

RESEARCH ARTICLE

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# INCENTIVE TO SET UP BUSINESS IN KANO FREE TRADE ZONE

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## Abstract

Kano Free Zone is one of the Federal Government owned Free Zone established pursuant to section 1 of Nigeria Export Processing Zones (NEPZA) Act 63 of 1992. Kano Free Trade Zone was declared an Export Processing Zone in 1998, however, in 2001 the transformation to Free Trade Zone was approved by Mr. President-In-Council.

Even though Nigeria's special economic zone (SEZ) policies own their inception to the observed success of kano free trade SEZs on FDI inflows, job creation, a I argue that China's policies on SEZ's cannot be expected to deliver similar performance levels when crudely applied to the geopolitical and economic disparities across Nigerian regions, rather, Nigeria's SEZ policy requires careful identification of enabling factors, and implementation of supplementary policies for factors which differentiate it from China, while also taking into consideration some inherent similarities which can contribute its local success story.

**Keywords** Business, Free, Incentive , Kano, Trade , Set-up , Zone.

## INTRODUCTION

Manor free trade zone provides every service possible to the companies set up in the free zone and also uplifts the economy of the country.

Kano free trade zone is the second free trade zone in Nigeria which is owned by the federal government and is located in panisau road area of the ungogo local government area. The sponsor/developer of the kano trade zone is the federal government and thought it was proclaimed as an Export processing zone (EPZ) in 1998, it was later converted into a free trade zone in 2001 by gaining approval from the president in council. It's area of specialization is an ware housing, manufacturing and providing logistic services.

Covering almost 262 hectares of land, the free trade zone is fully operational and provides a very competitive environment for all the

companies set up in the zone. A total of 33 companies above been registered in the free zone but up in the zone. A total of 33 companies have been registered in the free zone out of which 13 of them have started their operations. The region also consists of 19 massive warehouses which are being utilized by the above mentioned 13 of the companies which are set up in the free zone and fully functional.

In the year 2010, kano free trade zone received a grant of #5.2 billion from the federal government of Nigeria for the development of the free zone. This grant will help in increasing the efficiency of the various services in the region will also allow the management to develop more infrastructure suited to the needs of the businesses in the area. There were many other significant upgrades made to the free zone such as making a joint task force which will

improve and increase the commercial activities in the zone, great improvement on foreign direct investors from all over the world.

Many investors and entrepreneurs are still unfamiliar with the multiple benefits that a free zone can provide to the company. The government of Nigeria is that a free zone can provide to a company. The government of Nigeria is working towards spreading the awareness of the various benefits of the free zone. The kano state pension trust fund is providing its services to the companies in the kano free trade zone and is helping in the development of the area.

#### **INCENTIVES OF SETTING UP BUSINESS IN KANO FREE TRADE ZONE.**

The various benefits that a company set up in the free zone can avail are:

Complete ownership and Repatriation of profits.

A foreign businessman does not require a local sponsor and can own 100% of the company in the free zone. All the profits and dividends can be sent back to the entrepreneurs' home country.

No application of import license or any expatriate quota.

A company set up in the free zone does not require an important license to import any goods or raw materials and also the companies have don't expect to maintain the expatriate quota. According to the expatriate quota, a company needs to get approval before hiring any foreign employees or directors for a business.

Duty free, Tax free import of specific goods.

If the company is set up in the free zone it does not need to follow the regulations that are being developed in the country.

This means that the companies do not need to pay any import duty or any tax related to the import and export of raw materials.

No strikes or lockouts.

The employees of a company formed in the free zone can't have strikes or lockouts for at least the initial of setting up the company.

No Rent during the first six months of construction.

The company won't be charged any rent during the first six months while the necessary infrastructure is created.

Approvals for all permits and licenses under a single Roof.

All the required permits and licenses will be accessible at one place. This would significantly reduce the duration for the period of the commencement of the business activities.

Complete tax holiday.

Laws that are mostly observed by companies all over the country are not followed in the free zones. The companies do not need to pay any taxes, duties or levies.

Permission to sell 100% of goods domestically.

Enterprises that have been set up in the free zone have agreement to sell their products in the country. They are also allowed to sell any imports which they bring in .

#### **WHY INVEST IN KANO FREE TRADE ZONE**

There are many reasons for an entrepreneur to choose kano free trade zone over the other free zones in Nigeria, such as.

Enterprises set up in KFTZ have permission to sell 100% of the manufactured, assembled or imported goods in the domestic market.

Kano state is in close to many other west African countries like Chad, Niger, Mali, etc. Which could serve as export markets for the companies.

While selling the produced goods in the domestic markets, the import duty on goods manufactured in the free zone is usually ascertained based on the value of the raw materials or components used in assembly.

Kano is the largest consumer market in Nigeria, with a population of 13 million people (approx.).

There are abundant natural resources present nearby such as gum, seeds, groundnuts, garlic, tomatoes, pepper, ginger, etc.

Kano free trade zone is a part of the African growth and opportunity Act (AGOA) which was approved by the

If the fence was made. He went to China and was advised to develop the free zone for economic emancipation “, non go said.

