

# Tobacco Taxation

crossover effects for alcohol consumption<sup>1</sup>

*Presented by: Uganda Tobacco Taxation Coalition (UTTC)*



# Why talk about tobacco today - what's the link with alcohol?

- **Tobacco** and **alcohol** are known to be two of the top 3 risk factors causing diseases and deaths globally.
- Studies suggest that **increases in cigarette taxes** are associated with moderate **reductions in alcohol consumption** among vulnerable groups.
- Alcohol taxes are also shown to be effective in reducing the demand for tobacco.

# Health and Economic Cost of Tobacco Use

- Uganda's tobacco tax structure is still below the 70% share of tax in the total retail price of cigarettes which is the minimum standard advised by World Health Organisation however this tax makes Uganda loose critical income.
- The total health cost of tobacco use including the direct cost of treatment and the indirect costs of loss of income and productivity from death and disability in Uganda is UGX 328.82 billion equivalent to US\$126.48 million.
- The total health cost outweighs the market value UGX 211.15 billion (USD 81.22M) of tobacco products or the assumed benefits of tobacco use in Uganda (CTCA Report 2017).

# Uganda Tobacco Tax Coalition (UTTC) members

1. Uganda National Health Consumers Organisation (UNHCO)
2. Centre for Tobacco Control in Africa (CTCA)
3. Uganda Cancer Society (UCS)
4. Uganda Alcohol Policy Alliance (UAPA)
5. Uganda Health Communication Alliance (UHCA)
6. United Nations Association of Uganda (UNAU)
7. Way Forward Youth Africa (WFYA)

# What is the Uganda Tobacco Taxation Coalition doing?

- ❑ UTTC leverages the TETSIM Model to inform its Advocacy
- ❑ The Tobacco Excise Tax Simulation Model (TETSIM) is a tool to quantify the likely impact of a change in the excise tax structure and/or the level of the excise tax on a number of variables, including the price of cigarettes, cigarette consumption and excise tax revenue.
- ❑ Developed by the **Research Unit on the Economics of Excisable Products (REEP), University of Cape Town**
  - ❑ Corné van Walbeek, Professor of Economics and Director of the Research Unit on the Economics of Excisable Products
- ❑ **Predicts (simulates) changes in cigarette consumption and excise revenue in response to excise tax changes.**
- ❑ Allows calculations of **health impacts** as well as the effects of several years of **sustained tax increases**
- ❑ Simulations are done to take into account both the **long-term** and **short-term** probable outcomes

# So, what issue do we want to address??

|      |  |
|------|--|
| 2014 | <b>Soft Cap</b> - UGX 35,000 per 1,000 sticks; <b>Hinge Lid</b> - UGX 69,000 per 1,000 sticks<br>(Source <i>Excise Duty Act 2014</i> )   |
| 2015 | Soft Cap - UGX 45,000 per 1,000 sticks; Hinge Lid - UGX 75,000 per 1,000 sticks<br>(Source: <i>Excise Duty (Amendment) Act 2015</i> )  |
| 2016 | Soft Cap - UGX 50,000 per 1,000 sticks; Hinge Lid - UGX 80,000 per 1,000 sticks<br>(Source: <i>Excise Duty (Amendment) Act 2016</i> )  |
| 2017 | Soft Cap <ul style="list-style-type: none"><li>• <b>Locally</b> manufactured - UGX 55,000 per 1,000 sticks; <b>Imported</b> - UGX 75,000 per 1,000 sticks</li></ul> Hinge Lid <ul style="list-style-type: none"><li>• Locally manufactured - UGX UGX 80,000 per 1,000 sticks; Imported - UGX 100,000 per 1,000 sticks</li></ul> (Source: <i>Excise Duty (Amendment) Act 2017</i> ) |
| 2018 | ??   |
| 2019 | ??   |
| 2020 | ??   |
| 2021 | ??   |
| 2022 | ??   |
| 2023 | ??   |
| 2024 | ??   |

# So, what issue do we want to address??.....

## Tobacco Tax Policies in Uganda

Using evidence-based international recommendations/best practices, the Tobacconomics Cigarette Tax Scorecard assesses four components of tax systems – price, change in affordability, tax share, and structure – on a scale of 0 to 5, where a higher score is preferred.

### Overall Score

# 1.25

The overall score is an average of the four component scores.

### Cigarette Price

# 1

Consumers respond to higher prices by decreasing consumption and some quit using tobacco.

### Change in Affordability Over Time

# 3

In addition to price, change in affordability is critical. Cigarettes need to become less affordable for consumption to decline.

### Tax Share of Price

# 0

Large tax shares of price are usually a good indicator that taxes are working.

