



BURKINA FASO PROFILE REGARDING TOBACCO TAXATION

INCREASING TAX PRESSURE ON TOBACCO PRODUCTS TO FIGHT AGAINST TOBACCO

Context

The fight against tobacco is a global public health priority:

Two of the five million annual tobacco-related deaths in the world occur in Africa and the World



Emblem of Burkina

Health Organization predicts a peak of ten million deaths by 2030, 70% of which in developing countries if nothing is done. The Framework Convention for Tobacco Control initiated in 1999 and adopted in May 2003 is a series of provisions seeking to reduce the supply and demand of tobacco and protect the current and future generations from its economic, environmental and socio-sanitary adverse effects. It is based on exact information, strong political commitment, international cooperation, a ho-

listic approach, accountability, technical and financial assistance for the reconversion of tobacco growers and the participation of the civil society. Dozens of studies confirm that the increase in tobacco prices through specific excise duties reduces drastically smoking among adolescents, young adults and poor people (Bader et al, 2011). A meta-analysis published by the WHO Newsletter in July 2013 revealed a decrease in the number of smokers to the tune of 14.8 million and 7.4 million of avoided premature deaths in 41 countries, which adopted between 2007 and 2010, the strategies of the MPOWER Initiative, due essentially to the increase in cigarette taxes (3.5 million) and to the anti-smoking laws (2.5 million) (Levy et al, 2013). The UEMOA and

ECOWAS Directives on the taxation of tobacco are not consistent with the pertinent provisions of Articles 5 and 6 of FCTC, which have been ratified by all member states.

Tobacco smoking is a socio-sanitary issue in Burkina Faso.

The State of Burkina Faso, a party to the WHO Framework Convention since 2006, has been implementing its 2009-2013 national anti-smoking strategic plan, especially through the 040-2010/AN Act on tobacco control, which was supplemented in 2011 by two decrees regulating the packaging and labeling of tobacco products, and banning smoking in communal spaces. This fight against tobacco is led by the State, NGOs and national and international anti-smoking associations gathered since 2011 in the National Anti-smoking Committee, whose mainspring is the Directorate of Tobacco and Substance Abuse Control of the Health Ministry. This institutional commitment, the ban on industrial tobacco farming, the criminalization of the damaging effects of the tobacco industry on the population and the environment, and the setting up of a fund to bankroll the fight against tobacco is hampered among others by: (i) the lack of



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convincing and pertinent data on smoking; (ii) the poor level of expertise; (iii) the wrong enforcement of an anti-smoking legislation to bring to perfection; (iv) the prevarication of the government in the face of economic interests. The market is dominated by MABUCIG and SODI-COM, which import from the sub-region (Benin, Cote d'Ivoire and Senegal) and from Belgium. Smoking initiation is premature (14% of prevalence among persons aged 13-15 years). According to the World Health Organization, the estimated intensity was 109 cigarettes per adult per year in 2010. The high nicotine content in the so-called "economic" cigarettes increases the addiction in synergy with social and convivial pressure. The doubling of the price of the packet of 20 cigarettes has slowed down the annual increase in the consumption, which stagnates at 4.5%. The addiction to tobacco pauperizes the households, the monthly income of which, it consumes 42%. The documentation of the harmful health effects of smoking is still in an embryonic state.

