



**VISION FOR ALTERNATIVE  
DEVELOPMENT - GHANA**

# **A BASELINE ASSESSMENT OF TOBACCO TAXATION IN GHANA**

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# **2023**



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# ACRONYMS AND ABBREVIATIONS

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<b>WHO</b>	World Health Organization
<b>FCTC</b>	Framework Convention on Tobacco Control
<b>CIF</b>	Cost Insurance and Freight
<b>GHS</b>	Ghana Health Service
<b>GRA</b>	Ghana Revenue Authority
<b>UN</b>	United Nations
<b>PED</b>	Price Elasticity of Demand
<b>BAT</b>	British American Tobacco
<b>BATG</b>	British American Tobacco Ghana
<b>BATWCA</b>	British American Tobacco West and Central Africa
<b>VAT</b>	Value Added Tax
<b>VALD</b>	Vision for Alternative Development
<b>COVID-19</b>	Corona Virus Disease 2019
<b>CHRL</b>	COVID-19 Health Recovery Levy
<b>GYTS</b>	Global Youth Tobacco Survey
<b>ECOWAS</b>	Economic Community of West African States

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# EXECUTIVE SUMMARY

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Tobacco use claims about 8 million lives worldwide, while it costs the global economy an estimated US\$1.4 trillion. In Ghana, tobacco-attributable mortality is over 5,000 per year (about 6,639 deaths in 2019) and an associated economic cost of 0.1% of GDP. Tobacco consumption is a significant public health concern and a threat to Ghana's development. While smoking rates have declined over the past two decades, there are still a substantial number of people who smoke. For instance, in 2015, about 804,000 Ghanaians (15+ years) smoked cigarettes daily, a number projected to reach 1.7 million by 2025.

Ghana was one of the first African countries to ratify the WHO FCTC in 2004, and a key among Ghana's obligations under the FCTC is the use of taxation to control tobacco use. Yet, implementing tobacco taxation in line with WHO FCTC guidelines and international best practices has been undesirable. To address this, and following extensive consultations with various stakeholders, Ghana reformed its tobacco tax structure in 2023.

The Government expects the reforms to alter retail prices, simultaneously reducing consumption and generating revenue. This report aimed to provide information on some selected indicators (prices, consumption and revenue), which may serve as a baseline for future evaluation of the reforms. The study's main finding revealed that Ghana's overall tax burden stood at 31.75%, ranking higher than Benin, Cape Verde, Guinea-Bissau, Mali, and Sierra Leone. Tobacco excise revenue stood at GHS104 million in 2019.

Cigarette retail prices increased between May and July 2023. Extensive consultations, stakeholder support and research evidence resulted in the tax reforms, although stakeholders are concerned that the industry may absorb all or part of the tax. With this information, there is a baseline to serve as a comparator for future evaluation.

# **ACKNOWLEDGEMENTS**

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The development of this report, undertaken by the Vision for Alternative Development (VALD) with funding from the Tax Justice Network Africa as part of the initiative to enhance tobacco taxation in Ghana, stands as a collaborative effort fueled by the dedication and support of various stakeholders. The invaluable contributions of individuals and organizations alike have been instrumental in shaping the comprehensive insights presented herein.

Foremost, we extend our deepest appreciation to the eminent researchers whose guidance and expertise steered the trajectory of this endeavor. Michael K Boachie (lead consultant), along with Mustapha Immurana (Senior Research Fellow at UHAS, Ghana), Abdul Aziz Iddrisu (Associate Professor at the Kumasi Technical University), Divine Darlington Logo (Principal Health Research Officer at the Ghana Health Service), and Emmanuel Ayifah (Deputy Country Director of Send Ghana) have played pivotal roles in shaping the contours of this report. Furthermore, we acknowledge the invaluable contributions of our diligent research assistants, Godfred Tweneboah Kodua, Mabel Worlasi Dzenu, and Bismark Acquah Louis, whose commitment and assistance were integral to the completion of this project.

Special recognition is extended to Labram M. Musah, the esteemed Executive Director of Programs of VALD-Ghana, whose profound insights, meticulous review, and unwavering support significantly enhanced the quality and relevance of this report. We extend our gratitude to the Ghana Revenue Authority (GRA), and Food and Drugs Authority (FDA), as well as officials from the Ministries of Health and Finance, whose provision of data and insights into excise taxation and tobacco control in Ghana enriched the depth of this report. The invaluable feedback provided by the reviewers from REEP, University of Cape Town specifically Dr. Zunda Chisha is duly acknowledged and appreciated.

We are indebted to all participating stakeholders who generously shared their expertise and insights during the data collection and consultation meetings. Their collaborative spirit and invaluable inputs have fortified the relevance and applicability of this report in the context of tobacco taxation in Ghana. We express our profound gratitude to the dedicated staff of VALD Ghana, whose administrative support and commitment were indispensable to the successful completion of this report.