### Tax Structure

# 1

Best practices include relying more on uniform specific excise taxes that are adjusted regularly to outpace growth and inflation.

# Component Score

## Component Score 2022

Uganda scores poorly in cigarette price, tax share and tax structure, and in the mid-range in affordability change. It would greatly benefit from higher cigarette prices, increasing the tax share of price, improving the tax structure, and reducing the cigarette affordability.

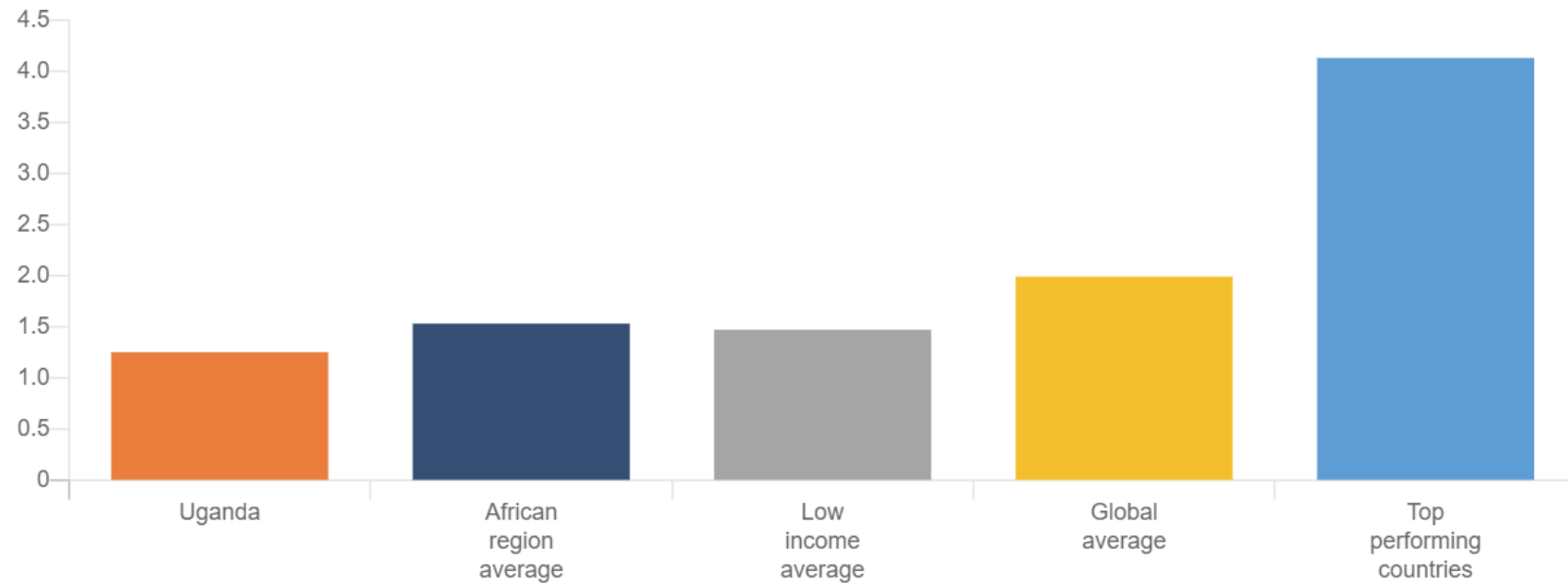




# Overall Score

## Overall Score 2022

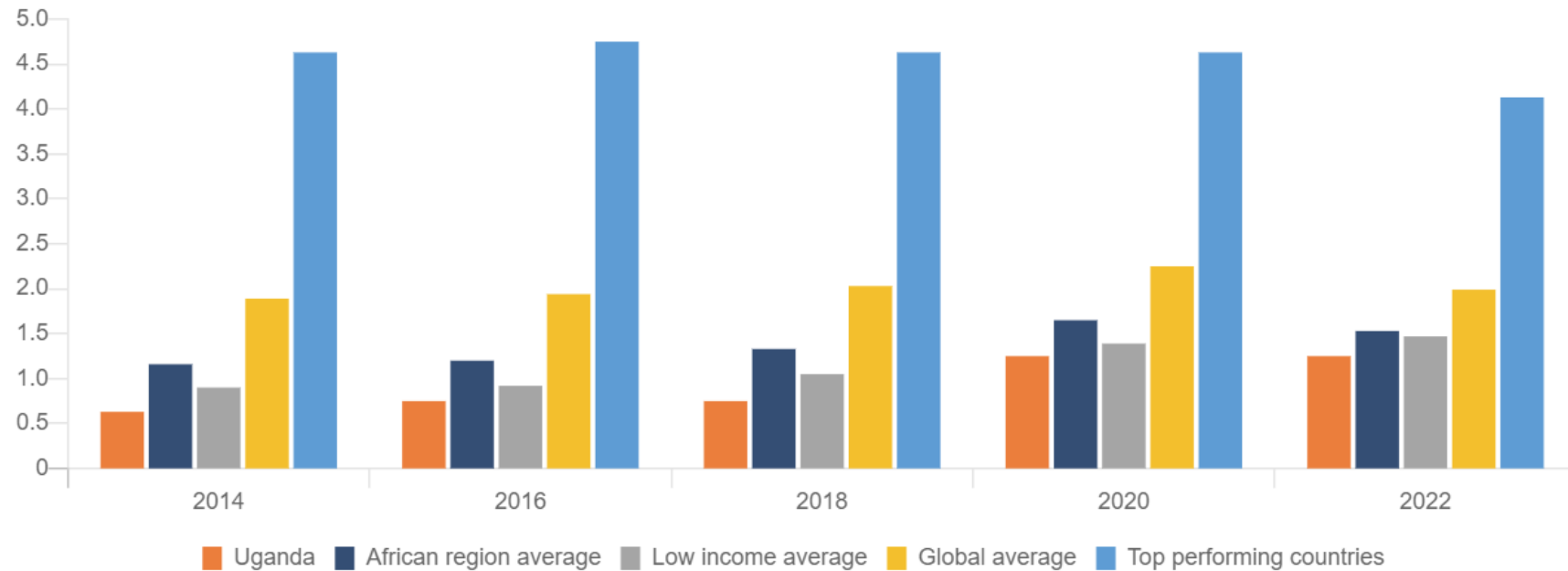
Uganda overall score is lower than the average score of its region, income group, and the global average. There is ample room for improvement in its cigarette tax system.



# Scores Over Time

## Scores Over Time

Uganda's overall score increased from 2014 to 2022. In that time, the cigarette affordability reduced while the tax share of price score decreased.



# .... any solutions for Uganda from the TETSIM Model??

| No.       | Items   | Baseline      | Scenario 1     | Scenario 2     | Scenario 3     | Scenario 4     |
|-----------|---|---------------|----------------|----------------|----------------|----------------|
|           |   | 2023/24       | 2025 - 2026    |                |                |                |
| <b>a)</b> | <b>Excise Tax Rates</b>   |               |                |                |                |                |
| <b>b)</b> | <b>Hinge Lid (UGX) - Local</b>                                    | <b>80,000</b> | <b>160,000</b> | <b>170,000</b> | <b>200,000</b> | <b>250,000</b> |
| <b>c)</b> | % increase Tax (Hinge Lid)  |               | 100%           | 113%           | 150%           | 213%           |
| <b>d)</b> | <b>Soft Cap (UGX) - Local</b>                                     | <b>55,000</b> | <b>110,000</b> | <b>130,000</b> | <b>150,000</b> | <b>200,000</b> |
