



AI art by Ed Canela

# Digital Skills for Entrepreneurs

## Topic 13 Ethics and Staying Legit

## Table of Contents

<b>Topic: 13. Ethics and Staying Legit</b> .....	<b>3</b>
<b>1 Ethics and Compliance for MSMEs</b> .....	<b>3</b>
<b>2 Legal and regulatory Environment for MSMEs in Nigeria</b> .....	<b>4</b>
<b>3 Online Government platforms /resources for businesses: Tax, CAC, NAFDAC etc.</b> .....	<b>5</b>
<b>4 Anti-Corruption and Bribery Laws in Nigeria</b> .....	<b>6</b>
<b>5 Intellectual Property Rights (IPR) Protection</b> .....	<b>6</b>
<b>6 Local Permits and Legal Documentation</b> .....	<b>7</b>
<b>7 Selected Taxation Laws and Compliance</b> .....	<b>7</b>
<b>8 Employment Laws and Labour Practices</b> .....	<b>8</b>
<b>9 Consumer Protection Laws and Standards</b> .....	<b>9</b>
<b>10 Environmental Regulations and Sustainability Practices</b> .....	<b>10</b>
<b>11 Consequences of Non-Compliance and Ethical Breaches</b> .....	<b>10</b>
<b>12 Demo of Appropriate Digital Tools</b> .....	<b>11</b>

### **13 Ethics and Staying Legit**



The “image” of the Nigerian MSMEs online must be developed, preserved and protected. In the digital space, the MSME entrepreneur is not only a producer but a communicator, an influencer and a self-learning leader. They manage with integrity and authenticity. They lead in accordance with the principles, ethics and responsible use of digital literacy practices. The digital MSMEs should always comply with their legal legitimacy requirement.

# Topic: 13. Ethics and Staying Legit

## Learning Objectives

On session completion, the learners will be able to:

1. Comprehend the significance of ethical conduct and legal compliance in the operations of MSMEs in Nigeria.
2. Understand the legal and regulatory framework governing MSMEs in Nigeria.
3. Learn strategies for maintaining ethical standards and staying compliant with relevant laws and regulations.
4. Commit to the memory of the consequences of unethical behavior and legal violations for MSMEs in Nigeria.

## 1 Ethics and Compliance for MSMEs

MSMEs are the backbone of the Nigerian economy, but navigating the complexities of ethical business practices and compliance with regulations can be challenging.



*Video 1 Tax Compliance Requirements for Nigerian MSMEs*

### Importance of Ethics and Compliance:

- a) Reputation and Customer Trust: Operating ethically builds trust with customers, leading to customer loyalty and positive word-of-mouth marketing.
- b) Reduced Risk: Compliance with regulations helps avoid fines, penalties, and legal trouble.
- c) Sustainability and Growth: Ethical practices foster a positive work environment, attract and retain talent, and contribute to long-term business sustainability.
- d) Reputation and Customer Trust: Operating ethically builds trust with customers, leading to customer loyalty and positive word-of-mouth marketing.
- e) Reduced Risk: Compliance with regulations helps avoid fines, penalties, and legal trouble.
- f) Sustainability and Growth: Ethical practices foster a positive work environment, attract and retain talent, and contribute to long-term business sustainability.

### Common Ethical Challenges for MSMEs:

- a) Corruption: Bribery and facilitation payments are unfortunately ingrained in some business cultures.
- b) Tax Evasion: The temptation to underreport income or avoid taxes can be high.
- c) Labor Practices: Unfair wages, unsafe working conditions, and

child labor are serious ethical concerns.

- d) Intellectual Property Theft: Copying or using trademarks or copyrighted materials without permission is unethical.

