

# Starting a Company in Nigeria:

## What “Single-Founder” and “Small Company” Really Mean



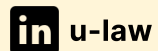
**Yinka Edu**  
Partner



**Bernice Anya**  
Associate



**Halima  
Adeola-Bello**  
Associate



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## INTRODUCTION

If you are thinking of starting a business in Nigeria, here is a helpful reality check: you can legally register a company as a solo founder. Yes, and the best part is that most early-stage business ventures will qualify as a “small company.” This qualification can reduce compliance, reporting, and administration costs.

## When Do You Qualify as a Small Company?

A single shareholder company is often confused with a small company. However, they do not mean the same thing. A small company is defined by its size, not the number of founders. Under the CAMA 2020 (as amended), a company qualifies as a small company if:

- It is a private company;
- Its turnover is not more than N120,000,000 or such amount as may be fixed by the Commission from time to time;
- Its net assets value is not more than N60,000,000 or such amount as may be fixed by the Commission from time to time;
- None of its members is an alien (that is, - a foreigner);
- None of its members includes the Federal government, a government corporation or agency or its nominee; and
- In the case of a company having share capital, the directors between themselves hold at least 51% of its equity share capital.

## Single-Shareholder Company

Under the Companies and Allied Matters Act 2020 (CAMA 2020) (as amended), you can register a company with just one shareholder and one director.<sup>1</sup> In simple terms, you can incorporate, own 100% of the shares, and run the company without needing a co-founder in the early stages.



**In practice:** most founders only need to focus on (1) being registered as a private company, (2) staying under the turnover and net-asset thresholds, and (3) meeting the ownership requirements (for example, the company is not government-owned and, where applicable, the directors collectively hold at least 51% of the shares).

From the above, it is clear that a small company does not automatically mean a single-shareholder company. A company with multiple founders/shareholders and directors that still meet the above qualifications will be a small company. Similarly, a company with a single shareholder and a single director, with a turnover above N120,000,000, or that fails any of the criteria above will not be a small company.

## Benefits of Being a Small Company

Being categorised as a small company comes with some administrative, compliance and cost benefits including:

- a. No obligation to hold annual general meetings.<sup>2</sup>
- b. No obligation to have at least two directors, meaning a small company can have a single director.<sup>3</sup>
- c. No obligation to have a secretary.<sup>4</sup>
- d. Exempted from obligations relating to the audit of accounts.<sup>5</sup>
- e. **Tax Benefits:** Small companies enjoy several tax benefits, including a 0% income tax rate, exemption from the payment of development levy, exemption from the obligation to deduct or remit withholding tax, exemption from the obligation to charge VAT on their goods or services or file monthly VAT returns.

It is worth noting that, for tax purposes, the financial thresholds for a small company differ from those under CAMA 2020 (as amended). The Nigeria Tax Administrative Act (NTAA) also provides that a business providing certain professional services, (for example, legal, accounting, and consulting), are excluded from small company benefits. For more details, read our article [here](#).

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[1]Section 18(2); 271 CAMA 2020 Notwithstanding subsection (1), one person may form and incorporate a private company by complying with the requirements of this Act in respect of private companies.

[2] Section 237 CAMA 2020; This also applies to a single shareholder company.

[3] Section 271 CAMA 2020

[4] Section 330, CAMA 2020

[5] Section 402 CAMA 2020; Please note that this exemption will not apply if the company is an insurance company or bank.



# FILING REQUIREMENT

Both small companies and single-shareholder companies are required to file returns annually at the Corporate Affairs Commission.

# CONCLUSION

Ultimately, CAMA 2020 (as amended) has made it significantly easier for solo entrepreneurs to incorporate a company as a single shareholder and single director. Qualifying as a small company further unlocks valuable benefits. By leveraging these provisions wisely, early-stage founders can minimise compliance burden and focus on building sustainable growth.

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