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Nigeria’s trade landscape
What to expect in 2025

Introduction

Nigeria experienced a stable trading environment in 2024 compared to the turbulence of 2023.

There were significant legislative announcements and reversals, with the single most significant issue being the huge impact that Naira depreciation and exchange rate volatility had on import tariffs and ultimately, trade costs.

Last year, the Federal Government of Nigeria (FGN) continued its economic reforms, intervening where necessary to stabilize the business environment or lower the rising cost of living. Thankfully, there was a more stable foreign exchange rate, which helped businesses to better plan their trade costs, even though the pricing point remained high. The introduction of tariff cuts on essential commodities or key business inputs provided some cushion on the cost of doing business. However, many would argue that the reductions were at best only marginal due to challenges with implementation of the tariff cuts.

In general, as the combined effect of the various economic reforms took shape, several businesses struggled for continuity, as production costs remained high, and consumer spending increasingly dropped with rising inflation. In the end, businesses who survived last year were able to do one or more of the following things: become more operationally efficient; successfully transfer the cost of the economic reforms to consumers; and diversify revenue streams including engaging in exports. In the end, some sectors were more impacted by others as shown from the profile of businesses that either changed business models or shut down completely.

This year, the FGN seeks to accelerate its economic reforms, which will more likely than not see the trade environment face some disruption.

Our projection for the year can be gleaned from:

a. The ongoing review of the 2025 Appropriation Bill by the National Assembly, which has seen the Joint Committee of Finance (JCF) raise the revenue projection of the Nigeria Customs Service (NCS) from NGN6.5trillion to NGN12.0trillion. For context, during the 2024 fiscal year, the actual revenue collected by the NCS was NGN6.1trillion, meaning that the JCF is requesting a c.96% growth in NCS collection. Logically, an increase in NCS collection could be achievable through an increase in tariff rates, reduction in tariff waivers, increase in trade throughput, increase in the local production of excisable products, increase in exchange rate, or a more aggressive drive to close leakages. Based on the FGN's current economic policy direction and the extant macro-economic environment, it is our view that if NCS is to meet this JCF target, closing revenue leakages would be the biggest reason for the achievement. This is not to say we don't expect to see some increases come from a change in tariff rates.

b. The Tax Reform Bills before the National Assembly, which seeks to impose excise on telecommunication and gaming services, amongst others, and start the journey of integrating the NCS with the Federal Inland Revenue Service (FIRS). If passed into law with the new excise on services (a tax proposed to be collected by FIRS) and the proposed administrative changes, many more businesses will not only need to start accounting for excise but would need to become more transparent in their business dealings especially as the NCS and FIRS begin to exchange information. Recall that today, only importers and manufacturers of tobacco products, as well as alcoholic and non-alcoholic beverages are subject to excise.

c. The NCS 2025 strategy, which would see the NCS jettison the use of the Joint Border Patrol Team in favor of a modern technology and intelligence-driven approach to countering the activities of smugglers. Equally important is the decision to adopt a more data driven and risk management approach to revenue collection and trade facilitation. Already, we saw the NCS pilot the Advance Ruling System and the Authorised Economic Operator (AEO) Programme late last year, with pilot study participants reporting smoother and shorter turnaround times for cargo clearance. The NCS also piloted a new customs management system, which will eventually replace the Nigeria Integrated Customs Information System (NICIS II) as the NCS Legacy System.

d. Launch of the National Single Window (NSW), which would allow relevant stakeholders in the trade environment (e.g., government agencies, financial institutions, importers, exporters, customs brokers, transporters, terminal operators etc.) to interact electronically, submitting and distributing relevant trade documents including import and export permit applications/approvals, commercial documents, and customs declarations. At its best, the NSW would improve trade and customs processes (e.g., by reducing bottlenecks, red tape etc.), increase transparency within the trade environment and ultimately improve the doing business environment.

The year has just begun and so far, not much has changed from last year. However, we expect things to change rapidly, and businesses should be prepared.

Key trade themes for 2025

To help businesses plan the year, here are our top key trade themes to look out for in 2025.

1 Full implementation of the AEO Programme

In April 2024, the NCS launched the pilot of the AEO programme.

A trusted trader programme (TTP) that grants preferential treatment to economic operators (i.e., manufacturers, importers, exporters, operators (i.e., manufacturers, importers, exporters, transporters, customs brokers, warehouse operators etc.) that have shown a high level of compliance with customs laws and regulations. Actual implementation of the pilot commenced in September 2024 and the five pilot participants have recently reported marked reduction in customs release and cargo clearance.

