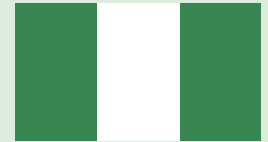


Tobacco Taxation Factsheet: Nigeria



Population: 195.9 million

Country income classification: Lower middle-income

Regional economic affiliations: Economic Community of West African States (ECOWAS)

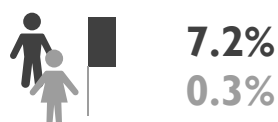
Sources: World Bank Population Totals, 2018 and World Bank Country and Lending Groups, 2019.

Tobacco use causes more than 8 million deaths globally each year, with more than 80% of the world's smokers living in low- and middle-income countries. The cost of tobacco in West Africa, both in terms of the negative impact on public health and the economy, will continue to grow if governments do not take decisive action to limit its use. Increasing tobacco excise taxation is the most effective way to reduce tobacco consumption and improve health outcomes, while also raising government revenues. This factsheet examines the case for increasing tobacco taxation in Nigeria.

Source: World Health Organization Tobacco Factsheet, 2019.

Smoking in Nigeria: The Facts

Smoking prevalence



Among adults (aged 15 and over)



Among youth (aged 13–15)

Source: WHO Report on the Global Tobacco Epidemic, 2019.

Attributable deaths



More than
16,100 deaths
each year from
tobacco-related illnesses

Source: Tobacco Atlas, 2018.

Global cost to society



\$2 trillion
each year, international \$ PPP

This includes the direct cost of healthcare, as well as loss of productivity due to mortality and morbidity resulting from tobacco use.

Source: Goodchild, Nargis and d'Espaignet, 2018.

Note: The cost to society in Nigeria is not known, so a global total is given here. International purchasing power parity (PPP) is a currency conversion method that accounts for differences in purchasing power and cost of living across countries.



Price of a pack of cigarettes

	Local currency	International \$ PPP
Nigeria	NGN 220	\$1.99
South Africa	ZAR 37.34	\$6.01
United Kingdom	GBP 9.40	\$11.98

Source: WHO Report on the Global Tobacco Epidemic, 2019.

Note: All prices are for a pack of the most sold brand in each country in 2018. International purchasing power parity (PPP) is a currency conversion method that accounts for differences in purchasing power and cost of living across countries.

Affordability

The price of a pack of cigarettes cannot be considered in isolation. Affordability measures the price of cigarettes relative to income. For example, if incomes increase faster than cigarette prices, then cigarettes are becoming more affordable. From 2008 to 2018, cigarettes became more affordable in Nigeria. To have a positive public health impact, cigarettes should become less affordable over time.

Source: WHO Report on the Global Tobacco Epidemic, 2019.

Tobacco Taxation in Nigeria

The total excise tax on tobacco products in Nigeria accounts for only 25% of the average retail price. This is far below the 70% benchmark set by the World Health Organization (WHO).

There are three main reasons why the total excise tax burden is so low. Firstly, Nigeria's ad valorem tax on tobacco products of 20% is below the minimum 50% rate set by the ECOWAS tobacco tax directive. Secondly, the ad valorem tax is levied on the import value/producer price, which is generally very low compared to the retail price. Therefore, any increases in the ad valorem rate will have a very small impact on the total tax charged.

Thirdly, although Nigeria increased its specific tax on tobacco products to NGN 2 (equivalent to USD 0.006) per cigarette in 2019, this is still below the USD 0.02 per cigarette that is required by the ECOWAS directive. A specific tax (per cigarette or kilogram of tobacco) is proven to be straightforward to implement and highly effective in increasing the total excise tax burden.

Ad valorem tax

Rate charged on import value/
producer price

20%

50%

ECOWAS directive

Specific tax

Amount charged per cigarette

NGN 1

Equivalent to **USD 0.003**
(Increased to NGN 2/USD 0.006 in 2019)

USD 0.02

ECOWAS directive



Total excise tax as a % of retail price

25%

70%

WHO benchmark

Source: WHO Report on the Global Tobacco Epidemic, 2019

Note: All figures relate to the 2018 tax structure and exchange rates.

Recommendations

To increase the price of tobacco products – and therefore decrease tobacco consumption and the associated costs to society – the Government of Nigeria should:

- **Increase the specific tax** to at least USD 0.02 per cigarette and USD 20.00 per kilogram of other tobacco products, as directed by ECOWAS.
- **Raise the specific tax rate** at least once each year, to keep pace with increases in inflation and income.
- **Levy the ad valorem tax on the retail price** of tobacco products, rather than the import value/producer price.
- **Consider investing additional tax revenue raised in tobacco control** and other public health initiatives.

This factsheet is published as part of the Tobacco Tax Reform in West Africa project, a partnership between the International Centre for Tax and Development (ICTD) in the UK, the Research Unit on the Economics of Excisable Products (REEP) at the University of Cape Town in South Africa, and the Consortium pour la recherche économique et sociale (CRES) in Senegal. The project is part of the Economics of Tobacco Control Research Initiative funded by the International Development Research Centre and Cancer Research UK.

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