



## MALI PROFILE REGARDING TOBACCO TAXATION

### Increasing tax pressure on tobacco to curb smoking

#### Context

#### Tobacco control is a global public health priority:

Two of the five million annual deaths caused by smoking in the world occur in Africa and the



Emblem of Mali

WHO predicts a peak ten million by 2030, 70% of which in developing countries. The Framework Convention for Tobacco Control (FCTC) initiated in 1999 and adopted in May 2003 is a series of provisions aimed at reducing the supply and demand of tobacco and protecting the current and future generations from its damaging economic, environmental and socio-sanitary effects. FCTC rests on information on these damaging effects, strong political commitment, international cooperation,

the multisectoral holistic approach, accountability, technical and financial assistance, to facilitate tobacco growers' reconversion and the participation of the civil society. Dozens of irrefutable studies confirm that the increase in tobacco selling prices thanks to a higher specific excise duty reduces smoking considerably among teenagers, young adults and poor 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). The UEMOA and ECOWAS directives on the taxation of tobacco, which were meant to promote regional integration, ignore the strategies of the MPWER initiatives and the pertinent provisions of Articles 5 and 6 of FCTC, despite the fact that they have been ratified by member states.

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

If the absence of a national body for the coordination of tobacco control initiatives can explain the lack of exhaustive and reliable data to assess the scale, the determining factors and the consequences of smoking, those who suffer the most from the economic and sanitary costs of smoking are



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the small farmers and their families, which are heavy smokers, thus aggravating their poor living conditions. There are more smokers in poor households than in non-poor families (63% versus 37%). Among people earning less than 50,000 CFA francs, 44.2% are smokers against 4.7% among better off people (making over 300,000 CFA francs). One of the consequences of smoking is the number of people dying of non-communicable diseases, which is estimated at 690-800 deaths/100,000 inhabitants. The leading company in the sector (SONATAM) in which the state holds 38% of the capital, controls 75% of the market share. The law 10-033 of 12 July 2010 regulating the importation, distribution, sale advertisement, promotion and consumption of tobacco products, which completes the decree 01-2699/MICS-SG of 16 October 2001 fixing the list of products whose importation and exportation are subject to prior authorization by the Ministry of Trade, and to the degressive protection tax of 5% and to the special tax of 15%, 20% and 25% on some cigarettes, in accordance with the decree No 04-2540/MEF-SG of 9 December 2004. Manufactured cigarettes and cigarettes produced on a small-scale account for 82%-96% of the consumption and are mostly imported from Senegal, Cote d'Ivoire, Nigeria, Ghana and

South Africa. The sales of cigarettes and tobacco by-products reached 67 billion CFA francs in 2011, with an exported volume of ten million cigarettes to Cote d'Ivoire, Senegal and Burkina Faso.

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

The use of taxes to increase tobacco prices and reduces the consumption is not optimal in Mali, where imports have recorded an annual growth of 13% between 2005 and 2011, jumping from 3.6 to 24.7 billion CFA francs for a tax receipt of ten billion CFA francs. The complex and fragmented tax system is based on the declared value of a wide range of tobacco products, depending on their origin (UEMOA, ECOWAS, etc.). The ad valorem excise duty on tobacco products (15 - 25% depending on the range) is below the UEMOA and ECOWAS ceilings (45% and 100% respectively), and that of Ghana (150%). Between 2004 and 2012, the actual tax rates increased from 60.7% to 79.4%, but the cigarette price indexes also declined. The 2% increase in tobacco prices was still below that of the households' income (3%). Obviously, the current ad valorem taxation of tobacco products for the Customs duties as well as for the excise duties ultimately gives leeway to the importers and the industry to fix the selling price of tobacco. The packet of 20 cigarettes costs between 250 and 900 CFA francs. The expenses on the consumption of tobacco recorded an annual increase of 4.5% between 2006 and 2010 from 1,729 CFA francs to 2,158 CFA francs per capita. The expansion of the smoking epidemic is a

tell-tale sign of an explosion of health expenditure. The ad valorem excise duty nullifies the social objective of this tax. "Bottom-of-the-range" cigarettes have the highest nicotine content and are therefore more addictive.

The use of taxes as an anti-smoking tool should lead to such a dissuasive increase in the selling price that smokers are forced to reduce or stop their consumption of tobacco, and potential smokers are discouraged from starting smoking. This impact expected from the increase in tobacco prices should be maximal among young people and the poor, whose prevalence is 50.6%. The argument on the disastrous economic consequences of the tax increase is an exaggerated claim (Chaloupka et al, 2012)

**What to do? Three additional measures are suggested to make tobacco more expensive.**

- i. Simplify the Customs nomenclature of tobacco and subject all tobacco products to a uniform system, which could either, be and ad valorem system introducing a 5th Band at 35%, or a flat-rate tax per unit of weight (kg) on import/re-export, which is aligned to inflation to reduce manipulations and fraudulent declarations of the customs value.
- ii. Replace the ad valorem excise duty with a specific excise duty aligned on inflation, in the form of an excise stamp to be affixed to every ready-for-consumption packet of tobacco, in order to improve traceability and curb tobacco smuggling, fund tobacco control activities and the health system, provide reliable consumption statistics.
- iii. Initiate moves aimed at harmonizing and simplifying the



regional tax regulations in the region, to take into account the strategies of the MPOWER Initiative and align it on the pertinent provisions of Articles 5 and 6 of the UN Framework Convention for Tobacco control (WHO-FC-TC).

