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A. Introducing Lagos

Foreword by the Governor

This Investor Handbook guides business people and potential Nigerian and international investors on the current policies, laws, regulations, opportunities and incentives that are relevant to investing and doing business in Lagos State. The Handbook is an up to date source of information on these matters and will be regularly updated online on the Lagos State Government website.

This Handbook is not to be misunderstood as a statement of my Government’s contentment with the existing business environment framework. Far from it, for we are deeply concerned that the business environment in Lagos is in need of improvement and we know that without this we will fail to realise our vision of Making Lagos State Africa’s Model Megacity and Global Economic and Financial Hub and achieve our aspiration to join the BRICS.

We must reduce the extent of Government regulation of business to essential elements that are clearly focused on efficient and effective achievement of positive aims. We must improve the efficiency and effectiveness of Government in its dealings with business, particularly businesses owned and operated by women who constitute up to 50% of our state population and more than 35% of our entrepreneurs.

We shall change the focus from mere administration of often out-dated or inefficient regulations, to a keen awareness within Government of the positive and negative impact that Government actions can have on business, investment and economic activity. We are questioning from a zero base the need, aim and impact of all forms of business regulation with a view to eliminating the unnecessary, improving the essential, and changing
the ethos of interface between Government, business and investors.

If we are to realise the vast potential that Lagos possesses we need to make the different parts of Government work together in a coherent interface with business people and investors. That alone is not enough, as we need the private sector and the general public to contribute to these efforts to raise the quality of policy-making and decision taking in improving the business environment.

The Lagos State Government is embarking on a radical, innovative initiative to achieve these aims. We identify with the World Economic Forum Africa Competitiveness Report for 2011 that recognizes female entrepreneurship as one of Africa’s underutilized resources, and have drawn together a task force from within the Lagos State Government that will involve the private sector and general public in a process of a short, sharp self-assessment of the setting within which business and investment takes place in Lagos. We are mindful that the Federal Government plays a role in the business environment and will work to persuade it of necessary changes that support what we are doing for Lagos.

Out of these aims and efforts we will create a Lagos Investment Action Plan that contains policy priorities rooted in a clear set of actions to be implemented by specified parts of Government. The task force and process for creating the Lagos Investment Action Plan will be seen in the years to come as the laying of the keystone of the arch of economic and social development that will lock together the wide-ranging and varied steps that need to be taken on the path to sustained improvement of the living standards of the citizens of Lagos State.

Once again, this Handbook will guide potential investors in areas including investment regulation, accessing land, taxation and the various incentives that we offer in Lagos State. We are open for business, and look forward to welcoming you all.

*His Excellency, Babatunde Raji Fashola, SAN
Governor of Lagos State*
Why invest in Lagos?

Lagos is Nigeria’s most populous state, with a population in excess of 18 million people. This large, mostly young, population offers both an abundant workforce and a large, emerging and relatively untapped market for consumer products and services.

Lagos is Nigeria’s commercial and industrial hub and a key driver of economic growth for Nigeria as a whole. Over 50% of Nigeria’s industrial capacity is located in Lagos, with a variety of manufactured goods being produced in the city, including electronic equipment, machinery, foodstuffs, beverages and chemicals. Lagos is also Nigeria’s financial nerve centre. Virtually all banks and other financial institutions operating in Nigeria have their head offices in Lagos, and Lagos is also home to the Nigerian Stock Exchange.

With its strategic location Lagos offers access to local, regional and global markets. Four of Nigeria’s eight major seaports (Apapa, Tin-can, Roro and Container Terminal) are located in Lagos. Additionally Nigeria’s busiest airport is the Murtala Mohammed International Airport in Lagos, which is a hub for the West and Central African region.

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Much needed improvements in Lagos’ transport and communications network has been undertaken over the past couple of years. Much of Lagos’ 5,000km road network has been rehabilitated in recent years, and additionally new roads have been built to alleviate traffic congestion, the Lekki toll road project being a good example. In terms of communications the Glo 1, a submarine cable system along the west coast of Africa between Nigeria and UK, was launched in Lagos in 2010. The high capacity optic cable provides huge capacity and excess bandwidth, translating into a much faster and more robust connectivity between Lagos, the UK and the rest of the world.

Lagos is the centre of Nigeria’s fast growing film industry, known as Nollywood. Nollywood produces an estimated 50 full-length feature every week, making it the world’s second most prolific film industry after India’s Bollywood. The on-going expansion of the Lagos-Badagry Expressway is intended to facilitate International trade across the border and create jobs for business along that corridor.