Problem: The taxation of tobacco is not dissuasive and ineffective

The tax provisions of WHO-FCTC should increase tobacco

prices, to such an extent that they become inaccessible to the majority of consumers, but this is far from being the case in Burkina Faso. The average cigarette price is still affordable for the less fortunate people, who are the heaviest smokers. This ineffectiveness is inherent to the ad valorem excise duty, which abides by the Community directives on the taxation of tobacco, ultimately giving to tobacco importers and the tobacco industry the power to set the selling price. The 20% Ad valorem Customs duties are lower than the 35% in force in Nigeria and vulnerable to declarative fraud. The distinction of three ranges taxed at 17%, 25% and 30% creates opportunities for declarative fraud and contributes to the consumption shift towards the bottom-of-the range products, with higher nicotine content. The excise duty below the ceilings of UEMOA (45%), of ECOWAS (100%) and neighboring Ghana (150%) ruins the effects of the UEMOA and ECOWAS Directives that had been taken to facilitate economic integration. Besides, these directives constitute a retrograde step compared to the Act 6/65/AN and the Decree 397/PRE/MF/CD, which instituted back in 1995, a specific excise duty on tobacco. The ad valorem tax system on tobacco is contrary to the pertinent provisions of Articles 5 and 6 of WHO-FCTC. The annual turnover of the tobacco sector jumped from 24.8 billion CFA francs in 2006 to 36.3 billion CFA francs in 2010, generating 1.19% of the total tax revenues.

The specific excise tax used as an anti-smoking measure should lead to a dissuasive increase in the selling price for smokers to reduce or stop smoking and for potential smokers to shy away from it. This should ensure maximum impact among the youth and

poor people, who are estimated at over 42% of the population. The argument on the adverse economic effects of the tax increases is an exaggerated allegation (Chaloupka et al, 2012).

What to do? Three additional corrective measures are suggested.

- (i) Standardize the nomenclature of tobacco and subject all tobacco products to ad valorem Customs duties to the 5th Band at 35%, either with a simplified system of flat-rate tax per unit of weight (kg) on import/re-export, in order to reduce the imports of tobacco with ridiculously low prices and higher content of nicotine, and declarative fraud on the Customs value;
- (ii) Subject all tobacco products to a single specific excise duty pegged on inflation, in the form of an excise stamp affixed to every ready-for-consumption packet of tobacco, in order to make it more expensive, increase tax revenues, improve traceability and curb tobacco smuggling, finance the fight against tobacco and strengthen the health system.
- (iii) Support the simplification and harmonization process of the regional tax system on



Place UNESCO Ouagadougou



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tobacco, to make it consistent with FCTC (Customs and excise duties), the suppression of the reporting system of the value by the importer and its replacement by a single tariff, the restriction of smuggling. What considerations should be taken into account for the imple-

mentation?
Increasing the tax pressure on tobacco should be easily implemented, since the Ministry of Trade sets tobacco prices and the market is an oligopolistic one. Cigarette importers and retailers could oppose this for financial motivations. A latent resistance to change can be expected in the tax and Customs administration, as the reform will increase transparency, which restricts opportunities for corruption. The removal of the identified obstacles requires an all-inclusive synergy between the public administrations (Customs, Taxes, Treasury Department, Trade, Industry, Youth, Education, Security and Health) and the civil society (ACONTA and UACT) to strengthen the resources of the National Anti-Smoking Committee, to put up a

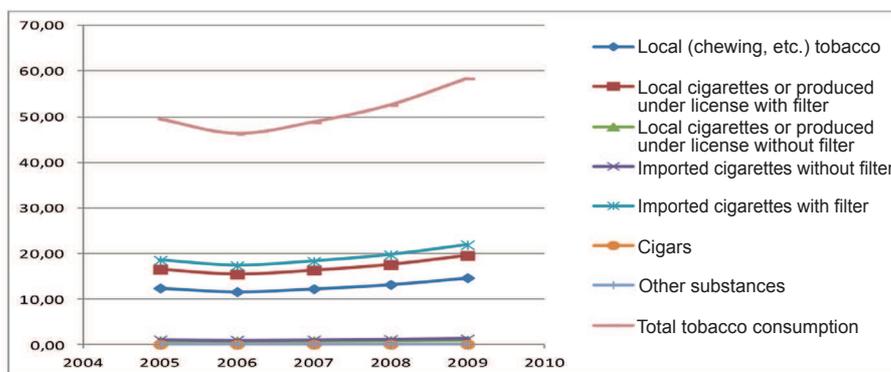
fight informed by scientific evidence. But since multisectoral collaboration is not always common practice, advocacy, public awareness raising and participatory development of the reform will be necessary to speed up the implementation of the anti-smoking provisions, mobilize resources, create synergies and build the capacity of the community leaders, coordinate research on smoking and the effectiveness of the efforts to fight tobacco. Increasing tobacco prices, through taxation is seen as a coercive act in the face of a behavioral dependency caused by nicotine. This frustration of smokers suffering from addiction to nicotine requires the setting up of cessation support units. A collaborative follow-up and evaluation framework is essential to keep the fight against tobacco going.

