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AI-generated content may be incorrect.Driving Strategic Import Reforms through Advanced Analytics

# Overview:

This project leverages historical import data of electrical machinery (HS Code 85) to provide insights that support policy reforms in import taxation, substitution, and innovation. With advanced data analysis, forecasting, and policy modeling, we offer data-driven recommendations to reduce import dependency, enhance revenue collection, and promote local production in Nigeria.

# Problem Statement:

Nigeria's import profile, particularly in electrical machinery and related equipment (HS Code 85), has led to substantial foreign exchange outflows and heavy reliance on external economies. This dependency, coupled with revenue leakages and suboptimal tax collection, limits the country’s fiscal capacity and hampers the growth of domestic industries

# Objectives:

* Analyze import and tax trends under HS Code 85
* Forecast future import volumes and tax revenues
* Identify fast growing import categories for regulation or incentives
* Model impact scenarios for local substitution and innovation funding
* Recommend targeted policy actions to reduce leakage and stimulate local industries

# Key Insights:

* Forecasted import volumes are expected to grow by 7.14% in 5 years.
* Estimated tax leakage in 2019 was ₦8.9 billion, with tax revenue of #100 billion due to underpayment or exemptions.
* HS codes related to telecom and electronics show highest growth potential
* Local substitution of 20–30% of select imports could save ₦235 billion annually and generate jobs.

# Executive Recommendations:

1. **Taxation Reform:**

* Standardize and enforce tax rates across customs offices and import categories to reduce tax leakage. Prioritize auditing of HS codes with significant gaps, such as **Dangote Petroleum** and **Multichoice Nigeria**, to ensure compliance.

1. **Import Substitution:** 
   * Promote local production incentives in high growth categories, such as **solar panels**, **base stations**, and **electrical transformers**, to reduce import dependency and stimulate domestic industries.
2. **Innovation Funding:**
   * Allocate targeted innovation grants based on import sensitivity, economic value, and strategic fit. Focus on high-growth sectors like telecom and electronics, ensuring that funding supports long-term sustainability and technological advancements.
3. **Impact Monitoring & Customs Oversight:** 
   * Strengthen HS code classification and compliance auditing. Implement **real-time alerts** for HS codes showing rapid growth and significant tax gaps to proactively address potential revenue leakage.

# Conclusion:

This strategic approach provides a clear framework for addressing Nigeria's import dependency challenges, optimizing tax revenue collection, and fostering innovation. By implementing targeted reforms and closely monitoring high-growth import categories, Nigeria can reduce its fiscal vulnerability and promote sustainable industrial growth.

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