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Monetary Union v. Corporate Reality: Navigating the Tax and Legal Fallout of AfCFTA's Single Currency

Introduction

One of the most ambitious economic integration projects in modern history is the ambition for a single African currency (the Afro or Afriq) under the African Continental Free Trade Area (AfCFTA).[1] The idea is rooted in the desire to create a unified African market where goods, services, labor, and capital can move freely with minimal transactional barriers.[2]

A common currency would reduce exchange rate risks, simplify trade across African borders, and strengthen economic unity.[3] However, the legal and tax systems of African states show that achieving this is more complicated than simply replacing national currencies with one continental legal tender.[4]

The evolution of the European Union offers clear insight into the complexity of such integration as the path was neither immediate nor simple. This is because while the Maastricht Treaty, signed in 1992 by twelve European states, laid the legal and institutional foundation for monetary union[5], it took nearly a decade of economic coordination and policy convergence before the Euro entered physical circulation in 2002.[6] Today, despite the European Union consisting of 27 member states, only 21 states have adopted the Euro.[7]

The European experience shows that monetary union demands far more than political will it requires legal alignment, fiscal discipline, institutional coordination and economic compatibility.[8]

This article examines the legal and tax dimensions of monetary integration under AfCFTA, with specific attention to the challenges that a single African currency would pose for domestic tax systems, corporate regulation and fiscal sovereignty.

[1] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026.
[2] Victor Liman, Ade Adefeko, 'AfCFTA: A historic step toward African economic unity' The Cable (Nigeria, 1 January 2025) < https://www.thecable.ng/afcfta-a-historic-step-toward-african-economic-unity/> accessed 11 May 2026.
[3] OECD Development Co-Operation Working Paper 117 Unlocking Local Currency Financing In Emerging Markets And Developing Economies (Working Paper, 2025) ch 1 The role of local currency in strengthening financial markets in developing countries Para 4-5 < https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/02/unlocking-local-currency-financing-in-emerging-markets-and-developing-economies_af15df6a/bc84fde7-en.pdf> accessed 11 May 2026.
[4] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026
[5] European Central Bank, 'Five things you need to know about the Maastricht Treaty' < https://www.ecb.europa.eu/ecb-and-you/explainers/tell-me-more/html/maastricht_treaty.en.html> accessed 11 May 2026.
[6] Will Kenton, Erika Rasure, Suzanne Kvilhaug 'Maastricht Treaty: Definition, Purpose, History, and Significance' (2024) < https://www.investopedia.com/terms/m/maastricht-treaty.asp> accessed 11 May 2026
[7] European Union, 'Countries using the euro' < https://european-union.europa.eu/institutions-law-budget/euro/countries-using-euro_en> accessed 11 May 2026.
[8] Sara Casagrande, Bruno Dallago 'Benchmarking institutional variety in the eurozone: An empirical investigation' (2021) 45(1) Elsevier <https://www.sciencedirect.com/science/article/pii/S0939362520301564> accessed 19 May 2026.

Single Currency v. Corporate Reality

The proposal for a single African currency represents a practical extension of AfCFTA's broader objective of creating a seamless continental market to unlock its full potential.[9] However, the transition from multiple sovereign currencies to a unified monetary system introduces substantial corporate, tax and legal complications.

The European Union's experience demonstrates that monetary union requires extensive phased institutional preparation.[10] Before introducing the Euro, member states adopted convergence criteria[11] relating to inflation control, budget deficits, public debt management and exchange rate stability[12] and supranational institutions such as the European Central Bank to regulate monetary policy.[13] Even with these safeguards, the Eurozone has experienced repeated tensions.[14]

Africa's challenge is arguably more complex because African states exhibit wide disparities in inflation rates, fiscal capacity, and tax structures.[15] Data has revealed that some economies in Africa possess relatively larger and more sophisticated financial systems,[16] while several smaller economies remain heavily reliant on commodity exports and foreign currency reserves. Consequently, the adoption of a single currency could expose economically weaker states to external shocks[17] originating from stronger economies within the union, since there are infrastructure gaps between member countries to enhance easy links of goods and services within the sub-region.[18]

[9] Sami Tunji, 'How a single currency can unlock the full potential of AfCFTA in West Africa' The Cable (Nigeria, 25 March 2025) < [1] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026.> accessed 19 May 2026.