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

These legitimate measures are in conformity with WHO-FCTC.

Their application requires an all-inclusive synergy between public administrations (Customs, Taxes, Treasury Department, Trade, Industry, Youth, Education, Agriculture, Rural Development, Security, and Health) and the civil society (RELUTAS). Increasing tobacco prices through taxes is considered as a coercive act in the face of a behavioral dependency caused by nicotine. The frustration of smokers addicted to nicotine justifies the setting up of units to make easier for them to stop smoking. SONATAM, BSA, SODIBAF, cigarette retailers, tobacco growers and small craftsmen are potential opponents for financial motivations. A latent resistance by tax and customs administrations can be expected, since the simplification reduces discretion and consequently the opportunities for corruption.

Though there has not always been multisectoral collaboration, the fight against tobacco, supported by convincing scientific evidence requires a steering multisectoral entity to become quickly operational for the participatory development of the reform, the advocacy and public awareness efforts, the mobilization of resources, the coordination of research actions and the stimulation of synergies between the civil society and public administrations. The cultural commitment to traditional tobacco farming will require anthropological investigations to identify the roots and reconversion alternatives. A collaborative follow-up and evaluation framework is crucial for the perpetuation of tobacco control actions.

#### Evolution of the consumption of tobacco

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Tobacco weight (in tons)	740.6	712,6	784.2	878,1	1803,1	1,262.4	1589,7	1,552.0	1,717.4	1,943.6	2,513.7	3,366.8
Amounts (billion CFA francs)	3.6	7,0	8.8	8,8	14,1	13.6	13,5	13.0	15.2	16.0	21.3	24.7
Duties and Taxes (billion CFA francs)	3.2	5,0	6.2	6,7	9,6	9.6	8,8	8.9	11.3	12.0	16.7	19.6
State Budget	3.0	4,7	5.9	6,3	9,0	9.2	8,3	8.4	10.7	11.3	15.8	18.5

Source: Mali Country-Profile

#### Duty and tax rates on tobacco (in %), 2012

	Customs Duties	Statistical Fee	ISCP	Degrressive Protection Tax	VAT	State Budget Levy	PCS	Percent	ADIT	Total Levy
Non-stripped tobacco	5	1			18	25.1	1	0.5	3.0	29.6
Stripped tobacco	5	1			18	25.1	1	0.5	3.0	29.6
Tobacco refuse	5	1			18	25.1	1	0.5	3.0	29.6
Cigars, containing tobacco	20	1	25	2.5	18	75.2	1	0.5	3.0	79.7
Cigarettes containing tobacco	20	1	25	2.5	18	75.2	1	0.5	3.0	79.7
Cigars, cigarettes, tobacco substitutes	20	1	25	2.5	18	75.2	1	0.5	3.0	79.7
Chewing tobacco, tobacco substitutes	20	1	0		18	42.8	1	0.5	3.0	47.3
Homogenized or reconstituted tobacco	5	1	20		18	48.7	1	0.5	3.0	53.2
Tobacco extracts and essences	20	1	20		18	66.4	1	0.5	3.0	70.9

Source: Customs Department, 2012 Country-Profile

## KEY MESSAGES

- The specific excise duty used as a tool to increase tobacco selling prices is the most effective strategy to contain the use of tobacco and prevent chronic tobacco-related diseases. Its effectiveness increases as the regional tax system becomes more coherent. This is far from being the case in the ECOWAS region, where the disparate tax system ruins tobacco control efforts and encourages smuggling.
- In Mali, a raw and manufactured tobacco producing country, the absence of institutional visibility for the fight against tobacco does not allow to assess the scale, the determining factors and the consequences of tobacco smoking. The WHO recorded between 2007 and 2009, a prevalence of 12.4% to 14% among adults, and two surveys conducted with Bamako students revealed a variation of 34% to 24% between 2001 and 2008 of those who never smoked. The addiction to tobacco increases the number of chronic cardio-respiratory affections and the impoverishment of the under-privileged households, whose members include 44.2% of smokers. A packet of 20 cigarettes costs between 250 CFA francs and 900 CFA francs. The turnover of the tobacco sector, which is estimated at 67 billion CFA francs, generated 18.5 billion CFA francs of tax revenues in 2011. The taxation of tobacco is still incompatible with the FCTC provisions and the ECOWAS directive. The differential taxation of cigarettes based on the range has remained the same since 2005.
- Three additional measures are recommended to make tobacco products more expensive.
  - i. Speed up the harmonization of the national tax system with the ECOWAS directives on excise duties and the effective and full enforcement of the law 10-033 of July 12, 2010 pertaining to the marketing and consumption of tobacco and its by-products.
  - ii. Subject all tobacco products to a single specific excise duty aligned on inflation to make cigarettes more expensive by imposing an excise stamp on every packet of cigarettes, regardless of its range or origin.
  - iii. Support the efforts at the regional level aimed at harmonizing and simplifying the regional tax system on tobacco and align it on the pertinent provisions of FCTC and the strategies of the MPOWER Initiative.
- These measures can trigger a general outcry from SONATAM, from distributors and 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. Tobacco control informed by convincing data requires a national multisectoral entity to become quickly operational for the participatory development of the reform, and for the advocacy and sensitization needed to create synergetic action between public administrations and the civil society.

## 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 Mali and in West Africa.

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