**Lagos State: Quick Facts**

- Established on 27th May 1967
- 7th fastest growing city in the world at 5% p.a
- Contributes more than 30% to Nigeria’s GDP
- Consumes more than 60% of Nigeria’s energy
- Accounts for 90% of Nigeria’s foreign trade flows
- Accounts for 70% of all industrial investments
- Generates over 50% of Nigeria’s port revenues
- The Third Mainland Bridge is the longest bridge in Africa, measuring 11.8km
- 240 vehicles per kilometer (national average: 11)
- 70% of state revenues is internally generated
- Power deficit of over 3,000MW
- Daily water demand gap: 2.5 billion litres
- 10,000 metric tones of waste generated daily
B. Investment Legislation and Regulation

**Nigerian Investment Promotion Commission Act**


Some of the key provisions of the NIPC Act include:

- 100% foreign ownership of companies in all but the petroleum sector
- No enterprise shall be nationalized by any Government of the Federation and that no law can force an investor to surrender his interest
- The Government may acquire property under circumstances of national interest, however in such cases the investor is entitled to fair, adequate and prompt compensation and recourse to the courts
- In cases where a dispute between the State and a foreign investor are not settled amicably, recourse to arbitration can take place either via the settlement mechanism of the bilateral or multilateral investment protection agreement of which they are parties or via other national or international dispute settlement mechanisms, as mutually agreed.

- Foreign companies are required to incorporate local subsidiaries or branches
- Financial statements must be prepared annually and filed with the Corporate Affairs Commission (CAC).

**Foreign Exchange**

The Foreign Exchange (Monitoring and Miscellaneous) Provisions Act of 1995 guarantees an investor the free importation and convertibility of foreign exchange and the unconditional transferability of the following:

- Net dividends or profits attributed to an investment
- Debt service payment on foreign loans
• The remittance of proceeds resulting from the sale or liquidation of an investment

Equity share capital must be brought into Nigeria through authorized dealers (banks). The remittance of dividends is permitted provided the share equity was imported. There are no restrictions on the percentage of profits that may be distributed as dividends. The remittance of interest, royalties and technical fees is permitted, provided the royalty contracts and technical fees have been approved by the National Office for Technology, Acquisition and Promotion.

A Certificate of Capital Importation is required to undertake these transactions. The Central Bank guarantees unconditional transferability and repatriation of funds for Certificate of Capital Importation holders. Certificates of Capital Importation are issued by the commercial bank through which the investor is importing the capital, and the investor is required to submit the following documentation:

• A formal letter of application explaining that the funds remitted to Nigeria represent the foreign investors capital contribution to the equity of the company

• A board resolution of the company of the investor authorising the foreign investment

• A copy of the certificate of incorporation of the company

• A copy of the SWIFT message from the remitting bank

The commercial bank will issue the Certificate of Importation within 24 hours of the importation of capital (conditional upon receipt of the required documentation as detailed above).

Starting a Business in Lagos

All companies in Nigeria are required to register with the CAC, and provide the following documents:

• Stamped Memorandum and Articles of Association (2 copies)
• Form CAC 3 (Notice of registered address)
• Form CAC 7 (Particulars of directors)
• Form CAC 4 (Declaration of compliance and the prescribed registration fees)
• Copy of the reservation of company name approval
• Form CAC 2 (Statement of share capital and return of allotment of shares)

An online incorporation, and e-payment, system was introduced by the CAC in 2003, with the incorporation process now taking three days.

Currently no investment approval is required, however all investments with foreign participation are required to register with the NIPC. This registration is required for investors to be covered by the treatment and protection clauses of the NIPC Act. Companies investing in an Export Processing Zone are not required to register with NIPC.

**Public Private Partnership (PPP)**

The Infrastructure Concession Regulatory Commission (ICRC) Act of 2005 established the legal framework for PPP infrastructural development in Nigeria. The ICRC Act provides for the participation of private sector financing, construction, development, operation and/or maintenance in Government infrastructure projects through concessions or other contractual arrangements. The Act established the Infrastructure Concession Regulatory Commission to monitor and regulate PPP related concessions.

The Lagos State PPP office was established in 2008. The office was established to promote, develop and monitor PPP infrastructural projects in Lagos and reports directly to the Office of the Governor of Lagos State. The Lagos State PPP office performs the following core functions:

• Provision of technical assistance to government agencies involved in the procurement and management of PPP projects
• Evaluation of proposed PPP initiatives
• Facilitation the securing of public finance for PPP projects
• Preparation of strategic master plans for PPPs
• Monitoring of the performance of PPP concession agreements

**PPP Requirements in Lagos State Government**

Government originated projects will need a detailed feasibility study carried out by either External Consultants or Government officials after which a request for proposal (RFP) document is issued for prospective investors to bid. After an independent evaluation of the proposals, a preferred bidder is selected to negotiate with Government, which culminates in a concession contract.

However, in the case of an unsolicited proposal emanating from the private sector, the interested party may first of all contact the relevant Ministry, Department or Agency (MDA) to ensure that its proposition is in line with the plans of the agency and the State Government. Thereafter, they are to prepare and submit a comprehensive project proposal either through the MDA to the Office of PPP or directly to the Office of PPP. The proposal should contain the following amongst others:

• Nature and scope of the project
• Specific objective that can be met through the project
• Detailed financial plan including source of funding, projected costs and revenues including minimum of 5 years financials
• Feasibility study showing technical, economic and financial sustainability
• Demonstration of technical expertise to successfully execute the project
• Environmental Impact Assessment
• Evidence of company registration and tax compliance

*Lekki–Ikoyi Bridge*
C. Taxation

Nigeria’s federal structure provides for the allocation of taxation at each tier of government (i.e. the Federal, State and Local Government levels). Corporate income and withholding taxes, oil and gas production taxes, value added tax (VAT) and import duties are imposed by the Federal Government. Personal income tax, capital gains tax, stamp duties, business registration and road and gaming taxes are collected by State Governments. Local Government collects social and commercial permit fees.

