



POLICY BRIEF

TOBACCO, ALCOHOL & UNHEALTHY TAX RISE TO FINANCE HEALTH

Tobacco use is the leading cause of preventable diseases and premature death in the world. The rapid increase in the consumption of tobacco, alcohol and other unhealthy products is not only hazardous to the well-being of its consumers and non-consumers but also puts a heavy financial burden on the economic health of Ghana. The Covid-19 pandemic has created greater awareness towards the importance of clean air and healthy living. Since prolonged tobacco smoking is considered a leading risk factor for several underlying medical conditions that increase the chances of developing severe illness from Covid-19, it has become urgent for governments to fully implement effective control measures developed by the WHO Framework Convention on Tobacco Control (WHO FCTC).

This policy brief is developed in reference to the findings of WHO Report on The Global Tobacco Epidemic 2019; The Tobacco Atlas, The UN Sustainable Development Goal 3 and other international research works. The brief is aimed at recommending to the Government of Ghana the need to include in the 2021 Budget Statement a component of tax increases on harmful products to help curb the increasing use of tobacco, alcohol and sugary sweeteners, and also generate additional revenue for health financing. The Third International Conference on Financing for Development 2015, noted the enormous burden non-communicable diseases (NCDs) place on developed and developing countries; as part of a comprehensive strategy of prevention and control, price and tax measures on tobacco (alcohol) was identified as the most effective means to reduce consumption of these unhealthy products and healthcare costs and present a revenue stream for financing development in countries.

HOW TOBACCO USE AFFECTS GHANA

According to the tobacco atlas, more than 5,000 Ghanaians die from tobacco related diseases and the economic cost amounts to some ₵97million Ghana Cedis. Government can save 22,000 lives by 2025 by implementing all of the WHO "Best Buys". The Ghana 2017 Global Youth Tobacco survey in Junior high schools revealed that of 8.9% of students, 8.9% boys and 8.2% girls currently use tobacco products. 7.0% boys and 5.3% girls currently smoke tobacco while 0.4% of boys and 1.7% of girls smoke shisha.

A recent observational study conducted by Vision for Alternative Development (VALD) proved that tobacco and alcohol are very cheap products in Ghana and this has led to a rise in consumption. A stick of cigarette costs only 20pesewas (pack of 10sticks is 1.50cedis (0.30cents)) and a sachet of alcohol costs as low as one cedis (0.20cents). Factually, the low cost of these products targets vulnerable youth and the poor, yet when they contract NCDs the cost of treatment are not covered by the National Health Insurance (NHIS). Pitifully, poor people spend 10 – 15 % of their household income on tobacco products thereby shifting their household expenditure from basic needs like food, education and shelter to these unhealthy products. Sadly, this imposes financial hardship, worsens their poverty level and further widens the poverty gap.

GLOBAL BEST PRACTICES

 **The PHILIPPINES:** In December 2012, Philippines passed the Sin Tax Reform bill which increased taxes on all tobacco and alcohol products, providing a new injection of funding for government to finance universal health care and scaling up NCD prevention services in primary care. In 2019 came Universal Health Coverage Act 2019, entitling all Filipino citizens to lower health care expenses through PhilHealth, funded in part by increases in tobacco and alcohol excise taxes. The excise tax is 60.61% of the retail price of tobacco.

 **MEXICO:** Mexico's Sugar Sweetener Beverages (SSBs) tax introduced in 2014 led to a drop in consumption of sugary drinks by over 5 per cent in the first year and almost double in the second year, with the biggest drop (12 per cent) on families with lowest incomes. This reduction in consumption is expected to lead to almost 200,000 fewer type 2 diabetes cases, over 20,000 fewer strokes and heart attacks, and 18,900 fewer deaths by 2022. The tax will save Mexico and its health service almost one billion US dollars. The excise tax is 53.2% of retail price of tobacco.

 **MAURITIUS:** Mauritius applies best practices for tobacco taxation in Sub Saharan Africa. The country has the highest share of excise and total taxes as a percent of retail price of most-sold cigarette brands, in line with WHO recommendations. It also employs a pure specific excise tax system with a uniform tax rate; and has continually made cigarettes more expensive since 2008. The excise tax is 70.5% of the Retail Price of cigarette.

 **EGYPT** - In 2018 Egypt adopted a Universal Health Coverage Law supporting health care for everyone including the nearly 30% of Egyptians who cannot afford to pay. The initiative is partly funded by tobacco taxes and polluting industries including cement. The excise tax is 77.19% of retail price.

Information on country facts from Tobacco Atlas indicates that while Ghana's excise tax is 16.06% of retail price of tobacco, a number of other Sub-Saharan African countries are inching towards the attainment of the WHO 70% threshold, thereby making tobacco expensive and these include Egypt 77.19%; Mauritius 70.5%; Sudan 63.6%; Madagascar 63.6%; and Seychelles 57% of retail prices [sourced: September 2020]. It is imperative for Government of Ghana to increase tax on the retail price of tobacco, alcohol and unhealthy products now.

