



TOGO PROFILE REGARDING TOBACCO TAXATION

Speed up tobacco control by optimizing taxes on tobacco

Context

Tobacco control is a global public health priority Two of the five million annual deaths caused



Emblem of Togo

by smoking in the world take place in Africa and the 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' re-conversion 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 pertinent provisions of Articles 5 and 6 of FCTC, let alone the strategies of the MPOWER initiatives.

Smoking is a major socio-sanitary issue in Togo.

The Togolese Government has a legal and regulatory arsenal,

with the law No 2010-017 of 31 December 2010 including a tax option aimed at increasing the prices of tobacco to make them inaccessible to the majority of smokers. Two million (33.9%) of the Togolese people were exposed to tobacco smoke at home (STEPS Survey, 2010). The five million economically vulnerable Togolese are 91% responsible for the total consumption of tobacco, whose sanitary damaging effects are pulmonary cancer and strokes, as well as physical, behavioral, and psychological dependency. Advertising and friends' influence are the factors inciting smoking among school-children who start smoking at the very early age of 11 years (GYTS Survey, 2002).

The Problem: The sub-optimal recourse to taxes to increase tobacco sales prices.

The legal and regulatory arsenal provides for the use of excise duties to increase tobacco prices and make them inaccessible to the majority of consumers, but its application is sub-optimal. The ad valorem excise duty (45%) remains below the ceiling of the ECOWAS directive (100%) and the rate used in neighboring Ghana

**This policy brief is a summary of the [National Report of Togo](#), which has been elaborated by : Noureiny Tcha-Kondor, Koffi Sodokin, Afossoro Donko, Kotou Ouatarra Nadjarikan, Robert Ahiadjo. This policy brief has been elaborated by Pierre Ongolo-Zogo. Supervision and validation by Nafissatou Balde Sow and Kadidia Diouf Ba - CRES.*



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(150%). The tobacco tax system is complex and fragmented (eight taxes). It is based on the CIF value declared by the importer, despite the fact that the latter is subject to fraud and likely to be influenced by the commercial interests of the formal and informal sectors (in contradiction with Article 5.3 of FCTC). Hence, the existence of a Togolese paradox: 15% increase in the volume of importations and 20% decrease in the CIF value between 2007 and 2012. The increase in the excise duty rate from 2007 to 2013 has not resulted in an increase in the selling price to the consumer, as a packet of 20 cigarettes still sells at 250 CFA francs and that of tax-exempt rolled tobacco remain the same at 50 CFA francs, which explains the stable prevalence of smoking. These tobacco products sold in Africa at a price have a higher nicotine content, which makes them 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, due to high prevalence and their economic vulnerability. Using the ad valorem excise duties to reduce smoking and increase tax revenues is absurd in a context where the value of the goods is systematically under estimates. The harmful economic consequences of tax increases are exaggerated claims (Chaloupka et al, 2012).

What to do? Three additional corrective measures to increase cigarette sales prices in Togo

- (i) Subject all tobacco products to a single Customs duty with a minimum CIF value set periodically by the authorities, in order to reduce very low-price tobacco imports, the nicotine content of which is higher, and the fraudulent declarations by importers.
- (ii) Institute a specific excise duty in the form of an excise stamp aligned on inflation on each packet of tobacco, in view of simplify the tax collection, in-



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crease transparency in the import operations and the traceability of tobacco products and contain smuggling.

- (iii) Support the Community measures of: (1) increase and standardization of Customs



World no tobacco day

duties, (2) replacement of the ad valorem excise duty by a specific excise duty on tobacco and, (3) containment of smuggling.

What considerations should be taken into account for the implementation?