Corporate Taxation

Taxation of corporations is provided for under the Companies Income Tax Act. While Nigerian companies are taxed on their worldwide income, foreign companies are liable only as regards the portion of their profits attributable to businesses carried on in Nigeria.

The corporate income tax rate in Nigeria for non-oil and gas companies is 30%, with the following allowances:

In Focus: Lagos Infrastructure Project Concession

The Lagos Infrastructure Project (LIP) is a US$450m PPP toll road project designed to eliminate traffic congestion along the expressway corridor in Lagos. The LIP is a 30-year concession to design, construct, finance and operate the concession area. The concession area consists of the expansion and upgrade of the 49 km Eti-Osa Lekki-Epe Expressway (including the construction of the Falomo Bridge Ramp) and the construction of the 20km coastal road as well as an option to develop the southern bypass. Funding for the project was provided by the Lagos State Government, the African Development Bank, local commercial banks and Standard Bank London.
• Annual capital allowances (10% on buildings, 25% on plant, 20% on furniture and fittings) supplemented by substantial initial year allowances, with agriculture and mining activities having especially favourable initial year allowances. The deduction of capital allowances is capped at two thirds of annual assessable profits (with the exception of agricultural activities) and the total allowance is limited to 95% of the asset cost.

• Additional investment allowances (reconstruction investment allowance) of 10% are allowable on all plant and equipment.

Transaction Taxes
A range of transaction taxes are levied in Nigeria, including the following:

• VAT of 5% is levied as a consumption tax on the supply of goods and services. Exempt goods and services include basic foodstuffs, medicines, medical devices and medical services, and exported goods and services. Some items are zero-rated.

• Education tax rate of 2% is payable by all resident companies.

• The Petroleum Profits Tax (PPTA) Act of 2007 provides for the taxation companies involved in the exploration and extraction of petroleum. Under the Act the tax regime for exploration and production companies is set at 85%, a lower rate of 67.75% is applicable until the amortisation of pre-production expenses and a rate of 50% is applied to Production Sharing Contracts (PSCs).

• Capital gains tax of 10% is levied on the disposal of property, while the sale of shares and stocks are exempt. Non-residents are subject to the capital gains in Nigeria only on the disposal of fixed property, held directly or indirectly, located in Nigeria.

• Stamp duties are charged by both Federal and State Governments on various commercial and legal documents, such as transfers of deeds, insurance policies and bills of exchange.

• Withholding tax is applicable on specified transactions and at specific rates depending on the beneficiary of the payment (sees the Table below for more details). Whole or partial exemptions from withholding tax exist on foreign loans depending on the tenor.
Personal Income Tax Liability to Personal Income Tax does not depend on the domicile or nationality of the tax payer. Income arising from a trade, business or profession inside or outside Nigeria is liable for income tax in Nigeria if the tax payer is a Nigeria citizen. Foreign residents are equally liable in Nigeria if their Income originates from activities in Nigeria.

- Personal Income Tax rates are progressive up to 24%.
- 1% of annual payroll to be paid to the Industrial Training Fund
- For social security, an employee must contribute a minimum of 7.5% of earnings, while the employer must make a pension contribution at a minimum of 7.5% of the employees basic salary, transport and accommodation allowance.

The Lagos State Board of Internal Revenue is responsible for the collection and administration of personal income tax in Lagos. Reforms in Nigeria on taxation are tending towards increasing indirect taxes and at the same time reducing direct taxes for better efficiencies. To this end a new Personal Income Tax Act Amendment, 2011 is just being implemented and this has given more allowances to individuals under the Act.

### Double Taxation Agreements (DTAs)
Nigeria has signed DTAs with Belgium, Canada, France, Pakistan and the UK. Agreements with China, South African and Sweden are awaiting ratification.

<table>
<thead>
<tr>
<th>Type of Payment</th>
<th>Rate for Companies</th>
<th>Rate for Non-Corporates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend, Interest, Rent</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Royalties</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>All aspects of building, construction related activities</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>All types of contract and agency arrangements other than outright sale and purchase of goods and property</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Consultancy and Professional Services</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Management Services</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Commissions</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Technical Services</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Director’s Fees</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>
D. Land

The Land Use Act of 1978 is the key piece of legislation relating to land access in Lagos State and Nigeria, with the Act vesting all proprietary rights on land in the State. Under the Act State Governors grant statutory rights of occupancy and determine lease conditions on both urban and non-urban land, with lease periods of up to 99 years for residential plots and 40 years for industrial plots. All land in urban areas is administered by a Land Use and Allocation Committee which has the responsibility of advising the Governor on the management of urban land.

