TETSiM SIMULATIONS

Addressing Gaps Revealed by the Tobacconomics Scorecard

Presented by: Uganda Tobaco Taxation Coalition (UTTC)

The Tobacco Excise Tax Simulation Model (TETSiM)

❏ Developed by the **Research Unit on the Economics of Excisable Products (REEP)**, **University of Cape Town**

  ❏ Corné van Walbeek, Professor of Economics and Director of the Research Unit on the Economics of Excisable Products

❏ A tool for tobacco control advocates and government officials **considering the impact of a change in tobacco excise taxes**

❏ **Predicts (simulates) changes** in **cigarette consumption** and **excise revenue** **in response to excise tax changes**.

❏ Allows calculations of **health impacts** as well as the effects of several years of **sustained tax increases**

❏ Simulations are done to take into account both the **long-term** and **short-term** probable outcomes

So, what issue do we want to address??

2014	**Soft Cap** - UGX 35,000 per 1,000 sticks; **Hinge Lid** - UGX 69,000 per 1,000 sticks (Source *Excise Duty Act 2014*)
2015	Soft Cap - UGX 45,000 per 1,000 sticks; Hinge Lid - UGX 75,000 per 1,000 sticks (Source: *Excise Duty (Amendment) Act 2015*)
2016	Soft Cap - UGX 50,000 per 1,000 sticks; Hinge Lid - UGX 80,000 per 1,000 sticks (Source: *Excise Duty (Amendment) Act 2016*)
2017	Soft Cap ● **Locally** manufactured - UGX 55,000 per 1,000 sticks; **Imported** - UGX 75,000 per 1,000 sticks Hinge Lid ● Locally manufactured - UGX UGX 80,000 per 1,000 sticks; Imported - UGX 100,000 per 1,000 sticks (Source: *Excise Duty (Amendment) Act 2017*)
2018	**??**
2019	**??**
2020	**??**
2021	**??**
2022	**??**
2023	**??**
2024	**??**

So, what issue do we want to address??....

Tobacco Tax Policies in Uganda

Using evidence-based international recommendations/best practices, the Tobacconomics Cigarette Tax Scorecard assesses four components of tax systems — price, change in affordability, tax share, and structure — on a scale of 0 to 5, where a higher score is preferred.

| Overall Score	Cigarette Price	Change in Affordability Over Time	Tax Share of Price	Tax Structure
1.25	**1**	**3**	**0**	**1**
The overall score is an average of the four component scores.	Consumers respond to higher prices by decreasing consumption and some quit using tobacco.	In addition to price, change in affordability is critical. Cigarettes need to become less affordable for consumption to decline.	Large tax shares of price are usually a good indicator that taxes are working.	Best practices include relying more on uniform specific excise taxes that are adjusted regularly to outpace growth and inflation.

