



GHANA PROFILE REGARDING TOBACCO TAXATION

Optimizing the taxation of Tobacco to speed-up Tobacco control

Context

Tobacco control is a global public health priority.

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



Ghana emblem

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 (FCTC), which is the world response body to the phenomenon, includes a series of measures to reduce the demand for tobacco and its supply and protect the present and future generations from its adverse socio-sanitary, economic and environmental effects. It is grounded on exact information, strong

political commitment, international cooperation, a multisectoral holistic approach, technical and financial assistance for the reconversion of tobacco farmers and the participation of the civil society. The specific excise duty on tobacco is the most effective tobacco control strategy and its efficiency increases as the regional tax system becomes more coherent. 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). 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 Ghana.

Anti-tobacco legislation was already in force in the 1980s, before the ratification of FCTC in November 2004. In 2012, a public health protection law was adopted to integrate the pertinent provisions of FCTC. Despite the fragmented data, the prevalence of smoking is estimated at 5% to 8% among adults, representing about one million people, with regional and socioeconomic disparities. In particular, the northern regions and the poorer sections of society present the highest prevalence rates. Among the determining factors of smoking among youth, Dennis- Antwi et al. (2003), in a national survey, have identified the influence of friends and social pressure. Seven out of ten smokers have declared they were smoking in groups. In addition to cigarette, 27% of users consume chewing tobacco of snuff. According to WHO (2012), tobacco is responsible 3% of the deaths related to non-communicable diseases in Ghana, representing 2% of the 158 deaths for 100,000 inhabitants due to heart diseases, 40% of the eight deaths for 100,000 inhabitants due to respiratory track cancer, and 18% of the 52 deaths for 100,000 inha

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Ghana delegation

bitants due to chronic obstructive pulmonary diseases. Tobacco-related mortality among male over 30 years of age was 56 for 100,000. Various tobacco control programs have been initiated and a coalition of NGOs for tobacco control is enjoying capacity-building and experience-sharing with other NOGS working on the issues of social development and health. Despite multiple sources of supports, the participation of the civil society remains under-optimal, due to the lack of coor-

dination and low capacity to mobilize funding.

The Problem: The taxation of tobacco is not effective enough

While Ghana applies the highest rates in the ECOWAS region - 150% of the CIF value, the price of cigarettes remains widely reasonable. This measure originally hailed for having demonstrated the irrefutable impact of the price increase on the consumption of tobacco is less praised now, due essentially to an improved standard of living for the population and the manipulation of the CIF value by tobacco importers. The historic analysis of the tax system on tobacco during the past decade shows that the specific excise duty is by far, more effective than the current ad valorem excise duty, particularly in a context of economic growth, which saw Ghana beco-

ming a middle-income country. The ECOWAS directive taken to facilitate regional economic and customs integration does not take into account, the pertinent provisions Articles 5 and 6 of FCTC. The tangible consequence is the reasonable price of cigarettes, despite the ad valorem duty of 150%, and the fact that tobacco industry continued alone to maintain control over the sales price of cigarettes.

What to do? Three additional measures to increase tobacco prices and speed up tobacco control.

- i. Replace the ad valorem taxation by a specific excise tax in the form of a stamp indexed to inflation, in order to simplify its collection, increase cigarette prices, improve tobacco traceability and curb smuggling.
- ii. Subject all tobacco pro



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ducts to a single Customs duty rate, with a minimal CIF value periodically set by the authorities, in a move aimed at reducing the declarative fraud and scrapping Customs duty exemptions on tobacco products regardless of their origin.

iii. Support the efforts for the harmonization and the increase in taxes on tobacco within the ECOWAS region, such as the standardization of Customs duties-the introduction of a single Customs tariff band at 35% -, the replacement of the ad valorem excise duty by a specific excise duty that prioritizes tobacco control within the ECOWAS Commission.

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. A multisectoral steering body (civil society, taxes, Customs, treasury department, statistics, trade, industry, regional integration, youth, education, security, health) of an anti-tobacco fight guided by convincing data can create a synergy between the administrations and the civil society. Resources are needed

to build capacity and coordinate research on smoking and the effectiveness of the tobacco control efforts. The frustration of nicotine addicts requires the setting up of cessation-support units. But since multisectoral collaboration is not always common practice, advocacy, public awareness raising and participatory development of the reform will be necessary. A collaborative follow-up and evaluation framework is essential to keep the fight against tobacco going. The frustration of nicotine addicts requires the setting up of cessation-support units.

KEY MESSAGES

- The current use of taxation to make tobacco prices more expensive in Ghana is not optimal. The ad valorem basis of taxes on tobacco allows the tobacco industry to maintain control over the selling price of cigarettes.

- Though the prevalence of smoking in Ghana is one of the lowest in the ECOWAS region between 5% and 8% of the adult population, it still remains that there are almost one million smokers in the country, with a higher density in the northern regions, which are also the most affected by monetary poverty.

- Though the anti-tobacco legislation prior to the advent of Framework Convention for Tobacco Control (FCTC) was updated in 2012, as part of the protection of public health to integrate the pertinent of provisions FCTC, taxes on

tobacco products have failed to increase the price of cigarettes, which remains reasonable, and the possible unit sale increases the availability of cigarettes, namely among adolescents.

- Additional measures are suggested to increase tobacco prices more expensive:

- i. Replace the ad valorem taxation by a specific excise tax in the form of a stamp, whose aligned value to inflation will contribute to the increase of the price of cigarettes, improve tobacco traceability and better contain smuggling.

- ii. Suppress the exemptions of Customs duties on tobacco products, irrespective of their origin.

- iii. Support the efforts at the regional level aimed at harmonizing and simplifying the tax system on tobacco and align it on FCTC, by proposing the increase in Customs

duties, with a 5th Band at 35% and simplified nomenclature of tobacco, with a single regional tariff; the replacement of the ad valorem excise duty with a specific duty in the form of an excise stamp on tobacco products.

- The potential opponents to these measures, which are consistent with Articles 5 and 6 of the Framework Convention for Tobacco Control, are importers benefiting from exemptions, and cigarette retailers. A national tobacco control steering body, informed by convincing data will 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 Ghana and in West Africa.

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This document has been published thank to a subvention of the International Development Research Center, Ottawa, Canada.

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

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