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Background

Taxation as a tobacco control strategy is only effective in reducing consumption when translated into higher prices.

Tobacco Industry (TI) can undermine taxes by employing six broad pricing strategies



African region ranks lowest on 'Cigarette Tax Scorecard' (1.64) - lowest tax-share of price (40.7%).

Widespread variation in the level and structure of taxes create price gaps between brands

Aims of the study

- ❖ To examine TI's tax pass-through to consumers for multiple SSA countries both for cigarette packs and single-sticks.
- ❖ To also explore the pricing strategies in response to taxation of individual tobacco producers and compare the pricing behaviours of different domestic and transnational tobacco companies (TTC).

Methods

Secondary data analyses of cigarette pricing and taxation using:

- African Cigarette Prices (ACP) Project data (2016-2020)
- WHO's Global Tobacco Epidemic Reports

Year-to-year percentage change in median net-price calculated.

Tax pass through examined by country, producer type (domestic, TTC, and a small number of illicit), producer and cigarette price segments'

Results



Mixed pattern of tax pass-through - both over and undershifting, details varying between countries, over time, and for different brands/segments offered.

Patterns for single-sticks broadly similar to packs but with some differences.

Percentage change in net-price for domestic producers often shifted to a greater degree, and their prices were also much lower than TTC brands.

A common strategy of undershifting in most of the countries in 2020.

Countries	Presentation of cigarettes	Tax shifting			
		2017	2018	2019	2020
Botswana	Pack of 20	Overshifted	Overshifted	Overshifted	Undershifted
	Single-sticks	Undershifted	Undershifted	Overshifted	Undershifted
Ethiopia	Pack of 20	NA	N/A	N/A	Undershifted
	Single-sticks	N/A	N/A	Undershifted	Undershifted
Lesotho	Pack of 20	Undershifted	Undershifted	Overshifted	Undershifted
	Single-sticks	Undershifted	Mix pattern	Mix pattern	Mix pattern
Madagascar	Pack of 20	N/A	N/A	N/A	Overshifted
	Single-sticks	N/A	N/A	N/A	Overshifted
Malawi	Pack of 20	N/A	Undershifted	Mix pattern	Mix pattern
Mozambique	Pack of 20	N/A	N/A	N/A	Undershifted
	Single-sticks	N/A	N/A	N/A	Undershifted
Namibia	Pack of 20	Mix pattern	Undershifted	Undershifted	Undershifted
	Single-sticks	Undershifted	Undershifted	Overshifted	N/A
Nigeria	Pack of 20	N/A	N/A	Mix pattern	Undershifted
	Single-sticks	N/A	N/A	Overshifted	Undershifted
South Africa	Pack of 20	Undershifted	Undershifted	Overshifted	Undershifted
	Single-sticks	Undershifted	Undershifted	Overshifted	Undershifted
Tanzania	Pack of 20	N/A	Overshifted	Overshifted	Overshifted
	Single-sticks	N/A	Overshifted	Undershifted	Overshifted
Zambia	Pack of 20	N/A	Undershifted	Undershifted	N/A
	Single-sticks	N/A	N/A	Undershifted	N/A
Zimbabwe	Pack of 20	Overshifted	Overshifted	Mix pattern	Undershifted
	Single-sticks	Overshifted	Undershifted	Overshifted	N/A

Discussion and conclusion

- TI's targeted pricing strategies impact the effectiveness of tobacco excise taxes in SSA countries.
- Governments must be on alert and regularly monitor the industry's price based responses to taxation.
- Cigarette taxes still low and need to be increased.
- Effective measures to end single-stick sales are needed, as they hinder the impact of tobacco control policies, including tax.

Strengths

- ❖ First study to date that explored TI pricing tactics in response to taxation of individual tobacco companies, including comparing their pricing behaviours.
- ❖ Also the first multi-country study to explore the tax pass through including on single-sticks in Africa.

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