| <b>e)</b> | % increase Tax (SoftCap)  |               | 100%           | 136%           | 173%           | 264%           |
| <b>f)</b> | % Increase in Tax - Both Local Hinge-Lid and Soft Cap             |               | 100%           | 124%           | 161%           | 238%           |
| <b>g)</b> | Change in Quantity of Cigarettes Sold (milles)                    | 1680.06       | 1597.93        | 1551.05        | 1509.49        | 1425.13        |
| <b>h)</b> | Change quantity sold (%)  |               | -5%            | -8%            | -10%           | -15%           |
| <b>i)</b> | Excise tax Share in price (%)                                     |               | 42%            | 44%            | 47%            | 52%            |
| <b>j)</b> | Total tax share in price (%)                                      |               | 57%            | 59%            | 63%            | 68%            |
| <b>k)</b> | Excise Tax Revenue (Bn)   | 100.0         | 216.3          | 242.4          | 267.5          | 326.1          |
| <b>l)</b> | VAT Tax Revenue (Bn)  | 55.8          | 78.1           | 81.8           | 85.4           | 94.0           |
| <b>m)</b> | Total Tobacco Tax Revenue (Bn)                                    | 155.8         | 294.5          | 324.2          | 352.9          | 420.1          |
| <b>n)</b> | Cigarettes smoked per smoker per year                             | 1111          | 1083           | 1066           | 1051           | 1019           |
| <b>o)</b> | Cigarettes smoked per smoker per day                              | 3.04          | 2.97           | 2.92           | 2.88           | 2.79           |
| <b>p)</b> | Number of tobacco-related premature deaths (millions, cumulative) | 0.756         | 0.724          | 0.710          | 0.698          | 0.674          |
| <b>q)</b> | Number of premature deaths avoided (thousands, cumulative)        | 0             | 60.7           | 74.2           | 86.2           | 110.6          |