Source: Tobacconomics Scorecard, 2022

Component Score 2022

Uganda scores poorly in cigarette price, tax share and tax structure, and in the mid-range in affordability change. It would greatly benefit from higher cigarette prices, increasing the tax share of price, improving the tax structure, and reducing the cigarette affordability.
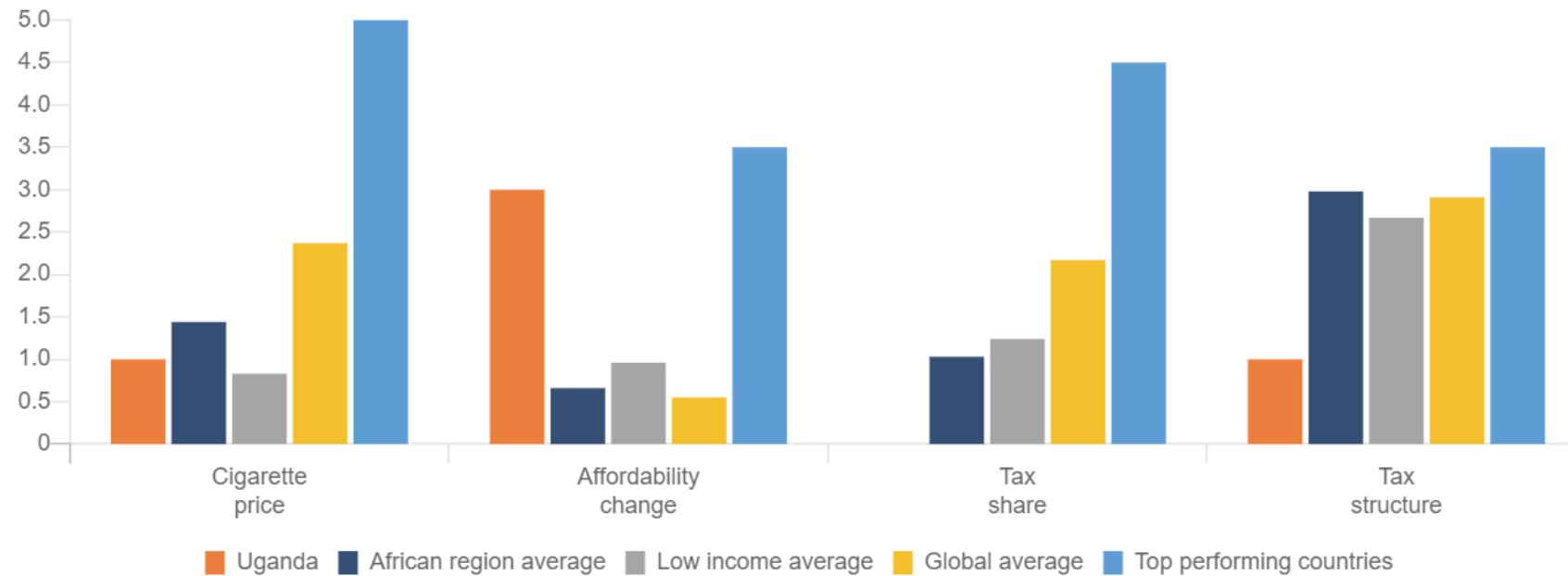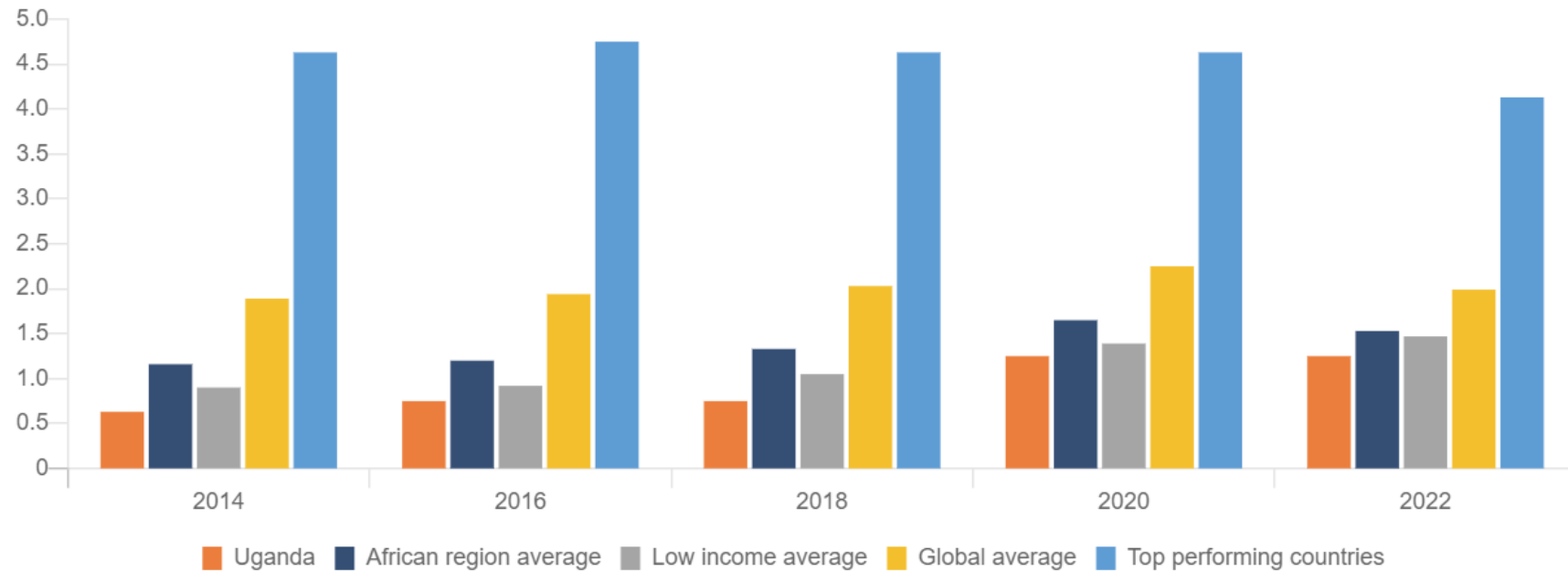
Overall Score 2022

Uganda overall score is lower than the average score of its region, income group, and the global average. There is ample room for improvement in its cigarette tax system.