The Act grants the Government power to revoke rights of occupancy for reasons of overriding public interest, in such cases the Government is required to pay compensation to the value of improvements to the land and not to the actual value (market or other) of the land itself.

Additionally the Act requires that all transfer procedures (assignment, mortgage, transfer of possession, sublease etc) be submitted to the State Governor for approval.

Accessing Land in Lagos

Nigeria has no restrictions on property ownership by non-residents. For non-residents the key pre-requisite for accessing land is the local incorporation of entities registered outside of Nigeria.
Property of any kind in Nigeria can be purchased through a broker or real estate agent. The process of acquiring publically held land is being expedited to promote investment through various land reforms. In both cases the transaction must be submitted to the State Governor for approval of the final Certificate of Occupancy or Title to the land. The Certificate of Occupancy is issued by the local Lands Bureau in Lagos.

Obtaining the Governor’s consent or approval requires the following documentation:

- Completed Form 1C: Form 1C is the application form to request the Governor’s consent to the transaction, and this form can be obtained from the Land’s Bureau.
- Certified true copy of the title document of the assignor
- Tax clearance certificates of the assignor and assignee
- For Limited Liability Companies, the internal revenue certificate of PAYE for its staff and current tax clearance certificate for the directors
- Four copies of the deed of which consent is sought
- Copy of the survey plan, as approved by the Town Planning Authority and a picture of the building
- Evidence of payment of administration fee (₦3,000), charting fee (₦7,500), endorsement fee (₦1,500), registration fee (3% of property value), the consent fee (8% of property value), stamp duty (2% of property value), capital gains tax (2% of property value).
- Evidence of payment of land use charge
- Where the property is covered by a state leasehold or certificate of occupancy, evidence of payment of ground rent, up to date.
E. Entry of Foreign Worker

Immigration issues are handled by the Nigerian Immigration Service in the Federal Ministry of Internal Affairs. The Immigration Act of 1963 is the key piece of legislation governing the entry of foreigners into Nigeria. The Act provides for both short-term business visas and longer term work and residence permits for foreigners provided certain pre-conditions are met.

Business Visas

Business visitors to Nigeria must pre-apply for a business visa. Applications for business visas can be submitted at the local Nigerian mission in the visitor’s home country. To secure a business visa the applicant must provide evidence of the following:

- Sufficient funds to sustain themselves in Nigeria
- A valid return ticket
- A letter of invitation from a business organisation in Nigeria stating the reason for travel and accepting immigration responsibilities of the applicant (i.e. accommodation, sustenance, transportation and repatriation costs, if required)

Business visas can be secured for between 90 days and 6 months and are not valid for employment or remuneration.

Work and Residence Permits

Visitors to Nigeria providing specialised services can apply for temporary work permits. The requirements are the same for the business visa, with the exception of the evidence of sufficient funds. Application for temporary work permits are submitted at the office of the Comptroller General of the Nigerian Immigration Service in Abuja. Temporary work permits are not valid for more than 90 days.
Foreign investors can also apply for longer-term work permits (for up to three years) under the Expatriate Quota (EQ) scheme. Under the EQ scheme a foreign investor can apply to hire expatriate workers to designated positions. EQ applications can be submitted at the Ministry of Internal Affairs or through the NIPC and the following are the key requirements:

- The foreign investor first secures a Business Permit (BP) and then applies for the right to hire expatriate workers for designated positions, the EQ
- The applicant completes Form 1 which requires them to list the posts for which expatriates are required, their qualifications and details of training schemes for Nigerian understudies (the EQ scheme requires that two Nigerian understudies be nominated for each designated position and that they be trained with a view to take over within three years)
- The completed Form 1 must be submitted with a receipt of payment of the form fees; the applicants Certificate of Incorporation; joint venture agreement (where applicable); tax clearance certificate; lease agreement for operating premises; evidence of imported machinery (form M, pro forma invoice, shipping documents, pre-shipments inspection documents) and details of the proposed annual salaries to be paid to expatriates.

Upon approval of the EQ application the applicant then applies for a Subject to Regularization (STR) visa for the expatriate staff they are hiring. Applications for the STF visa can be submitted at the local Nigerian mission in the expatriate’s home country. Upon arrival in Nigeria, the STR visa holder is eligible to obtain a work and residence permit known as the Combined Expatriate Residence Permit and Aliens Card (CERPAC), which is valid for two years.

ECOWAS nationals and Free Zones are not subject to the EQ and residence permit processes.

Foreigners can also apply for Permanent Until Reviewed (PUR) status. The main reason for the granting of PUR for which a Certificate would be issued, is to enable the foreigner(s) adequately protect their interest and to give them a sense of greater commitment. The criteria and documents required for PUR are:

- Minimum share capital should be ₦10 Million
• Appreciable net profit of which not less than ₦2 million has been paid as Corporate Tax (original to be presented for sighting)

• Certified and Detailed Audited Account

• Certificate of Incorporation

• Monthly Returns of Expatriate Quota

• Company Organisation Structure

• Individual Income tax Clearance Certificate of the expatriates (original to be presented for sighting).

