



## LIBERIA PROFILE REGARDING TOBACCO TAXATION

### Optimizing taxes on tobacco 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



Liberia 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 on taxes.

#### Smoking is a major socio-sanitary issue in Liberia.

The Monrovia Tobacco Company (MTC) set up in the 1970s



Liberia map

*This policy brief is a summary of the [National Report of Liberia](#), which has been elaborated by : Geegbae Athanasius Geegbae, Charles Tweh Akoi, William Buku. This policy brief has been elaborated by Pierre Ongolo-Zogo. Supervision and validation by Nafissatou Baldé Sow and Kadidia Diouf Bâ - CRES.*



William Buku,  
Ministry of Finance Customs Unit Liberia

was using both locally-produced raw tobacco and imported tobacco for the manufacturing of cigarettes and other tobacco products. As a whole, five cigarette importers have the monopoly of the market. Reliable statistics on the scale of smoking and its socio-sanitary consequences are not documented. The determining factors of smoking include among others, pressure from friends, the customs and traditions of friendliness, which view tobacco as an essential product in wedding ceremonies and conflict resolution on the one hand, and as a symbol and sign of wealth, a source of pleasure, a cure for frustration and psychological problems on the other hand. Before the signing of FCTC in June 2005, its ratification in September 2009 and its entry in force in December 2009, Liberia had anti-tobacco legislation approved in November 2002, which was consolidated in September 2008 by the Environment Protection Agency. The MOHSW/R-001/2011 regulation had banned

the use of tobacco products in public places and by minors, and provided for sanctions. In spite of these provisions, tobacco imports have risen.

### **The problem: The taxation of tobacco is not effective enough to curb its accessibility**

Though the revenues drawn from tobacco imports have increased between 2007 and 2012, this rise is not optimal. The ad valorem excise duty on imports, which rose from 11-25% in 2000 to 25% in 2007, then 35% in July 2013, the tax on goods and services (TPS), which is 7%, and the export duty at 2,5% are not enough effective to increase tobacco prices. The excise tax remains too low compared to the ECOWAS community ceiling (100%) and that of Ghana (150%). The ad valorem taxation distorts the excise duty intended to enforce the principle of the fair price, which insists that the smoker should actually



Monsterrado county Liberia

pay for the cost of the negative externalities of his/her addiction to tobacco. The declarative fraud in the form of a quasi-systematic under estimation of the CIF value of tobacco products explains the downward variation of excise revenues on tobacco. Due to the current level of taxes, Liberia is a tobacco transshipment platform for its neighbors. The analysis of the evolution of the domestic consumption of cigarettes indicates a reduction caused by an increase in excise duties, a result minimized by smuggled tobacco.

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

- i. Subject all tobacco products, i.e. scrap exemptions to apply a single ad valorem Customs duty rate (for example 35% as in Nigeria) 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 not only help simplify its collection, but also improve the traceability of tobacco products and contain smuggling. It will also increase export taxes on cigarettes, which in turn will increase the tax revenues of the activities of the regional transshipment hub for cigarettes.
- iii. Support the efforts made within ECOWAS to increase and standardize Cus



Liberia

toms 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?

The potential opponents to these measures, which are consistent with the pertinent provisions of Articles 5 and 6 of FCTC, are the importers and distributors of cigarettes, for the exemptions they receive and the retailers, for financial reasons. The frustration

of smokers addicted to nicotine justifies the setting up of units to make easier for them to stop smoking. A multisectoral steering tobacco control body (civil society, Taxes, Customs, Treasury Department, Statistics, Trade, Industry, Regional Integration, Youth, Education, Security, Health) informed by convincing data can create an all-inclusive 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.

