

Cigarette Tax Scorecard: Spotlight on Vietnam

Key Messages

- In the Tobacconomics Cigarette Tax Scorecard, the score in 2018 in Vietnam was 0.88 out of 5 possible points. This is significantly lower than the average score of countries in its region and income group, as well as the global average score.
- Of the four components used to calculate the overall score in the Scorecard, Vietnam performed moderately better in tax structure, with a score of 2.00 points. Still, this is less than half of the possible points and there has been no improvement in recent years.
- Vietnam scores zero points in the affordability change over time component, reflecting a failure to update the cigarette taxes in response to inflation and income growth.
- The country's overall score increased slightly from 0.75 in 2014 to 0.88 in 2016, but has remained stagnant since. The country would reap both public health and fiscal benefits from improvements in cigarette tax policy.

Introduction

The Tobacconomics Cigarette Tax Scorecard evaluates countries' cigarette tax systems based on a five-point rating system that incorporates international guidance and best practices in tobacco taxation. The five-point index uses data to score countries on the following four components: cigarette price, changes in the affordability of cigarettes over time, the share of

taxes in retail cigarette prices, and the structure of cigarette taxes. The total score reflects an average of the four component scores.

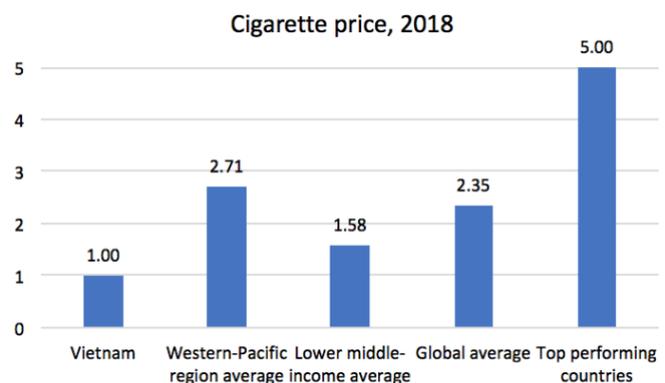
By implementing more effective cigarette tax policies, Vietnam would improve the health of its population, while raising additional tax revenue for the government.

Regional Findings

Cigarette Price

Price is a key determinant of cigarette use. Although less than proportionately, as price increases, demand for cigarettes decreases.

In 2018, Vietnam scored only 1 point out of 5, which means that the absolute price of cigarettes in the country is lower than similar countries as well as the global average.

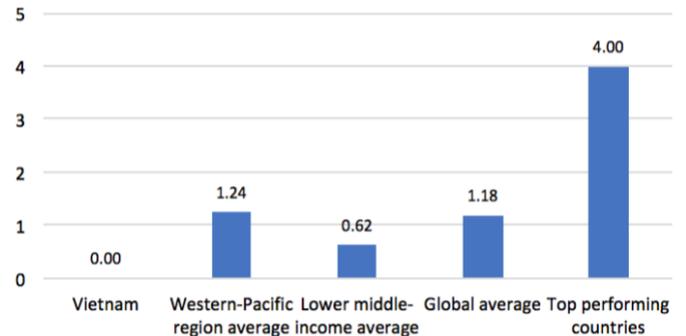


Changes in Cigarette Affordability

To reduce demand, taxes must be increased enough to reduce the affordability of cigarettes. Furthermore, they should be regularly updated for inflation and income growth.

Vietnam did not receive any points in this component in 2018, meaning that there has been no reduction of cigarette affordability in the past six years. In fact, the opposite is true, cigarettes have become consistently more affordable since 2014.

