



**POLICY BRIEF**

**2025**

# **STRENGTHENING GHANA'S FISCAL AND PUBLIC HEALTH FUTURE**

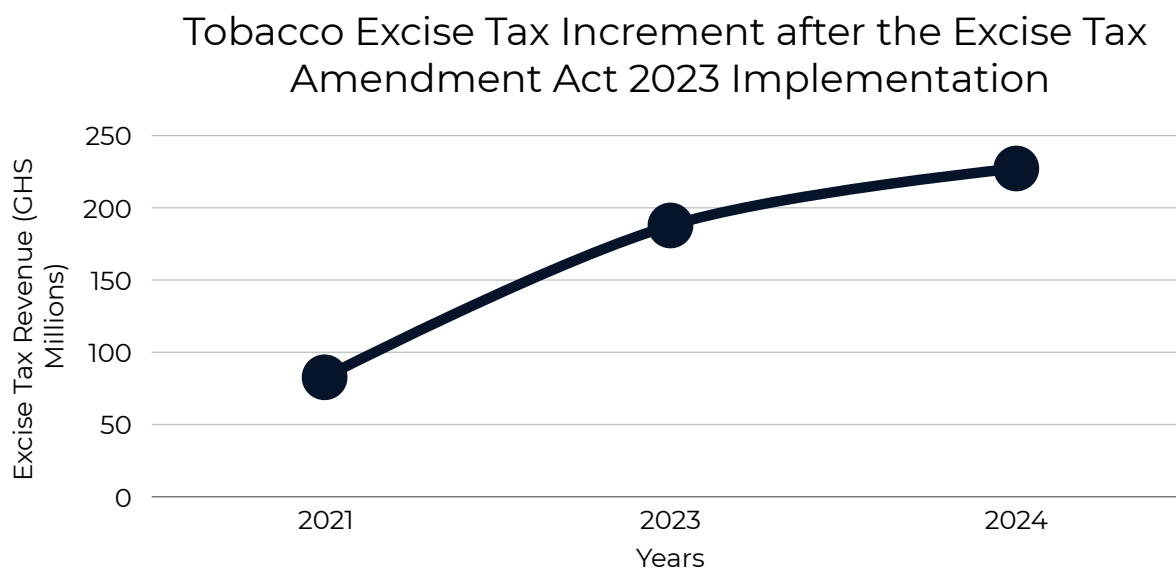
## **THROUGH HIGHER EXCISE TAXES ON UNHEALTHY PRODUCTS IN THE 2026 BUDGET STATEMENT**

This policy brief was developed by Mr. Labram Musah, Executive Director of VAST Ghana, and Mr. Godfred Tweneboah, Policy and Research Manager of VAST Ghana, as part of an advocacy effort to ensure that the Government of Ghana accelerates efforts to protect populations from unhealthy products through the implementation of health taxes


# INTRODUCTION

Ghana stands at a fiscal and public health crossroads. The Excise Duty Amendment Act, 2023, introduced an evidence-based approach to levying taxes on products that cause disproportionate harm to population health. Existing evidence shows that excise taxes on these products are among the most cost-effective interventions available to governments; they prevent and reduce harmful consumption, protect young people and low-income households, and mobilise predictable revenue that can be used to strengthen the health systems, which are overwhelmed by the rising tide of non-communicable diseases (NCDs)[1]

Since the implementation of the Excise Duty Amendment Act, 2023, Ghana has recorded progress in both revenue mobilization and health protection. Data from the Ghana Revenue Authority (GRA) reveal a striking surge in excise revenue across all targeted products. Excise revenue from SSBs increased from GHS 735 million in 2022 to GHS 1,325.6 million in 2023, representing an almost 80% rise within one fiscal year. Similarly, tobacco excise revenue rose sharply from GHS 82.7 million in 2021 to GHS 187.78 million in 2023 and GHS 227.21 million in 2024, representing an increase in excise tax revenue. Collectively, excise tax revenue from tobacco, alcohol, and SSBs is estimated at over GHS 1.3 billion, proving that public health taxation can be a major contributor to domestic resource mobilization[2].