These measures are consistent with FCTC, but their application can trigger a general outcry. The potential opponents to the measures are importers and intermediaries in the tobacco sector, due to the financial stakes involved; they will argue that there is a risk of increased smuggling. The resistance to change is latent among Customs and Tax agents, due the transparency it ushers in, and which consequently reduce the opportunities for corruption. A fight informed by scientific evidence requires an all-inclusive synergy of the stakeholders, through a national multisectoral authority to spearhead tobacco control actions. Though there has not always been multisectoral collaboration, the public administrations (Customs, Taxes, Treasury, Trade, Industry, and regional integration, Agriculture, Rural Development, Environment, Youth, Education, Security and Health) should collaborate with civil society organizations



Monument of the Independence to Lome

(CSOs). This body will ensure the participatory development of the reform, institutional visibility advocacy, public awareness-raising, the stimulation of synergies, the mobilization of resources, capacity building for the actors, and the coordination of the parti

nent research on tobacco and the effectiveness of tobacco control efforts. 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

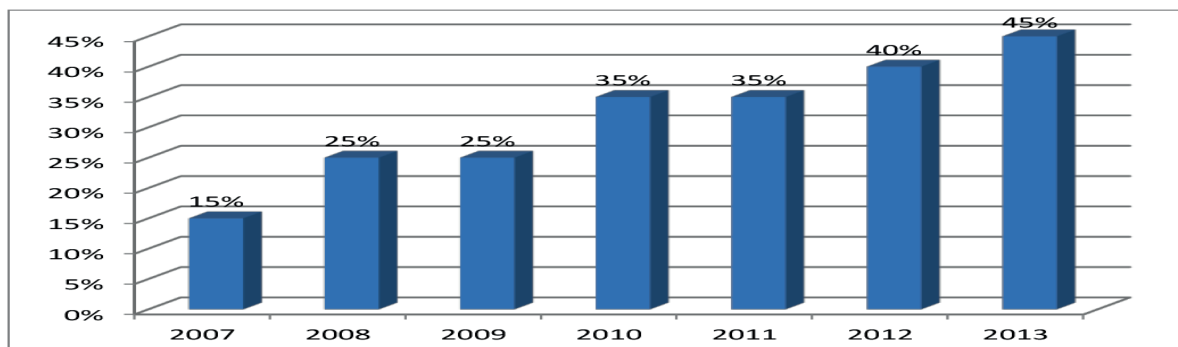
the setting up of units to make easier for them to stop smoking. A collaborative follow-up and evaluation framework is crucial for the perpetuation of tobacco control.

Structure of taxes on tobacco products

Tax	Rate
Import tax	20%
Computer charge	1%
UEMOA Community Levy	1%
ECOWAS Community Levy	1%
Value added tax (VAT)	18,0%
Excise tax	45%
Industrial and commercial profits	1% formal sector
	5% informal sector

Source: Directorate General of Customs, March 2013.

Evolution of the excise tax on tobacco from 2007 to 2013



Source: Directorate General of Taxes (DGI)

KEY MESSAGES

- The specific excise duty used to make tobacco products more expensive is the most efficient strategy to combat smoking and prevent tobacco-related diseases. This effectiveness increases as the regional tax system becomes more coherent. However, this is not yet the case in the ECOWAS region, where the disparate tax system annihilates tobacco control efforts and encourages smuggling.
- The prevalence of smoking in Togo, which is estimated at 31%, is caused by the economically vulnerable households (91%). Smoking boosts the incidence of the cases of lung cancer and heart attack, in addition to being a factor of pauperization. With the absence of a multisectoral steering body to lead the fight against tobacco, taxes on tobacco are too low and the selling price of cigarettes is still trivial. The imports have increased twofold since 2000 but the tax revenues have stagnated, due to smuggling, the ad valorem taxation (based on the value declared by the importer) and the move of the consumption towards very low-price tobacco.
- Three additional measures are proposed to make tobacco products more expensive:
 - i. Subject all tobacco products to a single and standard Customs duty rate;
 - ii. Replace the ad valorem excise duty by a specific duty aligned on inflation, in the form of an excise stamp on every packet of tobacco;
 - iii. Support the regional efforts to increase and simplify the Customs duties, harmonize the specific excise duties on tobacco and contain smuggling.
- These measures, which are consistent with WHO-FCTC, will be ideally implemented by a national multisectoral body to coordinate an anti-smoking fight backed by convincing data. The opposition of the actors in the tobacco sector and the frustration of smokers addicted to nicotine in the absence of cessation-support units can be expected. Advocacy, participatory development of a reform, public awareness campaigns and the setting up of cessation-support facilities will be crucial.

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 Togo and in West Africa.

For further information, see the following:

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