Other factors that would also be considered when considering PUR request include:

• Political / policy direction of Government

• Company’s area of business to fall within priority sectors of the economy

• Evidence that PUR would guarantee Technology transfer

• Company should have large quota portfolio and Corresponding share holding as an added qualification
F. Incentives

Investors in Nigeria can take advantage of a range of investment or fiscal incentives which include import concessions, tax exemption for exported products, tax reductions for qualifying companies (i.e. pioneer companies, manufacturing companies) and tax deductions for research and development expenses.

Pioneer Status

Pioneer status is a profits and dividends tax holiday of up to five years granted to designated pioneer industries. There are currently 69 designated pioneers industries within the agriculture, mining, manufacturing, tourism, property development and utilities sectors. A minimum capital investment of ₦5 million from a foreign owned company (₦150,000 for a national company) is required to qualify for pioneer status.

Sectoral Incentives

A number of incentives are on offer to attract investment to the agricultural sector and these include:

- Accelerated depreciation of capital allowances (up to 95% on some assets in the first year) with deductibility on 100% of profits
- A number of agricultural and agro-processing activities have pioneer status
- 1% duty on all agricultural machines and equipment
- Agricultural Credit Guarantee Scheme Fund (ACGSF) administered by the Central Bank of Nigeria guarantees up to 75% of all loans made by commercial banks to agricultural related activities.

A number of manufacturing activities qualify for the pioneer incentives.

- Manufacturers are entitled to rapid depreciation allowances and manufacturing plant and machinery receives a 10% investment allowance.
- Local manufacturers of spare parts, tools and equipment supplied to local businesses or exported are also entitled to a 25% investment tax credit on their capital expenditure.
- Mining qualifies for three-year tax holiday
**SME Incentives**

There is a proposed partnership between the State Government and the Bank of Industry to put in place an SME Fund which would make cheap funds at a single digit interest rate, accessible to qualified SMEs for improved productivity and job creation. Other initiatives include:

- Establishment of industrial estates, enterprise zones, industrial parks, and clusters
- Partnership with microfinance banks
- An equipment acquisition scheme
- Capacity building by the Lagos State Technical and Vocational Education Board
- Facilitation of the partnership of SMEs in the State in international trade fairs and exhibitions

SMEs pay a lower corporate tax rate (20%) in the first five years in several sectors and additionally their dividends are exempt from tax.

In March 2008, the SME Investment Equity Scheme (SMEEIS) was discontinued by the Bankers Committee, and is to be replaced with a ₦54 billion Micro Credit Development Fund, which would require Nigerian banks to set aside 5% of their profit before tax to fund SMEs. The Central Bank of Nigeria, however, has not formally established the Micro Credit Development Fund.

**R&D Incentives**

Incentives are available through a number of schemes to encourage firms to undertake Research and Development (R&D), with incentives including:

- Up to 10% of profits set aside as a reserve for R&D qualify as allowable expenses
- Expenditure on commercializing R&D qualifies for a 20% investment tax credit
- 100% expensing of R&D deemed to include a levy payable to a qualifying R&D institution
- Corporate contributions to R&D carried out by universities and research institutions to be tax deductible up to a maximum of 10% of profits.

The State Government recently organised a “Corporate Assembly” which is an interactive forum with the State Governor. The forum (a planned biennial event) is meant to obtain feedback directly from the business community on programmes and policies of the State Government.
G. Free Trade Zones (FTZ)

The Nigerian Export Processing Zones Act of 1992 outlines the legal framework for investment in Nigeria’s Export Processing or Free Trade Zones. The Act established the Nigerian Export Processing Zones Authority (NEPZA) to administer and manage all free trade zones in the country. Zones may be managed by public or private entities or a combination of both under the supervision of NEPZA. Approved Free Zone activities include:

- Manufacturing of goods for export
- Warehousing, freight forwarding and customs clearance
- Handling of duty-free goods
- Banking, stock exchange, insurance and other financial services
- Import of goods for special services, exhibitions and publicity
- International commercial arbitration services
- Other activities deemed appropriate by NEPZA

A minimum investment of US$500,000 is required by approved enterprises to undertake these activities in the Free Zones.

Approved Free Zone enterprises can take advantage of the following incentives:

- Up to 100% foreign ownership of businesses
- Exemptions from all federal, state and local government taxes, levies and rates
- Duty free import of capital equipment, machinery, raw materials components and spare parts
- Freedom from legislative provisions pertaining to taxes, levies, duties and foreign exchange regulations
- Repatriation of foreign capital investment at any time with capital appreciation of the investment
- Unrestricted remittance of profits and dividends earned by foreign investors
- No import or export licences required in the zone
• Rent free land at construction stage, thereafter rent shall be set by the Investment Management Authority
• Liberalized regime for employment of expatriates

**FTZs in Lagos**

Lagos state currently has five Free Trade Zones at various stages of development, three are currently operational and two are under construction. An airport is to be constructed in the Lekki Free Trade Zone to facilitate the movement of goods and people.