Nongo said the recent disbursement of funds would surely make the authority succeed. Even though he decried the lack funds from the federal government, he nursed great expectations towards the completion of the zone. He stated that in two years, the organisation would complete four trade zones. Though he cited the issue of power failure as an impediment, he said they would provide 15 megawatts of power at 15 million each, where calabar and kano would be the biggest beneficiary.

#### **ABOUT NIGERIA EXPORT PROCESSING ZONE AUTHORITY**

NEPZA was established in 1992 following the enactment of the Nigeria export processing zones act 63, of 1992, with strategic mandate of promoting and facilitating local and international investments into Nigeria's licensed free trade zone/ special Economic zones.

The free zone scheme envisions diversifying the nation's economy away from oil, fast tracking her industrializing stimulating export oriented business enterprise and manufacturing, strengthening administrative approval processes as well as providing a one stop shop service for business both within and outside Nigeria.

#### **BENEFIT OF FREE TRADE ZONE IN NIGERIA**

Any legislative provision related to tax, levies, duties and any foreign exchange regulations which are applicable in the country will not apply to the campaigns set up in EPZs.

At any time, it is possible to send back all the foreign capital investment with the capital appreciation of the investment.

If any profits and dividends earned by foreign investors, they can be remitted back to the home country.

If a company is set up in any of the FTZs they do not require any import license.

25% of the total production of a business in the free zone may be sold in Nigeria by obtaining a valid permit and by payment of the required duties.

At the construction phase, the business in construction does not need to pay any rent. When the company commences its operations the rent will be determined by NEPZA.

Foreign ownership of a business up to 100% is permitted depending upon \the nature of the Business and the ruling of the concern authority.

A company established in the free zones can employ foreign managers and qualified personnel.

The NEPZ has implemented liberal regulations and has eased the investment and approval process in EPZs.

EPZs in Nigeria are at proximity to seaports and have extensive road linkage and are also linked to various airports.

Nigeria has a huge consumer market reach is still growing. It also has many trade agreements with many global economic organization.

One of the biggest benefit of incorporating a company in EPZ is that, the Nigeria expert processing zone act prevents an employee from conducting a work strike or any lock within ten years of the inauguration of a business.

The regulation of the NEPZ state that all the companies which are licensed companies established in EPZ with exempt to the expatriate quota.

### **LIST OF FREE TRADE ZONE IN NIGERIA**

Aluminum smelter company free trade zone

- \* Border free trade
- \* Calabar free trade zone
- \* Centenary economic city
- \* Onne oil
- \* gas free trade zone
- \* Enugu industrial park
- \* (free zone status)
- \* Kano free trade zone
- \* Ibom science & technology park free zone
- \* Lekki free trade zone
- \* Maigatari Border free trade zone
- \* Nigeria international commerce city
- \* Ogun Guangdong free trade zone
- \* Illela international border market
- \* Lodol free trade zone
- \* Lagos free trade
- \* Snake Island free trade zone
- \* Tinapa Resort & leisure free trade zon

To manage both the general and specialized export processing zone in Nigeria and government has formed two bodies which would oversee the working of the various companies in these free zones. these are namely

Nigeria EPZ Authority (NEPZA) for all general-purpose export free zone

OGEFZ Authority dedicated to the oil and Gas free trade (OGEFZ)

### **HOW TO SET UP COMPANY IN THE FREE TRADE ZONE IN NIGERIA**

business need to take specifies step which are standard for all free zones of the country. this step are given below: -

fill up the application form which can be downloaded online collect from the free zone administration office

submit the completed application form in the zone administration office or NEPZA office with the require project plan/visibility study.

if the application is approve and operation license (OPL) will be issued to you by the administration you of the free zone. after acquiring the OPL the free zone administration will discuss your site location and assign a space for you.

receive a certificate of importation through. one of the various banks in the zone.

you can start building your office or ware house in the space allotted to you. those investors who are constructing their building must submit four copies of whom architectural drawing for approval by zone management. the should also take care that the build up spaces should not exceed 70% of the least land and construction should start within 3 month after the execution of the agreement

move in and operate it is possible that several company may require to obtain permission for the foreign national and employees. this can be done at immigration desk officer in the free zone.

the mention above offered by the various free zone make setting up a businesses in Ep2 in Nigeria a very incrtive option for both domestic and foreign in entrepreneur free trade zone are tools that company we to increase their Global competitiveness and play an important role in providing a level palying field when investments and production decision are mad. they are been proven to be a successful trade programme by consistently creating and retaining jobs and capital investments. the following are some benefits that account for most of the company that use the free trade zone programme.

relieve from invertal tariffs  
duty exemption on re-exports  
duty elimination on waste, scrap and yield loss  
weekly entry saving  
duty deferral  
merchandise processing free (MPF) reduction  
Quota Avoidance  
Streamlined logistics  
other cash flow benefits

