



SIERRA LEONE PROFILE REGARDING TOBACCO TAXATION

Optimizing taxation to speed up tobacco control

Context

Tobacco control is a global public health priority.

Two of the five million annual deaths caused by smoking in the



Sierra Leone emblem

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.

Smoking is a major socio-sanitary issue in Sierra Leone.

Despite the absence of reliable documentation on tobacco consumption, production, importation, distribution and sales, the fragmented data drawn from limited local and international databases (WHO, Health and Sanitation Ministry and the National Tax Administration) whose survey conducted in 2008 estimates the prevalence of smoking at 12% among women, 6% of whom consume cigarettes and 6% other types of tobacco, and 37% among men aged between 15 years and 49 years. The lack of data on tobacco-related diseases and deaths, due to poor research infrastructure does not exclude that MDs report an upward incidence of the cases of cancer and cancer-related deaths during the last decade, in relation to a WHO report on tobacco in Sierra Leone, which indicated about 2,000, representing 7.2% of lung cancer, 7.1% of oral can

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Freetown, Sierra léone

cer among men and 3.3% of women's deaths blamed on smoking. The government of Sierra Leone, which signed FCTC in 2009, ratified it in June 2010 and developed a national anti-tobacco Bill to protect present and future generations from the harms of tobacco smoke, which is still at the state of a proposal. In fact, despite the public awareness campaigns led by stakeholders to reduce the consumption of tobacco, the public action lacks institutional visibility and some actors talk about procrastination in the implementation of the legal and regulatory arsenal; Taxes as a tobacco control instrument is for example not used in an optimal way. The production of raw tobacco was halted by the country's political instability. The former state-run company, which had the monopoly of the production and distribution of

tobacco, had then obtained the ban on tobacco imports.

The problem: Tobacco taxation not consistent with FCTC and not dissuasive enough

While the provisions of Articles 5 et 6 de la CCLAT consider taxes on tobacco and the independence vis-à-vis the tobacco industry their main tools, the influence of the tobacco industry is still great, because there are consultations between the government and the industry, regarding the taxation of tobacco products, before the nation's budget is tabled. Unsurprisingly, these increases have been very modest. In the 1970s and 1980s, the excise tax on cigarettes decreased by 70%, despite the indignation expressed by the medical community and public health authorities. It was even abandoned in 2006. Within

the ECOWAS region, Sierra

Leone only imposes the value added tax (VAT) and the tax on goods and services (TPS at 15%) and tax incentives are granted to trade partners: import duties are exclusively ad valorem on the basis of the CIF tariff. The price of packet of 20 cigarettes therefore varies between 19 US cents and 119 US cents. This situation leaves importers with the power to set the resale price of tobacco. The taxation as an anti-tobacco measure is intended for the application of real prices and should lead to such a dissuasive rise in tobacco selling prices that smokers reduce or quit smoking and potential smokers are discouraged with smoking. The argument on the disastrous economic consequences of the tax increase is an exaggerated allegation (Chaloupka et al, 2012).



Benson Lahai, Ministry of Finance Sierra Leone

What to do? Three additional measures to increase tobacco prices

- i. Increase Customs duties on tobacco by suppressing all exemptions, in order to subject all tobacco products 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 on all packets of ready-for-consumption tobacco, whose value indexed to inflation will help simplify its collection, while improving the traceability of tobacco products and curbing smuggling.

iii. Support community measures aimed at increasing and standardizing Customs duties, on the one hand; replacing the ad valorem excise duty by a specific excise duty to improve tobacco traceability, contain smuggling and improve the funding of the health system, on the other hand.

What considerations should be taken into account for the implementation?

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. Greater institutional visibility will therefore help mobilize resources, build skills and coordinate pertinent research, such as the population-based studies on the scale and consequences of smoking. Multisectoral collaboration is not common practice. The frustration of nicotine 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.

KEY MESSAGES

- The specific excise duty used as a tool to increase tobacco prices is the most effective strategy. Its effectiveness increases as the regional tax system becomes more coherent and the taxation on tobacco products is fragmented and not a very good deterrent.

- The smoking epidemic is marked by the absence of reliable statistical data on its scale, its determining factors and its negative externalities. The SDLHS carried out in 2008 estimated at 12% and 37% respectively among women and men aged between 15 years and 49 years, who consume cigarettes and other types of tobacco. The prevalence rates are higher in rural areas, among the illiterate people and the poorest households, except for smokers with a daily consumption of 10 cigarettes. In addition to its sanitary consequences, smoking also contributes to households' pauperization, over 60% of which are poor and

21% are in extreme poverty.

- Public action against smoking is characterized by the absence of a national body to steer tobacco control initiatives, the lack of visibility of the efforts against tobacco use, and a vague application of the legal and regulatory arsenal against tobacco. Tax revenues on tobacco are insignificant and very disproportionate to imports.

- 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.

- i. 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.

- ii. 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.

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 Nigeria and in West Africa.

For more information see the following references:

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