[10] Catherine Pattillo, Paul Masson 'V Lessons from the Experience of Currency Unions'. In Monetary Union in West Africa (ECOWAS). USA: International Monetary Fund. (2001) < [1] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026.> accessed 19 May 2026.

[11] EUR-Lex, 'Introducing the Euro: convergence criteria' < [1] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026.> accessed 19 May 2026.

[12] Emmanuel Ayeni, Oluwaseyi Fanibuyan & Others 'Is West Africa single currency a tool for economy transition?' (2023) 7 < [1] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026.> accessed 19 May 2026.

[13] Catherine Pattillo, Paul Masson 'V Lessons from the Experience of Currency Unions'. In Monetary Union in West Africa (ECOWAS). USA: International Monetary Fund. (2001) < [1] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026.> accessed 19 May 2026.

[14] Adam Hayes, Ryan Eichler 'European Economic and Monetary Union (EMU): Comprehensive Guide' (2026) < [1] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026.> accessed 19 May 2026.

[15] Paul R Masson, Catherine Pattillo 'A Single Currency for Africa' (2004) < [1] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026.> accessed 19 May 2026.

[16] Ayodeji Adegboyega, 'Africa's biggest economies: 1990 vs 2026' Business Insider Africa < [1] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026.> accessed 19 May 2026.

[17] Louise Dewast, 'West Africa's eco: What difference would a single currency make?' BBC (Dakar, 5 July 2019) < [1] Yehualashet Tamiru Tegegn, 'The Dream and the Dilemma of Africa's Single Currency' AddisForune Newspaper, < http://ethioalliancelaw.com/the-dream-and-the-dilemma-of-africas-single-currency/> accessed 11 May 2026.> accessed 19 May 2026.

[18] Divine Setsofia, Du Xuejun, Fangfang Cheng, 'Evaluating the Use of Single Currency by Member States as Medium of Transaction' (2020) 11(6) JESD < https://www.iiste.org/Journals/index.php/JEDS/article/viewFile/52029/53765> accessed 19 May 2026.

Taxation is one of the biggest challenges to implementing a single African currency as it is still largely controlled by individual states, with each African country setting its own tax rates, incentives, collection systems, and enforcement rules.[19] For instance, if a company from Nigeria operates in Ghana while receiving capital from Kenya under a unified currency system, complex questions may arise as to which jurisdiction should determine the company's tax residence and how transfer pricing rules should be applied. The presence of such tax competition could encourage companies to shift profits to countries with lower tax rates, creating unfair advantages and weakening economic balance across the monetary union.[20]

Transfer pricing which is a technique used by multinational enterprises (MNEs) to shift profits out of the countries of their operation into tax havens[21] could also create significant challenge under a single African currency system. This is because multinational companies shift profits to lower-tax jurisdictions for corporate tax avoidance, especially because enforcement standards differ across countries.[22]
Hence, the Investment Protocol's requirement that related-party transactions be conducted on an arm's length basis at fair market value, consistent with host-state domestic regulations and relevant international best practices, must then be strictly enforced.[23] The differences in Value-Added Tax (VAT) and withholding tax regimes across member states may, even under a single currency framework, generate tax uncertainty, risks of double taxation, and jurisdictional conflicts in the absence of harmonized fiscal rules and coordinated enforcement mechanisms for cross-border transactions.[24

There are also diverging corporate laws and regulatory frameworks across African states and successfully operate a single currency, it requires not just a shared medium of exchange, but also harmonization in commercial frameworks, taxation policies, andcorporate governance standards.[25] Countries like Nigeria operate under different company laws, such as Companies and Allied Matters Act 2020, which sets specific