<table>
<thead>
<tr>
<th>Name</th>
<th>Status</th>
<th>Ownership</th>
<th>Sector</th>
</tr>
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<tbody>
<tr>
<td>Snake Island Integrated Free Zone</td>
<td>Operational</td>
<td>Private</td>
<td>Oil and Gas</td>
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<td>(SIIFZ)</td>
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<tr>
<td>LADOL Free Zone</td>
<td>Operational</td>
<td>Private</td>
<td>Oil and Gas</td>
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<td>Airline Services Export Processing Zone</td>
<td>Operational</td>
<td>Private</td>
<td>Aviation catering</td>
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<tr>
<td>Lagos Free Zone</td>
<td>Under construction</td>
<td>Private</td>
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<tr>
<td>Lekki Free Zone</td>
<td>Under construction</td>
<td>Public/Private</td>
<td>Multi-Purpose</td>
</tr>
</tbody>
</table>

**Setting up in a FTZ**

Applications for permission to operate in the free zones are granted by the NEPZA, and applicants are required to provide the following information:

• Project Description
• Market Survey
• Funding Proposals
• Five Year Financial Projections
• Environment Impact Assessment

Applicants receive notification of approval or otherwise from NEPZA within five working days of receipt of the application. Upon receipt of approval to operate in the Zone, the applicant applies to the Zone Management Authority for licensing as an approved enterprise as well as for serviced land or factory space within the Zone.

An approved enterprise that has secured a lease of land in a Free Zone is required to commence development and operations within the time agreed in the lease agreement with the lease agreement with the Zone Management Authority.
Once the approved enterprise has completed all pre-production activities (installation of machinery, power, water supply, etc) an application for approval to commence operations is submitted to the Zone Management Authority. The Authority will within 24 hours of receipt of this application complete an assessment of the factory site (to ensure compliance with relevant building, factory and other regulations) and upon the satisfactory completion of this inspection will issue the permit to commence operations within 24 hours.

**In Focus: Lekki Free Zone (LFZ)**

The Lekki Free Zone (LFZ) initiative is part of a wider plan to develop the Lekki sub-region into a model city comprising 16,500 hectares in the Lekki Peninsula adjacent to the Atlantic Ocean to the southeast of the city of Lagos. The LFZ Phase I (i.e. South-West Quadrant) is a joint venture between the Lagos State Government and a Chinese Consortium and is designed to be a multi-purpose facility suitable for a variety of activities including oil and gas, petrochemicals, electronics, mechanical engineering, pharmaceuticals, textiles, warehousing and transportation and financial services. With an optimal mix of state and private sector financing, work on the LFZ is well advanced and the zone is expected to be operational by 2013.
Annex 1: Agriculture sector

Lagos state is primarily an urban state with considerable agricultural activities undertaken in the state. The majority of Lagos state’s land is taken up by the metropolitan area (17 of the 20 local government areas and 37 local council development areas which make up the state are in the metropolis), nevertheless a considerable amount of land is available for agricultural activities both inside and outside this metropolitan area, and the Lagos State Government is committed to making this land available for agricultural investment. Equally, 22% of the land mass is made up of water bodies, which make fishing the major occupation of the citizenry.

There are currently an estimated 350,000 farming families scattered throughout the Epe, Ikorodu, Lekki, Alimoso, Ojo and Badagry areas of the state, cultivating crops such as cassava, coconuts, plantain, vegetables and rice, and are also involved in livestock and fishing.

Investment Opportunities in Agriculture

The Lagos State agricultural policy aims to promote and support both large and small scale agricultural activities in the state. The Lagos State Marine Agriculture Development Programme (LASMADEP) for example aims to harness the State’s aqua-culture potential by accelerating fish production. Opportunities exist in the 250 plot, 34 hectare Fish Farm Estate in Ikorodu, a project set up to promote fresh fish
production. Another 400 plot estate on 60 hectares has been laid out at Ketu-Ereyun. Investors are encouraged to investigate the artisanal fisheries input supply, fish processing, feeds production, amongst other activities.

Opportunities exist in meat production in Lagos. In an effort to eliminate illegal slaughter slabs the Lagos State Government has entered into PPP arrangements to construct two modern mechanized abattoirs at Ologe in Badagry LGA and Achakpo in Ajeromi-Ifeodon LGA with a capacity to slaughter 1,000 cattle per day. The introduction of the Eko Meat Van project in 2009 has ensured that meat transportation in the state is safe and in line with required sanitary standards. The use of rickety vehicles, wooden carts and motorcycles for transporting meat has now been outlawed in Lagos.

Lagos is also aiming to increase its rice production capacities. Over 200 hectares of land in the Itoga and Itoikin areas of Lagos has been set aside for the cultivation of rice and the state government is eager to engage with investors interested in setting up rice processing plants.

In addition the State Government is doubling its effort in ensuring a vibrant food basket by setting up the Farm Estate Initiatives such as the Poultry Farm Estate at Erikorodo to ensure the constant supply of poultry meat to its populace while the creation of a 10Ha Vegetable Estate at Iya-Afin, Badagry is to cater for the vegetable needs of the populace.

