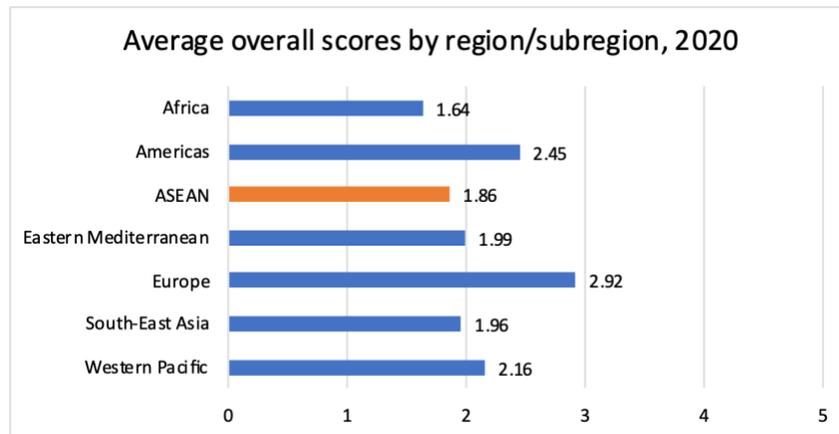


Cigarette Tax Scorecard: Spotlight on ASEAN



Key Messages

- In the Tobacconomics Cigarette Tax Scorecard, the average overall score in the countries in the Association of Southeast Asian Nations (ASEAN) is only 1.86 out of 5 points in 2020. This is lower than the global average and most of the World Health Organization (WHO) regions.
- Out of the four components used to calculate the overall score in the Scorecard, the ASEAN region performed best on tax structure, with an average score of 2.33 points. Still, the tax structure in most of the countries is far from the optimal uniform specific excise tax.
- The countries would benefit most from reducing the affordability of cigarettes over time—the average score in that component is only 0.89 points out of 5. In addition to generally low excise tax rates, most countries in the region are not utilizing the best practice of specific taxes that account for inflation and income growth.
- In ASEAN, the Philippines is the highest performer, with an overall score of 3.63 points, while Cambodia and Lao PDR lag far behind, each receiving only 0.5 points 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.

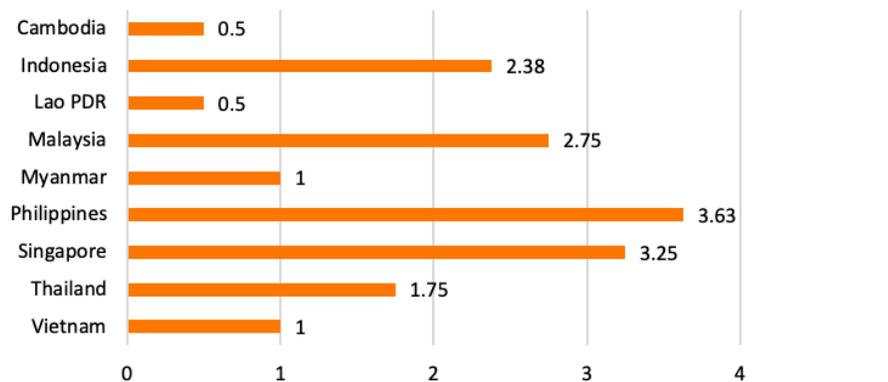
The average score of the nine ASEAN countries in 2020 is only 1.86 points out of 5. Only three countries received more than half of the possible points. Improving cigarette tax policies is essential to decreasing smoking prevalence, while raising additional tax revenues for governments in the region.

Regional Findings

There is significant variation in the overall scores among the ASEAN countries. The Philippines scored the highest with 3.63 points out of 5, followed by Singapore with 3.25 points. The remainder of the countries received less than 3 points. Cambodia and Lao PDR both received the lowest score in the region: 0.50 points, and

Myanmar and Vietnam followed closely with 1 point out of 5. These findings suggest that there is significant room for improvement in tobacco taxation policies in almost all countries in the region.

Overall Scores, ASEAN, 2020



Note: There are insufficient data for Brunei Darussalam.

Key Component Findings

Cigarette Price

Price is a key determinant of cigarette use—as the price increases, demand decreases.

For 2020, the average score in ASEAN for this component is 2.22 out of 5 points. Singapore and Malaysia performed the best in this component, both receiving all 5 points with prices of 16.63 and 11.13 international PPP dollars, respectively. In contrast, Cambodia scored 0 points. Such price variation across the region can threaten the effectiveness of high prices in neighboring countries by creating opportunities for cheaper illicit products.

Changes in Cigarette Affordability

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

The average score in the nine countries was only 0.89 points out of 5 for cigarette affordability in 2020. This component of the score requires the most significant improvement, given that seven countries scored 0 points. The Philippines, on the other hand, received all 5 points, which means it had at least a 7.5% annual change in the 2018-20 period. Other ASEAN countries should look to replicate its success.

Tax Share

High tax share of price is a strong indicator of effective tobacco taxation and is essential to raise government tax revenues from cigarettes.