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# **SECTION 1**

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## **Introduction**

### **Why this study**

Globally, tobacco use is one of the leading preventable causes of death, killing more than 8 million people yearly<sup>1</sup>. Tobacco consumption also burdens the global economy annually, with an estimated US\$ 1.4 trillion in healthcare costs and productivity losses.<sup>2</sup>

In 2015, the prevalence daily cigarette smoking among children (aged 10-14 years) stood at 0.17% of boys and 0.21% of girls, while 13.1% of males and 0.4% of females adults smoked cigarettes daily<sup>3</sup>. Undoubtedly, tobacco use has emerged as a significant public health concern in Ghana. Notably, in 2016, around 4% of male deaths (3,900) and 1% of female deaths (1,092) were attributable to tobacco use. Moreover, an estimated 75 men and 21 women succumbed to tobacco-related causes of death weekly<sup>3</sup>. Although cigarette smoking remains the most common form of tobacco use, other forms of tobacco, such as pipe smoking (shisha), chewing, sniffing, smokeless tobacco, and tawa use, also exist in Ghana.<sup>4</sup> It is estimated that about 114,800 people use smokeless tobacco, indicating an ongoing public health challenge, including heightened levels of oral cancers.

Apart from the adverse effects of tobacco in terms of morbidity and mortality, it also has possible welfare implications on the household since it has a crowding-in and crowding-out impact on household expenditure. Researchers have estimated the economic cost of smoking in Ghana to be 0.1% of GDP, encompassing direct expenses related to health care expenditures and indirect costs associated with lost productivity due to early mortality and morbidity<sup>2</sup>. Considering the burden tobacco smoking imposes on the Ghanaian economy, effective tobacco control measures are necessary. Consequently, the use of taxation to reduce demand for tobacco products, as outlined in Article 6 of the WHO Framework Convention on Tobacco Control (WHO FCTC, 2005)<sup>5</sup>, is needed for effective tobacco control.

The FCTC, the world's first public health treaty developed under the auspices of the World Health Organization (WHO), establishes evidence-based tobacco control measures, which all parties to the Treaty are legally obliged to implement<sup>6</sup>. Negotiations for the FCTC, which began in 1999, caused considerable alarm among transnational tobacco companies (TTCs), particularly British American Tobacco (BAT), the dominant company in Africa and Ghana<sup>7</sup>. As the only region where smoking rates are still growing, Africa stands to gain tremendously from the FCTC because its effective implementation would stop the tobacco epidemic from growing further.

African countries' full compliance with the FCTC would threaten the tobacco industry's long-term profitability while decreasing the health and economic burden of tobacco use in Africa. Despite the industry's concerted efforts to impede the FCTC's development, the Treaty came into force in 2005, leading to significant tobacco control advances. Yet, progress on the implementation of all FCTC protocols has been slower than expected, particularly in Africa.<sup>7</sup>

Ghana ratified the WHO FCTC in 2004 and the Protocol to Eliminate Illicit Trade in Tobacco Products in 2021. In doing so, the country demonstrated its commitment to tackling the tobacco threat and improving the lives of its citizens. In 2012, Ghana domesticated the WHO FCTC through the passage of the Public Health Act (Act 851), which included tobacco control measures and the adoption of the Tobacco Control (TC) regulations (L.I.2247) in 2016. The Government of Ghana adopted the Food and Drugs Authority (FDA) Guidelines for Labelling of Tobacco Products (first adoption in 2013, effective date in 2019)<sup>8</sup> and Smoking Cessation Guidelines in 2017.<sup>9</sup>

These regulations and laws provide Ghana's policy and legal framework for tobacco control. However, enforcement of some sections of the law/regulation is weak. For instance, the prohibition of smoking in public except in a designated smoking room, prohibition of selling tobacco products in health and educational institutions except in tertiary institutions, sale of cigarettes to and by minors, etc., among others, are not being enforced and many people are not aware of the existence of these laws.<sup>10</sup>

Despite all these measures in place, tobacco remains highly visible, accessible and affordable. As a party to the WHO FCTC, Ghana must implement FCTC Article 6 by using tax and price measures to control tobacco use. Evidence shows that significantly increasing tobacco excise taxes that result in higher prices is the most potent and cost-effective measure for reducing tobacco use.<sup>11</sup> Raising taxes on tobacco products, which leads to increased retail prices, makes tobacco products less affordable.<sup>11 12</sup> Studies in Ghana have shown that tobacco consumption responds to price changes and that making tobacco products less affordable through taxation is necessary for tobacco control. However, Ghana's excise tax system (prior to May 2023) on tobacco (ad valorem) formed a small percentage of the overall price of tobacco products, necessitating reforms.

To combat the rising rates of tobacco consumption in the West African region, ECOWAS adopted a new directive on tobacco taxation in December 2017.<sup>13</sup> The directive introduced a minimum ad valorem excise (50%) on tobacco. This rate is levied on the producer price, which is very low compared to the retail price in West Africa and, therefore, has a tiny impact on the total tax charged. Notably, the ECOWAS Directive also introduced a minimum specific tax of USD 0.02 per cigarette, which does not depend on prices and is more effective in increasing the total tax burden.<sup>13</sup>

VALD Ghana and other health CSOs led advocacy actions to support revision of Ghana's excise duty structure to improve tobacco control. Ghana's previous experience with a hybrid excise tax structure derailed revenue projection and has become the tune to refrain from a hybrid excise tax structure. The legislation passed by Parliament in March 2023 seeks to reform the tobacco tax regime that existed before March 2023 to adhere to ECOWAS directives. Indeed, the revision is long overdue since it has been more than a decade for these reforms to occur. The last excise tax reforms occurred in 2007 and were implemented only in 2008 and 2009.