### **Compliance Considerations:**

- a) Business Registration: Formalize your business by registering with the Corporate Affairs Commission (CAC)<sup>1</sup>.
- b) Taxation: Register for taxes and comply with filing deadlines and payment requirements.
- c) Labor Laws: Adhere to minimum wage requirements, provide basic employee benefits, and ensure safe working conditions.
- d) Environmental Regulations: Understand and comply with environmental regulations regarding waste disposal, pollution control, and resource use.
- e) Consumer Protection Laws: Ensure fair and transparent business practices with customers, including accurate labeling and product safety.

### **Other resources**

- The Nigerian Code of Ethics<sup>2</sup> for Business Practice: Provides a framework for ethical conduct in Nigerian businesses.
- Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)<sup>3</sup>: Offers resources and support programs for MSMEs, including training on compliance.

## **2 Legal and regulatory Environment for MSMEs in Nigeria**

Nigeria's MSME sector is crucial for economic development and job creation. However, navigating the legal and regulatory landscape can be complex. Various countries, including Nigeria, have established policy frameworks and laws to regulate the MSME sector<sup>4</sup>. Here's a breakdown of key aspects for MSMEs to consider:

Business Registration:

- Formalization: Register your business with the Corporate Affairs Commission (CAC) to gain legal recognition and access certain benefits. Different registration types exist (sole proprietorship, partnerships, limited liability companies) with varying requirements.

---

<sup>1</sup> [Step by step registration](#)

<sup>2</sup> [National Ethics and Integrity Policy \(NEIP\)](#)

<sup>3</sup> [Small and Medium Enterprises Development Agency of Nigeria](#)

<sup>4</sup> [An overview of Legal and Regulatory Framework for Micro, Small and Medium Enterprises in Nigeria](#)

### **Taxation:**

- **Understanding Taxes:** MSMEs are subject to various taxes, including income tax, value-added tax (VAT), and withholding taxes. Register with the Federal Inland Revenue Service (FIRS) and comply with filing and payment deadlines<sup>5</sup>.

### **Permits and Licenses:**

- **Industry-Specific Requirements:** Depending on your business activity, you might need additional permits or licenses from relevant government agencies. Research requirements specific to your industry.

### **Consumer Protection Laws:**

- **Fair Practices:** Ensure fair and transparent business practices with customers. This includes accurate labeling, product safety, and honoring warranties. The Consumer Protection Council (CPC) enforces these regulations<sup>6</sup>.

## **3 Online Government platforms /resources for businesses: Tax, CAC, NAFDAC etc.**

Here are some online Nigerian government platforms and resources for businesses:

- **National Agency for Food and Drug Administration and Control (NAFDAC)<sup>7</sup>:** A government agency that regulates food, drugs, and other products.
- **Corporate Affairs Commission (CAC):** A government agency that regulates business names and companies.
- **Federal Inland Revenue Service (FIRS):** A government agency that collects taxes.
- **Nigerian Investment Promotion Commission (NIPC):** NIPC is a one-stop shop for investors looking to do business in Nigeria<sup>8</sup>. They offer information on investment.
- **Nigeria Trade Portal:** This portal provides information on trade regulations, export procedures, and market opportunities for Nigerian businesses<sup>9</sup>.
- **Small and Medium Enterprises Development Agency of Nigeria (SMEDAN):** SMEDAN provides support and resources for small and medium-sized businesses in Nigeria. They offer guidance on business registration, compliance, financing, and skills development.

---

<sup>5</sup> [Register with the Federal Inland Revenue Service](#)

<sup>6</sup> [The Consumer Protection Council](#)

<sup>7</sup> [National Agency for Food and Drug Administration and Control](#)

<sup>8</sup> [NIPC is a one-stop shop for investors looking to do business in Nigeria](#)

<sup>9</sup> [Nigeria Trade Portal](#)

## 4 Anti-Corruption and Bribery Laws in Nigeria

Nigeria has a strong legal framework in place to combat corruption and bribery. Here's a breakdown of the key laws and institutions involved:

### Key Anti-Corruption Laws:

- a. Economic and Financial Crimes Commission<sup>10</sup> (EFCC) Act 2004: This act established the EFCC, a major anti-corruption agency with powers to investigate and prosecute various economic and financial crimes, including bribery and corruption.
- b. Money Laundering (Prohibition) Act 2022: This act aims to prevent, prohibit, detect, and punish money laundering offenses. This can help curb corruption by making it harder to hide illegally obtained funds.
- c. Criminal Code Act: Section 98 of the Criminal Code also criminalizes bribery of public officials.