The health and economic impacts of these excise reforms are equally profound. A modelling dubbed “Health Taxes - Revenue Forecast for Ghanaian Policymakers” [3] by the WHO, UNDP and other partners, which was launched in collaboration with the Ministry of Health, projects that a 20% excise price increase on tobacco would reduce consumption by about 26.6%, generate GHS 131 million in additional revenue, and avert more than 34,600 deaths over the working lifespan of current consumers. In the case of alcohol, a similar 20% tax increment could raise GHS 2.4 billion, reduce consumption by 7.6%, and prevent over 44,000 premature deaths over a century. For SSBs, the same tax adjustment is expected to reduce consumption by 24%, generate GHS 1 billion, and avert 155,000 future deaths from obesity, diabetes, and cardiovascular diseases within a century-long horizon. These figures affirm that excise taxation is a dual-benefit mechanism, enhancing health outcomes while securing the financial sustainability of the national budget.



Recent evidence on alcohol's economic and health toll further amplifies this argument. While alcohol and related sectors may support employment and economic activity, these gains are offset by the substantial economic drains caused by alcohol and tobacco-related illness, injury and premature death. A recent analysis reported by the 3NewGH during the World Alcohol Free Day indicates that alcohol contributes approximately US\$369 million to Ghana's GDP and supports around 52,000 jobs, but imposes societal costs of roughly US\$1.2 billion per year through health expenditures and road crashes[4]. When netted out, the economic balance is negative; supporting industries by lowering excise taxes would deepen the fiscal and societal shortfall, further weaken the healthcare system, and increase the NCDs epidemic. The salient policy question is, would the government protect private profit margins at the cost of public health and fiscal stability?

Globally, strong evidence supports such taxation measures. Meta-analyses show that a 10% tax on SSBs reduces purchases by consumers shifting to healthier options like water and other natural juices[5]. WHO identifies tobacco, alcohol, and unhealthy diet as three of the four leading modifiable risk factors for NCDs[6], which together account for over 94,000 deaths annually in Ghana, representing more than 45% of all deaths[7]. The increasing affordability and aggressive marketing of these harmful products are fuelling a silent epidemic, one that threatens to overwhelm Ghana's health system and reverse progress toward SDG Goal 3 on health and wellbeing.

The case for raising excise taxes, therefore, transcends fiscal arithmetic; it is an ethical and developmental imperative. Ghana cannot afford to allow industries that profit from addiction, disease, and death to dictate national tax policy. Arguments that higher excise taxes threaten jobs, increase illicit trade, or undermine investment are largely overstated. Evidence from multiple countries demonstrates that such taxes do not destroy economies but rather transform them, reducing healthcare expenditure and funding preventive interventions[8]. In Ghana, existing data show no collapse in industry operations despite the tax adjustments in 2023. Instead, government revenue has increased, while the predicted social disruption and argument from industry lobbies have not materialized.

In Mexico, the introduction of a 10% tax on SSBs in 2014 led to a 7.6% decline in purchases in the first year and up to 10.2% in the second year, with the largest reductions observed among low-income households[9]. In Brazil, sustained increases in tobacco excise taxes contributed to a 46% reduction in smoking prevalence between 1989 and 2019, alongside significant declines in tobacco-related morbidity and mortality[10]. These experiences demonstrate that well-designed excise taxes can effectively reduce consumption of harmful products while improving public health and generating sustainable revenue. By increasing excise taxes, Ghana positions itself as a continental leader in effectively implementing the WHO Framework Convention on Tobacco Control and the Global Strategy to Reduce the Harmful Use of Alcohol, while aligning with the WHO Best Buys for NCD prevention.

Higher excise taxes present a strategic avenue for domestic revenue mobilization in the context of Ghana's debt restructuring agenda. In an era where health financing gaps threaten essential services caused largely by health-harm products, earmarking a proportion of excise revenues to the health sector, especially for NCD prevention, health promotion, and health system strengthening, would guarantee sustainable financing for public health and provide a stable domestic funding mechanism for the effective implementation of the Ghana Medical Trust Fund.

There is also a strong equity dimension to this call. Lower-income populations bear a disproportionate burden of NCDs linked to tobacco, alcohol, and unhealthy diets[11]. They are also the most sensitive to price changes. Evidence shows that when prices rise, these groups reduce consumption the most, deriving the largest health gains[8]. Hence, excise taxation serves as a pro-poor policy that protects vulnerable populations from consumption of unhealthy products while generating revenue for social investments in healthcare, education, and poverty alleviation.

