

Promoting U.S. Export To Nigeria: Navigating the Nigeria Revenue Service Establishment Bill 2024

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Abstract

Research Objectives: This paper examines the implications of the **Nigeria Revenue Service Establishment Bill 2024** for US companies exporting goods and services to Nigeria, with a focus on strategic trade alignments within the framework of US-Nigeria trade relations. Utilizing **international trade theory, institutional theory, and agency theory**, the analysis explores the impact of consolidating tax authorities into a unified entity. Key areas of focus include **changes in tax rates and procedures, compliance requirements, and dispute resolution mechanisms**. This paper highlights specific provisions of the Bill, including changes to **import duties (Section 4), customs procedures (Section 5), penalties for non-compliance (Section 32), and data-sharing requirements (Section 14)**, assessing their direct impact on US exporters. Given the recent shift in **US trade policy under the 2025 "America First" framework (USTR, 2025)**, the paper evaluates potential trade tensions, tariff retaliations, and compliance risks US firms may face when operating in Nigeria. The study concludes with strategic recommendations for US exporters, including **legal compliance measures, policy engagement, and trade diversification strategies** to enhance trade sustainability.

1. Introduction

The **Nigeria Revenue Service Establishment Bill 2024** aims to repeal the **Federal Inland Revenue Service (Establishment) Act, 2007**, consolidating tax functions under a single **Nigeria Revenue Service (NRS)**. The goal is to enhance **tax administration efficiency and streamline revenue collection** (Federal Republic of Nigeria, 2024). While this may improve transparency and compliance, it could also **increase regulatory burdens for foreign businesses, particularly US exporters**.

The **US Trade Policy 2025** emphasizes an "America First" approach, prioritizing **fair trade, national security, and economic self-sufficiency** through **tariff enforcement, stricter compliance, and trade agreements**. This policy shift contrasts with Nigeria's objective to **increase revenue collection and compliance measures**, which could introduce **new challenges for US exporters**. This paper explores these policy intersections and how **US firms can strategically navigate the evolving tax and regulatory landscape**.

2. Theoretical Framework

International trade and institutional theories provide a foundation for analysing the impact of the Bill on **US exporters**.

International Trade Theory

- **Comparative Advantage:** The principle suggests that **US exporters assess Nigeria's relative advantages** to optimize trade relations (Krugman et al., 2018).
- **Heckscher-Ohlin Model:** Changes in Nigeria's tax structures may alter the **country's factor endowments and influence trade costs** (Porter, 1990).
- **Porter's Diamond Model:** The Bill's influence on **taxation, compliance, and administrative efficiency** will shape the competitive landscape for **US businesses operating in Nigeria** (Porter, 1990).

Institutional Theory

- **Formal Institutions:** The Bill introduces **centralized tax administration, stricter compliance, and data-sharing measures** (Federal Republic of Nigeria, 2024).
- **Informal Institutions:** Nigerian business culture and **historical tax compliance trends** will affect how **US firms adapt to new regulations** (North, 1990).

Agency Theory

- **Principal-Agent Conflicts:** Examines tensions between the **NRS (principal) and foreign taxpayers (agents)** regarding compliance enforcement (Jensen & Meckling, 1976).
- **Information Asymmetry:** The Bill could introduce **challenges in tax reporting and dispute resolution** for **US firms** (Federal Republic of Nigeria, 2024).

3. Key Provisions of the Bill Affecting US Exporters

3.1. Changes in Tax Rates and Import Duties

- The Bill grants **NRS the authority to revise and impose new tax rates, including import duties** (Federal Republic of Nigeria, 2024, Section 4(a)).

- **US exporters may face increased tariffs**, raising costs for American firms exporting to Nigeria.

3.2. Enhanced Tax Compliance and Audits

- **Expanded powers for tax audits, investigations, and enforcement** could result in **higher compliance costs** for US firms (Federal Republic of Nigeria, 2024, Section 4(e)).
- **Stricter documentation requirements** may require **investment in legal and financial advisory services**.