### Enforcement Agency:

- d. Economic and Financial Crimes Commission (EFCC): Investigates and prosecutes a wider range of economic and financial crimes, including bribery, advance fee fraud, and money laundering.

### Penalties for Bribery:

- e. Conviction for bribery offenses can result in significant fines, imprisonment, and forfeiture of assets.

## 5 Intellectual Property Rights (IPR) Protection

Nigeria recognizes and protects various forms of intellectual property (IP) through a legal framework. Here's a breakdown of the key aspects of IPR protection in Nigeria:

### Types of IPR Protected:

- f. Copyright: Protects original literary, artistic, musical, and cinematographic works, including books, music, software, films, and artistic creations. (Enforced by the Nigerian Copyright Commission<sup>11</sup> - NCC)
- g. Patents: Grants exclusive rights to inventions, products, or processes for a limited period. (Nigerian Patent Office)<sup>12</sup>
- h. Trade Marks: Protects distinctive signs used to identify and distinguish the goods or services of a particular source. (Trade Marks, Patents and **Designs Registry**)
- i. Industrial Designs: Protects the visual appearance of a product, such as its shape, configuration, or pattern. (Trade Marks, Patents and

---

<sup>10</sup> [Economic and Financial Crimes Commission](#)

<sup>11</sup> [Nigerian Copyright Commission](#)

<sup>12</sup> [Nigerian Patent Office](#)

Designs Registry).

The World Intellectual Property Organization (WIPO) offers a range of services to help individuals and businesses protect their intellectual property rights. These services include: Global Registration Systems, Dispute Resolution and Capacity Building

## 6 Local Permits and Legal Documentation

The specific local permits and legal documents required for your business in Nigeria will depend on several factors, including:

- j. Business Location: Regulations can vary by state or region in Nigeria.
- k. Industry: Different industries may have specific licensing requirements.
- l. Business Structure: Sole proprietorships, partnerships, and limited liability companies (LLCs) have different registration processes.

However, here's a general overview of some common local permits and legal documents needed for businesses in Nigeria:

### Basic Requirements:

- m. Business Registration: All businesses operating in Nigeria must be registered with the Corporate Affairs Commission (CAC). This establishes your legal existence and allows you to open a business bank account.
- n. Tax Registration: Register with the Federal Inland Revenue Service (FIRS) for tax purposes. You'll receive a Tax Identification Number (TIN) which will be essential for many business activities.

### Industry-Specific Permits:

- o. Food and Drug Administration: Businesses dealing with food, drugs, cosmetics, medical devices, or bottled water require registration and permits from the National Agency for Food and Drug Administration and Control (NAFDAC).
- p. Environmental Permits: Companies with activities that may impact the environment might need permits from the National Environmental Standards and Regulations Enforcement Agency (NESREA) or state environmental agencies<sup>13</sup>.

