

Tobacco Taxation Factsheet: Ghana



Population: 29.6 million

Country income classification: Lower middle-income

Regional economic affiliations: Economic Community of West African States (ECOWAS)

Sources: World Bank Population Totals, 2018 and World Bank Country and Lending Groups, 2019.

Tobacco use causes more than 8 million deaths globally each year, with more than 80% of the world's smokers living in low- and middle-income countries. The cost of tobacco in West Africa, both in terms of the negative impact on public health and the economy, will continue to grow if governments do not take decisive action to limit its use. Increasing tobacco excise taxation is the most effective way to reduce tobacco consumption and improve health outcomes, while also raising government revenues. This factsheet examines the case for increasing tobacco taxation in Ghana.

Source: World Health Organization Tobacco Factsheet, 2019.

Smoking in Ghana: The Facts

Smoking prevalence



Among adults (aged 15 and over)



Among youth (aged 13–15)

Source: WHO Report on the Global Tobacco Epidemic, 2019.

Attributable deaths



More than **5,000 deaths** each year from tobacco-related illnesses

Source: Tobacco Atlas, 2018.

Cost to society



\$123 million each year, international \$ PPP

This includes the direct cost of healthcare, as well as loss of productivity due to mortality and morbidity resulting from tobacco use.

Source: Goodchild, Nargis and d'Espaignet, 2018.

Note: International purchasing power parity (PPP) is a currency conversion method that accounts for differences in purchasing power and cost of living across countries.

Affordability

The price of a pack of cigarettes cannot be considered in isolation. Affordability measures the price of cigarettes relative to income. For example, if incomes increase faster than cigarette prices, then cigarettes are becoming more affordable. From 2008 to 2018, cigarettes became more affordable in Ghana. To have a positive public health impact, cigarettes should become less affordable over time.

Source: WHO Report on the Global Tobacco Epidemic, 2019.



Price of a pack of cigarettes

	Local currency	International \$ PPP
Ghana	GHS 4.99	\$2.99
South Africa	ZAR 37.34	\$6.01
United Kingdom	GBP 9.40	\$11.98

Source: WHO Report on the Global Tobacco Epidemic, 2019.

Note: All prices are for a pack of the most sold brand in each country in 2018. International purchasing power parity (PPP) is a currency conversion method that accounts for differences in purchasing power and cost of living across countries.

Tobacco Taxation in Ghana

The total excise tax on tobacco products in Ghana accounts for only 16.1% of the average retail price. This is far below the 70% benchmark set by the World Health Organization (WHO).

There are two main reasons why the total excise tax burden is so low. Firstly, Ghana's ad valorem tax rate on tobacco products of 175% is levied on the import value/producer price, which is generally very low compared to the retail price. Therefore, any increases in the ad valorem rate will have a very small impact on the total tax charged.

Secondly, Ghana does not levy a specific tax on tobacco products, even though this is required by the ECOWAS directive. A specific tax (per cigarette or kilogram of tobacco) is proven to be straightforward to implement and highly effective in increasing the total excise tax burden.

Ghana charges three further taxes on tobacco products – Health Insurance Levy at 2.5%, Ghana Education Trust Fund Levy at 2.5% and Export Development and Investment Fund at 0.5% – these are all levied on the import value/producer price.

Ad valorem tax

Rate charged on import value/producer price

175%

50%

ECOWAS directive

Specific tax

Amount charged per cigarette

USD 0.00

USD 0.02

ECOWAS directive



Total excise tax as a % of retail price

16.1%

70%

WHO benchmark

Source: WHO Report on the Global Tobacco Epidemic, 2019

Note: All figures relate to the 2018 tax structure.

Recommendations

To increase the price of tobacco products – and therefore decrease tobacco consumption and the associated costs to society – the Government of Ghana should:

- **Introduce a specific tax** of at least 0.02 USD per cigarette and 20.00 USD per kilogram of other tobacco products, as directed by ECOWAS.
- **Raise the specific tax rate** at least once each year, to keep pace with increases in inflation and income.
- **Levy the ad valorem tax on the retail price** of tobacco products, rather than the import value/producer price.
- **Consider investing additional tax revenue raised in tobacco control** and other public health initiatives.

This factsheet is published as part of the Tobacco Tax Reform in West Africa project, a partnership between the International Centre for Tax and Development (ICTD) in the UK, the Research Unit on the Economics of Excisable Products (REEP) at the University of Cape Town in South Africa, and the Consortium pour la recherche économique et sociale (CRES) in Senegal. The project is part of the Economics of Tobacco Control Research Initiative funded by the International Development Research Centre and Cancer Research UK.

May 2020

Find out more:
www.ictd.ac/tobacco

  @ICTDTax

#TaxTobaccoAfrica

