The Nigeria Startup Act

Why the Industry is Still Asking the Law to Work after Three Years

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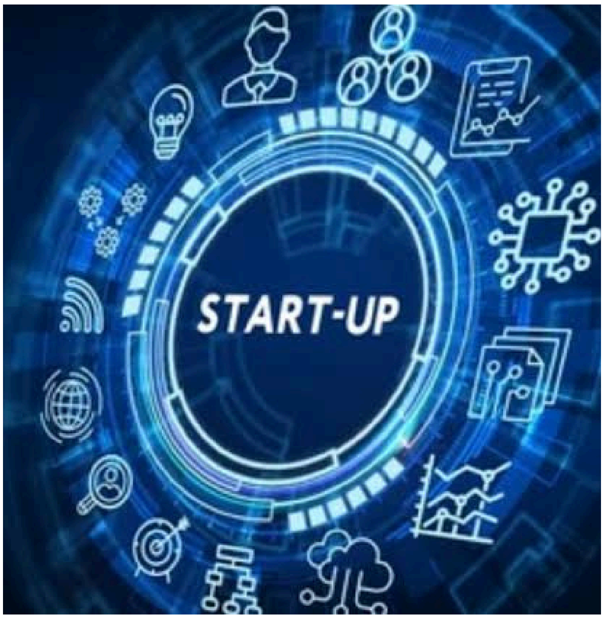
INTRODUCTION



The Nigeria Startup Act 2022, signed into law in October 2022, was co-created by the government and the technology ecosystem specifically to give startups regulatory certainty, incentives and an enabling institutional framework. Assessments marking its second anniversary generally concluded that the architecture was sound but implementation uneven. What is notable, three and a half years in, is that the same conversation is still happening in public. This article looks at why that gap has persisted, at a further complication that has emerged from the tax reform, and what founders and investors should realistically plan around.

THE STARTUP LABEL, STILL THE CHOKEPOINT

At the centre of the Act is the Startup Label, a certificate issued by the Secretariat that functions as the master key to the Act's benefits. No company can access the tax reliefs, funding or regulatory support without first obtaining it. To qualify, a company must be a limited liability company registered with the Corporate Affairs Commission, in existence for no more than ten years, with objects focused on the innovation, development, production or commercialisation of a digital technology product or process, and with at least one Nigerian founder or co-founder holding equity. The Startup Portal opened in November 2023 to facilitate the labelling process. Registration has been substantial, with tens of thousands of startups and large numbers of investors, accelerators and hubs registering. Registration on the portal is, however, the first step rather than the label itself, and the design carries a structural vulnerability: by making every benefit contingent on a discretionary label issued by a single agency, the Act creates a centralised chokepoint. A company that meets the statutory criteria is not automatically entitled to benefits. It must navigate an administrative process, which reintroduces exactly the kind of bureaucratic delay and discretion the Act was meant to remove.

THE INCENTIVES, AND A LIVE INCONSISTENCY ABOUT WHICH REGIME GOVERNS THEM

The Act's fiscal incentives remain, on paper, the strongest reason to obtain the label: a tax holiday under the pioneer-status route, capital gains tax relief for investors holding equity in a labelled startup for a minimum period, and deductions tied to qualifying research and development.

These fiscal incentives are still being described using Pioneer Status Incentive terms, an initial three-year tax holiday extendable by a further two years, subject to approval by the Nigerian Investment Promotion Commission, alongside investment tax credits of up to thirty percent on qualifying investment and a capital gains tax exemption for holdings of two years or more. This description sits awkwardly against the wider position that the Nigeria Tax Act 2025 replaced the Pioneer Status Incentive generally with a credit-based Economic Development Tax Incentive. Both cannot be the complete picture at once, and the practical reality in 2026 appears to be that the transition between the two regimes is still working itself out in practice, ahead of settled, consolidated guidance which may be issued by the relevant regulatory authorities.

For a founder or an investor, that means the incentive most commonly advertised as the Startup Act's headline benefit currently comes with genuine uncertainty about which statutory basis actually governs it, and that uncertainty is itself part of the implementation gap the Act has struggled with since its enactment in 2022. Advice obtained on the strength of older descriptions of the reliefs should be revisited rather than relied upon.

THE SEED FUND, STILL SUBSTITUTED RATHER THAN FULFILLED

The Act directed that a Startup Investment Seed Fund be seeded with a minimum of ten billion naira annually, managed by the Nigeria Sovereign Investment Authority, to provide early-stage financing to labelled startups and grants to hubs and accelerators. In practice, the domestically funded seed fund has not been delivered in fulfillment of the provision of the Act. The Government has instead leaned on a donor-backed initiative, combining a co-investment fund, a grant to establish a startup hub, and a programme supporting social-impact startups. This is a meaningful intervention, but it is a substitution for, rather than a fulfilment of, the statutory sovereign commitment, and it changes the character of the support from an entitlement under Nigerian law into a project dependent on external partners whose continuation cannot be assumed.

INTERACTION WITH OTHER LAW

A label does not exempt a startup from the mandatory compliance with the requirements of other applicable laws. Labelled startups remain subject to company law under the Companies and Allied Matters Act 2020, to the new tax regime (introduced specifically by the Nigeria Tax Act 2025, and the Nigeria Tax Administration Act 2025), and to data-protection obligations under the Nigeria Data Protection Act 2023 and its General Application and Implementation Directive 2025, etc.

Founders who treat the Startup Act as a self-contained regime, rather than as one layer among several, tend to be the ones caught out by obligations the Act does not address.

WHAT THIS MEANS FOR FOUNDERS AND INVESTORS

Treat the label as valuable but administratively contingent rather than automatic, and build the timeline for obtaining it into a fundraising or hiring plan rather than assuming it will arrive on request. Get specific, current advice on which incentive regime, Pioneer Status or the Economic Development Tax Incentive, actually applies to a given labelled startup before relying on either in a term sheet or a financial model. Do not treat the statutory seed fund as a dependable source of capital, and plan financing around the donor-backed programmes actually operating today rather than the fund the Act describes on paper. Build company-law, tax and data-protection compliance in from the outset, since the label displaces none of it. And for investors, the capital gains relief on labelled-startup equity remains available in principle, but the holding period and supporting documentation should be structured against the current, not the 2022, version of the incentive landscape.

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Shola Adekunle
Senior Associate
+234) 0201 291 7913
shola@goldsmithsllp.com

Uzoamaka Ugoh
Senior Associate
(+234) 0201 291 7913
uzoamaka@goldsmithsllp.com