

CENTRE FOR THE PROMOTION OF PRIVATE ENTERPRISE (CPPE)

POLICY BRIEF

CPPE REJECTS PROPOSAL FOR ADDITIONAL TAX ON SUGAR-SWEETENED BEVERAGES

The Centre for the Promotion of Private Enterprise (CPPE) strongly opposes the call for additional taxation on sugar-sweetened beverages [SSB] as canvassed by the Corporate Accountability and Public Participation Africa (CAPPA). The proposal is ill-conceived, poorly timed, and inconsistent with the current administration's tax reform agenda, which is anchored on reducing the burden of taxation on businesses, improving tax efficiency, and stimulating investment.

At a time when the Nigerian economy is still navigating a fragile recovery, the imposition of new taxes on the manufacturing sector, particularly a highly energy-intensive segment such as the sugar-sweetened beverage industry, would be profoundly counterproductive and disruptive to growth, employment, and investment.

ECONOMIC CONTEXT: SEVERE COST PRESSURES ON BUSINESSES

The Nigerian business environment remains extremely challenging. Key macroeconomic indicators underscore the vulnerability of firms:

- Inflation has remained elevated, significantly eroding consumer purchasing power.
- Interest rates are at historic highs, with the Monetary Policy Rate (MPR) at over 26.5%, translating to lending rates of 30%+ for many businesses.
- Energy costs have surged sharply, with diesel prices rising by over 70%, while petrol prices have increased by over 200% in the past two years, making self-generation of power prohibitively expensive amid weak grid electricity supply.
- Exchange rate depreciation at the onset of the reforms significantly increased the cost of imported inputs and raw materials.

Within this context, the manufacturing sector, including the food and beverage industry—has come under intense strain, being one of the most energy-dependent sub-sectors in manufacturing.

The SSB industry relies heavily on energy at multiple stages of production, including:

- Water extraction, purification, and treatment
- Heating, pasteurization, and carbonation processes

- High-speed bottling, canning, and packaging lines
- Refrigeration and cold-chain logistics across distribution networks

The combined burden of soaring energy bills and extremely high distribution costs has significantly worsened the operating environment for beverage manufacturers, further weakening the justification for any additional tax on the sector.

Evidence already shows that:

- Prices of beverages and other consumer goods have increased by over 50% in the last two years
- Sales volumes have declined due to weakened consumer purchasing power
- Many operators, especially small and medium-scale beverage producers, are under existential pressure

In this context, imposing additional taxes on an already energy-burdened sector would amount to **a punitive layering of fiscal pressure on top of an unprecedented cost crisis**, further weakening already fragile business fundamentals.

RISKS TO JOBS, INVESTMENT AND VALUE CHAINS

The food and beverage sector is a critical component of Nigeria’s industrial ecosystem and the largest employers in the manufacturing space. It supports an extensive value chain spanning:

- Agriculture and raw material supply (including sugar, fruits, and packaging inputs)
- Manufacturing and processing
- Logistics and distribution
- Retail and hospitality

The sugar-sweetened beverage segment plays a particularly strategic role because of its scale, distribution reach, and integration with multiple upstream and downstream sectors.

Given the **energy-intensive nature of the industry**, additional taxation at this time would have amplified negative consequences, including:

- Accelerated downscaling of production due to unsustainable operating costs
- Closure of vulnerable small and medium beverage manufacturers
- Job losses across production, distribution, and retail segments

- Disruptions to agricultural supply chains linked to beverage production
- Increased informalization of the sector as firms struggle to survive

At a time of already high unemployment and underemployment, such policy actions would exacerbate socio-economic vulnerabilities.

MISPLACED POLICY RESPONSE TO PUBLIC HEALTH CHALLENGES

While CPPE acknowledges the rising incidence of non-communicable diseases such as diabetes, it is important to emphasize that taxation of sugar-sweetened beverages is not a silver bullet for addressing these concerns.

Public health outcomes are primarily influenced by broader lifestyle factors, including:

- Dietary habits across multiple food categories
- Physical inactivity
- Overall consumption patterns

Singling out a highly energy-stressed industrial segment for punitive taxation is therefore neither equitable nor effective.

Global evidence on sugar taxes shows mixed outcomes, with limited long-term impact on health indicators in many jurisdictions, particularly where complementary lifestyle interventions are weak.

A more sustainable approach should focus on:

- Public health education and awareness campaigns
- Promotion of healthy lifestyles and physical activity
- Improved access to preventive healthcare services
- Constructive stakeholder collaboration with industry players

POLICY INCONSISTENCY AND INVESTOR SIGNALS

The current administration has rightly earned commendation for its commitment to tax reform—particularly its focus on:

- Reducing multiplicity of taxes

- Improving tax administration efficiency
- Creating a more investment-friendly fiscal environment

Introducing new sector-specific taxes, especially on a sector already severely impacted by energy cost shocks would:

- Contradict the government's reform philosophy
- Create policy uncertainty
- Send negative signals to investors
- Undermine confidence in Nigeria's manufacturing sector

Policy credibility and consistency are critical for sustaining investment inflows and economic recovery.

CONCLUSION

The proposal for additional taxation on sugar-sweetened beverages is misaligned with Nigeria's current economic realities, inconsistent with ongoing tax reforms, and particularly unjustifiable given the **extraordinary energy cost pressures confronting the industry**.

At a time when beverage manufacturers are grappling with surging fuel costs, weak demand, and shrinking margins, additional taxation would:

- Undermine business sustainability
- Threaten jobs across the value chain
- Discourage investment
- Further weaken consumer welfare

CPPE therefore strongly urges:

- The Federal Government to reject the proposal
- The National Assembly to discontinue any legislative consideration of such a tax
- Public health authorities to prioritize education, prevention, and lifestyle interventions

At this critical stage of Nigeria's economic recovery, the policy imperative should be to

support businesses, protect jobs, and strengthen growth, not impose additional tax burdens on an already strained sector.