

# The President approves the implementation of the 2023 Fiscal Policy Measures and Tariff Amendments

KPMG in Nigeria  
May 2023



The Honourable Minister of Finance, Budget and National Planning (HMFBNP), Mrs. (Dr.) Zainab Shamsuna Ahmed, has confirmed (through [Circular: HMFBNP/MDAs/CIRCULAR/2023 FP/04](#) ("the Circular") issued on 20 April 2023) the approval by the President of the 2023 Fiscal Policy Measures (FPM). However, the relevant gazette is yet to be issued as of the time of reporting. The approved 2023 FPM includes the Supplementary Protection Measures (SPM) for the implementation of the ECOWAS Common External Tariff (CET) 2022 – 2026, revised excise duty on alcoholic beverages, cigarettes and tobacco products, introduction of excise duty on Single Use Plastics (SUPs) and Import Adjustment Tax (IAT) levy on motor vehicles of 2000 cc and above.

The key provisions of the 2023 FPM are as follows:

## 1. Supplementary Protection Measures (SPM)

The Circular clarifies that the approved SPM, which are in line with the ECOWAS CET, shall become effective from Monday, 1 May 2023. However, importers who had previously opened Form M and entered into irrevocable trade agreement(s), have been granted a grace period of ninety (90) days, commencing from 1 May 2023, within which they can clear their goods at the erstwhile duty rates. Consequently, any new import transaction entered from 1 May 2023 shall be subject to the following new import duty regime:

### 1.1 Import Adjustment Tax (IAT)

The IAT list has been amended to include an IAT levy on 189 tariff lines, including a 2% levy on motor vehicles of 2,000 cc to 3,999 cc, and 4% levy on motor vehicles with cylinder capacity of 4,000 cc and above. However, motor vehicles below 2,000 cc, mass transit buses, electric vehicles, and locally manufactured vehicles are exempt from the IAT levy.

### 1.2 Import prohibition list

The SPM also updated the Import Prohibition List (Trade) for 2023 to include dichlorofluoromethane. The prohibition will only apply on items originating from non-ECOWAS member states.

### 1.3 Reduced import duty rate

The National list ("the List") was also revised to reduce the import duty rates on some selected items. The Circular clarifies that the reduced rates for the selected items on the List is necessary to promote and stimulate growth in critical sectors of the economy. However, the reduced rates can be accessed by only verifiable investors and/ or manufacturers who require the items as inputs for their production.

## 2. Green Tax

The FPM introduces a Green Tax in form of excise duty on SUPs such as plastic containers, films and bags at an ad-valorem rate of 10%. The Circular noted that the Green Tax, which will become effective from 1 June 2023, is part of Nigeria's commitment to climate change adaptation and mitigation to environmental degradation.

### 3. Revised Excise Duty

The Circular noted that the revised excise duty rate on alcoholic beverages and tobacco products, based on the current excise regime implementation, will take effect from 1 June 2023. Another upward review based on the new rate will be implemented by 1 June 2024. The upward review of the excise duty rate includes additional taxes based on specific rates on the current ad valorem rates.

However, the excise duty rates on telecommunication services at 5% and non-alcoholic carbonated, and sweetened beverages at ₦10 per litre will remain as introduced by the Finance Acts 2020 and 2021, respectively.

### Commentary

The 2023 FPM may seem bittersweet for manufacturers and/ or importers given the additional increase on the previously-approved rates for excise taxes per the 2022 to 2024 Roadmap in the 2022 FPM. This revision is inconsistent with the Federal Government's commitment to maintaining policy changes for the stated period to facilitate ease of doing business and improve investors' confidence in Nigeria. The change in the rules midway into the implementation without any compelling reasons or appropriate engagement with the affected industries is troubling, especially at a time when these companies are grappling with significant sales decline as a result of inflation and recent naira scarcity.

Further, the HMFBNP, in the Circular, failed to provide relevant information on the impact assessment carried out by the Ministry to determine the likely impact of the new taxes on the affected stakeholders, the value chain and Nigerian customers who will ultimately bear the brunt of the increase. One key process of the National Tax Policy requires the HMFBNP to adequately engage with relevant stakeholders before circularizing any policy change. This is to ensure that the impact assessment of the policy is properly evaluated based on the inputs of the relevant stakeholders. At a time where many Nigerians are struggling with high cost of living caused by rising inflation rate (currently at double figures) and naira scarcity, the implementation of the new rates and taxes appears untimely and does not support the Federal Government's plan to stimulate growth in the Nigerian economy.





There is also a concern on the legality or otherwise of the proposed Green Tax on SUPs. While the Climate Change Act, 2021 ('the Act') provides a framework for achieving low Green House Gas (GHG) emission and an inclusion of green growth and sustainable economic development in Nigeria, neither the President nor HMFBNP is the appropriate person empowered by the Act to recommend legislative, policy, and other measures for climate change adaptation, mitigation and related activities in Nigeria. This responsibility is vested in the National Council on Climate Change (NCCC). The introduction of the green tax through the FMP may be seen as usurpation of the function of the NCCC. Though the underlying objective for the introduction is to encourage the use of reusable alternatives rather than disposable plastics since plastics are not biodegradable, it is important that relevant processes be followed.

Section 13(3) of the Customs, Excise Tariff Etc. (Consolidation) Act provides that an Order made under the law to impose, vary, or remove any import or excise duty shall have effect from the date of its publication in the Gazette. Based on the Circular, the 2023 FPM was yet to be published in the Official Gazette as at the time issuing the Circular. It, therefore, appears that there would be a retrospective application of the law, which is inconsistent with the provisions of the National Tax Policy (NTF).

Finally, though the Circular provides that the implementation of the excise duty on SUPs and the revised excise duty rates on alcoholic beverages and tobacco products will become effective from 1 June 2023, this is not consistent with the provisions of the NTF.

The NTF specifically provides that there should be a reasonable transition period of between 3-6 months before the implementation of a new law. Thus, the transition period should only start from the date of its publication in a Gazette.

In this case, the Government does not appear to have published the Gazette; however, the implementation is scheduled to commence 1 June 2023. This does not give manufacturers sufficient time to adjust to this reality. It is important that government comply with its own policy to ensure an effective and efficient tax system.

Please click [here](#) to read the Circular.

**For further enquiries, please contact:**



**Adewale Ajayi**

[ng-fmtaxenquiries@ng.kpmg.com](mailto:ng-fmtaxenquiries@ng.kpmg.com)



[home.kpmg/ng](https://home.kpmg/ng)  
[home.kpmg/socialmedia](https://home.kpmg/socialmedia)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2023 KPMG Advisory Services, a partnership registered in Nigeria and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.  
The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.  
For more detail about our structure, please visit [home.kpmg/governance](https://home.kpmg/governance)