## 7 Selected Taxation Laws and Compliance

Nigeria operates a federal tax system, meaning both the federal government and state governments have the authority to levy taxes. Here's a breakdown of

---

<sup>13</sup> [National Environmental Standards and Regulations Enforcement Agency](#)

some key taxation laws and compliance requirements for businesses in Nigeria:

**Federal Taxes:**

- q. Company Income Tax (CIT): Applies to the profits of companies registered in Nigeria, regardless of their residency status. The current CIT rate is 30%.
- r. Value Added Tax (VAT): A consumption tax levied on the supply of most goods and services at a standard rate of 7.5%.
- s. Capital Gains Tax (CGT): Imposed on profits from the sale of assets like property, stocks, or bonds. The CGT rate is 10%.
- t. Withholding Taxes: Taxes withheld at source on specific payments, such as dividends, rent, and management fees. Rates vary depending on the type of payment.
- u. Personal Income Tax (PIT): MSMEs are responsible for deducting PAYE (Pay As You Earn) tax from the salaries of their employees. The deducted amount is then remitted to the government on behalf of the employees. Employees earning the national minimum wage or below are generally exempt from PIT.

## 8 Employment Laws and Labour Practices

Nigeria has a well-defined legal framework governing employment relationship. Here's a breakdown of key aspects for employers to understand:

**Key Legislation:**

- v. Labour Act (Cap L1, LFN 2004): The principal legislation governing employment relations in Nigeria. It outlines minimum employment standards, including working hours, leave entitlements, termination procedures, and employee rights.
- w. National Minimum Wage Act 2019: Sets a national minimum wage that must be paid to all employees, regardless of location or industry. The current minimum wage is ₦30,000 per month (it is subject to review).

**Employment Contracts:**

- x. Written or Oral: While both written and oral contracts are valid, a written contract is highly recommended for clarity and dispute resolution. It should contain items like job title, salary, benefits, working hours, leave allowances, and termination clauses.

**Working Hours and Leave:**

- y. Normal Working Week: Maximum of 40 hours per week, with one rest day.
- z. Overtime: Overtime pay is mandatory for work exceeding 40 hours per week and on rest days.
- aa. Annual Leave: Employees are entitled to a minimum of 6 days' annual leave with full pay after 12 months of continuous service. Young workers (under 16) get 12 days.
- bb. Sick Leave: Full-time employees are entitled to 12 days of sick leave



- with full pay per year, subject to medical certification.
- cc. Maternity Leave: 6 weeks of paid maternity leave after childbirth.

#### **Termination of Employment:**

- dd. Notice Periods: Employers and employees must provide notice periods for termination, depending on the length of service (ranging between 2 weeks to 1 month depending on employment nature).
- ee. Severance Pay: Employees who are laid off for reasons not related to misconduct are entitled to severance pay.

#### **Employee Benefits:**

- ff. Pension Contributions: Employers must contribute to a pension scheme for their employees under the Pension Reform Act 2014.

## **9 Consumer Protection Laws and Standards**

In Nigeria, consumer protection is governed by a few key laws and institutions that work together to ensure fair treatment for consumers. Here's a breakdown of the important aspects:

#### **Main Laws:**

- gg. Federal Competition and Consumer Protection Act (FCCPA) 2018: This is the primary legislation safeguarding consumer rights in Nigeria. It established the Federal Competition and Consumer Protection Commission (FCCPC) to enforce these rights. The FCCPA outlines consumer rights such as:
  - i. Right to information (accurate and non-deceptive product labeling)
  - ii. Right to safety (products and services must be safe for consumers)
  - iii. Right to choice (consumers should have a variety of options to choose from)
  - iv. Right to fair and honest dealing (businesses should not engage in misleading or deceptive practices)
  - v. Right to redress (consumers can seek remedies for harm caused by businesses)
- hh. Other Relevant Laws: Additional laws may apply depending on the sector, such as:
  - i. National Agency for Food and Drug Administration and Control (NAFDAC) Act: Regulates the safety and quality of food, drugs, and medical devices.
  - ii. Standards Organization of Nigeria (SON)<sup>14</sup> Act: Ensures product quality by setting and enforcing standards.

---

<sup>14</sup> [Standards Organization of Nigeria](#)

## 10 Environmental Regulations and Sustainability Practices

Nigeria has a robust framework of environmental laws and regulations aimed at safeguarding its natural resources and promoting sustainable practices.

