



RESEARCH PROJECT ON TOBACCO TAXATION IN WEST AFRICA « FISCAL SOLUTIONS FOR OPTIMAL REDUCTION OF SMOKING IN WEST AFRICA »



BENIN PROFILE ON TOBACCO TAXATION

Adopt a more effective taxation and better inform tobacco products prevalence

Context

Smoking is a pandemic that will cause 10 million deaths in 2030 of which 70% in developing countries if nothing is done. To curb this trend, the framework convention on tobacco control was set up in 2005 with a set of monitoring indicators to assess the progress made by each country. These indicators focus on the monitoring of consumption, the protection of individuals, the prevention of harmful effects, the ban on advertising and a considerable increase in prices through higher taxation. The 15 ECOWAS countries have all ratified this framework convention. However, the adoption of laws and measures to make it operational in each member country is timid. One of the reasons for this situation is that the public authorities are generally confronted with a lack of information on the different aspects of tobacco that can inform their decision-making. It was in order to fill this need for evidence that CRES had developed a country profile on smoking in each of the 15 ECOWAS countries for the period 2007 to 2011. It provides reliable information on the market for tobacco products, the tax system applied to them, their importance in the economy and smuggling. CRES updated these country profiles for the period 2011-2016 in six (6) of the fifteen ECOWAS countries. The purpose of this policy note is to share the main stylized facts obtained in the country profile of Benin between 2012 and 2016.



1. THE PREVALENCE

A sharply declining Prevalence

The 2015 Survey of Risk Factors for Chronic Diseases in Benin (STEPS) indicates that smoking is declining significantly. It went from 16% of adult smokers, in 2007 to 5% in 2015.

The intensity of consumption is also low, with an average of only five cigarettes consumed per day, and is higher in the northern part of the country, particularly among rural adults.

2. MEASURES AGAINST TOBACCO

A dynamism in the regulation of tobacco products...

The regulation of the tobacco industry is relatively recent in Benin. The first text dates back to October 1991, in the form of a ministerial order prohibiting smoking in hospitals and health services. Since the ratification of the Framework Convention on Tobacco Control, Benin has adopted several other regulations. The last law passed in 2016, related to the production, packaging, labeling, sale and use of tobacco,

is adequate for effective tobacco control. To strengthen the fight against the illicit trade in tobacco products, an interministerial decree of 2016 set up a permanent control unit under the authority of the National Police for the inspection of tobacco containers from abroad. Benin also has an Anti-Smoking Program, which is now part of a wider Non Communicable Disease Control Program.

... but laws are not applied.

Despite their completeness and adequacy for an effective fight against tobacco, these laws are not properly enforced. The ban on smoking in public places is regularly violated by shopkeepers, hoteliers and bar keepers. Tobacco products

are sold near schools, accessible to minors and arranged alongside children's favorite products to attract them. In addition, cigarettes are always sold by rod, while the law prohibits it.

3. THE PLACE OF TOBACCO PRODUCTS IN THE ECONOMY OF BENIN

Imports of tobacco products in Benin fell significantly between 2011 and 2015. They went from three billion FCFA in 2011 to two billion in 2015. Exports also fell slightly, from 300 million FCFA in 2011 to 200 million FCFA in 2015.

