



AUTHORIZED SHARE CAPITAL TO MINIMUM ISSUED SHARE CAPITAL, WHAT YOU NEED TO KNOW

- The Companies and Allied Matters Act (“CAMA”) 2020 introduced some changes such as changes in the issued share Capital of a company. By CAMA 2020, the entire share capital of companies must be fully issued.
- CAMA 2020 replaced ‘authorized share capital’ with ‘minimum issued share capital’. In the CAMA 2020 companies must have a minimum issued share capital of N100,000 for private companies and N2,000,000 for public companies thereby increasing the minimum authorized share capital for private and public companies which was N10,000 and N500,000 respectively in CAMA 1990.

- The repealed CAMA 1990 provided that every company should issue at least 25% of its authorized share capital to shareholders and by that requirement, companies had the opportunity to have unissued shares and issue them at a future date.
- However, Section 124 of CAMA 2020 provides that no company shall have a share capital which is less than its minimum issued share capital and requires that every company with unissued shares, must not later than six (6) months from the commencement of CAMA 2020, issue shares up to an amount not below its minimum issued share capital.

- The Companies Regulations 2021 had earlier provided that all companies with unissued shares must fully issue same not later than 30th June 2021, but the deadline has now been moved to 31st December 2022.
- The result of the new minimum issued share capital rule is that companies cannot have unissued shares after the 31st December 2022 deadline. Companies (and their officers) who fail to comply by the deadline will be liable to a daily default penalty as prescribed by the Corporate Affairs Commission (“CAC”).

➤ The options available to companies whose shares have not been fully issued include:

- (a) issue the shares to existing shareholders;
- (b) issue the shares to new shareholders; and/or
- (c) a reduction of the share capital of the company by cancelling all unissued shares (subject to the CAMA 2020 prescribed minimum share capital as stated above).

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