There is also the setting up of the Cooperative School at the Johnson Agiri Complex at Oko-Oba, Agege to extend Cooperative knowledge to the teeming numbers of farmers and those interested in the various aspects of agribusiness.
Incentives and Government Support

In an effort to promote agricultural activities, the Lagos State Government has put in place a variety of incentives to attract investment into the sector, including:

- Availability of soft loans to small and medium scale farmers
- Swift allocation of farm land to interested investors
- Provision of subsidized modern equipment to farmers
- 100% capital allowance granted to companies in the agro-allied business.
- Agro-allied plant and equipment enjoy enhanced capital allowances of up to 50%

- Agro-processing is a pioneer industry, entitling it to 100% tax-free period for 5 years
- All imported agricultural and agro-industrial machines and equipment pay 1% duty

Agricultural Credit Guarantee Scheme Fund (ACGSF) administered by the Central Bank of Nigeria offers up to 75% guarantees for all loans granted by commercial banks for agricultural production and processing. Under the Interest Drawback Program Fund 40% repayment of interest paid by those who borrow from banks under the ACGS, for the purpose of food production and processing provided such borrowers repay their loans on schedule.

Contacts

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Annex 2: Housing and Construction sector

With a growing population estimated to reach 20 million inhabitants in the next two years, Lagos State, with its policy to provide affordable houses, continues to grapple with a huge housing deficit. One of the ways Lagos State intends to meet this demand is to continue to encourage the implementation of a Public-Private Partnership (PPP) approach across key locations in line with global best practice. From such a partnership, the public would get quality and affordable houses while the private sector gets new business opportunities.

The Lagos State Policy on housing requires the State to provide opportunities for affordable housing, enable the supply of housing through the provision of diverse types of houses at affordable prices, and initiate programmes to promote demand for housing such as providing land subsidy to private developers and a shared equity scheme where a percentage of the units provided on each project is set aside for affordable housing to be sold under the scheme. To date the housing sector is very active involving a significant degree of participation from both State Government and private sector companies.

Investment Opportunities in Housing

The housing deficit in Lagos translates into vast investment opportunities in residential, commercial as well as mixed development. The completed 72 residential housing units under the PPP development in Ikota has paved the way for new opportunities.

Lagos State has set aside large hectares of land within the metropolis and its environs in areas like Epe, Badagry, Ikorodu and even within urban Lagos where small parcels of land may be available for a mixed development that would include affordable housing for low, medium and high income earners to encourage the decongestion of central Lagos. The state is in the process of negotiating and concluding with a number of financial institutions to provide access to mortgage financing for home buyers,
with the hope that as more banks buy into the scheme and also with some measure of government intervention, borrowing rates will be lowered significantly.

The Lekki Free Trade Zone is billed to have additional residential accommodation as part of its long term plan, and the state is seeking partners to build houses and flats in this new area where substantial concessions are available. In line with the Millennium Development Goals, investment opportunities exist as major slum upgrading schemes are being undertaken in the metropolitan areas of Obalende, Ijora-Oloye, Oregun, Shogunle and Idi-Araba...

**Incentives and Government Support**

Lagos State is willing to offer these incentives, amongst others, to encourage investment in the housing sector:

- granting of waivers / concessions of statutory fees
- subsidizing statutory fees for PPP participants
- access to land at minimum cost
- fast-tracking the issuance of land titles, to enable investors obtain funding quicker
- access to, and assistance from the Ministry of Housing for information and to help fast-track all relevant statutory applications/approvals.

The State requires that investors must show proof that they have access to financing, have the equipment, and a work plan to deliver before land is issued. It recently completed thousands of housing units in readiness for the takeoff of the Lagos Home Ownership Mortgage Scheme (Lagos HOMS). The state is collaborating with the private sector through schemes like land-for-equity participation to fast track bridging the housing stock gap.

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Annex 3: Power sector

The availability of sufficient and predictable power is a huge concern not only for Lagos but for Nigeria as a whole. Some of the key challenges facing the power sector include inadequate power generation capacity, inefficient usage of capacity, ineffective regulation, poor collection rates (estimated in the range of 75 %) and inadequate transmission and distribution infrastructure.

Currently Nigeria’s electricity generation capacity is in the region of 4,000 megawatts. In comparison Brazil (population of 194 million) and South Africa (population of 50 million) generate in the region of 100,000 and 40,000 megawatts respectively, illustrating the scale of the challenge facing Nigeria. Lagos State itself is by far the largest consumer of power in Nigeria, the Ikeja and Eko distribution zones alone in Lagos account for over 50 % of the total electricity consumption in Nigeria.

As a result of the inadequate power supply the majority of households and businesses in Lagos, and Nigeria as a whole, rely on expensive self-generated electricity. This has major implications for the competitiveness of Nigerian business. The cost of self generated electricity constitutes up to 40% of the total cost of production of a typical Nigerian company and the unit cost of electricity for a Nigerian company is almost double that of their counterparts in other developing and developed countries.