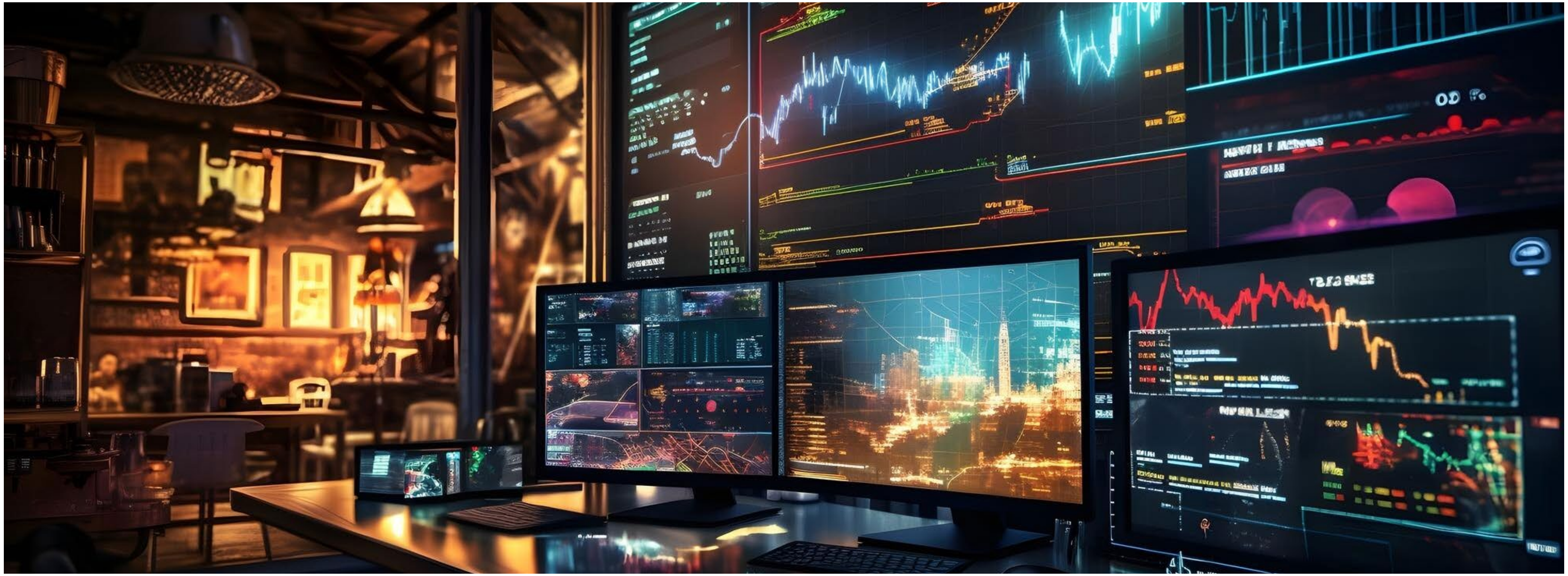
Earlier this year, the NCS organized an AEO pre-launch stakeholder session, where stakeholders were informed of NCS' decision to start full implementation of the AEO programme. The NCS would launch the AEO full implementation in February 2025 and intending participants are expected to indicate their interest in the scheme by lodging a formal request. Interestingly, the NCS indicated that once the AEO is launched, there would be a phased discontinuation of the Fast Track Scheme (FTS), which many economic operators deploy today to expedite cargo clearance.

Why is this a key theme? Today, the requirements to access the FTS are not onerous with several manufacturers able to access the scheme by virtue of simply being a manufacturer without an outstanding assessment or record of non-compliance.

However, to access the AEO programme, economic operators must demonstrate vide robust documentation and practice (a rigorous review process that could span over six months) that they have strong internal compliance processes and can be trusted to comply with the customs laws and regulations. If the FTS is discontinued and current FTS beneficiaries have not made the transition to the AEO programme, then current FTS beneficiaries could be left without a TTP to leverage for expedited cargo clearance.

Why is the AEO accreditation process rigorous? The benefits provided by the AEO programme are significantly more that the benefits provided by the FTS, hence the need to ensure only highly compliant businesses are rewarded.

