



THE AFRICAN CAPACITY BUILDING FOUNDATION | FONDATION POUR LE RENFORCEMENT DES CAPACITES EN AFRIQUE  
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## Addressing the Tobacco Crisis in Nigeria: The Fiscal and Health Benefits of Excise Tax Reform

### Policy Brief No: 6 2023

#### Key Takeaway

Nigeria is grappling with a rising prevalence of tobacco use, particularly among the youth, leading to significant health and economic burdens. The study "The Economics of Tobacco Control in Nigeria: Modelling the Fiscal and Health Effects of a Tobacco Excise Tax Change in Nigeria" reveals that a substantial upward review of excise tax level on cigarettes alongside a change to the specific tax system yields the most significant gains in public health (measured by reductions in cigarette consumption and smoking prevalence) as well fiscal revenue (measured by increase in excise tax and other government revenues). Therefore, it is recommended that Nigeria implements tobacco control policy interventions that impose higher tax levels and specific tax systems.

## 1. The issue

Tobacco use in Nigeria is a significant and growing public health concern. The country is home to about 6 million adult smokers, which translates to a smoking prevalence rate of 5.6%. This rate is even more alarming among the youth, with 18% of Nigerian youths between the ages of 13 to 15 years reported to be smokers. Most of the adult smoking population consumes tobacco primarily in the form of cigarettes, with a total of 18.4 billion cigarette sticks consumed in Nigeria in 2015 alone.

The health implications of this widespread tobacco use are severe. Tobacco-related diseases are responsible for about 17,500 deaths per year, which equates to about 207 men and 130 women per week. Furthermore, tobacco use contributes to about 250,000 cancer diagnoses in the country.

The economic impact of tobacco use in Nigeria is also substantial. Economic losses in the form of medical treatments and loss of productivity from tobacco-related diseases were estimated at US\$ 591 million in 2015. These costs are a significant burden on the country's healthcare system and economy.

Despite these alarming figures, the current tobacco control measures in Nigeria are insufficient. The average pack of cigarettes in Nigeria costs approximately ₦183.50, with an excise tax charged at only 20 percent ad valorem on Unit cost of production (UCA). Given the low value of UCA, this amounts to an excise tax burden of around 6.49 percent. This is very small compared to the World Health Organization (WHO)-recommended excise tax burden of 75 percent.

In summary, the issue of tobacco use in Nigeria is a complex and multifaceted problem. It is not only a public health concern but also a significant economic burden. The current tobacco control measures are insufficient and do not align with international best practices. There is an urgent need for more effective tobacco control measures to curb the rising smoking prevalence rates and their impacts.

## 2. Key findings and implications

The study conducted a comprehensive examination of the potential for tobacco tax to contribute to raising government revenues, reducing tobacco use, and improving public health in Nigeria. The key findings and implications are as follows:

### **Impact of tax policy changes on cigarette consumption and smoking prevalence:**

The study found that significant changes in tax policy are necessary to effectively reduce smoking prevalence. Specifically, cigarette consumption and smoking prevalence decrease in all twelve scenarios of possible economic/income growth and industry price changes under policy interventions that impose higher tax levels and specific tax systems.

### **Effect on government revenue:**

All policy interventions considered in the study led to significant increases in government excise tax revenues from cigarette sales. The increases were most significant under a specific tax system.

### **Net-of-Tax revenue and excise tax burden:**

The study found that the best response for the tobacco industry to maximize Net-of-Tax (NOT) revenue is to increase industry price. Additionally, under all policy interventions and in all scenarios considered, the excise tax burden to the consumer would at least double.

These findings underscore the importance of not only making policy pronouncements but also effectively implementing and monitoring them over time to sustain the gains. They also highlight the potential health effects and cost savings of these levels of implementation, providing valuable evidence for local policymakers.

## 3. Main policy recommendations

Based on the findings of the study, the following policy recommendations are proposed to address the issue of tobacco consumption in Nigeria:

**Implement significant changes in tax policy:**

The study found that significant changes in tax policy are necessary to effectively reduce smoking prevalence. Therefore, it is recommended that Nigeria implements policy interventions that impose higher tax levels and specific tax systems.

**Maximize government revenue through excise tax:**

Given the significant increases in government excise tax revenues from cigarette sales under all policy interventions considered in the study, it is recommended that Nigeria continues to explore and implement effective tobacco tax policies to maximize government revenue.

**Increase industry price to maximize net-of-tax revenue:**

The study found that the best response for the tobacco industry to maximize Net-of-Tax (NOT) revenue is to increase industry price. Therefore, it is recommended that the Nigerian government consider policies that encourage the tobacco industry to increase prices.

**Effective implementation and monitoring:**

The study underscores the importance of not only making policy pronouncements but also effectively implementing and monitoring them over time to sustain the gains. Therefore, it is recommended that the Nigerian government ensures effective implementation and monitoring of these policies.

**Coordination with stakeholders for effective compliance:**

The Ministry of Finance; Ministry of Industry, Trade and Investment; Ministry of Health; Federal Inland Revenue Service, and the Nigerian Customs Service all have key roles to play in creating a successful and effective tobacco tax policy in Nigeria. Therefore, it is recommended that the Nigerian government fosters collaboration and coordination among various stakeholders in the implementation of the tobacco control policies. Lastly, it is important to note that the effectiveness of tobacco tax increase is enhanced when implemented as part of a comprehensive tobacco control strategy.

**4. Further reading:****For more detailed information, please refer to the full study:**

*The Economics of Tobacco Control in Nigeria: Modelling the Fiscal and Health Effects of a Tobacco Excise Tax Change in Nigeria.*

[<https://elibrary.acbf-pact.org/acbf/collect/acbf/index/assoc/HASH011a/71cc4ca7/008af906/ccd4.dir/ACBF%20-%20The%20Economics%20of%20Tobacco%20Control%20in%20Nigeria%20-%20CSEA.pdf>]



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**THE AFRICAN CAPACITY BUILDING  
FOUNDATION (ACBF HEAD OFFICE)**

2 Fairbairn Drive, Mount Pleasant, Harare, Zimbabwe  
Tel: (+263-242) 304663, 332002  
Cell: +263 772 185 308 - 10  
E-mail: root@acbf-pact.org

**ACBF REGIONAL OFFICE,  
WEST & CENTRAL AFRICA**

3rd Floor, The Rhombus, Plot 24 Tumu Street,  
Kanda Estates, Accra, Ghana  
Tel : +233 540122013  
E-mail : accra@acbf-pact.org

**ACBF REGIONAL OFFICE,  
EAST & SOUTHERN AFRICA**

ACK Garden House, 2nd Floor, 1st Ngong Ave, Nairobi, Kenya  
Tel: +254 (20) 5160052  
Cell: +254 727 116 276  
E-mail: nairobi@acbf-pact.org



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