

Tobacco Taxation Factsheet: Cape Verde



Population: 543,767

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 Cape Verde.

Source: World Health Organization Tobacco Factsheet, 2019.

Smoking in Cape Verde: The Facts

Smoking prevalence



Among adults (aged 15 and over)



Among youth (aged 12–18)

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

Attributable deaths



More than **208 deaths** each year from tobacco-related illnesses

Source: Tobacco Atlas, 2018.

Cost to society



\$3 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 Cape Verde. 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
Cape Verde	CVE 180	\$3.96
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 Cape Verde

The total excise tax on tobacco products in Cape Verde accounts for only 2.7% 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, Cape Verde's ad valorem tax on tobacco products of 30% 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, Cape Verde has not historically levied 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.

Although the Cape Verde government legislated for an increase in the ad valorem tax rate (from 30% to 50%) and the introduction of a specific tax (USD 0.01 per cigarette) in 2019, the date when these changes will be implemented is unknown.

Ad valorem tax

Rate charged on import value/
producer price

30%

(Increased to 50% in 2019)

50%

ECOWAS directive

Specific tax

Amount charged per cigarette

USD 0.00

(Tax of USD 0.01 introduced in 2019)

USD 0.02

ECOWAS directive



Total excise tax as a % of retail price

2.7%

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 Cape Verde should:

- **Promptly implement the new specific tax and increased ad valorem tax rate** that was legislated in 2019.
- **Increase the specific tax** to at least USD 0.02 per cigarette and USD 20.00 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.

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