[19] Mbakiso Magwape 'AfCFTA and Revenue: Navigating Outstanding Fiscal Issues and Legal Framework to attain Agenda 2063' (2025) 5 AfJIEL < file:///C:/Users/hp/Downloads/Mbakiso_Magwape_African_Journal_of_International_Economic_Law_2025_Article_9.pdf> accessed 19 May 2026.
[20] Shafik Hebous 'Has Tax Competition Become Less Harmful?' (2021) < 18] Divine Setsofia, Du Xuejun, Fangfang Cheng, 'Evaluating the Use of Single Currency by Member States as Medium of Transaction' (2020) 11(6) JESD < https://www.iiste.org/Journals/index.php/JEDS/article/viewFile/52029/53765> accessed 19 May 2026.> accessed 20 May 2026
[21] Olatunji Abdulrasaq, 'Digital Transfer Pricing Challenges in Africa under AfCFTA' (2026) 18] Divine Setsofia, Du Xuejun, Fangfang Cheng, 'Evaluating the Use of Single Currency by Member States as Medium of Transaction' (2020) 11(6) JESD < https://www.iiste.org/Journals/index.php/JEDS/article/viewFile/52029/53765> accessed 19 May 2026. accessed 20 May 2026.
[22] Ogbaisi Sebastine Abhus, Ukwa James Okeke 'Transfer Pricing and Profitability of Multinational Enterprises: A Conceptual Discourse' (2024) 23(1) <https://jted.citn.org/assets/uploads/12f61edb4cbfddb1507cdfcf57c774aab86bf51d.pdf> accessed 20 May 2026.
[23] Article 40, 'AfCFTA Protocol on Investment (2023)' < https://edit.wti.org/document/show/8993cb69-cbc5-4f07-a372-5ef5c74e7b78?textBlockId=194d26ff-9da6-4524-adb6-fcf91690aa9d&page=3> accessed 20 May 2026.
[24] Muhammed Yaseen 'Addressing the Challenges of Diverging Business Laws and Procedures Across Countries' (2025) 5(1) IJIRL < https://articles.manupatra.com/article-details/Addressing-The-Challenges-Of-Diverging-Business-Laws-And-Procedures-Across-Countries> accessed 20 May 2026.
[25] Muhammed Yaseen 'Addressing the Challenges of Diverging Business Laws and Procedures Across Countries' (2025) 5(1) IJIRL < https://articles.manupatra.com/article-details/Addressing-The-Challenges-Of-Diverging-Business-Laws-And-Procedures-Across-Countries> accessed 20 May 2026.

rules on share capital, corporate governance, directors' duties, and disclosure requirements while other states have varying rules on corporate governance, share capital, and investment incentives, thereby making regulatory consistency difficult for investors.

These challenges are further complicated by differences in language and legal tradition.[26] West Africa alone includes Anglophone, Francophone, and Lusophone jurisdictions governed by distinct legal systems.[27] While Nigeria largely follows common law principles, many Francophone African states operate under civil law systems influenced by French legal traditions. As a result, contract interpretation, dispute resolution, and corporate governance standards often differ significantly, making legal integration across a single currency framework more difficult.[28]

It is evident that the issue of sovereignty remains central and before Africa can realistically implement a single currency, there must first be substantial harmonization of tax laws, company regulation, investment rules and dispute resolution systems. Monetary integration without legal and fiscal convergence may produce uncertainty rather than economic stability.

Deals In the Dark: Pricing M&A, Debt and Equity When Tax and Currency Rules Collide Under AfCFTA

One major concern under a single African currency is valuation whiplash. Businesses currently value assets and liabilities based on domestic currency realities, exchange rate forecasts and sovereign risk assessments[29], and a transition to a single African currency could dramatically alter these valuations. The European Monetary Union offers an instructive parallel. When the Euro was introduced in 1999, the European Monetary Institute confirmed that bilateral exchange rates between participating states would cease to exist, replaced by irrevocably fixed conversion rates, and that financial institutions would not be required to recognize exchange rate risk for capital adequacy purposes.[30]

[26] Epsilon Publishers 'The challenges of linguistic diversity in Africa's business environment' < https://epsilon.africa/the-challenges-of-linguistic-diversity-in-africas-business-environment/> accessed 20 May 2026.
[27] Emmanuel Ayeni, Oluwaseyi Fanibuyan & Others 'Is West Africa single currency a tool for economy transition?' (2023) 7 < https://www.sciencedirect.com/science/article/pii/S2590051X23000333> accessed 20 May 2026.
[28] Epsilon Publishers 'The challenges of linguistic diversity in Africa's business environment' < https://epsilon.africa/the-challenges-of-linguistic-diversity-in-africas-business-environment/> accessed 20 May 2026.
[29] Brianna Blaney, 'Foreign Exchange Risk: What It Is, Why It Happens, and How to Reduce It' (2026) < https://tipalti.com/en-uk/resources/learn/foreign-exchange-risk/> accessed 20 May 2026.
[30] Niall Lenihan, 'The Legal Implications of the European Monetary Union Under U.S and New York Law' (1998) < https://ec.europa.eu/economy_finance/publications/pages/publication11220_en.pdf> accessed 21 May 2026.

