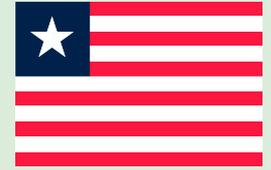


Tobacco Taxation Factsheet: Liberia



Population: 4.8 million

Country income classification: Low-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 Liberia.

Source: World Health Organization Tobacco Factsheet, 2019.

Smoking in Liberia: 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 **1,042 deaths** each year from tobacco-related illnesses

Source: Tobacco Atlas, 2018.

Cost to society



\$8 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, cigarette affordability remained unchanged in Liberia. 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
Liberia	LRD 120	\$1.63
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 Liberia

The total excise tax on tobacco products in Liberia accounts for only 24.1% 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, Liberia's ad valorem tax on tobacco products of 80% 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, Liberia does not currently 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.

In January 2019 Liberia proposed a new excise tax structure for tobacco products: introducing a specific tax of USD 0.02 per cigarette (complying with ECOWAS requirements) but removing the ad valorem tax (contrary to ECOWAS requirements). The date when these changes will be implemented is unknown.

Ad valorem tax

Rate charged on import value/
producer price

80%

(0% proposed in 2019)

50%

ECOWAS directive

Specific tax

Amount charged per cigarette

USD 0.00

(USD 0.02 proposed in 2019)

USD 0.02

ECOWAS directive



Total excise tax as a % of retail price

24.1%

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 Liberia should:

- **Promptly implement the specific tax** on tobacco products that has been proposed.
- **Raise the specific tax rate** at least once each year, to keep pace with increases in inflation and income.
- **Include an ad valorem tax** under the new tax system, with a minimum rate of 50% to comply with the ECOWAS directive.
- **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

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