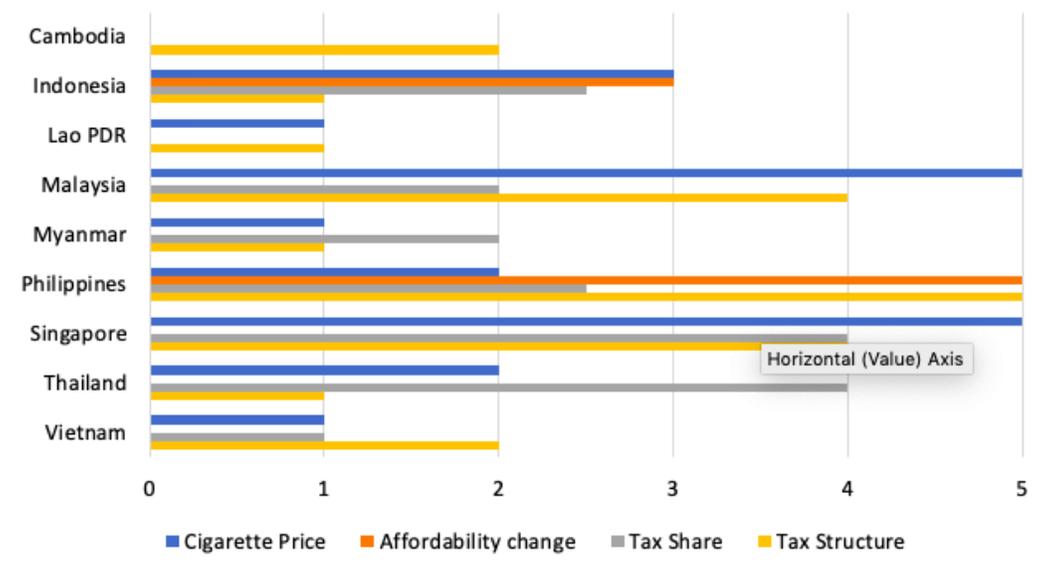
The average for this component of the score in the countries in ASEAN is 2 points, although there is significant variation among countries. The tax share of price is high in Thailand and the Philippines, at 4.50 points out of 5. On the other hand, Cambodia and Lao PDR received no points and Myanmar received only 0.50 points, suggesting significant opportunities for improvement.

Tax Structure

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

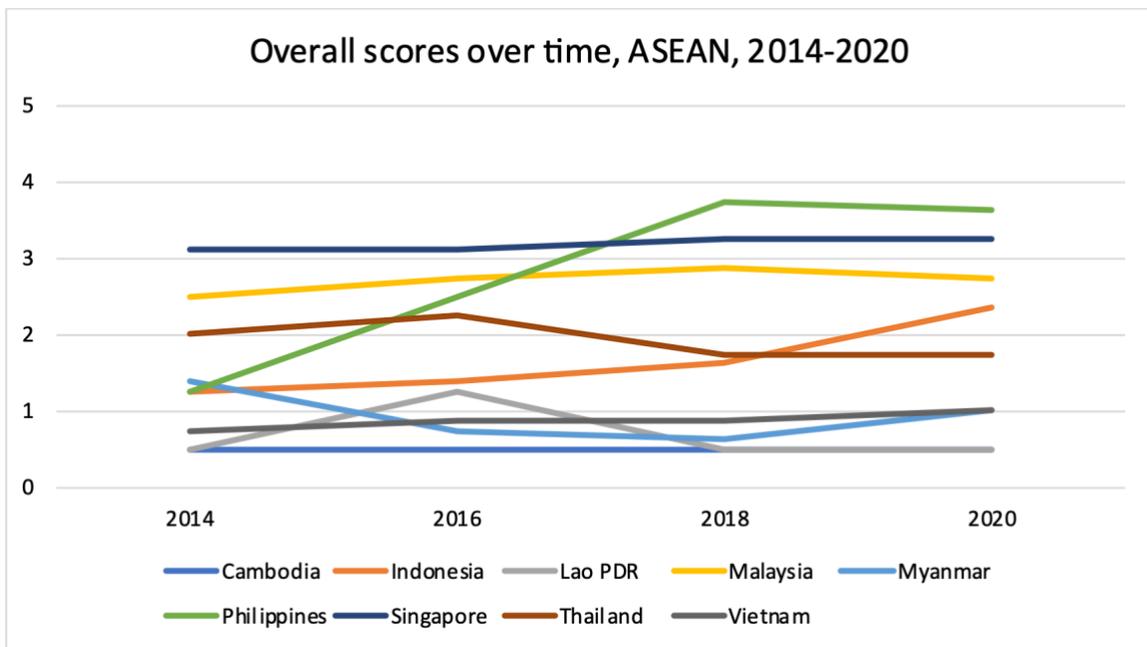
The average tax structure score in ASEAN is 2.33 points out of 5 in 2020. Although this is the region's highest average component score, there is variation in the effectiveness of tax structures. The Philippines received all 5 points and Malaysia and Singapore received 4 points, yet Indonesia, Lao PDR, Myanmar, and Thailand received only 1 point, mainly because problematic tiered structures are common and provide opportunities for smokers to find cheaper brands.

Component scores, ASEAN, 2020



Note: There are insufficient data for Brunei Darussalam. No visible bar indicates a score of zero.

Scores Over Time



Note: There are insufficient data for Brunei Darussalam for all years.

There is significant variation in the effectiveness of cigarette tax policies in the ASEAN region. Since 2014, the average of the nine countries has modestly improved, from 1.47 to 1.86 points. In that time period, the only country that has experienced significant improvement in overall score is the Philippines, who saw drastic improvement from 2014 to 2018 (1.25 in 2014 to 3.75 in 2018) but whose score has since stagnated (3.63 in 2020). Indonesia, Malaysia, Singapore, and Vietnam experienced some improvements, while Cambodia’s score remained constant from 2014 to 2020 and Lao

PDR’s score rose in 2016 and fell back down in 2018-20. Myanmar saw a sizeable decrease, from 1.40 in 2014 to 0.60 in 2018, with some improvement in 2020 (1.00 overall). Thailand saw a much smaller reduction between 2016 and 2018, from 2 points to 1.75, which remained the same in 2020.

Most of the nine ASEAN countries have vast room for improvement in their cigarette tax policies. Governments should seize this opportunity to improve population health and reap fiscal benefits from increased tax revenue.