### Tax revenue collection from tobacco import for 2009/2010 – 2011/2012

Tax Category	09/010	010/011	011/012
	Million USD	Million USD	Million USD
Total Tax Revenue	224.700	267.300	364.800
International Excise	5.381	6.921	6.199
Tobacco	1.667	2.180	2.515
Excise % of Tax Revenue	2.4%	2.6%	1.7%
tobacco Excise % of Tax Revenue	0.7%	0.8%	0.7%

## 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. In the ECOWAS region, the community directive intended to facilitate the economic and Customs integration is not compatible with the Framework Convention for Tobacco Control (FCTC) provisions and has fell short of harmonizing the tax system on tobacco.
- The smoking epidemic in Liberia is poorly documented and is characterized by the absence of reliable data on its scale, its determining factors and its socio-sanitary impact. However, tobacco is smoked, chewed and snuffed on various occasions, as a symbol of friendship, wealth and luxury, but also as a source of pleasure for the poorest sections of society, despite the law and regulations, some of which had entered into effect prior to the signing of Framework

Convention in June 2005.

- Public action is marked by the absence of a tobacco control steering body, an intense tobacco import/re-export activity, including an important a high smuggling proportion. Taxes on imports, exports and ad valorem excise duties in force are still inconsistent with the pertinent provisions of Articles 5 and 6 of FCTC.

- Three additional measures are suggested 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 not only help simplify its collection, but also improve the traceability of tobacco products and contain smuggling. It

will also increase export taxes on cigarettes, which in turn will increase the tax revenues of the activities of the regional transshipment hub for cigarettes.

- 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.

## 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 Liberia and in West Africa.

### For more information see the following references:

Bader P, Boisclair D, Ferrence R. 2011. Effects of tobacco taxation and pricing on smoking behavior in high risk populations: a knowledge synthesis. *Int. J. Environ. Res. Public Health* 8, 4118-4139; doi:10.3390/ijerph8114118

Chaloupka FJ, Straif K, Leon ME. 2011. Effectiveness of tax and price policies in tobacco control. *Tobacco Control* 20:235e238. doi:10.1136/tc.2010.039982

Chaloupka FJ, Yurekli A, Fong GT. 2012. Tobacco taxes as a tobacco control strategy. *Tobacco Control* 21:172e180. doi:10.1136/tobacco-control-2011-050417

CRES. 2012. Rapport Atelier Ouagadougou

CRES. 2013. Rapport Pays Liberia

Cusset PY. 2013. L'effet des « taxes comportementales ». Revue (non exhaustive) de la littérature. Document de travail n°2013-01, Commissariat général à la stratégie et à la prospective, juin 2013 [www.strategie.gouv.fr](http://www.strategie.gouv.fr)

Fayter D, Main C, Misso K, et al. 2008. Population tobacco control interventions and their effects on social inequalities in smoking. Report n°39. Centre for Reviews and Dissemination, University of York. ISBN 978-1-900640-48-0

Kostova D, Ross H, Blecher E, et al. 2010. Prices and cigarette demand: evidence from youth tobacco use in developing countries. Working paper 15781. National Bureau of Economic Research, Cambridge, MA. 2010:1e23.

Levy DT, Ellis JA, Maysa D, Huang AT. 2013. Smoking-related deaths averted due to three years of policy progress *Bull World Health Organ* 91:509-518 doi: <http://dx.doi.org/10.2471/BLT.12.113878>

Shibuya K, Ciecierski C, Guindon E, Bettcher DW, Evans DB, Murray CJL. 2003. WHO Framework Convention on Tobacco Control: development of an evidence based global public health treaty. *BMJ* volume 327 [bmj.com](http://bmj.com)

WHO. 2008. Report on the Global Tobacco Epidemic: The MPOWER package. Geneva, World Health Organization, 2008.



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 :

CRES, Rue 10 Prolongée Cité Iba Ndiaye Djadji - Lots 1 et 2 - Pyrotechnie - Dakar, Sénégal - CP : 12023 - BP : 7988, Dakar Médina  
Tél : (221) 33 864 77 57 - (221) 33 864 73 98 - Fax : (221) 33 864 77 58  
Email : [cres@cres-sn.org](mailto:cres@cres-sn.org) - Information : [contact@cres-sn.org](mailto:contact@cres-sn.org) / Site web : [www.cres-sn.org](http://www.cres-sn.org)