Investment Opportunities in Power

The passing of the Electric Power Sector Reform Act in 2005 signalled Nigeria’s commitment to reforming the sector. The Act aimed to improve the performance of the sector by for the first time allowing private companies to invest in and operate power companies in Nigeria. The Government through the Ministry of Power has also
outlined a detailed roadmap for reforming the sector in the coming years.

The Lagos State Government itself is committed to tackling the state’s power problems and is actively collaborating with the private sector in finding solutions. Lagos State has established a Power Committee, chaired by the Honourable Commissioner for Energy and Mineral Resources, dedicated to developing and procuring power projects in the state. Over the past couple of years Lagos State has successfully launched a number of new power projects.

The Island Power Project (IPP) commenced operations in May 2011 with the project execution taking just 18 months from the project conception to commissioning. The project began in 2009 when the Lagos State government entered into a Power Purchase Agreement (PPA) with a private energy company to build, own and operate a 10 megawatt plant to provide uninterrupted 24-hour power to the General and Maternity Hospitals, the High and Magistrates Courts, and State House, all located on Lagos Island. The Island power project also provides street lighting on Lagos Island. The expansion of the Island power project (IPP II) is currently in procurement and intends to increase the current 10 megawatt capacity to 114 megawatt plant running on natural gas.

The Akute power project commenced operations in January 2010. As with the Island power project Akute is a partnership between the Lagos State government and a private operator, in this case to operate a 12.15 megawatt power plant to serve the Akute Intake Facility of the Lagos Water Corporation, the principal water supplier to the residents of Lagos. The Lagos Water Corporation no longer relies on expensive diesel
generators and now operates 24 hours a day, enabling it to pump about 130 million gallons of water daily.

The Alausa power plant is a project which is currently under construction and is expected to be completed in soon. The Alausa power project is a PPP arrangement between the Lagos State Government and the Oando Group to develop and operate an 11.6 megawatt power plant in the Ikeja area of Lagos. Upon completion the project will provide uninterrupted power to the State secretariat complex which houses all the key ministries in the State and State House of Assembly. The current plan provides for possible future expansion through additional units which could take the total plant capacity to about 19.4 megawatts.

**Incentives and Government Support**

As seen in the examples above the Government is actively engaging with private partners in tackling Lagos’s power problems. Investment in electricity infrastructure is costly, requiring large capital outlays over long periods, with large accompanying underlying risks. The State Government recognises the huge capital requirement for investment in electricity and is committed to releasing funding to finance power related projects. Additionally a number of initiatives are currently being implemented in collaboration with the Infrastructure Concession Regulatory Commission (ICRC) and the World Bank to facilitate long-term funding for private investors in the power sector at commercially viable rates. Examples of initiatives include the World Bank’s Nigeria Financial Intermediary Loan support program which provides concessionary funding to support PPP projects in Nigeria, and the Nigeria Gap Fund for PPPs, a program designed to fill funding gaps required to make infrastructure PPP projects commercially viable, particularly in the form of up-front funding (either in the form of capital subsidies or grants) to cover some of a project’s initial capital costs.

**Contact**

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Annex 4: Transportation sector

Lagos is famous for its traffic gridlock with more 240 vehicles per kilometer, compared to a national average of 11 vehicles per kilometer. With an estimated 100 people moving to Lagos daily, government is investing heavily in road infrastructure, in the provision of Bus Rapid Transit with dedicated traffic lanes, and in the development of waterways and a light rail system as viable alternatives that will divert commuters away from private vehicles, motorcycles and mini-bus taxis.

Investment Opportunities in Transportation

As Lagos strives to provide commuters with safe, reliable and economical options to travel to work, prospective investors are encouraged to invest in the BRT network (buses and terminals with shopping facilities and interchanges to other modes of transport). Agreements are in effect between the State Government and local companies for the establishment of local mass transit bus assembly plants. Foreign companies with the experience in the delivery of large number of buses are encouraged to enter into partnerships with these local enterprises.

Plans for the Lagos Light Rail Scheme have already commenced with the pilot projects running from Agbado-Iddo-Marina and Mile 2-Ojo-Okokomaiko. The system plans to expand into up to seven routes with an annual...
capacity of 200 million passengers and an annual revenue potential exceeding ₦25 billion ($160 million).

Investment opportunities also exist in the construction of six jetties as the State plans to expand its waterborne public transport. Given that over 70% of Lagos State is assessible by water, the potential is there for a further 60 jetties in the long run. Lagos State is encouraging PPP in the areas of operating water transportation opportunities in dredging and channelization.

**Incentives and Government Support**

- Lagos State Government is willing to enter into a PPP arrangement in the operation of water transportation
- Government has already invested in Badore, Ikorodu, Osborne, Marina and Mile 2 areas as an incentive to encourage investors
- Government has established the Lagos Inland Waterways Authority to provide information and guidelines to prospective investors
- Lagos State is expecting the Federal Government to release some more jetties to the state for development
- Designs and feasibility reports have already been prepared in the rail sub-sector for investors.

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Annex 5: Key Contacts

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Eko o ni baje o!