

FEDERAL GOVERNMENT APPROVES EXCISE DUTY RATES FOR ALCHOLIC BEVERAGES AND TOBACCO

The Federal Government of Nigeria has approved an amendment to the Excise Duty Rates for alcoholic beverages and tobacco. The new excise duty, which took effect from Monday, 4th June 2018, will be implemented over a 3-year period to reduce the impact on prices.

The Minister of Finance, Mrs Kemi Adeosun, stated that the new excise duty rates were recommended by the Tariff Technical Committee (TCC) and subsequently approved by the Federal Ministry of Trade and Investment. She added that the new excise duty regime is in line with the Economic Community of West African States (ECOWAS) directive on the harmonisation of member states legislations on excise duties.

Mrs Kemi Adeosun also disclosed that the amended excise duty rates aim to achieve the dual purpose of increasing the nations fiscal revenue and curb the health hazards associated with tobacco and alcohol abuse. The new rates for tobacco is a combination of existing ad valorem base rate and specific rate while that of alcoholic beverages is a specific rate. She explained that the reason why alcoholic beverages are a specific rate is to curb the discretion of custom officers in determining the ad valorem rates.

Under the newly approved excise duty rates for tobacco, in addition to the 20 per cent ad-valorem rate, each stick of cigarette will attract a ~~N1~~ specific rate per stick (~~N20~~ per pack of 20 sticks) in 2018, ~~N2~~ specific rate per stick (~~N40~~ per pack of 20 sticks) in 2019 and ~~N2.90k~~ specific rate per stick (~~N58~~ per pack of 20 sticks) in 2020. Furthermore, beer and stout would attract ~~N0.30k~~ per centilitre (Cl) in 2018 and ~~N0.35k~~ per Cl each in 2019 and 2020. Wines would attract ~~N1.25k~~ per Cl in 2018 and ~~N1.50k~~ per Cl each in 2019 and 2020, while ~~N1.50k~~ per Cl was approved for spirits in 2018, ~~N1.75k~~ per Cl in 2019 and ~~N2.00k~~ per Cl in 2020.

In conclusion, although the newly approved rates may boost the nation's revenue and curtail the discretion of custom officers to divert taxes, the downsides such as increase in prices of the goods, downsizing of staff, increase of tax evasion and encouragement of patronage of informal tobacco and alcohol producers may far outweigh the "good" intentions of this amendment.