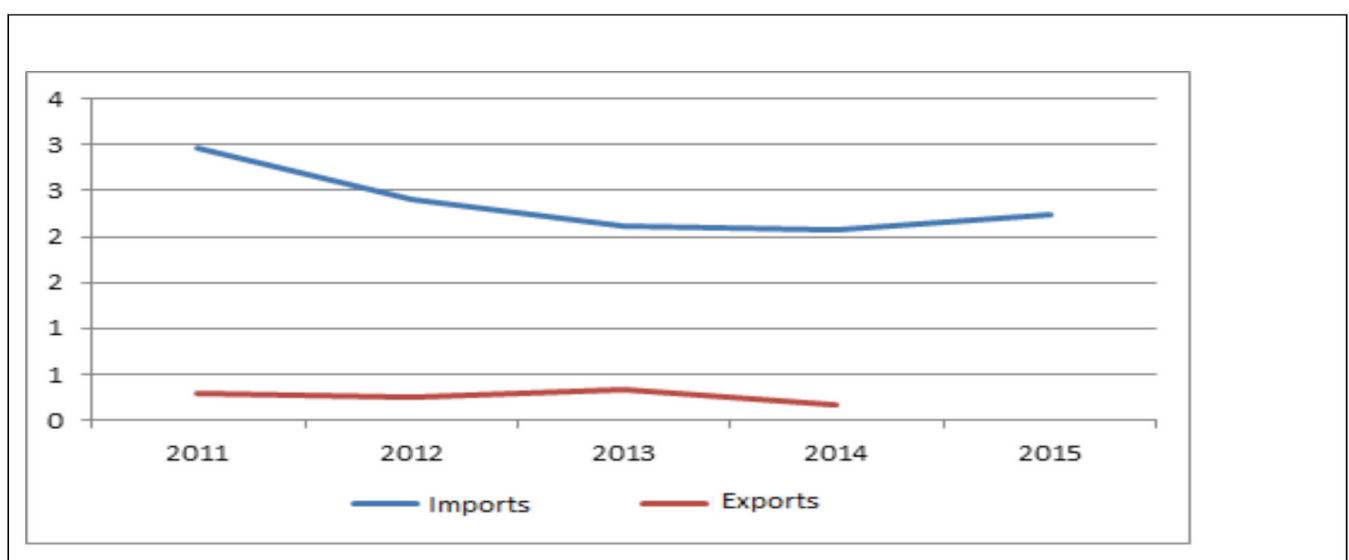
Imports and exports are moving in the opposite direction (graph 1). Between 2011 and 2013, imports fell, while exports increased very slightly. As imports increased, between 2013 and 2015, exports declined in this period.

A low level of employment

According to the results of the General Business Census, Benin has 23,515 commercial units, semi-wholesalers and retail sellers involved in the trade of tobacco products. For each of these business units, tobacco products provide, on

average, 11% of their turnover. In 2015, these business units employed 7,817 people, among whom 3,855 were full-time and 3,962 part-time workers.

GRAPH 1: IMPORTS AND EXPORTS OF TOBACCO PRODUCTS IN BENIN BETWEEN 2011 AND 2015 (IN BILLIONS FCFA)



Tax revenue collection to improve

Tobacco products contribute very little to Benin's tax revenues. In fact, in 2016, tax revenues collected on tobacco products amounted to CFAF 1.5 billion, which represents only 0.17% of Benin's total tax revenue, which amounted to 901 billion CFA francs. Given the demand,

the frequency of tax returns by tobacco and tobacco importing companies in Benin is low. Once the product is sold in the country, importing companies collect or remit only a small amount of import excise duties to the Government.

4. TAXATION OF TOBACCO PRODUCTS

A very low tax share in the selling price

For an effective fight against tobacco, it is mandatory to have a tax share of more than 70% in the selling price of products. Benin has one of the lowest shares among the countries of the world. On average, the Government gets only 8% of the final selling price as tax revenues, while

this tax share is 25% on average in ECOWAS countries. Benin applies a 40% ad valorem tax. This inefficiency stems from the exclusive use of the ad valorem tax, as well as the low tax base and the low productivity of the tax administration.

5. MAIN LESSONS LEARNED AND RECOMMENDATIONS

Main lessons

- 1) The first main lesson is the existence of a fairly complete law to control the consumption of tobacco products. However, the provisions for effective enforcement are not made by the country's authorities.
- 2) The tax on tobacco products is very inefficient, with a tax portion in the sale price representing only 8%, while the WHO recommends that this share be at least equal to 75%.
- 3) The tax administration has low productivity in collecting tax revenues from tobacco products.
- 4) A combination of a weak tax administration and a low tax rate create a favorable environment for an increase of tobacco consumption.

Recommendations

The following recommendations can be made for an effective policy against tobacco use.

- Ensure the 2016 law enforcement on the production, packaging, labeling, sale and use of tobacco.
- Conduct wide sensitization campaigns throughout the country to inform people of the adoption of the law and its consequences in case of breach.
- Apply an ad valorem tax rate of at least 50%.
- Change the tax base of the excise duties, the factory gate price by the sales price excluding VAT.
- Introduce a specific tax.

The Research Center for International Development (IDRC) has funded the Consortium for Economic and Social Research (CRES) to conduct an action research on the taxation of tobacco products. As part of this project, the country profile of Benin is developed by a team composed of Professor ALINSATO Alastaire Sena from the University of Abomey-Calavi and ADIDO Karim from the General Tax Directorate of Benin.

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