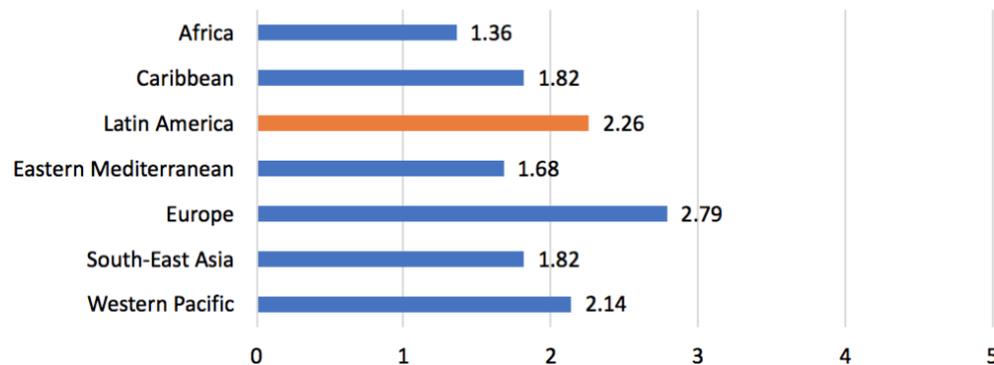


## Cigarette Tax Scorecard: Spotlight on Latin America

Average overall scores by WHO region/subregion, 2018



### Key Messages

- In the Tobacconomics Cigarette Tax Scorecard, the average overall score in 2018 in Latin America is 2.26 out of 5 points. Although this is higher than several other regions and the global average, Latin America received less than half of the possible points on average.
- Out of the four components used to calculate the overall score in the Scorecard, Latin American countries performed best on tax structure, with an average score of 3.2 points. This suggests that tax structures in the region are somewhat effective but there is considerable room for improvement in many countries.
- The region would benefit most from reducing the affordability of cigarettes— the average score in that component is only 1 point out of 5. The prices of cigarette have not been keeping up with inflation or income growth.
- Out of the Latin American countries, Ecuador is the highest performer, with an overall score of 4.4 points, while Paraguay lags behind the region with only 0.5 point out of 5.

### 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 from the World Health Organization 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.

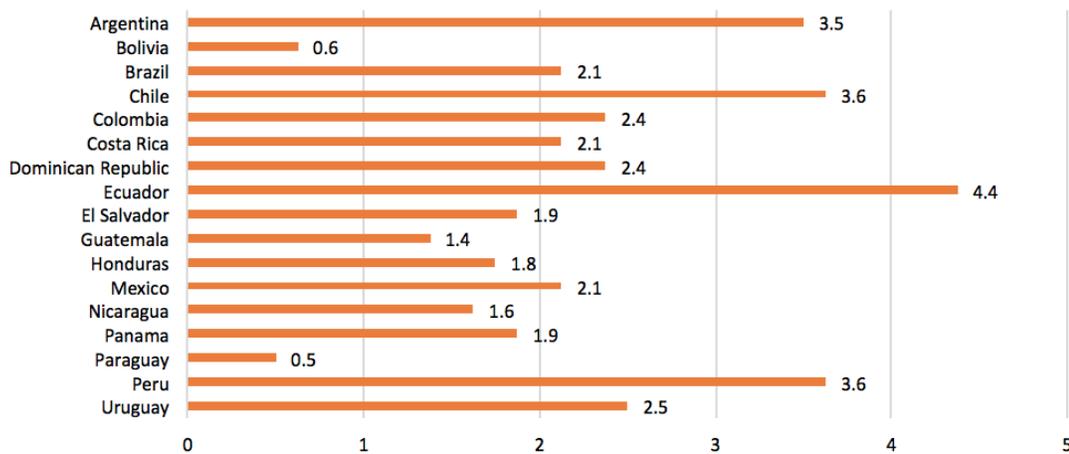
The Latin America region on average scored less than half of the potential points in 2018. Improving cigarette tax policies would decrease smoking prevalence, while raising additional tax revenues for governments.

## Regional Findings

There is significant variation across the Latin American region for overall scores in 2018. Ecuador scored the highest with 4.4 points out of 5, followed by Peru and Chile that both scored 3.6 points. Paraguay had the lowest score of 0.5, and Bolivia closely followed with a score of 0.6.

