



How to Incorporate/Register a Holding or Group Company in Nigeria: A Comprehensive Guide

Description

Setting up a holding or group company in Nigeria involves a legal and regulatory process overseen by the Corporate Affairs Commission (CAC) under the Companies and Allied Matters Act (CAMA).

Understanding the intricacies of forming a holding or group company is crucial, especially for investors and business owners who want to streamline operations or structure their business entities for better control and tax efficiency.

What is a Holding or Group Company?

Before diving into the process, it is important to understand the difference between a holding company and a group company.

- **Holding Company:** A holding company owns a majority of shares in one or more other companies (subsidiaries) and exercises control over their management and policies.
- **Group Company:** A group company is a structure where multiple companies with common ownership form an association to function under a single parent company.

Key Benefits of Incorporating a Holding or Group Company

- **Asset Protection:** Segregating assets between companies to protect against liabilities.
 - **Tax Efficiency:** Maximising tax benefits by leveraging different tax treatments for subsidiaries.
 - **Simplified Management:** Centralised control of multiple subsidiaries or associate companies under one parent entity.
 - **Strategic Investments:** Easier acquisition and divestment of assets through subsidiary companies.
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Step-by-Step Guide to Incorporating a Holding or Group Company in Nigeria

Step 1: Choose the Type of Company Structure

Determine whether you want to incorporate a **holding company** or a **group company**. This decision will affect the application requirements, documents, and CAC approvals needed.

Step 2: Apply for Consent to Use the Word “Holding” or “Group” in the Company Name

If your company name includes the words “Holding” or “Group,” you must apply for consent from the CAC. The following documents are required depending on whether you are registering a holding or group company:

For a Group Company:

1. **Formal Application** for consent to use “Group.”
 2. **Evidence of at least 3 Associate Companies** to form the Group Company.
 3. **Common Membership Proof** of associate companies.
 4. **Resolutions** from associate companies consenting to the group relationship.
 5. **Statement by Directors** confirming shared capital relationships.
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6. **Updated Annual Returns** for associate companies.
7. **Updated Section 553 CAMA Filing** (where applicable) for associate companies.

For a Holding Company:

1. **Formal Application** for consent to use “Holding.”
2. **Evidence of at least 2 Subsidiary Companies.**
3. **Statement by Directors** confirming that the company will acquire more than 50% of the share capital of the subsidiaries within 90 days of incorporation.
4. **Updated Annual Returns** for subsidiary companies.
5. **Updated Section 553 CAMA Filing** (where applicable) for subsidiary companies.

Step 3: Name Reservation

Once consent is obtained for the company name, proceed with the name reservation through the CAC portal. You will need to pay a fee for the reservation. After approval, the name will be reserved for 60 days.

Step 4: Prepare Incorporation Documents

For both holding and group companies, the following documents are typically required:

- **Memorandum and Articles of Association** (MEMART) outlining the company’s purpose and governance structure.
- **List of Directors and Shareholders.**
- **Identification Documents** (passport photographs, government-issued IDs of directors).
- **Statement of Share Capital** (detailing the distribution of shares).

Step 5: Register the Company with the CAC

To officially incorporate the company, file the following documents with the CAC:

- **CAC Online Forms:** Application for company registration.
- **Memorandum and Articles of Association.**
- **Share Capital Statement.**
- **Consent to Use “Holding” or “Group”** (from step 2).
- **Names, Addresses, and Occupations of Directors.**
- **Updated Annual Returns** (for existing companies).

Submit the application through the CAC online portal or through an accredited agent, such as a lawyer or CAC agent.

Cost:

Share Capital Range	CAC Registration Fee
₦1 million – ₦500 million	₦10,000 (first ₦1 million) + ₦5,000 (each additional ₦1 million)
₦500 million – ₦1 billion and above	₦7,500 (for each additional million)

Step 6: Stamp Duty Payment

After the CAC registration, you will need to pay **stamp duty** to the Federal Inland Revenue Service (FIRS) based on the company's share capital.

Stamp Duty Rates:

- **For the first ₦1 million of share capital:** ₦8,500
- **For each subsequent ₦1 million:** ₦7,500 or 0.75% of the share capital

Step 7: Obtain a Tax Identification Number (TIN)

After successful registration, the company will automatically be assigned a **Tax Identification Number (TIN)** by the Federal Inland Revenue Service (FIRS). This is required for opening corporate bank accounts and tax remittances.

Costs Involved in Registering a Holding or Group Company

Below is a table showing the costs involved in the registration process:

Expense	Holding Company	Group Company
Name Reservation	₦500	₦500
Consent to Use "Holding"/"Group"	₦5,000	₦5,000
CAC Registration (₦1m share capital)	₦10,000	₦10,000
CAC Registration (additional ₦1m)	₦5,000	₦5,000

Expense	Holding Company	Group Company
CAC Registration (₦500m+ share capital)	₦7,500	₦7,500
Stamp Duty (₦1m share capital)	₦8,500	₦8,500
Stamp Duty (additional ₦1m)	₦7,500	₦7,500

Breakdown:

- **Name Reservation:** ₦500 (flat fee)
- **Consent to Use “Holding”/“Group”:** ₦5,000 (flat fee)
- **CAC Registration:**
 - ₦10,000 (first ₦1 million)
 - ₦5,000 (each additional ₦1 million, up to ₦500 million)
 - ₦7,500 (each additional ₦1 million, above ₦500 million)
- **Stamp Duty:**
 - ₦8,500 (first ₦1 million)
 - ₦7,500 (each additional ₦1 million)

FAQs (Curated from “People Also Ask”)

1. What is the difference between a holding company and a group company?

A holding company controls subsidiaries by owning a majority of their shares, while a group company is an association of multiple companies with common ownership,

managed under one parent entity.

2. Can a holding company own a group of companies?

Yes, a holding company can own a group of companies if it has controlling shares in each of its subsidiaries.

3. How many companies do I need to form a group company in Nigeria?

You need at least three associate companies to form a group company in Nigeria.

4. What is the minimum share capital for a holding company in Nigeria?

The minimum share capital for a holding company is determined by the specific industry, but for general businesses, it starts from ₦1 million.

Common Misconceptions

1. Misconception: A holding company must have a physical office in Nigeria.

Correction: A holding company does not need a physical office in Nigeria to be incorporated; it can operate through its subsidiaries.

2. Misconception: Holding companies are taxed on the income of their subsidiaries.

Correction: Holding companies are only taxed on their own income and profits, not directly on the income of their subsidiaries.

Conclusion

Incorporating a holding or group company in Nigeria is a structured process that requires attention to legal details and regulatory compliance.

By following the steps outlined in this guide, you can successfully establish your company and enjoy the benefits of streamlined management, tax efficiency, and asset protection.

Ensure that all required documents are up-to-date and properly filed with the CAC to avoid delays. If in doubt, consult a legal expert to guide you through the process and ensure compliance with Nigerian corporate laws.

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