

Highlights of Nigeria's 2022 Fiscal Policy Measures



The President has approved the implementation of the 2022 Fiscal Policy Measures and Tariffs Amendments (FPM 2022), with an effective date of 1 April 2022. The FPM 2022 replaces the FPM 2021, and sets out the following:

1. ECOWAS Common External Tariff (CET) Supplementary Protection Measures (SPM): These measures allow ECOWAS countries to conditionally adjust the tariffs on certain imports or exports in line with national interests. The 2022 SPM introduces Import Adjusted Tax (IAT) on 172 tariff lines, and prohibits certain goods originating from non-ECOWAS member states.
2. Excise duty rates on non-alcoholic beverages and telecommunication services following the recent tax law amendments, and updated excise duties on alcoholic beverages, cigarettes and tobacco products. A grace period till 1 June 2022 was given for the implementation of the new excise duty rates.



Highlights of FPM 2022

Excise duties on non-alcoholic beverages

The Finance Act (FA) 2021 introduced a framework for excise duties on "non-alcoholic, carbonated and sweetened beverages". The FPM 2022 specified the rate at **N10 per litre**, for non-alcoholic beverages, fruit juices, and energy drinks, and sets out the CET codes for the affected items.

Apart from raising revenue, the federal government has communicated that the "sugar tax" is aimed at reducing sugar consumption and promoting the health of Nigerians.

Telecommunication services

The FPM 2022 introduced excise duties of **5% on postpaid and prepaid** telecommunication services, further to the recent amendment of the Customs and Excise Tariff, Etc. (Consolidation) Act via the Finance Act 2020.

Tobacco

The FPM 2022 increased the ad-valorem excise rate on tobacco to 30%, in addition to a specific amount per stick which would graduate on a yearly basis from 2022 – 2024. This follows a similar structure introduced in 2018. Tobacco and cigarettes containing tobacco were also removed from the Import Adjustment Tax list, apparently to counteract the effect of excise duty increase.

Previously			FPM 2022		
2018	2019	2020	2022	2023	2024
20% + N1	20% + N2	20% + N2.9	30% + N4.2	30% + N4.7	30% + N5.2

- a) The 2018 Order increased excise duties on tobacco over a 3-year period effective from 2018. The 2020 rate was applied in 2021 until the new rates came into effect from 2022.
b) N stands for Naira, and the specific excise applies per stick

Alcoholic beverages (beers, stouts, spirits and wine)

The FPM 2022 also increased excise duties on beers, stouts, wines, and spirits. All items have specific amounts applicable per litre and which graduate on a yearly basis from 2022 – 2024. Beer and stouts also

attract 20% excise duties over the period, in addition to the flat amounts.

Alcoholic beverages were also taken off the import adjustment tax list in 2021.

Item	Previously*			FPM 2022		
	2018	2019	2020	2022	2023	2024
Beer and stout	N30	N35	N35	N40	N45	N50
Wines	N12.5	N150	N150	20% + N50	20% + N60	20% + N70
Spirit	N150	N175	N200	20% + N50	20% + N65	20% + N75

- a) The 2018 Order increased excise duties on alcoholic beverages over a 3-year period effective from 2018. The 2020 rate was also applied in 2021.
b) N stands for Naira, and the specific excise applies per litre (for 2018 – 2020, the Order specified the duties per cl)

Other points from the FPM 2022

- Goods from outside the ECOWAS customs union can now be imported into a country and re-exported to other countries. Exporters are to obtain approval from the Federal Ministry of Finance, Budget and National Planning (FMFBNP) and pay an export surcharge of 2.5% on the present value of the goods.
- Importers who had entered into an irrevocable Trade Agreement and opened a Form M prior to 1 April 2022 will continue to operate under the previous import duty regime for 90 days commencing from 1 April 2022. Agreements entered after 1 April will operate under the new regime.
- The FPM 2022 also extends the approved list of critical medical supplies that are exempted from import duty and VAT till 31 December 2022. This exemption is subject to receiving a letter of support from the Federal Ministry of Health, and an Import Duty Exemption Certificate (IDEC) from the FMFBNP through the [IDEC Portal](#);
- Containers of iron or steel for compressed or liquified gas have been removed from the revised import prohibition list.

Takeaway

The Federal Government has emphasised the need to raise non-oil revenues as it aims to diversify its revenue sources away from crude oil and manage its increasing budget deficit. The expansion of excise duties is in line with Nigeria's National Tax Policy direction, which aims to focus more on indirect taxes albeit with a corresponding decrease in direct taxes which has only been implemented for SMEs.

There are concerns that the new or higher excise duties would discourage consumption, especially on items with elastic demand or close substitutes. These may have a negative impact on the profits of affected companies, with possible wider consequences for unemployment, GDP growth rate, and other players within the value chain including suppliers. Historically, excise duties in Nigeria are only charged on goods. However, the amendment to the Customs, Excise Tariff, etc. (Consolidation) Act has expanded the coverage of excise duties to include services such as telecommunications. Similar regimes apply in many countries such as Kenya and Uganda.

According to the Nigerian Communications Commission, there are over 198 million active telecom users in Nigeria. Given the high cost of commodities in recent times and the increased demand for telecom services which has now become a basic need, the imposition of excise duties on telecom services may further increase inflationary burden on consumers.

Also, the government has communicated that the "sugar tax" is aimed at promoting the health of Nigerians. However, there are no indications that proceeds from the tax will be channelled to the health sector. It would have been preferable to have a holistic and broad-based study to examine the health impact of not only beverages but also staple foods that are high in starch and sugar. There are also questions as to whether the intention of the law is to impose the excise duty on non-alcoholic beverages that are sweetened and carbonated as it would be contradictory to impose a "sugar tax" on "no-sugar" beverages which cannot be said to cause diabetes. Again, more research and analysis would have been helpful.

Although the number of COVID-19 cases has been on the decline, the FPM 2022 consolidates on the FPM 2021's health response to the COVID-19 pandemic by extending the exemption of duties on relevant medical items and devices.

While the government might raise more revenue through the FPM 2022, it is important to consider the overall impact on economic recovery in critical sectors such as manufacturing and telecommunications, overall inclusive economic growth and ease of doing business. Further, appropriate regulations should be issued with sufficient timeline before implementation while technology should be adopted for excise administration to improve efficiency of collection by government and reduce cost of compliance by taxpayers.



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