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FINANCIAL NEWSLETTER

CENTRAL BANK OF NIGERIA PEGS FOREIGN EXCHANGE RATES FOR IMPORT DUTY ASSESSMENT

INTRODUCTION

In the wake of the recent liberalization of the foreign exchange market, importers have encountered uncertainties regarding the pricing of goods and services. Also, the inconsistent changes in import duties imposed by the Nigeria Customs Service ("NCS") have further exacerbated these uncertainties, leading to disruptions in pricing and overall business operations.

To address a key part of these uncertainties, the Central Bank of Nigeria ("CBN") on February 23, 2024, issued a circular, addressed to all Authorised Dealers, NCS, and the general public, on foreign exchange rates for import duty assessment (the "Circular"). The Circular was primarily issued further to the concerns raised by importers regarding the frequent changes in Import Duty Assessment levies applied by the NCS.

This pressing concern faced by importers of goods and services had built uncertainties around the pricing structure of goods and services in the economy and created abnormal increases in the final sale prices of items. Thus, the CBN in providing an immediate solution directed the NCS and other stakeholders to utilise the foreign exchange ("FX") closing rate on the date of the opening of 'Form M'[1] for the importation of goods, as the FX rate for import duty assessment.

We, therefore, highlight in this Newsletter, the major implications of the Circular for Authorised Dealers, NCS and other relevant stakeholders.

KEY IMPLICATIONS OF THE CIRCULAR

1. Amendment of the Revised Foreign Exchange Manual 2018

Previously, the Revised Foreign Exchange Manual 2018 had pegged the applicable exchange rate used for import duty payments to be the daily FX closing rate on the date of the duty assessment, as published by the CBN on its website.[2] However, the Circular has revised this provision and has mandated the use of the closing FX rate on the date of opening Form M for the importation of goods, as the FX rate to be used for Import Duty Assessment.

[1] Form M is a key requirement for initiating the importation process and is used by importers or their authorised representatives as a declaration of intention to import physical goods into Nigeria.

[2] Memorandum 9, J (2) of the CBN Foreign Exchange Manual (Revised Edition) 2018

2. **Compliance Obligations**

Effective February 26, 2024, all Authorised Dealers, NCS and relevant stakeholders are required to comply with the CBN's prescribed rate under the Circular. This rate as stipulated in the Circular is expected to remain valid until the date of termination of the importation and clearance of goods by importers.

CONCLUSION

It is expected that the Circular would foster stability and predictability in the cost of importation while protecting importers against currency fluctuations. It is therefore important for all stakeholders, including Authorised Dealers and the NCS, to diligently adhere to the directives outlined in the Circular to ensure seamless compliance and the realization of its intended benefits. Overall, this regulatory intervention signifies the commitment of the CBN to promote economic stability and facilitate sustainable growth in Nigeria's import sector.

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