Africa's transition would present a far less orderly version of this adjustment. Unlike the Eurozone, which had decades of institutional preparation and a clear legal framework governing conversion, African states operate highly divergent exchange rate regimes with no agreed conversion mechanism.[31] As a result, the value of business assets, liabilities, and foreign exchange losses could change significantly during monetary transition depending on the rules adopted by each member state and losses presently treated as operational or financing losses could be reclassified as taxable gains or liabilities under new conversion rules, creating uncertainty for businesses over asset valuation, debt exposure, and potential tax obligations.

Purchase price mechanisms within acquisition agreements face similar exposure. Most Share Purchase Agreements rely on currency assumptions, exchange rate adjustments and completion account calculations[32] that a mid-stream monetary transition could easily distort. During the Euro transition, forward foreign exchange trading between national currencies became commercially redundant once irrevocably fixed conversion rates were established.[33] African transaction parties face a more acute version of this problem. Without pre-agreed conversion rates, parties cannot predict whether their currency assumptions will survive a monetary transition, thereby exposing them to completion account disputes and price adjustment litigation.

Debt repricing presents another major challenge.[34] Many African companies hold debt denominated in United States Dollars, Euros or local currencies, and a single African currency would require renegotiation of lending terms, interest calculations and repayment structures. The EU addressed this through an express principle of continuity of contract, providing that the introduction of the Euro would not alter any term of a legal instrument, discharge performance obligations or give any party the right to unilaterally terminate an agreement.[35]

Fixed interest rate obligations were preserved at their nominal rates, and the doctrines of frustration and impossibility were effectively excluded as grounds for avoiding contractual obligations post-transition. Africa would require a unified continental legal framework for debt; otherwise, differing national laws will create uncertainty and allow borrowers and lenders to rely on frustration or force majeure arguments,

[31] Emmanuel Chilam Phuma, 'Africa currency conversion bottlenecks slow trade' Further Africa (Nigeria, 12 December 2025) < https://furtherafrica.com/2025/12/12/africa-currency-conversion-bottlenecks-trade/> accessed 21 May 2026.
[32] Mason Hayyes & Curran 'Share Purchase Agreement Pricing Mechanism' < https://www.mhc.ie/latest/insights/share-purchase-agreement-pricing-mechanisms> accessed 21 May 2026.
[33] Niall Lenihan, 'The Legal Implications of the European Monetary Union Under U.S and New York Law' (1998) < https://ec.europa.eu/economy_finance/publications/pages/publication11220_en.pdf> accessed 21 May 2026.
[34] James Chen, 'Understanding Currency Unions: Key Concepts, History, and Criticisms' (2026) < https://www.investopedia.com/terms/c/currency-union.asp> accessed 21 May 2026.
[35] Niall Lenihan, 'The Legal Implications of the European Monetary Union Under U.S and New York Law' (1998) < https://ec.europa.eu/economy_finance/publications/pages/publication11220_en.pdf> accessed 21 May 2026.

making debt enforcement unstable during financial crises.[36] Thin capitalization rules add further complexity, as businesses restructuring debt during transition may unintentionally breach domestic restrictions on interest deductions simply due to changes in valuation metrics driven by currency conversion rather than deliberate tax planning.

Management equity structures and due diligence processes face comparable uncertainty and as a result executives holding share options or equity-linked compensation may face disputes over valuation dates, taxable events and applicable jurisdictions. The European experience demonstrates the importance of forward-looking stress test assessment during monetary integration, as institutions were required to evaluate financial resilience and transitional exposure under coordinated supervisory frameworks.[37] Similar forward-looking assessments would be necessary for investors under a future African monetary union to evaluate liabilities, valuation risks and tax exposure.

