



## GUINEA-BISSAU PROFILE REGARDING TOBACCO TAXATION

### Optimizing the taxation on tobacco to speed up tobacco control

#### Context

##### Tobacco control is a global



Emblème de la Guinée-Bissau

##### public health priority.

Two of the five million annual deaths caused by smoking in the world occur in Africa and the WHO predicts that if nothing is done, this figure will reach ten million by 2030, 70% of which in developing countries. The Framework Convention for Tobacco Control (FCTC), which is the bedrock of a global response based on strategic information, political commitment, international cooperation, a multisectoral holistic approach, accountability, technical and financial assistance for the retraining of tobacco farmers, and the participation of the civil

society. Increasing tobacco prices by accentuating tax pressure is an instrument of public policy, which helps apply the principle of getting the prices of tobacco right; the State integrating all the costs incurred by the smoker's behavior in the price that the latter should pay. Dozens of irrefutable studies have confirmed that the increase in tobacco prices through the imposition of additional specific excise duties drastically reduces smoking among adolescents, young adults and poorer people (Bader et al, 2011). A meta-analysis published by the WHO's Newsletter in July 2013 shows a reduction in the number of smokers by 14.8 million and the avoided premature deaths by 7.4 million, in 41 countries having adopted between 2007 and 2010, the strategies recommended by the MPOWER Initiative, as a result of the tax increase on cigarettes (3.5 million) and the anti-smoking laws (2.5 million) (Levy et al, 2013). All ECOWAS member countries are signatories of the Framework Convention (FCTC), but the taxation of tobacco products is governed by the two UEMOA and ECOWAS Directives, which

do not integrate the pertinent provisions of FCTC on taxes. Smoking is a major socio-sanitary issue in Guinea Bissau. In the absence of a local production, the consumption of tobacco rests on imports by private companies, whose turnover increased between 2006 and 2011 to reach 2,675 million CFA francs and accounted for 10.36% of the total Customs revenues in 2011, despite thriving smuggling. The absence of irrefutable quantitative studies does not help in backing up the scale of smoking, its social cost and the associated morbidity/mortality. The consumption of tobacco has various justifications of a religious nature among the animist populations, of a therapeutic nature—tobacco is said to improve the eyesight, according to traditional healers – and of “fame” – smoking lifts up the social status and inspire respectability. Despite the ratification of FCTC and the existence of National Tobacco Control Committee (CNLAT) within the Ministry of Health, the visibility of the fight against tobacco is approximate. In fact, there is no basis for law enforcement against the consumption of tobacco pro-

\*This policy brief is a summary of the *National Report of Guinea-Bissau*, which has been elaborated by : Daniel Rodrigues, Usna Antonio Quad, Mohammed Baldé, Roberto Viera. This policy brief has been elaborated by Pierre Ongolo-Zogo. Supervision and validation by Nafissatou Baldé Sow and Kadidia Diouf Bâ - CRES



ducts in public places, and the sale of tobacco to minors below 18 years of age is not controlled.

### **The Problem: The taxation of tobacco is not dissuasive enough to reduce smoking.**

The analysis of the tax system on tobacco shows that it is complex and fragmented (eight taxes), the distinction between the types of tobacco leads to a sharp increase in the consumption of very cheap tobacco products, which have higher content of nicotine, and therefore more addictive. The texts (laws, decrees and orders) governing the importation and marketing of tobacco products lack coherence to bring down the consumption. The Ministry of Trade authorizes imports without influencing their price. Despite the 25% special tax on tobacco products, cigarette prices on average remain accessible between 190 and 635 CFA francs for a packet of 20 cigarettes. The use

of the specific excise duty as a tobacco control measure should lead to a dissuasive increase for smokers to reduce or stop their consumption, and for potential smokers to shy away from away from tobacco. Using ad valorem excise duties to reduce tobacco consumption is therefore incoherent, particularly because the value of the goods are systematically under estimated and the incurred costs by tobacco have no proportional relation with the purchase price of cigarettes.

### **What to do? Three additional measures to increase tobacco prices**

- i. Subject all tobacco products (scrapping of exemptions) to a single Customs duty rate with a minimum CIF value set on a regular basis by the authorities to reduce the fraudulent declaration of tobacco products and the importation of tobacco at derisory prices.
- ii. Institute a specific ex-

cise duty in the form of a stamp whose value indexed to inflation will help simplify its collection, while improving the traceability of tobacco products and curbing smuggling.

iii. Support the efforts made within ECOWAS to increase and standardize Customs duties and scrap exemptions on tobacco on the one hand, and replace the ad valorem taxation by a specific excise duty, on the other hand.

