



## Navigating Stability: Locking in Customs Import Duty Rates to Stabilize Trade

On May 30, 2024, the Presidential Committee on Fiscal Policy and Tax Reforms (the “Committee”) in Nigeria presented a proposal to the Federal Government, recommending a fixed exchange rate of N800 per dollar to calculate customs import duty throughout the remainder of 2024.

### Key Reasons for the Proposal

- **Volatile Import Duty Rate:**

The import duty rate, which follows the FX rates set by the Central Bank of Nigeria (CBN), currently fluctuates significantly due to the volatile FX market.

- **Response to Inflation:**

The Committee proposed this fixed rate in response

to Nigeria’s rising inflation, which currently stands at 33.69%.

- **Need for Predictable Planning:**

With Nigeria’s heavy reliance on imports, stable rates are essential for effective business planning and budgeting.

- **Impact of Import Duty Spikes:**

Frequent spikes in the import duty rate by the Nigerian Customs Service (NCS) have significantly disrupted businesses.

- **Mitigation of High Costs:**

Setting a fixed import duty rate would help cushion the impact of high costs of imported goods on Nigerians amid escalating inflation.



## Implications for Stakeholders

### 1. Business Stability:

A fixed import duty rate will facilitate better planning and budgeting for businesses, minimizing the risk of unforeseen cost increases due to FX rate fluctuations.

### 2. Stable Pricing:

Businesses will be able to forecast import costs more accurately with a fixed rate, potentially stabilizing the pricing of imported goods and reducing costs, which boosts consumer confidence and competitiveness.

### 3. Inflation Mitigation:

Stabilizing import costs can help alleviate inflationary pressures, contributing to overall economic stability.

### 4. Operational Efficiency:

A fixed exchange rate simplifies import duty calculations, reducing administrative burdens and potential errors, thus improving efficiency within the government and particularly within the NCS.

### 5. Investor Confidence:

Predictable import costs can encourage investment, especially in sectors that rely on imported materials, boosting economic activity and growth over the long term.

### 6. Revenue Impact:

The fixed rate could slightly reduce revenue if the market exchange rate surpasses N800 to N1,000 per dollar, unless offset by more robust economic activity.

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