Essentially, the EU's experience confirms that predictability in these areas can only come from advance legal commitment at the continental level. Without coordinated transitional guidance, the adoption of a single African currency risks temporarily discouraging the cross-border investment and M&A activity that deeper integration is ultimately designed to promote.

The Reparative Mandate

The possibility of a future African single currency creates a reparative mandate that requires immediate contractual and transactional preparation.[38] Businesses, transactional lawyers, tax advisers and corporate draftsmen cannot afford to wait until monetary union becomes operational before reviewing existing legal frameworks. Instead, contracts should be proactively revised to reflect the legal and financial realities of a potential supranational currency regime, including the incorporation of hardship clauses and other protective mechanisms.[39]

Corporate and financing agreements such as share purchase agreements, loan agreements, and shareholder contracts would need significant revision under a single

[36] Miracle Okoth Okomu Mudeyi, 'Charting a New Course: Advocating for a UN Framework Convention on Sovereign Debt' (2025) https://www.afronomicslaw.org/print/pdf/node/3033 accessed 21 May 2026.
[37] European Union Bank 'Stress Tests' < https://www.bankingsupervision.europa.eu/activities/stresstests/html/index.en.html> accessed 21 May 2026.
[38] Ojochenemi Onje 'ECOWAS to launch single currency Eco in 2027' BusinessDay (Nigeria, 6 December 2025) < https://businessday.ng/news/article/ecowas-to-launch-single-currency-eco-in-2027/#google_vignette> accessed 21 May 2026.
[39] Heuking, 'Contract Law in Times of Multiple Crises: What Companies Need to Know Now' (2026) < https://www.lexology.com/library/detail.aspx?g=85785f9a-e03c-4944-8abe-f8d10892211b> accessed 21 May 2026.

African currency. Core provisions must anticipate currency conversion, redenomination, valuation adjustments, and transitional tax liabilities. Loan structures would need clear mechanisms for interest recalculation and benchmark replacement to prevent post-transition disputes and financial imbalance.

Beyond contractual drafting, the transition also demands broader legal preparedness. Dispute resolution frameworks may increasingly rely on arbitration due to legal and linguistic diversity across African jurisdictions.[1] At the same time, businesses would need to conduct internal transition audits to assess currency exposure, tax risk, and financing vulnerability, ensuring that existing structures remain commercially viable under a unified monetary system.

The experience of the European Union provides a useful reference point in this regard, particularly in demonstrating that monetary integration requires sustained consensus-building, harmonization of monetary policies, and a phased implementation strategy rather than abrupt legal replacement.[41]

Conclusion

The proposal for a single African currency under AfCFTA reflects an ambitious vision of continental integration and economic transformation. The European Union experience demonstrates that monetary union can generate substantial benefits including easier trade, price stability and reduced transaction costs. However, it equally reveals that monetary integration requires deep legal, fiscal and institutional coordination.

Africa’s diversity presents even greater challenges. Tax systems remain domestic, corporate laws differ significantly, and legal traditions vary across jurisdictions. The introduction of a single currency without harmonized tax administration, company regulation and dispute resolution mechanisms may create uncertainty for businesses rather than efficiency. A successful monetary integration under AfCFTA will depend not merely on economic ambition but on deliberate fiscal coordination and institutional preparedness. Hence, before Africa can share a currency, it must first exercise its political will, which involves laying effective legal and tax foundations upon which that currency will operate.[42]

[40] Article 46, ‘AfCFTA Protocol on Investment (2023)’ < https://edit.wti.org/document/show/8993cb69-cbc5-4f07-a372-5ef5c74e7b78?textBlockId=194d26ff-9da6-4524-adb6-fcf91690aa9d&page=3> accessed 21 May 2026.

[41] Prof Williams Wallace, ‘Future Possibility of Africa's Single Currency’ (2025) < https://psi.org.et/index.php/blog/416-future-possibility-of-a-single-currency> accessed 21 May 2026.

[42] Neil Ford ‘Is a single African currency feasible?’ African Business (Egypt, 4 November 2024) < https://african.business/2024/11/african-banker/is-a-single-african-currency-feasible> accessed 21 May 2026.

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