For instance, certain AEO beneficiaries will be able to pick up consignments from the ports without customs checks, inspections, and escorts . Surely, only trusted businesses should be afforded this type of benefit. For more on the AEO programme, please refer to AEO in Nigeria.



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2 Post clearance audits

The Nigeria Customs Service Act, 2023, introduced formal post clearance audits (PCAs) exercises.

This means that the NCS can request to review import/export transactions and the compliance thereof for any period up to 10 years. However, the NCS has always carried out PCAs, so what is new?

At the recent AEO pre-launch stakeholder session, the NCS communicated its intention to place greater focus on the post import and export environment. This follows the plan to adopt a more data driven and risk management approach to revenue collection and trade facilitation. As such, the NCS would not only adopt a transaction or sector based PCA as is presently done, but also a comprehensive PCA.

Generally, comprehensive PCAs involve a post entry documentation review of commercial transactions (i.e., invoices, bank statement, accounting records, customs declarations, purchase/supplier agreements, etc.) with the purpose being to ensure that economic operators were fully transparent with their declarations at the point of importation or exportation. Of course, incidents of non-compliance will be met with the statutory penalties.

With the NCS looking to double its collection from last year, and tariff increases being the less likely source of a significant increase in collection, we anticipate that raising back duty assessments would be the focus of the NCS.

Key trade themes for 2025

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In March 2022, the FGN, vide the Customs, Excise Tariff, Etc. (Variation) Order, 2022, rolled out a three-year excise regime starting from June 2022 and sunsetting in May 2025. With May 2025 around the corner, we expect that a new excise regime would be rolled out in the first half of 2025.

What does this mean? There could be increases/decreases in current excise rates; variations to the way excise is imposed on various items (e.g., specific to ad-valorem, ad-valorem to specific, or a combination of both specific and ad-valorem); and imposition of excise on new items.

Recall that the previous administration attempted to introduce excise on plastic, automobiles, and telecommunication services, whilst the new administration is already attempting to introduce excise on telecommunication services, gaming/betting services and some foreign exchange gains derived through currency conversion.

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4 Acceleration of AfCFTA implementation

In July 2024, Nigeria formally launched the implementation of the Guided Trader Initiative (GTI) under the African Continental Free Trade Area (AfCFTA).

The launch was followed by the successful shipment of products from Nigeria to Kenya at preferential tariffs.

Why is this significant? The state of the economy, especially in the consumer goods sector, has seen consumer spending decrease with rising inflation. This has necessitated several boardrooms to not only go on a cost reduction drive but also begin looking for alternative markets to fill the hole created by decreased sales.

With the AfCFTA providing preferential tariff access to African markets, and exports providing foreign exchange earnings, which can help businesses manage their exposure to the Naira devaluation, we are convinced that more Nigerian businesses will begin exploring the African continent as an export destination.

Nigerian businesses must also recognize that the AfCFTA is a multilateral agreement that is built on reciprocity. Hence, as they seek new markets in other African territories, other African businesses will also look to seek a new market in Nigeria. This means that Nigerian businesses must not only stay competitive relative to other Nigerian businesses but also within the African business community.

As Nigerian businesses look to explore the AfCFTA, it is important to remember that only the GTI may be applicable in 2025. This means that trade would continue to happen only within the GTI participating countries.

At the time of writing this publication, ten (10) countries are participating in the GTI i.e., Cameroon, Egypt, Ghana, Kenya, Mauritius, Nigeria, Rwanda, South Africa, Tanzania, and Tunisia with more expected during the year.

Conclusion

It is possible that other issues not highlighted above could suddenly become front burner discussions during the year.

For instance, fiscal policy interventions could be introduced particularly where the FGN seeks to urgently intervene in a particular sector. We would have to wait and see.

Generally, we expect that there would be a continued focus on improving the business environment with one objective being to generate more tax revenues to finance the FGN budget. Therefore, whilst we may increasingly see new economic polices reflect the opinion of the business community, we fully expect the FGN to focus on improving tax collection.

To remain sustainable in the current business landscape, businesses would do well to not only dialogue with the FGN on matters affecting their businesses, but stay close to the discussions/deliberations/debates on proposed FGN legislations/policies. Also, and equally important, businesses who are unsure about their level of compliance with the extant customs and trade laws should take steps to review and where applicable, regularize their records.

To learn more, please reach out to the contacts below or get in touch with your local Deloitte contact.

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