Taxation on beverages in Nigeria: Impact and burden of the new policy

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Dear Editor,
The Nigerian Government recently signed into a law a policy on 31 December 2021 that mandates the payment of an excise duty of 10 NGN (about US$0.02) per liter on all non-alcoholic and sweetened beverages in the country[1]. Some of the stated reasons were to discourage excessive sugar consumption in beverages, which can lead to a variety of health problems, including diabetes and obesity and to increase excise duties and revenue for healthcare and other essential spending[1]. Without doubt, this has sparked a flare of reactions and opinions on either side of the relevance of the new policy, its impact on healthcare and the economy at large.

Nigeria shares a large portion of the global soft drink market and is projected to increase to a market size of 10 billion US$ (in retail prices) between 2021 and 2026 in the country. This is an indication that over-consumption of sugar in beverages is becoming a public health problem that requires urgent attention[2]. Many countries have previously enacted laws to impose or increase taxes on specific foods, such as soft drinks, sweets, chocolate, ice cream, or other unhealthy foods, with the goal of combining budgetary and health benefits[3]. A strong rationale for this is that an imposition of tax increases the price of such products, which in turn reduces consumption[4]. It is also true that when 'sugar taxes' are combined with incentives to eat better foods, the potential for improved health is much greater[5]. Ensuring the health of all citizens is the core responsibility of any country's health system and reducing the intake of sugar-sweetened beverages could be beneficial in combatting the rising prevalence of non-communicable diseases.

However, the enforcement of this policy without any long-term research, conducted in tandem to assess its efficacy in reducing the consumption of sugar sweetened beverages and the prevalence of diabetes and obesity, appears rather ineffective[1]. Without providing a supporting framework for implementation, the resulting impact of this tax may be unfavorable. Organized labor groups maintain that this could lead to a loss of about 15000 direct and indirect jobs, adding to the already saddening employment rate at 33%. This may not only affect the thousands of street hawkers, but may also affect other sectors such as wholesale, retail, hotels and catering[6]. The resistance to this policy is complicated, even further by the existing lack of trust in the government to utilize tax money for intended objectives. The hurt on businesses could be painful and the resulting losses may even surpass the proposed revenue to be generated[7].

Overall, growing evidence suggests that sugary tax could help curb the high intake of sugar in the population and serve as a good health policy in minimizing the prevalence of obesity and associated disorders, but it requires supplementary interventions to minimize the impact on businesses. Nigeria is not the first country to put a tax on sugar-sweetened beverages and alcohol drinks, but appears rather ill-prepared and unjustified to impose such a burden. If the prices of healthier foods are at a record high, then it is baseless to assume that increasing the price of 'unhealthy' food will help people eat and drink better. Sugar is not the only risk factor in diabetes and obesity, attention should also be directed to other factors as well, such as sedentary lifestyle and poor physical activity. A justified framework would incorporate inter-collaborative efforts among various sectors, including health, food and agriculture, and industry, to provide supportive actions that would enhance the achievement of the objectives of the tax.

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