilization, strengthening of digital technology management capability.

Support of Academic research institutions

Section 23: The Secretariat will support the activities of an academic research institution to the development of a startup by creating nexus between research institutions , private sectors, the Federal Government and other stakeholders in the startup ecosystem, financing research systems for a startup.

Tax and Fiscal Incentives

Incentives for labeled startups under the Pioneer Status Incentive Scheme

Section 24: A labeled startup under the extant Pioneer Status Incentives (PSI) Scheme may receive expeditious approval from the Nigerian Investment

Promotion Commission (NIPC) upon application the grant of tax reliefs and incentives under the PSI Scheme.

Additional Tax Reliefs

Section 25: talks about the provisions of the Industrial Development(Income Tax Relief) a llabelled startup may be entitled to exemption from the payment of income tax or any other tax chargeable on its income or revenue for a period of three years and an additional two years if still within the period of a llabelled startup, provided that the commencement date of the tax relief shall be the date of the issuance of the startup label.

A llabelled status will enjoy full deduction of any expenses on research and development which are wholly incurred in Nigeria and the restrictions placed by the Companies Income Tax Act shall not apply to a labelled startup.

Non-resident companies providing technical, consulting, professional or management services to a labelled startup shall be subjected to a five percent withholding tax on income derived from the provision of such services, provided that the payment of the withholding tax, shall be the final tax to be paid by such non –resident companies.

A llabelled startup shall be exempted from contributions to the Industrial Training Fund where it provides in-house training to its employees for the period where it is designated as a labelled startup.

Access to export facilities

Section 26: The Secretariat shall ensure that a labelled startup involved in the exportation of products and services, which are deemed eligible under the Export (Incentives and Miscellaneous Provisions) Act, is entitled to export incentives and financial assistance from the Export Development Fund, Export Expansion Grant and the Export Adjustment Scheme Fund.

Access to government grants, loans and facilities

Section 27: The Secretariat will ensure that a labelled startup has access to grants and loan facilities administered by the CBN, the Bank of Industry or other bodies statutorily empowered to assist small and medium scale enterprises and entrepreneurs.

Credit Guarantee Scheme

Section 28.— The Secretariat shall establish a Credit Guarantee Scheme for the development and growth of a labelled startup under this Act. The Scheme will ensure the achievement of the following objectives — (a) the provision of accessible financial support to a labelled startup ; (b) creation of a framework for credit guarantee for a labelled startup ; (c) provision of financial and credit information to startups; and (d) provision of financial management capacity building programmes to startups.

Incentives and reliefs for investors investing in a labelled startup.

Section 29 — The Federal Government, through the Federal Ministry responsible for Finance and other MDAs, shall develop and implement a national policy for incentives for individuals, impact investors, angel investors, companies, venture capitalists, private equity funds, accelerators or incubators which invest in a labelled startup or in the startup ecosystem to enjoy tax credits on their investment.

Notwithstanding the provisions of the Companies Income Tax Act, an angel investor, venture capitalist, private equity fund, accelerators or incubators which invests in a labelled startup shall be entitled to an investment tax credit equivalent to 30% of the investment in the labelled startup provided that such credit shall be applied on any gains on investment which are subject to tax.

Capital gains tax shall not be charged on gains that accrue from the disposal of assets by an angel investor, venture capitalist, private equity fund, accelerators or incubators with respect to a labelled startup provided the assets have been held in Nigeria for a minimum of 24 months.

Collaboration with the Corporate Affairs Commission

Section 30: The Act state that the Secretariat shall collaborate with the Corporate Affairs Commission to designate a separate section on the Startup Portal to ease the processes for labelled startups that conduct transactions at the Commission.

Protection of intellectual property rights

Section 31 – The Council acknowledges the importance of intellectual property rights towards the growth and development of a startup. The Secretariat shall ensure that holders of intellectual property rights are encouraged to exploit these rights and shall take steps towards assisting them in internationalising and commercialising their rights.