### **What considerations should be taken into account for the implementation?**

An all-inclusive synergy of the administrations and the civil society requires resources for the national body (CNLTA) to steer a tobacco control policy guided by convincing data. Greater institutional visibility will therefore help mobilize resources, build skills and coordinate pertinent research, such as the population-



From left to right Mr André Vaz (ECOWAS NATIONAL UNIT), Mr Mohamed BALDE (Tax Department), Eng Daniel Rodriges (Chief of National Research Team).

based studies on the scale and consequences of smoking. Multi-sectoral collaboration is not common practice. The potential opponents to these measures, which

are compatible with Articles 5 and 6 of FCTC, are tobacco importers and exporters enjoying exemptions and retailers, for financial reasons. The frustration of nico-

tine addicts requires the setting up of cessation-support units. A collaborative follow-up and evaluation framework to keep the fight against tobacco going is essential.

### Prevalence of smoking among the teaching staff of the autonomous sector of Bissau

Category	People who have smoked one cigarette, at least once (%)	People regularly smoking (%)	People who have consumed other tobacco by-products (%)
Male	13.9	10.5	11
Female	1.8	1.8	2.3
Teachers	9	7	7.5
Administrators	33.3	22.7	22.7

Source: Survey on smoking among school personnel in Guinea-Bissau 2008; Ministry of Health/WHO

### Importance of the contribution of tobacco and its by-products (2006-2011)

Year	Total of Customs taxes (XOF)	% of tobacco on the taxation
2006	4,479,491,520	3.14
2007	4,208,116,820	5.40
2008	4,220,372,952	3.56
2009	5,026,176,054	12.96
2010	5,835,141,019	13.44
2011	6,959,602,766	10.36

Source: IT Système of the Head office of Customs

# KEY MESSAGES

- The specific excise duty used as a tool to increase tobacco prices is the most effective strategy to fight tobacco and prevent chronic tobacco-related diseases. Its effectiveness increases as the regional tax system becomes more coherent. Within ECOWAS, the community directive taken to facilitate economic and customs integration is not consistent with the provisions of the Framework Convention for Tobacco Control (FCTC) and fell short of harmonizing the tax system on tobacco.
- The fragmented smoking epidemic in Guinea Bissau is characterized by an estimated prevalence of 12.3% among adults and 5.1% among adolescents, and the poorer sections of society (69% of the population) are the most affected.
- The public action is marked

by the absence of a national tobacco control steering body, an intense activity of tobacco smuggling and tax system on tobacco, which generates over 8% of the total annual tax revenues, which is below the existing potential.

- Three additional measures are proposed to increase tobacco prices:
  - i. Subject all tobacco products (scrapping of exemptions) to a single Customs duty rate with a minimum CIF value set on a regular basis by the authorities to reduce the fraudulent declaration of tobacco products and the importation of tobacco at derisory prices.
  - ii. Institute a specific excise duty in the form of a stamp whose value indexed to inflation will help simplify its collection, while improving the traceability of tobacco products and curbing smuggling.

iii. Support the efforts made within ECOWAS to increase and standardize Customs duties and scrap exemptions on tobacco on the one hand, and replace the ad valorem taxation by a specific excise duty, on the other hand.

- The potential opponents to these measures, which are compatible with Articles 5 and 6 of FCTC, are tobacco importers and exporters enjoying exemptions and retailers, for financial reasons. Resources are needed to build to allow the national tobacco control steering body, guided by convincing data to create an all-inclusive synergy between the administrations and the civil society. The frustration of nicotine addicts requires the setting up of cessation-support units.

## ELEMENTS OF METHODOLOGY

The International Development Research Centre (IDRC) has given a grant to the Consortium for Economic and Social Research (CRES) to conduct a research-action, in order to make a profile of national and regional tax systems on tobacco within the ECOWAS region. The dissemination of the findings in late November 2012 in Ouagadougou has informed national and regional leaders of regional tax disparities and led to recommendations for their harmonization. Each country team, with CRES support has made an overview of tobacco smoking and its consequences, of the tobacco sector, of the taxation of tobacco and of the contextual challenges. The present policy note is prepared from this overview and from recent studies of universal scope, in view of paving the way for the discussions between the various stakeholders of the fight against tobacco in Guinea-Bissau and in West Africa.

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The full text of the reference document of this policy brief is available at the following address :