The call for tax reduction by industry actors is, therefore, misplaced and regressive. It represents a deliberate attempt to shift attention from public health imperatives to profit maximization. The argument that increasing health taxes on unhealthy products fuels illicit trade remains one of the most frequently used narratives by industry actors to resist fiscal reforms. However, available evidence does not support this claim in the Ghanaian context. Illicit trade is not primarily driven by taxation but rather by structural and governance-related weaknesses. Studies from Vietnam[12] and Georgia[13], for instance, have demonstrated that tax increases have minimal, if any, effect on illicit tobacco trade. Instead, the persistence of illicit trade is largely attributable to porous borders, weak tax administration systems, inadequate law enforcement, and entrenched corruption that facilitates smuggling networks.

**Countries with high taxes and high prices of unhealthy commodities have low or no challenges of illicit trade due to well-designed tax administration and structures, while countries with low taxes and low prices of unhealthy products face high illicit trade. On what basis would the industry claim that higher taxes are increasing illicit trade? The evidence does not support this argument. Currently, prices of products like tobacco, alcohol and ultra-processed foods are very low compared with advanced countries where most of these products are imported from. The profitability of such illicit activities further incentivizes participation, making enforcement and regulatory vigilance crucial. In Ghana, industries continue to invoke the threat of illicit trade as a rallying argument against the introduction of higher health taxes. However, rather than yielding to such narratives, policymakers should focus on strengthening border control mechanisms, improving tax collection systems, and ensuring accountability within enforcement agencies. Effective governance, not lower taxation, is the real antidote to illicit trade.**

The Ministry of Finance must therefore continue to remain steadfast in prioritizing the health and well-being of Ghanaians above corporate interests, to achieve the healthcare policy objectives beautifully announced by HE John Dramani Mahama, the President of the Republic of Ghana.

Investing in the control and prevention of unhealthy products has a significant return. The WHO Saving Lives, Spending Less report for the Best Buys highlights that every \$1 invested in tobacco control yields a \$7 return, while \$1 invested in alcohol control generates a \$9 return, and \$1 invested in curbing unhealthy diets delivers up to a \$14 return[14].

This demonstrates that strategic excise taxation and prevention measures are not only life-saving but also economically rewarding. Consequently, every cedi lost through reduced excise rates would translate into thousands of preventable deaths, increased hospital admissions, and diminished workforce productivity. The long-term sustainability of the health sector and the broader economy depend not on appeasing industry lobbyists but on reinforcing a tax system that internalizes the true social cost of harmful products.

To raise significant revenue for healthcare investment while reducing consumption of harmful products linked to chronic diseases, the WHO Director-General Dr. Tedros Adhanom Ghebreyesus made the call at the 2025 Africa Health Sovereignty Summit in Accra hosted by Ghana's President to increase by 50% excise taxes on harmful products like tobacco, alcohol, and sugary drinks to boost health sector funding and save lives, amidst dwindling donor support, prompting renewed calls for domestic resource mobilization to address Africa's growing health challenges[15].

## RECOMMENDATIONS

Ghana has made commendable progress through the Excise Duty Amendment Act, 2023. The positive revenue performance and projected health gains demonstrate that this policy works. It is now time to consolidate these achievements by:

- increasing excise taxes further, especially as inflation and rising incomes continue to erode the real value of tax rates;
- periodic adjustments indexed to inflation, coupled with strengthened enforcement and regional cooperation, to sustain the deterrent effect of the tax and prevent cross-border leakages;
- reforming the current excise tax structure that is more effective and impactful and reduces industry manipulations, tax avoidance and tax evasion – this includes implementing only a specific tax system based on per stick for tobacco products and per content for alcohol;
- Introducing tax stamps and excise taxes on ultra-processed foods to discourage excessive consumption and reduce the NCDs burden.
- Introducing a minimum pricing unit to set a threshold for all alcohol products
- Enhancing effective collaboration among key state institutions for effective tax administration systems, law enforcement, regional and international cooperation, etc., to entrench corruption that facilitates illicit and smuggling networks.

VAST-Ghana urges the Government of Ghana, Parliament, and all relevant stakeholders to adopt a bold, evidence-based stance in this regard. Protecting public health through taxation is not punitive; it is preventive, progressive, and pragmatic.

The health of Ghanaians is the foundation of the nation's productivity, and no economic argument should be strong enough to undermine that. By increasing excise taxes on tobacco, alcohol, SSBs, and other health-harming products, Ghana can build a healthier, wealthier, and more resilient future.

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