The Secretariat shall collaborate with the Nigerian Copyright Commission and the Trademarks, Patent and Design Registries, in ensuring that they — (a) designate a separate section on the Startup Portal to ease registration of intellectual property for labelled startups ; (b) provide assistance to labelled startups for facilitating the application for grant or revocation of patents and institution of legal action for infringement of any intellectual property rights ; and (c) facilitate assistance to labelled startups for the filing and registration of their trademarks and patents at the international level.

Crowdfunding

Section 32 —(1) Startups may raise funds through crowdfunding intermediaries and commodities investment platforms (“platforms”) duly licensed by the Securities and Exchange Commission (SEC) that would have their platforms available for use by startups on the Startup Portal. (2) The Council shall provide recommendations and proposals to SEC and collaborate towards ensuring that SEC considers rules that fast-track crowdfunding process for labelled startups.

Transfer of Foreign Technology

Section 33.— The Secretariat, in conjunction with the National Office for Technology Acquisition and Promotion (NOTAP) shall — (a) designate a separate section on the Startup Portal to ease technology transfer registration for labelled startups; (b) provide a discount on all applicable fees for technology transfer registrations for labelled startups; and (c) provide technical assistance to labelled startups to enable them commercialise their research results.

Obtaining licenses for a financial technology startup

Section 34 - The Secretariat in conjunction with the CBN and SEC shall — (a) designate a separate section on the Startup Portal to ease the licensing procedures for labelled startups that operate as financial technology companies (fintech startups); and (b) ensure that fintech startups are given the opportunity to liaise with SEC and the CBN through interactive sessions moderated through the Startup Portal and other forums. There will be collaboration between the Council, SEC and the CBN in ensuring that fintech startups are duly notified before new rules and regulations that affect the establishment, licensing and operations of fintech startups are issued.

Participation of a labelled startup in regulatory sandboxes.

Section 35 — A labelled startup intending to participate in the CBN’s regulatory sandbox, SEC’s regulatory incubation programmes, or any other regulatory

sandbox programmes set up by other regulators, shall be entitled to submit an application through a fast-track process available through the Startup Portal.

Listing of a startup on exchanges

Section 36.— The Council shall assist labelled startups that seek to list on the relevant board of the Nigerian Exchange Limited (NGX), or on similar stock and commodity exchanges operating in Nigeria, to meet up with the eligibility requirements for listing. The Council shall encourage and support labelled startups that seek to list on the exchanges and may grant them incentives that aid their growth and development.

Repatriation of capital and profits

Section 37— The Secretariat shall collaborate with the CBN to guarantee repatriation of investment by a foreign investor through the CBN's authorised dealer in freely convertible currency of — (a) dividends or profits, net of all taxes, attributable to the foreign investor's investments; and (b) proceeds, net of all taxes and other obligations in the event of a sale or liquidation of the startup or any interest attributable to the foreign investor's investments.

(2) Repatriation of investments in a labelled startup shall be carried out at the CBN's official foreign exchange rate, provided that the foreign investor can present a Certificate of Capital Importation (CCI) as evidence that the initial investment fund was injected through the proper channel.

ACCELERATORS AND INCUBATORS

Accelerator and incubator programmes.

Section 38.—(1) The Secretariat shall, in realising the objectives of this Act, establish accelerator and incubator programmes for startups. (2) The Council shall, for the purpose of subsection (1), develop a national accelerator and incubator policy for the establishment and development of accelerators and incubators. (3) The Secretariat shall, for the purpose of subsection (1) — (a) develop standards and guidelines to regulate the relationships between accelerators, incubators and startups ; (b) encourage and collaborate with existing accelerator and incubator programmes established by private organisations ; and (c) provide information on the Startup Portal on existing accelerator and incubator programmes and the process of registration and admission into the programmes.