Because the tax reforms are expected to change retail prices and consumption patterns, it is imperative to provide a baseline data that will allow for critical reflection and assessment of the effect of implementing the new excise tax bill on tobacco control in Ghana. Thus, relevant research will provide evidence to inform the implementation of the excise duty tax and future policy direction to strengthen tobacco control.

The study endeavoured to establish a baseline assessment of tobacco taxation and the broader tobacco environment by reviewing existing studies on tobacco taxation in Ghana, examining the legal and policy context of tobacco taxation, and considering the broader environment of the tobacco sector—the resulting insights aimed to inform the process of implementing the excise tax. Additionally, the study aimed to produce accurate and reliable data, thereby playing a crucial role in advocacy. This study sought to conduct a baseline assessment of tobacco taxation in Ghana, building on a prior VALD-commissioned report.<sup>10</sup>

## Objectives and Scope of the study

The objective was to generate essential evidence for evaluating the impact of tobacco tax reforms on tobacco control. The study sought to inform the implementation of the excise tax bill, guide future policy, and support effective Public Health and Tobacco Control initiatives aligned with Ghana's Tobacco Control Measure of Act 851 and WHO FCTC obligations. Specifically, the study was to:

1. Provide baseline data on cigarette prices, consumption and revenue.
2. Obtain stakeholders' perspectives on the implementation of the tax reforms.
3. Provide information on the challenges faced and measures adopted during the implementation of the tax reforms.

## SECTION 2

### A tax system in need of reforms

#### Excise Taxes and other levies in Ghana

Tobacco products have long been subject to excise tax in Ghana (Table 1). Products such as cigarettes, cigars, and cheroots attract the excise tax, whether imported or locally produced. Aside from the excise tax, other taxes are levied on tobacco products, including sales tax/value-added tax (VAT), import duty, and a health insurance levy.<sup>14</sup><sup>15</sup> In 2020, the emergence of COVID-19 birthed a new tax item known as the COVID-19 recovery levy (Table 4).

Table 1 : Cigarette taxes for selected years in Ghana

	Excise Tax (% of Ex-factory price/CIF)	Sales Tax/VAT
1980	185.72	15.00
1990	180.04*	15.00
2000	140.00	12.50
2010	150.00	15.00** #
2016	175.00	17.50**#
2022	175.00	17.50**#

Notes: \* average for the year; \*\*inclusive of health insurance levy; # base is retail price.

Compiled by the authors from WHO data, tobacco industry documents and various publications of the Government of Ghana.

Since the 1960s, Ghana has employed the ad valorem tax structure for its excise tax. This tax is calculated based on the ex-factory price or cost, insurance, and freight (CIF), with the rate fluctuating over time (refer to Table 1).<sup>14</sup><sup>16</sup>

Governments introduce health taxes for various reasons as summarised by Lane, et al.<sup>17</sup> Firstly, they implement these taxes to generate revenue, such as taxing cigarettes and alcohol. Secondly, health taxes address externalities, such as taxes on the production of non-biodegradable plastics to mitigate environmental consequences. Third, many people fail to account for the future costs of their actions.

In the early years, Ghana's tobacco tax structures were generally for revenue generation and gave little or no regard for health improvements. Ghana gains revenue from these taxes (refer to Table 2), and since health taxes are win-win policies, there has been an enhancement in health, reflected in the reduction of smoking prevalence over the years. Although a specific tax was introduced in 2008, contributing to increased revenue from tobacco excise tax (see Table 2), it was short-lived.

Table 2 : Tobacco tax revenue in Ghana, 2006 – 2019, in million GH¢ and US\$

Year	Tax Structure	Total Tax*		Import Excise	
		GH¢	US\$*	GH¢	US\$*
2006	Ad valorem	0.49	0.53	0.38	0.42
2007	Ad valorem	19.0	320.41	16.03	17.19
2008	Specific	20.60	19.58	18.96	18.02
2009	Specific	27.96	19.90	25.16	17.91
2010	Ad valorem	29.83	20.86	23.18	16.21
2011	Ad valorem	37.81	24.86	29.66	19.51
2012	Ad valorem	52.15	28.58	41.07	22.51
2013	Ad valorem	58.81	29.68	46.23	23.33
2014	Ad valorem	96.91	33.46	73.16	25.26
2015	Ad valorem	73.48	19.78	55.28	14.88
2016	Ad valorem	114.29	29.23	88.01	22.51
2017	Ad valorem	87.63	20.14	66.98	15.40
2018	Ad valorem	118.41	25.82	90.66	19.77
2019	Ad valorem	104.20	20.36	80.77	15.48

Source: GRA , <sup>18</sup>, Otchere, et al. <sup>19</sup> \* includes all taxes on tobacco.