Synthesis of duties and taxes collected on tobacco

Nature of taxes	Nominal rate (%)	Allocation
Customs duties	20	State
Statistical fee	1	State
Tax on tobacco		
"Bottom-of-the-range"	17	State
"Standard"	25	State
"Luxury"	30	State
VAT	18	State
Advance on corporate profit taxes		State
Customs duties - Actual tax system	1	
Customs duties - Overall tax system	5	
On internal tax system	2	
Community Levy	0.5	ECOWAS
Solidarity Community Levy	1	UEMOA

Source: DGI, Year 2012

Evolution of the consumption of tobacco products 2004 - 2009



Source: INSD estimates based on national accounts - Burkina Faso Report

Legend of the Figure above

- Local (chewing, etc.) tobacco
- Local cigarettes or produced under license with filter
- Local cigarettes or produced under license without filter
- Imported cigarettes without filter
- Imported cigarettes with filter
- Cigars
- Other substances
- Total tobacco consumption

KEY MESSAGES

- The specific excise tax to make tobacco more expensive is the most effective strategy to fight against tobacco and prevent related chronic diseases. Its effectiveness increases as the regional tax system becomes more coherent. This far from being the case in the ECOWAS region, where disparate taxes on tobacco wreck all tobacco control efforts and encourage smuggling.

- In Burkina Faso, a cigarette producing and importing country, the prevalence of smoking, which is estimated at 31.1%, is 91% due to the economic vulnerability of the households. With an intensity of 109 cigarettes per adult per year, this addiction impoverishes the households, the monthly income of which, it consumes 42%. With an annual turnover of 36.3 billion CFA francs, the tobacco sector generated 1.1 billion CFA francs of tax revenues in 2010. The legal and regulatory arsenal in force, is only partially consistent with

the Framework Convention on Tobacco Control (WHO-FCTC) and the UEMOA AND ECOWAS Directives: Taxes on tobacco on an ad valorem basis are lower than the Community ceilings and do not integrate the pertinent provisions of Articles 5 and 6 of the Framework Convention.

- Three additional measures to increase tobacco prices and intensify the fight against tobacco:

- i. Simplify the nomenclature of tobacco and standardize Customs duties on tobacco without distinction of range, either ad valorem with the single rate of the 5th Band (35%) or a flat-rate tax per unit of weight (kg).

- ii. Replace the ad valorem excise duty with a specific excise duty in the form of an excise stamp aligned to inflation and affixed to all packets of ready-for-consumption tobacco, in order to increase their price, increase tax revenues, improve traceability and curb tobacco smuggling, provide funding for the fight against tobacco

and the health system.

- iii. Support the efforts aimed at simplifying and harmonizing the regional tax system on tobacco, to conform it to the provisions of FCTC and to the MPOWER strategies.

- The Ministry of Trade, which defines the structure and the level of tobacco prices, could easily apply these legitimate measures. The possible opponents are importers and cigarette dealers, for financial reasons. The frustration of smokers suffering from addiction to nicotine requires the setting up of cessation support units. The participatory development of the reform requires more advocacy efforts, greater public awareness efforts and additional operational means for the National Anti-Smoking Committee and the civil society.

ELEMENT 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 Burkina Faso and in West Africa.

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