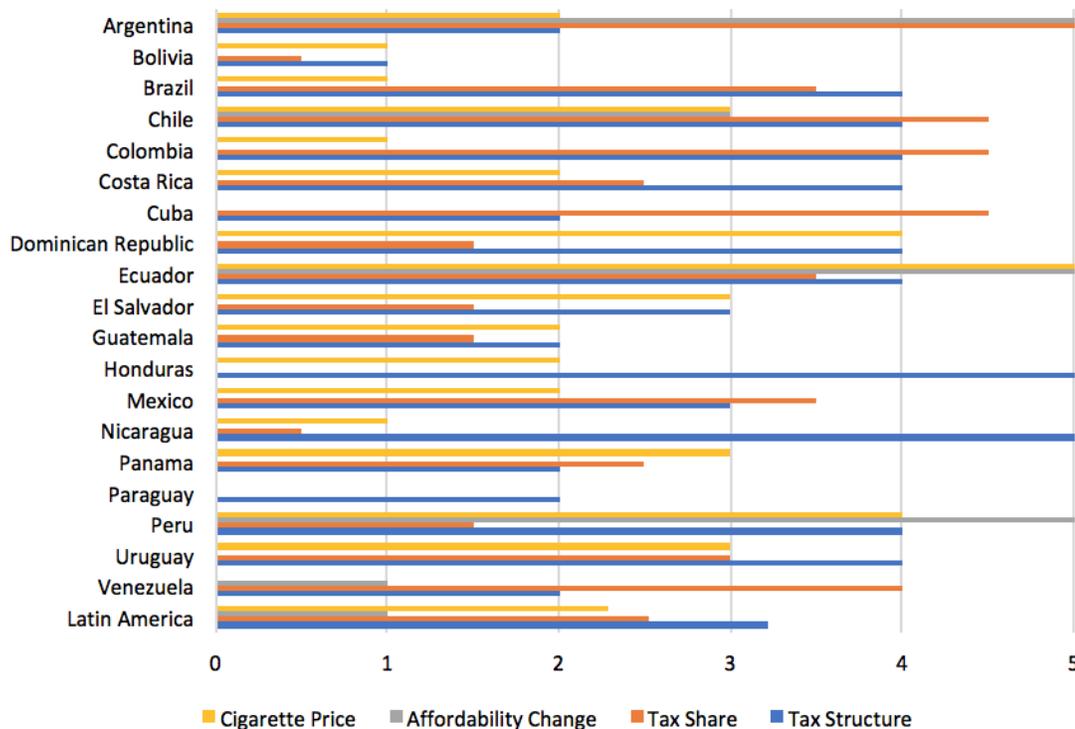
Most of the countries in the region received less than half of the possible points. These findings suggest that there is significant room for improvement in tobacco taxation policies throughout the region.

Overall scores, Latin America, 2018



Note: There are insufficient data for Venezuela and Cuba.

Component scores, Latin America, 2018



Note: There are insufficient data for the absolute price component score in Venezuela and Cuba.

## Key Component Findings

### *Cigarette Price*

Price is a key determinant of cigarette use— as the price increases, demand decreases. For 2018, the average score in Latin America in this component is 2.3 out of 5 points. Ecuador performed the best in this component, with 5 points. In contrast, Paraguay scored 0 points. Such price variation across the region can threaten the effectiveness of high prices in countries.

### *Changes in Cigarette Affordability*

To reduce demand, cigarettes must become less affordable. As cigarettes become less affordable, consumers buy fewer and many will stop buying them altogether. As part of this effort, at a minimum, cigarette prices must be updated for inflation and income growth.

This component requires the most significant improvement in Latin America. The regional average score is only 1 point out of 5. Although Peru, Ecuador, and Argentina scored 5 points indicating significant decreases in affordability from 2012 to 2018, 14 countries scored 0 points.

### *Tax Share*

High tax share of price is essential in order to raise government tax revenues from cigarettes.