\* Based on year-specific official exchange rate.

The reason for the specific restructuring was revenue generation purposes.<sup>14</sup> This new tax structure affected all non-petroleum excisable products (tobacco, alcoholic and non-alcoholic drinks), with the Government assuming tax neutrality. Thus, the Government evaluated the policy's effectiveness in collectively increasing non-petroleum excise tax revenue.<sup>14</sup> Ghana's Ministry of Health <sup>14</sup> states that the decline in overall excise tax revenue from non-petroleum products under the then-specific tax resulted in the return of the purely ad valorem system in 2010.

The ad valorem system did not meet the requirements of WHO FCTC Article 6 Implementation Guidelines. The total tax share as a proportion of the retail price is below the WHO-recommended 75% total tax burden threshold and is lower than that of countries like Liberia and Gambia.

Table 3: Tax share and price of 20 cigarettes pack of the most sold brand in Ghana

Year	Excise Tax as % of Retail Sales Price (RSP)	Total Tax as % of RSP	Price of Most Sold Brand (MSB) in GH¢	Price of MSB in Official Exchange Rate
2008	9.03%	22.23%	2.00	1.39
2010	9.68%	22.88%	2.00	1.06
2012	13.02%	28.31%	2.50	0.82
2014	13.02%	28.10%	4.99	1.26
2016	16.06%	31.30%	4.99	1.06
2018	16.06%	31.30%	4.99	1.06
2020	16.51%	31.75%	5.00	0.88

Source: WHO<sup>20</sup>

Table 4: Various taxes on cigarettes in Ghana, 2022

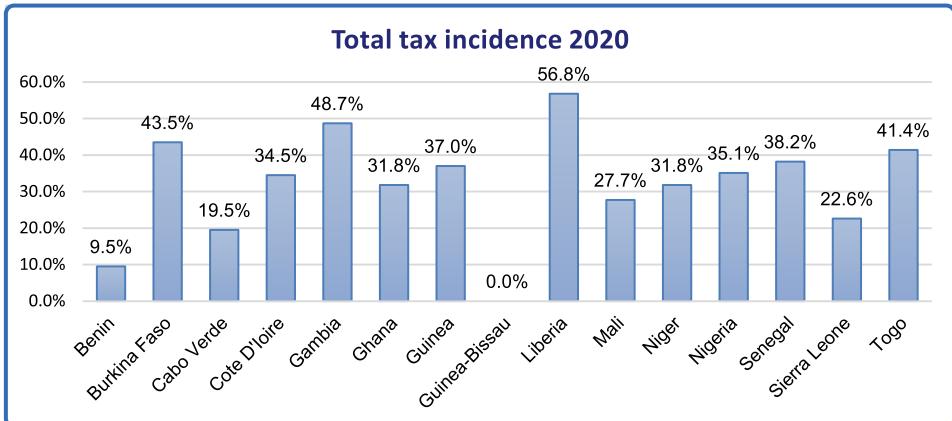
Tax	Rate	Base
Import Duty	20%	CIF
Excise	175%	(CIF+ Import Duty)
ECOWAS Levy	0.5%	CIF
EDIF Levy	0.5%	CIF
NHIL	2.5%	CIF + Import Duty + excise duty
GETFL	2.5%	CIF + Import Duty + excise duty
COVID-19	11%	CIF + import duty + excise duty
VAT	15%	CIF + Import Duty + NHIL+GETFL + excise duty

CIF is the Cost, Insurance and Freight, EDIF is Export Development and Investment Fund Levy,

NHIL is National Health Insurance Levy and GETFL is Ghana Education Trust Fund Levy

Despite the many levies on tobacco products (Table 4), the taxes formed just a small fraction of the retail sales price, as shown in Table 3 and Figure 1. Thus, the tax share of the retail price is far below the WHO recommended levels of 70% of the excise tax burden and 75% of total tax burden, as shown in Table 3. Indeed, implementation of FCTC Article 6 is low in the ECOWAS/WAEMU region since many countries rely heavily on the ad valorem system. As of 2020, none of the countries in the ECOWAS/WAEMU region had a tax burden above 65%, indicating the need for extensive reforms of the tobacco tax structure.

Figure 1: Total Tax Incidences among ECOWAS/WEAMU Countries in 2020



Source: WHO<sup>20</sup>

Given the weaknesses of the ad valorem tax, academics, health tax experts and civil society organisations such as VALD advocated for a change in the tax structure to align with international best practices such as the WHO FCTC guidelines. Indeed, such efforts date back to 2010<sup>14</sup> when a needs assessment was conducted by the WHO FCTC Secretariat and subsequent simulation exercises in 2014.<sup>21</sup>

The call for reforms in the tax regime has grown stronger over the past few years, marked by a series of meetings and workshops conducted from 2021 to 2023. Participants included officials from the Ghana Revenue Authority, Food and Drugs Authority, Ministry of Finance, Ministry of Health and many other CSOs and academics. Academics have contributed to designing and implementing tobacco control policies in countries such as St. Helena.<sup>22</sup> Their role has mainly been providing research support to civil society organisations or providing evidence for advocacy to policymakers, and indeed they have provided evidence on many studies on the economic aspects of tobacco control, such as elasticity estimation<sup>23</sup> and simulations.<sup>21,24</sup>