Changes in cigarette affordability, 2018

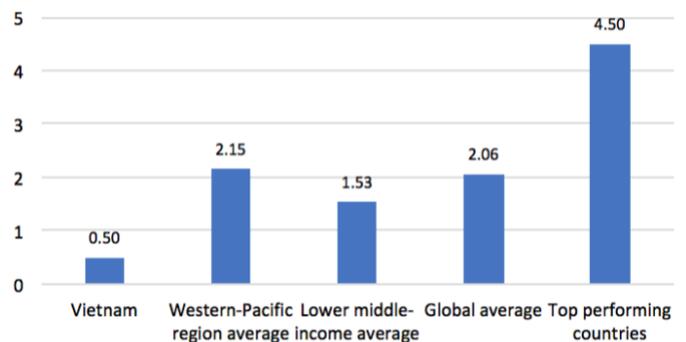


Tax Share

The tax share of cigarette price must be high enough so that governments are able to increase their tax revenue after raising cigarette prices.

Vietnam scored 0.50 points out of 5 in 2018. This is lower than the average tax share score in countries in the Western-Pacific region and the lower middle-income group.

Tax share, 2018

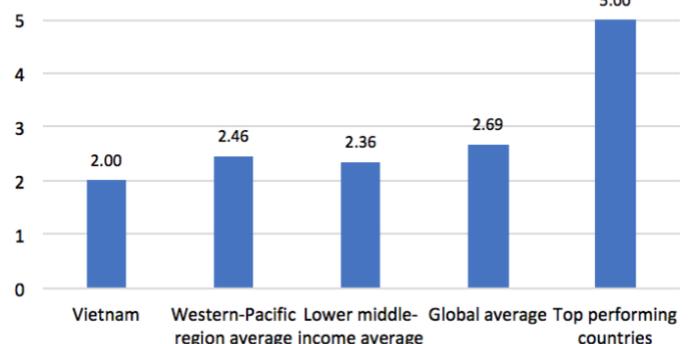


Tax Structure

The structure of an excise tax determines its ability to meet public health and revenue goals. A simple, uniform specific tax structure is the most effective way to decrease tobacco use, while maximizing tax revenue.

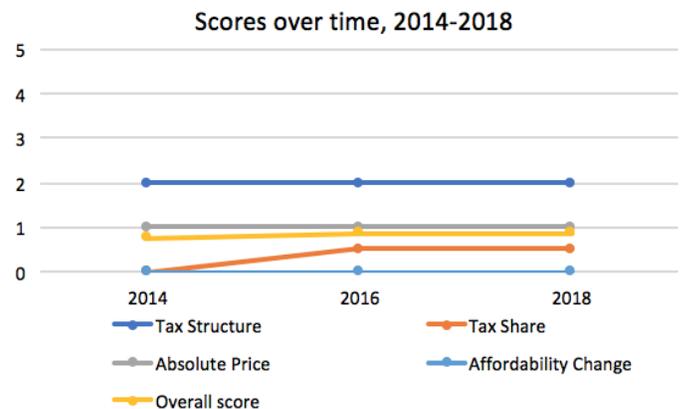
Vietnam's score was 2 points in 2018, the highest in any of the components, but adding a sizable specific excise tax on cigarettes would markedly improve Viet Nam's tax structure score further.

Tax structure, 2018



Scores Over Time

Between 2014 and 2018, Vietnam did not experience significant change in any of its component scores. Cigarette price, affordability change over time, and tax structure all received the same scores in 2014, 2016, and 2018. The tax share of price improved slightly between 2014 and 2016, but has not changed since. As a result, its overall score has only increased by 0.13 points, from 0.75 to 0.88, between 2014 and 2018.



Policy Implications and Recommendations

In summary, the following cigarette tax policy improvements are recommended as concrete next steps to reduce smoking prevalence in Vietnam and improve the health of its citizens, while increasing the tax revenue collected by the government:

- Vietnam should implement a **uniform specific excise tax on cigarettes** as well as change the ad valorem tax base to retail price instead of ex-factory price.
- In order to reduce the affordability of cigarettes, Vietnam should **significantly increase excise taxes on cigarettes** and update them automatically to keep pace with inflation and income growth.
- The total tax share should be at least 75% of the retail price and the **excise tax share should be at least 70% of the retail price**.
- Vietnam should **increase the price of cigarettes**, aiming for a PPP-adjusted price of at least ten international dollars per pack of 20 cigarettes.