

THE NIGERIAN STARTUP BILL

Introduction

The recently introduced Nigerian Startup Bill (“Bill”) is one development that is expected to improve the business environment for Startups in Nigeria when passed into law. It is aimed at creating a favourable environment for Startups by: providing incentives; removing regulatory constraints; and developing an ecosystem for Startups to thrive. We have outlined below some of the salient provisions proposed by the Bill.

How are Startups defined in the Bill?

The Bill defines Startups as innovative companies that fall into the categories listed in the table below.

Areas	Criteria
Nationality of the company	The company should be incorporated in Nigeria and have been in existence for not more than 10 years. The headquarters of the company should also be in Nigeria.
Objects of the company	Innovation, development, production, improvement or commercialization of an innovative product or process.
Shareholding of the company	At least 51% of its shares should be held by Nigerians. Companies whose foreign participation exceed 49% will still qualify where the ultimate beneficial owners of its foreign corporate shareholders are Nigerian citizens.
Goods/ services provided by the company	Involves a new technology or is technology-enabled.
Labour	Less than 100 direct employees excluding causal workers, consultants and outsourced staff.
Expenses of the company	At least 15% of its expenses should be attributed to research and development activities

The Bill requires companies that meet the above eligibility criteria to apply for registration with the One Stop Shop Centre (OSSC) to be eligible for the incentives contained in the Bill. The OSSC is made up of representatives of regulatory agencies relevant to Startups in Nigeria such as the: **Corporate Affairs Commission (CAC)**; **Central Bank of Nigeria (CBN)**; **Securities and Exchange Commission (SEC)**; **National Office for Technology Acquisition and Promotion (NOTAP)**; **Trademark, Patents and Design Registry** e.t.c. Eligible companies will be required to register with OSSC through the OSSC Portal, which will serve as a platform for interaction and information exchange between Startups and regulatory bodies.

What are the incentives and protections available to registered Startups under the Bill?

The Bill proposes the establishment of the **National Council for Digital Innovation**

and Entrepreneurship (“Council”) which is responsible for collaborating with various regulatory bodies to ensure the provision of support services and incentives to the Startups. Some of the proposed incentives and support services are as stated below.

- 1. Provision of regulatory support by the OSSC-** To reduce regulatory hurdles currently faced by Startups, relevant regulators including the CAC, Trademarks, Patent and Design Registry, CBN, NOTAP (“Regulators”) are to set up help desks at the OSSC with appropriate personnel; and to provide support to Startups through the OSSC Portal.
- 2. Provision of discounts to Startups-** Regulators will be required to grant discounts on their licensing /registration fees to Startups. We expect that more details on the discounts will be included upon further review of the Bill.
- 3. Expedition of licence applications for Fintech Startups-** The Bill requires the CBN and SEC to ensure that the license application process for Startups is expedited and seamless. The Bill, however, does not provide clarity as to how this will be achieved or how to measure the effectiveness of the regulators in this area.
- 4. Provision of tax incentives to Startups-** The Bill proposes tax incentives such as:
 - a. tax exemption on the profits of Startups for 7 years;
 - b. taxation of goods and services supplied by Startups at a reduced Value Added Tax rate of 3%;
 - c. provision of tax credit to Startups that create a minimum number of jobs (the minimum number is to be determined by the Council);
- 5. Provision of tax incentives to employees of Startups and investors in Startups**
- 6. Provision of funding to Startups-** The Bill proposes the establishment of a Startup Investment Seed Fund to provide funding to early-stage Startups who meet the criteria set by the Council.
- 7. Procurement of Technology-related goods and services by government parastatals-** The Bill proposes that Ministries, Departments and Agencies of the Government set a 15% margin of preference in favour of Startups when procuring technology related products.

Conclusion

The introduction of the Bill is truly a step in the right direction in creating an enabling environment for Startups to thrive in Nigeria. It is, however, worthy of note that the test of the effectiveness of any law such as this majorly depends on the ability of the stakeholders to enforce it. We expect that as the Bill undergoes legislative review, it would be updated to include practical provisions and guidelines that would ensure the implementation of the proposed incentives and support to Startups.

PLEASE NOTE THAT THE BILL IS YET TO BE PASSED INTO LAW AND MAY BE REVISED IN THE PROCESS.