These multistakeholder collaborations strongly supported the passage and implementation of the Excise Duty (Amendment) Act, 2023 (Act 1093) on tobacco tax reforms in Ghana, which became effective on 01 May 2023, following its approval on 31 March 2023. Thus, the Government of Ghana has shifted from the purely ad valorem system that existed before May 2023 to a mixed tax structure. The new tobacco tax regime includes a specific excise tax of GHS0.28 per cigarette and an ad valorem rate of 50% of the ex-factory price or CIF. This structure means that every 20-pack cigarette attracts a minimum of GHS5.60 tax. Thus, importers or manufacturers of cigarettes will be required to pay GHS5.60 in addition to 50% of the ex-factory price of 20-pack

cigarettes. The excise tax is exclusive of other taxes such as COVID-19 Levy and NHIL, meaning that these special taxes/levies are calculated separately and added to the excise tax (specific + ad valorem tax) for importers or manufacturers to pay. The minimum tax on cigarettes also means that any cigarette sold below this threshold is likely to be illicit since the taxes might not have been paid.

Aside from the excise taxes charged at the point of entry or production point, tobacco products must also have tax stamps to be eligible for sale on the market. Manufacturers and importers also pay for these tax stamps separately

The weaknesses of the ad valorem system and the need to strengthen tobacco taxation for effective tobacco control necessitated the reforms. It is, therefore, imperative to provide baseline data to assist advocacy groups in monitoring the progress of the tax system.

## **SECTION 3**

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### **Methodology**

#### **Study design**

The study used a mixed-method design that combined quantitative and qualitative data collection techniques. The study was structured to acquire data on cigarette prices, brands, consumption trends, and stakeholders' perspectives regarding tobacco taxation. Furthermore, the researchers employed interview guides to extract information from key stakeholders to achieve the research objectives.

#### **Data Collection**

Given the study's focus and objectives, we used secondary and primary data sources. The secondary data collection encompassed an extensive content analysis examining existing pertinent data, in-depth reviews of relevant tobacco control and policy documents, and a comprehensive literature review on tobacco economics.

#### *Cigarette Consumption*

Cigarette consumption data were collected for 2007 – 2022 using secondary sources, mainly from the GRA documents and the UN Comtrade database. In some cases, we used forecasting techniques to obtain the estimates.

#### *Cigarette brands and prices*

Data on retail prices and brands exists for prior years.<sup>24 25</sup> To obtain data specific to 2023, the researchers conducted two separate field surveys — one in the first week of May 2023 and the second in July 2023. The first survey was carried out before the inception of the new tax regime, while the second occurred three months into its implementation. The researchers designed these surveys to collect data on brands and their respective prices systematically.

The researchers purposively selected major cities in the three ecological zones of Ghana, encompassing Wa (Upper West), Navrongo (Upper East), Tamale (Northern), Ho and Hohoe (Volta), Kumasi (Ashanti), and Accra (specifically Nima, Oyarifa, and East Legon in Greater Accra). The selection of cities was based on resources and time. Dedicated data collection teams in each region ensured the accuracy and representativeness of data. In total, the teams visited an average of 10 shops per town, covering a total of 90 shops. These shops, which consisted of supermarkets, open shelves, shops, pubs, and bars were conveniently visited. Our choice of convenience sampling approach was solely based on time and financial resources.

A standardised instrument was used to gather data on cigarette brands and prices, ensuring consistent data capture. This instrument included information on the pack size of the cigarette brands (e.g., pack of 20-cigarettes). The instrument also allowed for data on single-stick sales to be collected. The research assistants initiated the data collection process by obtaining consent from shop attendants, retailers, or shop managers, explaining the study's objectives. Upon agreeing to participate, these individuals were requested to furnish information on the available cigarette brands and their respective retail prices. Given unannounced visits by GRA task force, many retailers feel uncomfortable when people ask questions about excisable products such as cigarettes. For some retailers, the team members purchased the products to access prices.

### *Stakeholder perspective*

We conducted Key Informant Interviews (KII) to deepen understanding and contextualise issues and information identified in the extensive content analysis and/or literature review. In collaboration with VALD Ghana, we identified participants for the KII, comprising members from the Ghana Revenue Authority (GRA), Ministry of Finance, Ghana Health Service (GHS), Ministry of Health, and Food and Drugs Authority (FDA).

## **Data Analysis and Reporting**

For qualitative data, we utilised manual thematic analysis, coding, and thematically identifying key issues and decisions aligned with each research objective. This approach involved inductive and deductive methods, yielding a narrative summary for each theme. Conversely, quantitative data underwent analysis in applications like Microsoft Excel, utilising basic descriptive and summary statistics.