### **PERFORMANCE OF FREE TRADE ZONE IN AFRICA AND THEIR CONTRIBUTION**

Most of the world free trade zone particularly in Africa contribute significantly to the growth of the country economic where those Nigeria belong. I have done extensive survey on free trade zone in Africa, therefore I can say authoritatively that where Nigeria is today is pathetic. In fact, our smaller neighboring countries especially in the west Africa are doing better from the fact that they see Nigeria the market for their products. For instance, Togo, our next door neighboring is gearing up take advantage of Nigeria huge market potential. Ghana has the highest number of free trade in Africa at the moment. Ironically the single factory zone scheme we frostrated in Nigeria is booming in Ghana, the single factory zone accure where a government confer expert potential status for them to achieve availability incentive. It those not where the factory is sited within the country. Even if the factory is sited in the village, both are considered to possess such potential they are giving the free trade status that is what Ghana and Kenya are doing to lead Africa today with 192 and 160 free trade zone respectively followed by Tanzania 44 and other countries in Nigeria has only 32 the rate at which these countries are going I am afraid if nothing is done urgently Nigeria will end of being the dumping ground for the product for these countries especially from the free trade zone within the West Africa Sub-region. The rate at which free trade zone is developing

across the world is going higher and higher. It is getting more scientific by the day. Nigeria must not be left behind.

If you look at what is moving free trade zone all over the world today, you will find out that Nigeria does not have what it takes to cope. We are unable to move any higher. There are things we are supposed to do as a country when you look at the country's economic situation. Today, Nigeria free zone has a lot of challenges when we talk about oil but where are we today, with the declining global oil prices. But in terms of manufacturing job creation and employment, backward linkage, taking care of the farmers and transfer of technology, if you talk about figures the exchange rate of naira to dollar today is half the figure that South Korea is exchanging to a dollar but South Korea is not bother, this is because their population level is very high they make the dollar and can determine what ever exchange rate they place on it. Base on my research survey, Nigeria should give this free trade zone scheme the right attention in Nigeria, if we want to get out of the economic recession the country is in at the moment. The act which the scheme is using in Nigeria today promulgated over 20 years ago. All over the world the practice is that the free trade zone is law should be revisited every 5 or 10 years. The world is moving at a very first speed and you just have to move along with it. Free trade zones have an international complexion. So far Nigeria to be taken seriously. It has to adopt accordingly. If you are not doing it the way it done globally, you cannot make progress the way your neighbours would gain, the level of your incentive is not attractive enough. For example NAHCO (Nigeria Aviation Handling Company) shade should be seen as a free trade zone within an International Airport. It can qualify for an airport free zone, a similar airport free zone is DAFZA (Dubai Airport Free Zone Authority). DAFZA offer atleast 250 free services to investors. The services that we give are below International Standard, the incentive need to be revisited. Our infrastructure is at the lowest ebb today. The higher obstacle to investment in the free trade zone today is the

conflict between the free zones authority and other government agencies like the Nigerian Customs. The Nigeria Immigration Service and the free trade zones authority have tidied up their ends but the Nigeria customs is a very big problems.

### **HOW NIGERIA GOVERNMENT ARE LOSING IN FTZ.**

There is not doubt the country is lossing heavily by not putting the free trade zone scheme in order anything that will affect production in any country is a big loss, today the country have 32 approved free trade zone but sadly is only about 8 are operational. Banki in Borno State is one of the free trade zone giving approval since 1990 but up to now it cannot come up because the state government is not interested, Banki free trade zone started operation since 1990 Borno will become a largest free trade zone in Nigeria and create more job opportunity to skills and non skilled and semi skill. If that free trade zone had been in operation since 1990 those people being conscripted into boko haram today to terrorized the people for lack of job would not have been seen. They would have been gainfully engaged.

That place is not working majorly as a result of the attitude of the state government, which got the approval. If the state government had involved a consultant to advise it, they would have looked for investors to put the place in order. A state government getting free trade zone in Nigeria. In Nigeria should not involve more than 10% of what is required to roll out. Look for the private sector to do the roll out. Though it should be the public-private partnership, but their own should be to provide land and initial clearance and leave everything to the private sector. The approval of free trade zone is not to state. Lagos state has free zones up to six: - Ladol, Lekki, Lagos, Snake Island and Badagary are all in Lagos state.

There is one in Osun state, one in Ogun, one in Abuja (Abuja Technology Village), one in Enugu state, whose ground breaking was done

recently, there is one in Koko in Delta state. Even the Calabar free trade zone that had a lot of promise, is now going down, because of the problems the investors are having. Tinapa is in Cross River state. Everybody thought this was another Dubai. But, today the story is different, that is why government must brace up and do something urgently.

### **CONCLUSION**

Based on the findings of this study the following conclusion have derived:-

1.The important of the finding in proceeding is clear from the analysis in proceeding are very significant, it was observed that according to William Bartlet study on a kano free trade Zone, play a vital role and it is the fundamental of human activities.

and controlling Kamo free trade zone properly with view of creating more jobs opportunities and attract foreign investors.

3.Lack of proper utilization of free trade zone Nigeria , will bring set back to Nigeria Economy, if care are not taken.

4.The following recommendations are to improve the livelihood of the kano people.

Free trade Zones are the tools use by a country to expand their GDP, Gross Domestic Products, free zones are playing a vital role in Nigeria Economic today

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