Incentives for accelerators and incubators

Section 39.—(1) There shall be a register of accelerators and incubators that contributed to the startup ecosystem which shall be maintained by the Secretariat. (2) Startup accelerators and incubators registered with the Secretariat shall be entitled to — (a) incentives as may be granted by the Federal Government in accordance with the relevant regulations, provided that the accelerators and incubators are actively involved in providing goods, services, or finance crucial in supporting the operation and growth of startups in Nigeria; and (b) grants and aids for research, development, training and expansion projects. (3) Subject to subsection (2), registered accelerators and incubators shall be entitled to grants given under the Nigeria Digital Innovation, Entrepreneurship and Startup Policy and any other policy that may be issued.

CLUSTERS, HUBS, INNOVATION PARKS AND TECHNOLOGY DEVELOPMENT ZONES

Establishment of clusters, hubs and innovation parks

Section 40.—(1) The Council shall issue a framework for the establishment and operation of startup innovation clusters, hubs, physical and virtual innovation parks in each state of the Federation. (2) The role of the innovation clusters, hubs and parks shall include — (a) connecting, fostering collaboration and generating businesses between a startup and a large company; (b) collating expertise, ideas, and perspectives; (c) providing a startup with access to resources and professional services ; and (d) promoting collaboration and innovation between startups.

Functions of the clusters, hubs and innovation parks

Section 41. Startup innovation clusters, hubs, physical and virtual innovation parks shall provide — (a) dedicated team, help desk and contact to provide support to a startup ; (b) assistance for a startup to understand the regulatory framework and its applicability ; (c) assistance in registration, and application for authorisation ; (d) assistance and facilitation for the expansion of a startup into foreign markets ; (e) work spaces free or at subsidised rates ; and (f) all other functions incidental to the attainment of the functions provided in paragraphs (a)-(e).

Establishment of Technology Development Zones

Section 42.—(1) The Secretariat shall collaborate with the Nigeria Export Processing Zones Authority to establish a Technology Development Zone (in this Act referred to as “the Zone”) in Nigeria to spur the growth and development of

startups, accelerators and incubators. (2) The Zone shall grant license to any startup, accelerator or incubator prior to the commencement of an approved activity. (3) A startup, accelerator or incubator, carrying out an approved activity in a Zone shall be entitled to existing incentives provided under the Nigeria Export Processing Zones Act.

MISCELLANEOUS PROVISIONS

Data protection

Section 43. The use and processing of data for the purpose of giving effect to this Act shall be in a responsible manner and in compliance with extant data protection laws and regulations in Nigeria.

Power of the President to give directives of general character

Section 44. The President may make policy guidelines or give to the Council or the Secretariat directives of a general or specific nature relating generally to matters of policy, or case, as the case may be, with regard to the performance by their functions and it shall be their duty to comply with the directives.

Power to make regulations or guidelines

Section 45.—(1) The Council may with the approval of the President make rules, regulations or guidelines with respect to the exercise of any of the duties, functions or powers under this Act and generally for the purpose of giving effect to this Act and in particular

(a) prescribe forms and other information required under this Act ; (b) prescribe the procedure to obtain any information required under this Act ; (c) prescribe fees payable under this Act ; (d) for registration, de-registration and re-registration of a startup ; and (e) for the transition of a startup to innovative small and medium scale enterprise or a scale up.

(2) The contravention of any rule, regulations or guidelines issued under any of the provisions of this Act shall constitute an offence and shall be punishable as prescribed in the particular rules, regulations or guidelines.

Pre-action notice

Section 46.—(1) No civil action shall be commenced against the Council before the expiration of a period of 30 days after written notice of intention to commence the suit shall have been served by the intending plaintiff or his agent, and the notice shall clearly state the —

(a) cause of action



- (b) particulars of the claim ;
- (c) name and place of abode of the intending plaintiff ; and
- (d) relief sought.

(2) A notice, summons or other document required or authorised to be served upon the Council under the provisions of this Act or any other law or enactment may be served by delivering it to the Secretariat.



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