## SECTION 4

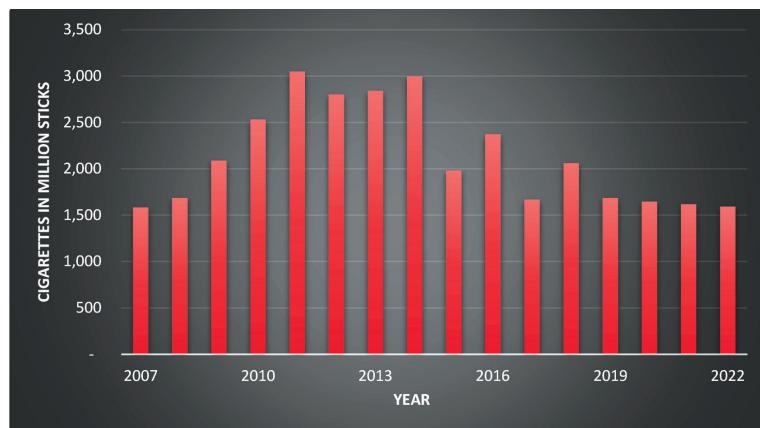
# Brands, Prices, Consumption and Stakeholder Perspectives

This section presents the cigarette brands, prices, and stakeholder perspectives on the new regime. The price information will allow for the future evaluation of the tax systems

## Cigarette Consumption

Cigarettes constitute over 90% of all tobacco products consumed in Ghana,<sup>26</sup> with an average of 2.4 billion cigarettes consumed yearly between 2007 and 2015, and about 1.6 billion cigarettes during 2020-2022 (Figure 2).<sup>18</sup> The consumption is measured by total kilogram imports and converted into sticks, assuming that a cigarette weighs 1 gram.

Figure 2: Cigarette consumption in Ghana, 2007 – 2022.



Source: GRA<sup>1</sup> ; authors' forecast. Note: data for 2020-2022 are based on projections

Figure 2 shows that, although cigarette consumption fell in some years, on average, it grew by 0.03% annually between 2007 and 2019. Data beyond 2019 is scant. Therefore, based on past consumption trends, we forecasted consumption for the 2020 - 2022 period.

## Cigarette Brands

The survey recorded 19 cigarette brands across the study areas (Table 5). British American Tobacco primarily marketed these brands, including Business Royals, State Express 555, Rothmans, and Pall Mall. Other brands on the market included Mondo, Time, Timeless Time and Oris. The presence of cigarette brands exhibited variations

across cities, with notable disparities observed. In Ho, precisely, information on specific brands, including Fisher, Gold Seal, State Express, Tusker, Time, and Mond, was not identified. In contrast, the brand Rothmans demonstrated consistent availability in all towns and cities under consideration. This detailed analysis underscores the nuanced landscape of brand distribution within the surveyed locations.

Table 5: Average retail price (in GHS) of 20-pack cigarettes, May and July 2023

	Northern		Upper West		Greater Accra		Volta		Ashanti	
Brand name	May	July	May	July	May	July	May	July	May	July
Business Royals	6.00	6.00			15.00	20.00	15.00	27.50		
Fisher			8.00	8.00						
Gold Seal			6.00	6.00			10.00		13.00	
London Brown	11.00	18.00	16.00	17.00	12.50	17.50	18.30	20.00	10.00	19.00
Oris	8.00	8.00	14.00	15.00	11.00	13.50	14.30	22.50		
Pall Mall	9.00	14.00	13.00	13.00	9.33	13.33	15.60	25.00	11.00	15.00
Rothmans	16.00	20.00			21.00	26.67	18.00	22.50	13.75	
Sir								35.00		
State Express			20.00	20.00	25.00	35.00	20.00	30.00	15.00	22.00
Timeless Time								25.00		
Tusker					5.00	10.00				
Pride	6.00	6.00	16.00	16.00			15.30	20.00		
Time									7.00	
Mond	5.00	6.00								6.00
King size							25.80	37.50		20.00
Embassy									12.00	
Marlon									6.00	
United Royals									6.00	
New Port									12.00	
Average	8.71	11.14	13.29	13.57	14.12	19.43	16.92	26.50	10.58	19.00

Source: Field survey, 2023

## Cigarette Prices

We Observed variations in price dynamics across towns and cities on cigarette brand collections. These disparities can be attributed, in part, to divergences in the cost of living and demand patterns within these areas. A specific illustration is evident in Greater Accra, where the average retail price of a 20-pack of Rothmans cigarettes stood at GHS21 in the first week of May 2023, escalating to approximately GHS27 by July 2023. Consequently, the overall average price for a pack of cigarettes in Greater Accra increased from GHS14.12 in May to GHS19.43 in July. Cigarettes are relatively cheaper in Northern Ghana, with an average price ranging from GHS8.71 to about GHS14 during the period. The higher prices recorded in July may be due to the tax which manufacturers are passing on to consumers.