Source: Tobacconomics Scorecard, 2022
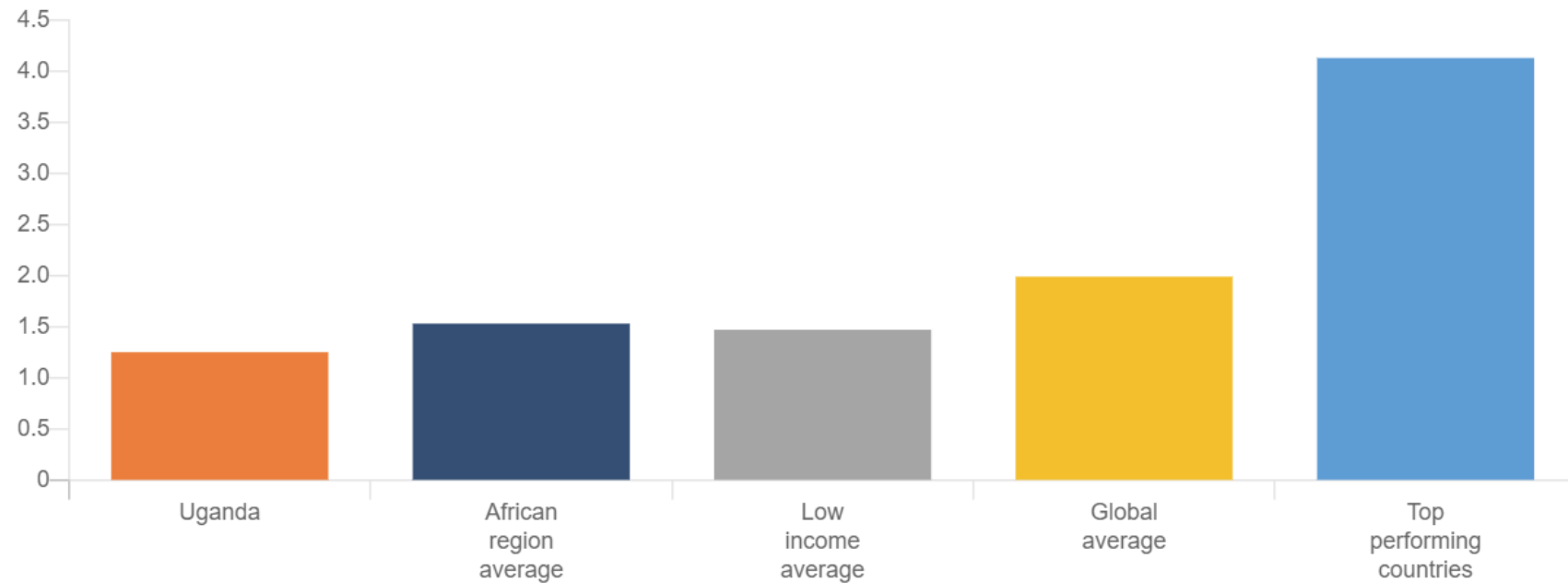
Scores Over Time

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Uganda's overall score increased from 2014 to 2022. In that time, the cigarette affordability reduced while the tax share of price score decreased.

Legend: Uganda, African region average, Low income average, Global average, Top performing countries

Source: Tobacconomics Scorecard, 2022

No.	Items	Baseline	Scenario 1	Scenario 2	Scenario 3	Scenario 4
		2023/24	2025 - 2026			
a)	**Excise Tax Rates**					
b)	**Hinge Lid (UGX) - Local**	**80,000**	**160,000**	**170,000**	**200,000**	**250,000**
c)	% increase Tax (Hinge Lid)		100%	113%	150%	213%
d)	**Soft Cap (UGX) - Local**	**55,000**	**110,000**	**130,000**	**150,000**	**200,000**
e)	% increase Tax (SoftCap)		100%	136%	173%	264%
f)	% Increase in Tax - Both Local Hinge-Lid and Soft Cap		100%	124%	161%	238%
g)	Change in Quantity of Cigarettes Sold (milles)	1680.06	1597.93	1551.05	1509.49	1425.13
h)	Change quantity sold (%)		-5%	-8%	-10%	-15%
i)	Excise tax Share in price (%)		42%	44%	47%	52%
j)	Total tax share in price (%)		57%	59%	63%	68%
k)	Excise Tax Revenue (Bn)	100.0	216.3	242.4	267.5	326.1
l)	VAT Tax Revenue (Bn)	55.8	78.1	81.8	85.4	94.0
m)	Total Tobacco Tax Revenue (Bn)	155.8	294.5	324.2	352.9	420.1
n)	Cigarettes smoked per smoker per year	1111	1083	1066	1051	1019
o)	Cigarettes smoked per smoker per day	3.04	2.97	2.92	2.88	2.79
p)	Number of tobacco-related premature deaths (millions, cumulative)	0.756	0.724	0.710	0.698	0.674
q)	Number of premature deaths avoided (thousands, cumulative)	0	60.7	74.2	86.2	110.6

Generated from TETSiM