

SUMMARY OF THE NIGERIA STARTUP ACT (NSA) 2022

**A REVIEW OF THE SALIENT SECTIONS BY
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ABOUT THE NSA (2022)

- ▶ The Nigeria Startup Bill is a joint project between the startup ecosystem stakeholders and the presidency to create a legal and regulatory framework that would promote and advance the Nigerian economy through technology and digital space.
- ▶ It was created to centralize regulations of Ministries, Departments, and Agencies of Government that will impact the Startups and create a guideline for their engagement
- ▶ It was signed into law on the 19th of October 2022 now known as the Nigeria Startup Act 2022.

NSA 2022 OBJECTIVE

The Act seeks to enable:

A thriving environment for the process of innovation of technologies and technology-based products and services.

The ease of registration, operation, and growth of startups in Nigeria, and enhance their capacity to export.

THE COUNCIL

NSA 2022 provides for the establishment of the National Council for Digital Innovation and Entrepreneurship (the council); it shall be a corporate body.

Membership: the president of Nigeria, the vice president, some ministers, and stakeholders in the startup tech-ecosystem

Responsibility: provision of policy and guidelines, provide direction for the uniformity of laws and regulations that affect the formation, functioning, and funding of startups, and monitor and assess regulations to encourage the development of startups in Nigeria

Nigeria Technology Development Agency (NITDA) will serve as the secretariat for the council

STARTUPS

To be qualified as a startup a company:

- ▶ Must be a registered limited liability company that is less than ten years in existence.
- ▶ Its objects are innovation, and development. Improvement and commercialization of a digital technology innovative product or process.
- ▶ It is a holder or repository of a product or process of digital technology or the owner or author of registered software.
- ▶ It has 51% of its shares held by one or more Nigerians

REQUIREMENT FOR ANNUAL REPORT

- ▶ Labelled startups are required to make an annual report on:
- ▶ The number of employees
- ▶ Total assets
- ▶ And turnover achieved
- ▶ Incentives received and advancements on those incentives.

TAX INCENTIVES: COMPANIES

- ▶ Companies qualified under the pioneer status incentives scheme would be granted speedy approval for the grant of those incentives.
- ▶ Also may be exempt from paying income tax or any tax chargeable on its income or revenue for 3 years from the year of acquiring the label, and an additional two years if the startup is still within the labeling period.
- ▶ The Act also makes provision for incentives to companies to employ entry-level employees with no more than three years of post-graduate experience by giving them income tax relief on up to 5% of the profit generated.

TAX INCENTIVES: EMPLOYEES

- ▶ Employees of a Startup Company maybe entitled to personal income tax relief of 35% of their income for two years.

TAX INCENTIVES: INVESTORS

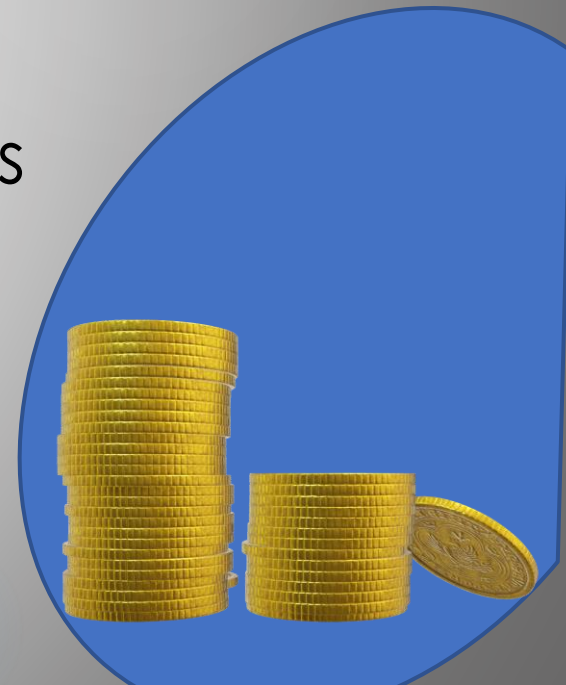
- ▶ Angel investors, accelerators, and venture capitalists can enjoy a tax credit of up to 30% for their investment in a startup.

TAX INCENTIVES: EXTERNAL SERVICE PROVIDERS

- ▶ Non-resident companies that provide technical, consulting, professional, and management services to labeled startups are subjected to a 5% withholding tax only (on the income derived from such services).

Other Benefits

- ▶ The establishment of the investment seed fund to provide early-stage finance to labeled startups and relief to technology laboratories, accelerators, incubators, and hubs.
- ▶ Access to Government grants, loans, and facilities to assist small, and medium-scale enterprises and entrepreneurs.
- ▶ Access to export facilities for startups eligible under the Export (incentives and miscellaneous provisions) Act
- ▶ Startups may list on exchanges



TRAINING AND CAPACITY BUILDING



The Act also makes provision for startups to assess training and capacity-building workshops. The council plans to work with universities, colleges, and polytechnics to train students with the requisite knowledge to start and run a startup.



Set up digital technology acquisition centers across the six geopolitical zones in Nigeria to advance digital technology usage, managerial competencies, and information systems.



Provision to create support for academic research in institutions to support the development and advancement of startups.

THE PORTAL & REGULATORY ASSISTANCE

STARTUP PORTAL

- ▶ The Act provides for the creation of a portal that will serve as an interactive platform for the provision of information and application for various incentives granted to Startups by the government.
- ▶ The portal would provide opportunities for startups to engage in capacity-building programs as well as enhance opportunities for access to finance through crowdfunding.

REGULATORY AGENCIES

- ▶ The portal will serve as a platform for startups to register with the relevant regulators, ministries, departments, and agencies of government. It provides separate sections for regulatory authorities and agencies like the CAC, CBN, NCC, SEC, NOTAP, etc, to ease their registration process.