

CENTRE FOR THE PROMOTION OF PRIVATE ENTERPRISE (CPPE) POLICY BRIEF

2026 FISCAL POLICY MEASURES

The Centre for the Promotion of Private Enterprise (CPPE) has undertaken a review of the 2026 Fiscal Policy Measures and Tariff Amendments recently approved by the Federal Government. The policy framework signals a decisive and strategic pivot towards strengthening domestic production, deepening industrialisation, and reducing import dependence, consistent with Nigeria's medium-term economic transformation objectives.

The measures include revisions to the Import Adjustment Tax (IAT) covering 192 tariff lines, selective import restrictions, tariff reductions on critical industrial inputs, excise duty adjustments, and the introduction of a green tax on selected categories of imported vehicles. In addition, a National List comprising 127 items; largely intermediate goods and industrial inputs, which attracts concessional tariffs of 0–10%, aimed at enhancing manufacturing competitiveness.

From an investor perspective, the framework presents a mix of significant opportunities and risks, depending on sector positioning and business models.

Boost for Domestic Manufacturing and Import Substitution

A major highlight of the policy is the upward review of tariffs on a broad range of imported finished goods including; food, plastics, textiles, and metal products with combined tariff and levies ranging between 20% and 70%.

This measure raises the landing cost of imports and strengthens the competitive position of domestic producers. Given Nigeria's continued reliance on imports across several consumption categories, this policy has the potential to materially reshape market dynamics.

For investors, this creates strong incentives for:

- Expansion of domestic manufacturing capacity
- Backward integration across value chains
- Increased investment in import-substitution industries

Sectors such as agro-processing, light manufacturing, packaging, and basic metals are particularly well positioned to benefit. The policy is expected to improve capacity utilization, currently suboptimal in many manufacturing subsectors, and enhance pricing power for domestic firms.

Lower Input Costs to Support Industrial Growth

The deliberate reduction of tariffs on industrial inputs, particularly machinery, chemicals, and intermediate goods reflects a strategic effort to lower production costs and enhance competitiveness.

The National List (127 items at 0–10%) provides a significant cost advantage for producers and aligns with global industrial policy best practices, where input cost competitiveness is critical for export readiness.

This creates opportunities for deeper value-chain integration across manufacturing ecosystems. The policy coherence, higher tariffs on finished goods alongside lower tariffs on inputs, clearly signals a structured industrialisation pathway and strengthens investor confidence in policy direction.

Pressure on Import-Dependent Business Models

While the policy strongly supports domestic production, it presents significant adjustment challenges for import-dependent businesses.

Higher tariffs on finished goods will increase:

- Cost of goods for trading and distribution firms
- Working capital requirements due to higher import bills

This is likely to result in:

- Margin compression
- Downward pressure on sales volumes
- Business model restructuring

Import-dependent sectors, particularly trading and wholesale distribution, face structural transition risks as the economy pivots towards production.

However, the relatively soft fiscal stance on petroleum product imports raises concerns. Given the scale of recent investments in domestic refining capacity, stronger fiscal protection is warranted to:

- Consolidate progress towards energy self-sufficiency
- Encourage further private investment in refining
- Reduce foreign exchange pressures and improve the balance of trade

Recommendations for Further Tariff Review

- There is a compelling case for strengthening fiscal protection for investments in domestic petroleum refining to consolidate recent gains and catalyse new capital inflows into the sector. Currently, domestic refineries operate with virtually no tariff protection—an

evident policy gap when compared to other segments of the industrial sector. Instituting protective tariffs for locally refined petroleum products is therefore critical to safeguarding these investments, deepening backward integration, enhancing energy security, conserving foreign exchange, and reinforcing economic resilience and macroeconomic stability.

- CPPE calls for a review of the 40% tariff on used passenger vehicles, particularly those with engine capacity of 2000cc and below. With additional charges, the effective burden exceeds 50%, an excessively high rate for an economy that relies predominantly on road transportation for mobility and logistics. This is especially problematic given the weak state of public mass transit. The tariff has significant welfare and employment implications, as it constrains access to vehicle ownership for the middle class and undermines job creation potential in the e-hailing and car hire ecosystem at a time of elevated unemployment. CPPE recommends that import tariffs on this category of vehicles should be reduced to a maximum of 25% [Inclusive of all Charges].
- A more supportive tariff regime for the automotive assembly sector is imperative. CPPE recommends that Semi Knocked Down (SKD) parts attract a tariff of not more than 5%, while Completely Knocked Down (CKD) parts should be zero-rated. This would enhance the viability and competitiveness of local automobile assembly, with positive outcomes for industrialisation, employment, and value-chain development.
- In response to rising transportation costs, CPPE recommends reducing import duty on mass transit buses to 5% and granting a full VAT waiver. This would incentivise private sector investment in mass transit, encourage employers and public institutions to provide staff transportation, and stimulate government investment in public mobility. The overall effect would be to ease the burden of high transport costs on citizens.
- CPPE also advocates a reduction in tariffs on renewable energy equipment, particularly batteries and inverters, to improve access to clean and reliable energy. Current costs are prohibitive for most households and small businesses. Import duty on these products should be reduced to 5%, with a full VAT waiver. This would provide a practical alternative to unreliable grid electricity and support productivity across the economy.

Investor Strategy Imperatives

The overarching message from the policy framework is clear: Nigeria is deliberately transitioning from an import-dependent economy to one anchored on domestic production and value addition.

In this context, investors should:

- Reposition from trading to production-oriented investments
- Deepen local sourcing and backward integration

- Target sectors aligned with industrial policy priorities
- Build operational flexibility to navigate evolving tariff regimes

Strategic partnerships, technology transfer, and cluster-based investments will be critical to maximising opportunities in the new policy environment.

Conclusion

The 2026 fiscal policy measures represent a bold and necessary step towards economic restructuring, industrialisation, and enhanced economic resilience.

For private investors, the framework presents substantial upside potential in manufacturing, agro-processing, recycling, and green industries. However, it also introduces risks for import-dependent sectors and consumer-facing businesses.

Ultimately, the beneficiaries in this evolving policy landscape will be investors who align with the domestic production agenda, integrate into local value chains, and proactively adapt to Nigeria's shifting economic structure.

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