# Stakeholder Perspectives on the new tax structure

## Why the new tax structure

Officials from the Ghana Revenue Authority, Food and Drugs Authority and Customs Division of the Ghana Revenue Authority shed light on the processes leading to the passage of the 2023 Excise Amendment Bill- through a key informant interview. According to the officials, the current Excise Amendment Bill was timely and appropriate for many reasons, leading to the reforms. One of the main reasons was that the tobacco tax burden in Ghana is very low (Table 3), and there was a need to ensure that the country met the WHO recommended level, as expressed in the following quote:

 **To align tobacco excise taxes to the WHO's directive of tobacco tax as a percentage of the retail price.** 

A notable weakness inherent in the ad valorem tax structure is its susceptibility to potential industry manipulation of costs, often resulting in a lower base for tax calculations. Tobacco control experts have widely acknowledged this concern, and officials expressed a shared perspective on this matter:

 **Manipulation of tobacco prices by the industry as the ad valorem system was subject to the material the industry used for production and as such was susceptible to industry manipulation** 

In 2017, ECOWAS issued a directive on tobacco taxes, stipulating mandatory compliance for member countries. Despite this directive, the region has encountered substantial challenges in its implementation. Recognising the critical need for a harmonised tax structure, stakeholders underscored the urgency and importance of effectively executing the ECOWAS directive. This acknowledgement stems from the broader goal of fostering consistency and policy coherence in tobacco taxation practices across member countries within the region.

 **To align tobacco excise taxes with the ECOWAS directives and that of the WHO FCTC** 

One of the benefits of tobacco taxation is the revenue generated from such taxes. Indeed, tobacco taxes are a win-win policy advocated by experts. Given the need to mobilise more revenue from domestic sources, stakeholders recognised the need to reform the tax structure to increase government revenue while promoting public health.

 **To increase government revenue and increase Ghana's share-to-GDP ratio** 

In addition, some said the current bill being passed, will lead to a "dual effect of using fiscal policies to reduce cigarette consumption and increase Ghana's revenue generation. Other officials also believed that "tobacco products were very affordable under the ad valorem system and the objective of the excise taxes is to make tobacco less affordable to reduce consumption".

### *Progress made about the excise tax*

The stakeholders opine that the new tax is already showing positive results.

 **Tobacco products coming into the country are being taxed using the new excise tax rates, and it's being reflected in some of the product's market** 

They were, however, quick to acknowledge the industry strategy of keeping prices low by absorbing the tax increase. According to the officials, this will not stand the test of time.

 **We know that the industry is absorbing some of the taxes, but we know they cannot do it forever, and as time goes on, they won't be able to absorb more of the taxes, and it will reflect in the market prices on the consumers** 

### *Challenges with the reforms: pre-passage and implementation*

The passage of the bill encountered notable challenges; a sentiment underscored by participants during key informant interviews. A global trend of opposition from the tobacco industry against tax increases or reforms designed to precipitate significant declines in consumption or industry revenue was evident. This anticipated resistance was acknowledged in the Ghanaian context, as articulated by the officials

 **The industry submitted a proposal to the policymakers that we should do phased implementation instead of full implementation of the new excise tax reform as other countries are doing, else we will fail in implementation as other countries have** 

The multifaceted nature of these challenges emphasises the intricate dynamics involved in navigating tobacco-related policy changes and underscores the need for strategic approaches in policy implementation.

Moreover, the industry made concerted efforts to dissuade policymakers from endorsing specific taxes. Their argument centred on the country's elevated inflation levels, contending that implementing such taxes could result in revenue loss. This strategic lobbying underscores the industry's proactive approach to

influencing the fiscal policy to its advantage while navigating the complex interplay between economic factors and taxation policies.

### **"Policymakers fear for revenue loss due to inflation."**

Also, there was the caution that "**The ECOWAS environment was also not conducive as most countries are still struggling to implement the ECOWAS directives**".

The officials also said, "**The industry was using the delay in the issuance of new excise certificates as a means to argue non-compliance to the excise taxes**". These scare tactics have been part of the tobacco industry's strategy to keep taxes low.

Another significant challenge encountered during the passage involved the industry mobilising the general public against the bill, contending that tax increases would exacerbate their existing economic conditions.

 **The public failed to see the excise tax as a health measure; instead, they saw it as a means to burden their way of life, which resulted in opposition from the general public. This presented a huge challenge in getting their buy-in in support of the bill** 

Furthermore,

 **electronic cigarette was not part of the taxable products; however, to our surprise, e-cigarettes appeared in the bill, and we think there was tobacco industry interference. This is because all deliberations we had prior to the passage of the bill had no component of e-cigarettes, but when the bill was presented to Parliament, it had a component of e-cigarettes** 

Also,

 **lack of effective sensitisation of all stakeholders on the new excise tax reforms due to lack of adequate finance** 

### *Strategies employed to address the challenges*

Officials from the Ghana Revenue Authority (GRA) have asserted that inflation-related concerns have been effectively addressed, particularly associated with the specific tax. They emphasise that the tax is pegged to the US dollar, providing a mechanism to mitigate potential inflationary impacts. Therefore, this strategic linkage to a stable currency aims to mitigate possible inflationary effects on the specific tax component, highlighting a nuanced approach to addressing economic considerations within the taxation framework.