3.3. New Customs and Reporting Requirements

- **Mandated compliance with updated customs regulations** (Federal Republic of Nigeria, 2024, Section 4(q)).
- **US firms may need digital integration** to align with Nigeria's **automated tax administration platforms** (Federal Republic of Nigeria, 2024, Section 4(b)).

3.4. Stricter Penalties for Non-Compliance

- **Heavier penalties for tax evasion and late remittances** (Federal Republic of Nigeria, 2024, Section 32).
- **Non-compliance could lead to financial penalties and operational disruptions**.

3.5. Data Sharing and International Cooperation

- **Provisions for data-sharing agreements with foreign tax authorities** (Federal Republic of Nigeria, 2024, Section 14).
- **US exporters could see increased tax transparency obligations**.

4. Strategic Alignments & Implications for US Exporters

- **Higher import costs due to increased duties**.
- **Stronger tax enforcement requiring enhanced compliance frameworks**.
- **Potential trade conflicts due to diverging US and Nigeria trade policies**.
- **Opportunities for bilateral negotiations to mitigate tax burdens**.

5. Advantages of the Nigeria Revenue Bill and America First Policy

While seemingly divergent, the Nigeria Revenue Service Bill 2024 and the "America First" trade policy present mutual benefits for both nations:

- **For Nigeria:** Improved tax collection and compliance attract foreign investment by enhancing transparency and reducing trade barriers.
- **For the U.S.:** Strengthened regulatory frameworks create a more predictable and stable business environment for exporters, while trade policy negotiations can yield preferential trade agreements beneficial to U.S. companies.
- **Bilateral Benefits:** Strengthened economic ties between both nations promote trade resilience, creating opportunities for negotiation and tariff adjustments favourable to U.S. businesses.

6. Why U.S. Companies Should Export to Nigeria

- **Market Potential:** Nigeria's population exceeds 200 million, presenting a vast consumer base for U.S. goods and services.
- **Economies of Scale:** Exporting to Nigeria enables U.S. firms to leverage high-demand sectors such as technology, healthcare, and consumer goods.
- **Profitability:** The Nigerian market offers competitive advantages for U.S. businesses with superior quality products and services, supported by a growing middle class with increasing purchasing power.

7. Strategies to Retain and Attract U.S. Exporters to Nigeria

- **Regulatory Compliance:** U.S. companies should establish robust compliance mechanisms to navigate Nigeria's tax and trade policies efficiently.
- **Government Collaboration:** Engaging with policymakers from both nations can facilitate beneficial trade agreements and tariff adjustments.
- **Market Adaptation:** Companies should assess the regulatory landscape to optimize supply chain strategies and pricing models.
- **Investment in Local Partnerships:** Collaborating with Nigerian distributors and stakeholders enhances market penetration and regulatory navigation.

8. Recommendations for US Exporters

1. **Monitor trade policy changes:** Stay informed about tariff updates and compliance requirements.
2. **Engage legal and tax professionals:** Consult experts specializing in **Nigerian tax law**.

3. **Strengthen compliance frameworks:** Implement **effective accounting systems and reporting mechanisms**.
4. **Foster government engagement:** Collaborate with US and Nigerian authorities to **address trade concerns**.
5. **Diversify market strategies:** Explore alternative trade partnerships within Africa to **minimize exposure to regulatory risks**.

9. Conclusion

The Nigeria Revenue Service Bill 2024, alongside the evolving U.S. trade landscape, presents both challenges and opportunities for U.S. exporters. Strategic engagement, compliance adaptation, and market diversification are essential for businesses aiming to sustain and expand exports to Nigeria. By leveraging regulatory adjustments and fostering bilateral trade negotiations, U.S. firms can maintain their competitive edge in one of Africa's most dynamic markets.

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