



THE AFRICAN CAPACITY BUILDING FOUNDATION | FONDATION POUR LE RENFORCEMENT DES CAPACITES EN AFRIQUE
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Optimising Tobacco Taxation in Mauritania: A Strategy for Health Improvement and Revenue Generation



Policy Brief No: 5 2023

Key Takeaway

The issue of tobacco consumption in Mauritania is of significant public health concern. The current taxation system is ineffective in reducing consumption and maximizing state revenue. The study “Optimal Tobacco Taxation in Mauritania” found that the system has led to significant revenue loss due to under-declared customs values and the application of VAT at the customs level rather than at the point of sale. The introduction of an excise tax based on the quantity of tobacco products imported is recommended. This would help to increase the price of cigarettes, thereby reducing consumption, and would also generate significant revenue for the state.

1. The issue

Tobacco consumption is a significant public health concern in Mauritania, with far-reaching implications for the country's health and economic sectors. According to the 2015 MICS survey, 14.6% of the Mauritanian population are regular smokers, with an additional 13.4% smoking occasionally. This high prevalence of tobacco use is a major contributor to the country's health burden, leading to increased morbidity, mortality, and healthcare costs.

One of the main challenges lies in the current taxation system for tobacco products. The ad valorem taxation system, which is based on the declared customs value of the tobacco products, has proven ineffective in reducing consumption and increasing state revenue. In fact, not all cigarette transactions that take place once the product has cleared customs are taxed. These losses result in an effective VAT rate of around 5%, if VAT is applied to the retail price provided by the MICS survey in 2015. If this VAT is applied to the retail prices supplied by sites that track tobacco consumption (700 Ouguiyas), the rate would be even lower (2.9%), whereas the nominal rate is 16%.

The current system has led to significant revenue loss due to under-declared customs values and the application of Value Added Tax (VAT) at the customs level rather than at the point of sale. Furthermore, the high margins for distributors, resulting from under-declared customs values, have allowed them to absorb tax increases without passing the cost onto consumers. This has kept the price of cigarettes low, making them easily accessible and contributing to high consumption rates.

Changes in taxation (weight in Kg, values, duties) show that the effective rate has been trending upwards, rising from 20% in 2011 to 43% in 2012, 47% in 2013, 68% in 2014 and 79% in 2015. In macroeconomic terms, tobacco taxation accounts for an average of 3% of total government tax revenues and 0.5% of GDP. Despite the implementation of various taxes on tobacco products, the price of cigarettes in Mauritania remains one of the lowest in the region. This low price, combined with the country's high smoking prevalence, underscores the urgent need for a more effective taxation system to discourage tobacco use and increase state revenue.

2. Key findings and implications

The study reveals several key findings that have significant implications for tobacco control in Mauritania:

Ineffective taxation system:

The current ad valorem taxation system, which is based on the declared customs value of tobacco products, has proven ineffective in reducing tobacco consumption and increasing state revenue. The study found that the system has led to significant revenue loss due to under-declared customs values and the application of VAT at the customs level rather than at the point of sale.

High distributor margins:

The study found that the high margins for distributors, resulting from under-declared customs values, have allowed them to absorb tax increases without passing the cost onto consumers. This has kept the price of cigarettes low, making them easily accessible and contributing to high consumption rates.

Low cigarette prices:

Despite the implementation of various taxes on tobacco products, the price of cigarettes in Mauritania remains one of the lowest in the region. This low price, combined with the country's high smoking prevalence, underscores the urgent need for a more effective taxation system to discourage tobacco use and increase state revenue.

These findings highlight the urgent need for a comprehensive review and reform of the current taxation system for tobacco products in Mauritania. Without effective measures to increase the price of cigarettes and discourage tobacco use, the country will continue to face significant public health and economic challenges related to high tobacco consumption.

3. Main policy recommendations

Based on the findings of the study, the following policy recommendations are proposed to address the issue of tobacco consumption in Mauritania:

Revise the current taxation system:

The current ad valorem taxation system, based on the declared customs value of tobacco products, has proven ineffective in reducing tobacco consumption and increasing state revenue. It is recommended that this system be thoroughly reviewed and reformed.

Introduce an excise tax on quantity:

The study suggests introducing excise tax based on the quantity of tobacco products imported. This will help increase the price of cigarettes, reduce consumption, and generate significant revenue for the state.

Apply VAT at point of sale:

Currently, VAT is applied at the customs level, leading to significant revenue loss due to under-declared customs values. It is recommended that VAT be applied at the point of sale to ensure that all transactions involving cigarettes are taxed appropriately.

Regulate distributor margins:

The study found that high distributor margins have allowed distributors to absorb tax increases without passing the cost onto consumers. It is recommended that these margins be regulated to ensure that tax increases lead to higher retail prices, thereby discouraging tobacco consumption.

Harmonize cigarette prices in the West African region:

The lack of harmonisation of tax on tobacco and tobacco products helps to create the conditions for the development of smuggling from the countries selling the cheapest tobacco and its by-products to the countries selling the most expensive products. To give fiscal and financial measures their full dissuasive force and achieve the desired impact, countries must harmonise taxes on tobacco and tobacco products. It is recommended that efforts be made to harmonise cigarette prices in Mauritania with those in the West African region in order to discourage consumption.

These recommendations aim to create a more effective taxation system that discourages tobacco consumption, improves public health, and increases state revenue. Implementing these changes will require a concerted effort from various stakeholders, including the government, health organizations, and the public.

4. Further reading:

For more detailed information, please refer to the full study:

Taxation optimale du tabac en Mauritanie [*Optimal tobacco taxation in Mauritania*]

<https://elibrary.acbfpact.org/acbf/collect/acbf/index/assoc/HASH013e/882bc719/17de647b/395f.dir/TAXATION%20OPTIMALE%20DU%20TABAC%20EN%20MAURITANIE.pdf>



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