 The specific excise tax is tied to the dollar, and most of our inflation issues are influenced by the dollar, cedi depreciation etc. We also decided to review the price to ensure that the specific excise component is equivalent to US\$0.02 for a stick of cigarettes. The US dollar is now a benchmark to ensure that inflation isn't a problem 

Another initiative leading to the success of the passage and the implementation of the bill was the readiness of the Ghana Revenue Authority to put measures in place: "**directives were prepared ahead of time to ensure the smooth rollout of the implementation process.**"

Also, the GRA assisted other agencies by "**Coordinating various agencies to commence implementation of the excise tax.**"

There was the "**Swift development of implementation guidelines (modalities and strategies as to how the tax will be collected: international- at the port, domestic front- local producers".**

Also, all the relevant stakeholders involved were decisive and firm in adopting the hybrid tax regime as against the ad valorem: "**being firm in decisions made to adopt the hybrid tax structure.**"

The GRA and other agencies were also ready to transition to the new tax regime. They "**put in place transitional arrangement in the excise stamp (system calibration, calibration of port systems) to ensure successful implementation of the tax. There was, and is still, ongoing "sensitisation and training of stakeholders and tax collectors."**"

To ensure the smooth and effective implementation of the mixed tax structure for tobacco, officials took several proactive measures:

- They initiated the registration of affected taxpayers and issued provisional certificates for excisable products, awaiting final decisions and pricing for the excise certificate.
- Civil Society Organizations (CSOs) spearheaded (and continue to) advocacy and awareness campaigns, emphasizing the importance of the excise tax. Public awareness efforts focused on conveying messages on the tax reforms are evidence-based and intended to prevent initiation.
- CSO actors actively mobilised various stakeholders in an ongoing effort to secure their buy-in and support for the tax reforms.
- Authorities in border towns were provided early notifications, anticipating a potential surge in illicit trade in tobacco products. They urged increased vigilance in all ports of entry and unapproved points to curb the influx of illicit products into Ghana.

- All relevant agencies participated in a comprehensive training program on implementing the new tax system.
- They initiated the deployment of a track and trace system currently in its pilot stages.
- Active monitoring of all social media platforms took place, targeting tobacco-related products as online marketing is prohibited. Vigilant surveillance efforts led to seizures of these products, particularly e-cigarettes.

Overall, stakeholders believe that although there are challenges in any new system, this will not affect the implementation of the new tax system. Tobacco products require tax stamps and sometimes one finds products on the market without stamps. To streamline the tax stamp administration and ensure compliance, the GRA announced a transitional period from 01 October 2023 to 31 December 2023 to allow all excisable products on the market to have tax stamps. While this transitional period does not have significant impact on the new tobacco tax system, it provides opportunities for tobacco importers and manufacturers to comply with applicable tax laws.

## **SECTION 5**

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### **Conclusion**

This study aimed to document information on tobacco, specifically regarding prices, brands, revenue and tax burden. After a thorough review of documents, consultations with stakeholders and field visits, the study established the following key findings.

### **Main findings**

1. As of 2020, the excise and total tax burdens were 16.51% and 31.75%, respectively.
2. In the ECOWAS/WAEMU region, Ghana's total tax burden of 31.75% was higher than that of Benin, Cape Verde, Guinea-Bissau, Mali, and Sierra Leone.
3. Tobacco excise revenue stood at GHS104.2 million in 2019.
4. The new tobacco tax system came into operation on 01 May 2023. In the first week of May and Mid-July, the rapid survey showed 19 cigarette brands on the market, with variations in brand availability across the regions.
5. The average retail price for a pack of 20 cigarettes in May and July 2023, respectively, were as follows:
  - a. Greater Accra: GHS14.12 and GHS19.43
  - b. Northern Region: GHS8.71 and GHS11.14
  - c. Upper West Region: GHS13.29 and GHS13.57. The average price changed marginally.
  - d. Volta Region: GHS16.92 and GHS26.50
  - e. Ashanti Region: GHS10.58 and GHS19.00
6. Stakeholders supported the tax reforms to ensure the tax burden and structure alignment to WHO FCTC and ECOWAS directives and to raise additional revenue for the Government. Stakeholders were concerned about the possibility of the industry absorbing the tax increase.
7. The main challenge during the reforms was industry lobbying and public outcry on Ghana's rising cost of living. Also, some stakeholders believed that including e-cigarettes in the tax reforms may open the floodgate for the industry to market these products aggressively.
8. Officials have implemented the following measures to ensure the system's effectiveness.
  - a. Registration of affected taxpayers and issuance of provisional certificates for excisable products
  - b. Collaborate with CSOs to educate the public on the importance of the excise taxes for health purposes to have public support.
  - c. GRA has instituted a training program on the new tax system for all agencies. The track and trace system is in its pilot stages.
  - d. Stakeholders actively monitor all social media platforms, ensuring immediate action, as online marketing of tobacco-related products is prohibited.

## Limitations

This study presents certain limitations. First, the survey of shops to collect prices did not utilise a stratified multi-stage sampling method. This was necessitated by time and resource constraints, potentially affecting the representativeness of the gathered brands and prices. Second, it is essential to note that the study does not delve into all facets of the economics of tobacco control. These limitations underscore the need to interpret the study's findings with caution and recognise that tobacco health taxes warrant further exploration and research in Ghana.

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