**A comprehensive set of policies addressing various environmental issues are:**

- a) **Waste Management:** The Harmful Waste Act prohibits the import, disposal, or dumping of hazardous waste without permits [Environmental Laws And Sustainable Practices In Nigeria: Legal Responsibilities For Businesses, Mondaq].
- b) **Pollution Control:** The National Environmental Standards and Regulations Enforcement Agency (NESREA) regulates air and water quality, effluent limitations, and controls substances causing environmental harm<sup>15</sup>.
- c) **Impact Assessment:** The Environmental Impact Assessment Act mandates assessments for projects that could significantly affect the environment<sup>16</sup>.
- d) **Biodiversity Conservation:** Aside from constitutional provisions, Nigeria is a party to international agreements on biodiversity and wildlife preservation.

## 11 Consequences of Non-Compliance and Ethical Breaches

Non-compliance with environmental regulations and ethical breaches in Nigeria can lead to a range of negative consequences, impacting individuals, businesses, and the environment itself.

**Potential Consequences for MSMEs:**

- ii. **Financial Strain:** Fines, license revocation, or lawsuits can be financially crippling for smaller businesses.
- jj. **Market Exclusion:** Large companies or government contracts often prioritize ethical and environmentally responsible suppliers, excluding non-compliant MSMEs.
- kk. **Community Issues:** Pollution or ethical violations by MSMEs can disproportionately affect nearby communities, leading to damaged relationships and potential boycotts.

**Legal Penalties:**

- ll. **Fines:** Regulatory bodies like NESREA can impose significant fines on companies or individuals who violate environmental laws.
- mm. **License Revocation:** Businesses that consistently disregard environmental regulations risk losing their operating licenses.
- nn. **Legal Action:** In cases of severe environmental damage or ethical misconduct, lawsuits from affected communities or government

---

<sup>15</sup> [Environmental Law & Policies in Nigeria](#)

<sup>16</sup> [Environmental Sustainability in Nigeria: An Overview, AJOL](#)

agencies are possible

## 12 Demo of Appropriate Digital Tools

### Permits and Legal Documentations

- [CAC Business Registration Portal](#)
- [FIRS e-Tax Payment Platform](#)
- [Lagos State Permit Application Portal](#)
- [Kano State Permit Application Portal](#)
- [Abuja State Permit Application Portal](#)
- [Rivers State Permit Application Portal](#)

S/N	Name of Tool	Brief Description	Nature of Subscription Cost
1	<a href="#">QuickBooks Online</a>	QuickBooks Online is a cloud-based accounting software that helps businesses track income and expenses, send invoices, manage bills, pay employees, and generate reports. It simplifies bookkeeping tasks and automates many processes, saving time and effort.	Monthly fee based on the chosen plan <ul style="list-style-type: none"> <li>• Simple Plan \$18/month</li> <li>• Essentials Plan \$27/month</li> <li>• Plus, Plan \$38/month</li> <li>• Advanced Plan \$76/month</li> </ul>
2	<a href="#">Wave</a>	Wave helps manage finances for small businesses and individuals. It simplifies invoicing, bill payments, expense tracking, and bank reconciliation. They offer a user-friendly interface and mobile app access.	<ul style="list-style-type: none"> <li>• Free Plan</li> <li>• Wave Pro: A paid monthly subscription Wave Pro \$16/month</li> </ul>
3	<a href="#">Zoho Books.</a>	Zoho Books is a cloud-based accounting software designed for small and medium businesses. It offers a comprehensive suite of features for managing finances.	<ul style="list-style-type: none"> <li>• Free Plan</li> <li>• Standard \$10/month.</li> <li>• Professional \$25</li> <li>• Premium Plan \$50</li> </ul>
4	<a href="#">Google Sheet</a>	It offers a powerful and user-friendly platform for creating and managing spreadsheets	<ul style="list-style-type: none"> <li>• Free to use</li> </ul>