The average for this component of the score in Latin America is 2.5 points with large variation among countries. Argentina received all 5 points, and several other countries scored 4.5 out of 5 points. On the other hand, Honduras and Paraguay received no points and Nicaragua and Bolivia received only 0.5 points, indicating that these governments could be reaping significantly more benefit from cigarette taxes.

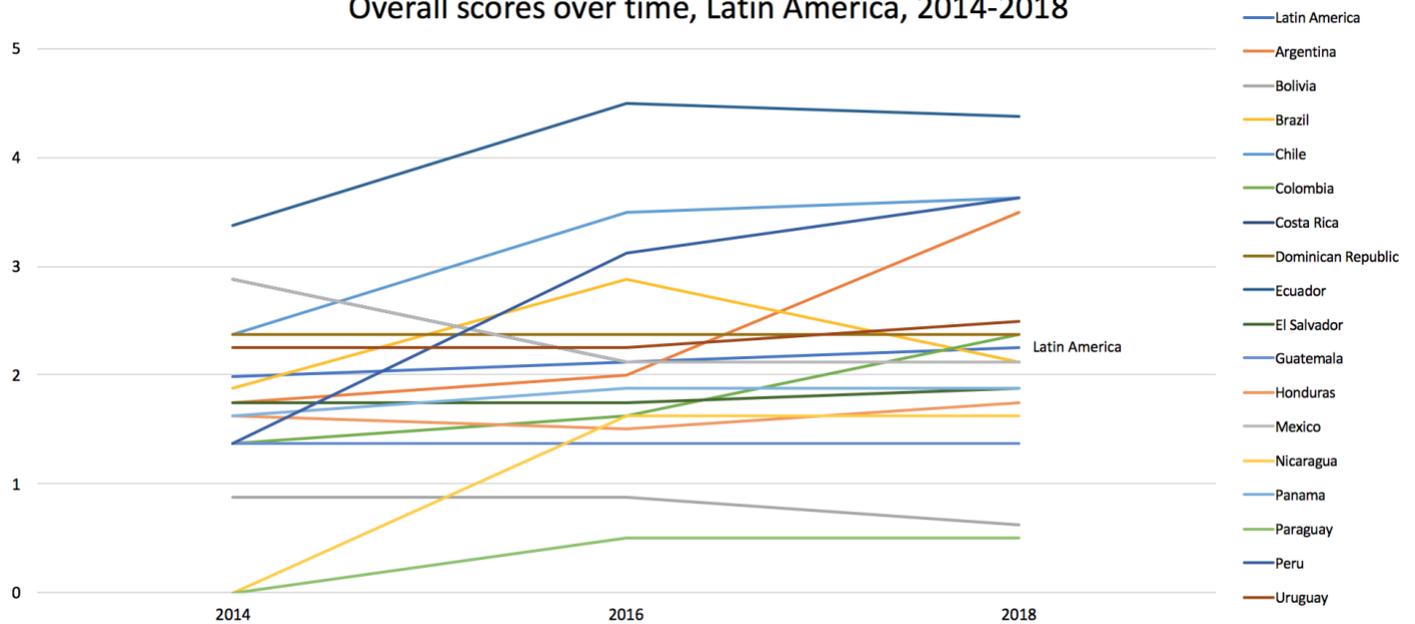
### *Tax Structure*

Tax structures vary in their effectiveness when it comes to reducing tobacco use and collecting tax revenue. Uniform specific excise tax systems are generally the most effective and easiest to administer.

The average score in Latin America for this component is 3.2 out of 5 in 2018. Nicaragua and Honduras received all 5 points in this component. Bolivia scored the lowest in the region, with only 1 point out of 5.

## Scores Over Time

Overall scores over time, Latin America, 2014-2018



Note: For some components of the score, there are insufficient data for Venezuela and Cuba for all years.

There is significant variation in effectiveness of cigarette tax policies in the Latin American region. Since 2014, the regional average has improved moderately, from 1.98 to 2.26 points. In that time period, Argentina, Peru, Chile, and Ecuador, increased their overall scores by more than 1 point. Mexico, Costa Rica, and Bolivia saw a decrease in their scores. The remaining countries in the region either saw small

improvements or no change to their overall score.

Each country in Latin America should seize the opportunity to improve their cigarette tax policies going forward. Not only will this improve population health, but governments will reap fiscal benefits as well.