POLICY BRIEF

April 2026

Advisory on the Amendment of the Sugar-Sweetened Beverage (SSB) Tax: Impact on Governance, Revenue, and Development

Authors: Dr. Dele Ishaka,
Chidinma Charity Ezenwajiobi

Executive Summary

Nigeria currently faces a dual crisis: a burgeoning fiscal deficit and a non-communicable disease (NCD) epidemic, with over 12 million citizens living with diabetes. While the 2021 Finance Act introduced a ₦10-per-litre excise duty on SSBs, this fixed rate has been eroded by 2024–2026 inflationary pressures, now representing less than 5% of the retail price, well below the WHO-recommended 20% (World Health Organization, 2022). This brief advises the National Assembly to transition from the current "flat-rate" model to an Ad-Valorem (Percentage-Based) Model or a Tiered Sugar-Content Model. Such a shift is essential to safeguard public health, ensure revenue elasticity, and align with global success stories in fiscal health policy.

1. Governance and Revenue: The Customs Perspective

The Nigeria Customs Service (NCS) requires robust, inflation-proof tax structures to meet increasing national revenue targets. A fixed ₦10 rate lacks "revenue elasticity," meaning its real-world value diminishes as production costs and retail prices soar, ultimately benefiting manufacturers while depriving the federation of critical funds (Ukeaja, 2025). Transitioning to an ad-valorem model ensures that government revenue grows in tandem with market trends. To prevent the "security trap" of litigation—evidenced by the 2025 NECA vs. Federal Government challenges—the National Assembly must ensure this amendment is explicitly codified within the **2026 Finance Act** to eliminate the ambiguity that industry actors exploit in court (Corporate Accountability and Public Participation Africa, 2025).

Cross-Country Experience: The South African "Health Promotion Levy" South Africa's success serves as a primary blueprint. Since 2018, their sugar tax has generated over ₦100 billion (equivalent) in its first few years,

significantly reducing sugar intake among lower-income households (Hofman et al.,

2021). By adopting a similar tiered structure, South Africa incentivized manufacturers to reformulate products, leading to a 28% reduction in sugar content across the beverage sector (Stacey et al., 2021).

2. Public Health and Development and The Health Impact

The primary goal of the SSB tax is a pro-health intervention designed to reduce the consumption of ultra-processed products that drain national productivity. Currently, the "cost of inaction" is staggering, as diabetes and heart disease treatments remain catastrophic expenses for Nigerian households (FMoH, 2023). Every ₦1 generated in tax today is estimated to save ₦5 in future public health expenditures by preventing chronic illness (Thow et al., 2018). We advise the Committee on Health to support a Tiered Tax Structure that penalizes high-sugar concentrates while offering lower rates to manufacturers who reformulate to healthier thresholds, effectively forcing the industry to prioritize nutrition over profit (Popkin et al., 2020).

Success Example: Mexico's Volume-Based Tax

Mexico, which faced similar obesity rates to Nigeria's projected 2030 levels, implemented a 10% tax on SSBs in 2014. Within two years, the purchase of taxed beverages fell by an average of 7.6%, while the purchase of untaxed bottled water increased by 4% (Colchero et al., 2016). This demonstrates that fiscal policy can successfully shift consumer behavior toward healthier alternatives without destroying the beverage industry's viability.

3. Impact on National Development and the Social Contract

Inclusive governance requires protecting the most vulnerable from the aggressive marketing tactics of "Big Food." Industry-funded narratives often claim that SSB taxes are "regressive" and hurt the poor; however, research consistently shows that lower-income populations benefit most from the health gains and reduced long-term medical costs (WHO, 2022). Linking tax gains directly to the Basic Health Care Provision Fund (BHCPF) or the renovation of Primary Health Centers (PHCs) strengthens the "Social Contract." When citizens see tax revenue funding local clinics, it mutes industry opposition and builds public support for broader health reforms (Sánchez-Romero et al., 2020).

International Model: The Philippines The Philippines provides a stellar example of "Revenue Earmarking." Their 2018 tax law mandated that a significant portion of SSB revenue be directed toward universal health coverage and providing potable water in schools (Tiglao, 2021). This approach not only improved health outcomes but also neutralized political opposition by demonstrating a clear, tangible benefit to the public (Chavez, 2022).

5. Strategic Recommendations for the National Assembly

1. **Adopt the 20% Threshold:** Amend the excise duty to an ad-valorem rate of at least 20% of the retail price to meet global health standards (WHO, 2022).

2. **Mandate Statutory Earmarking:** Legislate that 50% of all SSB revenue be channeled into NCD prevention and the National Health Insurance Authority (NHIA) for diabetes and cancer subsidies (CAPPA, 2026).

3. **Conflict of Interest (CoI) Safeguards:** Establish a firewall between industry lobbyists and policy committees to prevent regulatory capture, as per the principles of FCTC Article 5.3 (Ukeaja, 2025).

4. **Digital Monitoring:** Invest in NCS digital surveillance at manufacturing points to ensure transparency and prevent the under-reporting of production volumes (GHAI, 2024).

Contact

National Institute for Legislative and Democratic Studies
National Assembly
NILDS Permanent Site, No.2 Abubakar O. Sulaiman Avenue, Piwoyi District, off Umaru Musa Yar`adua Expressway, Airport Road, Abuja.

E-mail: info@nils.gov.ng
Website: http://nils.gg
NILDS Liaison Office
Suite 214 Senat Wing
National Assembly Complex
Mobile: +234 807 364 4822

References

Colchero, M. A., et al. (2016). Beverage purchases from stores in Mexico under the excise tax on sugar sweetened beverages. *The BMJ*.

Hofman, K. J., et al. (2021). The health promotion levy: South Africa's sugar tax. *South African Medical Journal*.

Popkin, B. M., et al. (2020). Sugar-sweetened beverage taxes: Lessons from high-impact countries. *Nature Reviews Endocrinology*.

Ukeaja, H. (2025). *Industry monitoring and the fiscal security of health policies in Nigeria*. CAPPA Publications.

World Health Organization. (2022). *Manual on sugar-sweetened beverage taxation policies to promote healthy diets*. WHO Press.