GHANA'S CURRENT TOBACCO TAXATION

The excise tax levied on tobacco products is at ad valorem rate of 175% of the Cost, Insurance, and Freight (CIF). However, since the CIF value is a small fraction of the retail price, the excise tax as a percentage of the retail price currently stands at 16.06%, which is way below the WHO FCTC of 70%. The WHO FCTC recommended that countries implement specific excise tax or mixed excise tax systems with a minimum specific tax floor, as these systems have considerable advantages over purely ad valorem systems. The ad valorem systems are possible to be evaded since not all merchants and distribution points are mandated to charge the VAT, NHIL and the other taxes (Tobacco Taxation Action Research in ECOWAS Region Country Situation Analysis on Ghana, 2012). It is in light of this that we propose the use of uniform specific excise tax on tobacco products which can be increased at regular intervals in line with international best practice.

TACKLING THE GHANA SITUATION

While acknowledging the quality delivery of healthcare by government, we call for the expansion and acceleration of initiatives employed in the management of NCDs and hazardous life styles in Ghana. At 16.06% retail price, Ghana trails miserably behind the 70% WHO minimum benchmark target. Sardonicly, tobacco products received no tax rise from 2015 to 2020, significantly evident in the costing of tobacco products locally. Tobacco tax is often misconstrued as regressive and affecting vulnerable young people and the poor. Ironically, it is evident that poor tobacco consumers are more responsive to increase in price than high income consumers and therefore benefit more by avoiding death and diseases associated with tobacco use. A progressive increase in tobacco tax will protect the poor and vulnerable, reducing the poverty gap and protecting unborn children. As co-chair of the SDGs advocates and vision bearer of the "Ghana Beyond Aid" agenda, it is our hope that His Excellency President Nana Akufo Addo will champion the use of increased tobacco and unhealthy product tax to raise more revenue to expand quality healthcare delivery and reduce drastically our reliance on aid ahead of achieving the ultimate goal of a "Ghana Beyond Aid".

RECOMMENDATIONS FOR CONSIDERATION INTO 2021 BUDGET STATEMENT

We hereby submit the under listed recommendations for consideration into the 2021 budget statement and beyond;

1. Remove all tax incentives from local and foreign tobacco and unhealthy products
2. Increase the ad valorem excise tax on tobacco by 50%, a rise from 175% to 252%
3. Increase by 50% tobacco retail price to meet WHO minimum benchmark of 70%
4. Expand the tax base by calculating taxes on retail price, not the Cost Insurance Freight (CIF)
5. Increase by 50% taxes on all local and foreign alcohol and SSBs

PROPOSED FURTHER ACTIONS

- Legislate to adopt ECOWAS call for tax regime change from ad valorem to Specific Tax
- Train and Retool task force team officials of (MOH), GRA and other related agencies to fight illicit tobacco trade in line with WHO/FCTC illicit trade protocols
- MOH should collaborate with CSOs to amplify campaigns on tobacco and alcohol tax increment and the associated health benefits

CONCLUSION

Research evidence prove that if countries increase their excise taxes to raise prices on tobacco, alcohol and sugary beverages by 50%, over 50 million premature deaths will be avoided worldwide over the next 50 years. This action will also accrue over US \$20 trillion of additional revenue in present discounted value. Governments however face strong opposition to raising taxes on tobacco and other unhealthy products from the production industry and their allies who raise concerns of employment and illicit trade. Excise tax policy, a highly effective measure for reducing tobacco consumption and an avenue for mobilizing huge health revenue benefits is underutilized. Ghana must take advantage of this opportunity to curb the havoc of tobacco and unhealthy products and raise substantial revenue to expand our health delivery while also achieving the ultimate goal of a Ghana beyond aid.

RESOURCES

- The Tobacco Atlas – Ghana_country_facts – <https://www.tobaccoatlas.org/country/ghana>
- World Health Organization. *Tobacco and waterpipe use increases the risk of suffering from COVID-19* (Geneva: WHO, 2020). <http://www.emro.who.int/tfi/know-the-truth/tobacco-and-waterpipe-users-are-at-increased-risk-of-covid-19-infection.html>
- *WHO Report on the Global Tobacco Epidemic, 2019: Offer to help quit tobacco* (Geneva: WHO, 2019) https://www.who.int/tobacco/global_report/en/.
- *WHO, FCTC: The Economic and Health Benefits of Tobacco Taxation* (Geneva: WHO, 2015)
- Needs Assessment of the implementation of WHO FCTC in Ghana <https://www.ghanahealthservice.org/ghs-item-details.php?cid=5&scid=55&iid=52>
- NCDs country facts <https://www.who.int/nmh/publications/ncd-profiles-2018/en/>
- Report on Non-Communicable Diseases. Geneva: WHO; 2011. Ericksen M, Mackay J, Ross H.

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