

Cigarette Tax Scorecard: Spotlight on Bangladesh

Key Messages

- In 2020, in the second edition of the Tobacconomics Cigarette Tax Scorecard, Bangladesh scored 2.63 out of 5 points. This is slightly higher than the average score of countries in its region and country income group.
- Among the four components used to calculate the overall score, Bangladesh received the most points in affordability change, with a score of 5 points. The average annual reduction in cigarette affordability between 2014 and 2020 was 8.49%.
- In contrast, Bangladesh scored just 1 point in the tax structure and absolute price components. Cigarettes cost only ₳95.00 (\$Intl 2.91), and the country uses a problematic tiered ad valorem excise tax structure.
- Bangladesh's overall score in cigarette taxation has improved from 2014 to 2020, but there remains significant opportunity for improvement.

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.

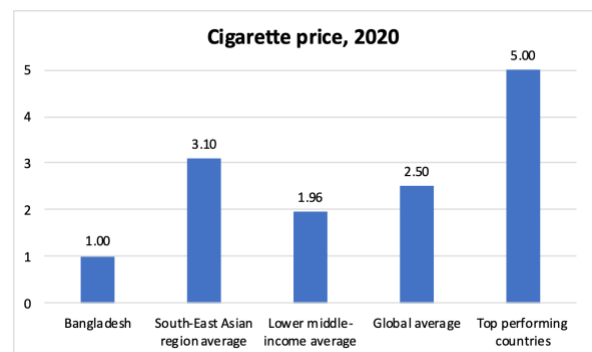
By implementing more effective cigarette tax policies, Bangladesh would improve the health of its population, while raising additional tax revenue for the government.

Country Findings

Cigarette Price

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

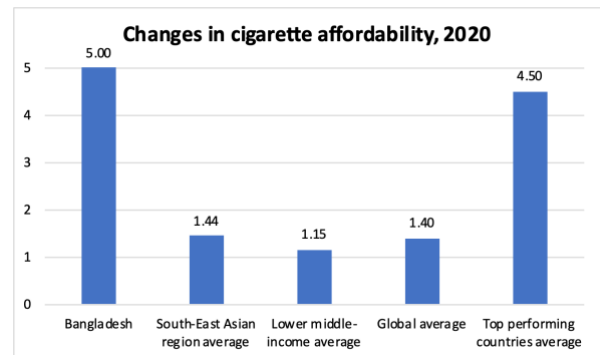
Cigarette prices remain low in Bangladesh, which scored only 1 point out of 5 in this component, as the price of a 20-pack of the most-sold brand is ₳95.00 (\$Intl 2.91) in 2020. This is significantly less than the recommended minimum of ₳338.26 (\$Intl 10.31).



Change in Cigarette Affordability

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

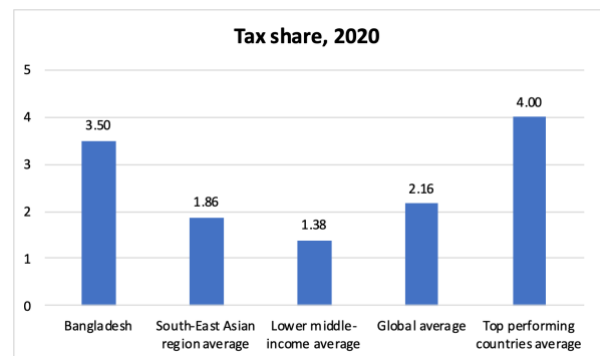
Bangladesh scored well in this component, receiving all 5 possible points in 2020, higher than the region, income group, and global averages, but the price score discussed above suggests that cigarettes are still affordable for many.



Tax Share

A high tax share of price is generally a good indicator of cigarette tax effectiveness and is essential to raise government tax revenues from cigarettes.

Bangladesh scored 3.50 points out of 5 in 2020. The excise tax share is only 57% of price, leaving significant room for improvement to reach the 70% recommendation. Also, because tax share is greatly affected by price, the low prices mean that a higher tax share score overstates the effect.

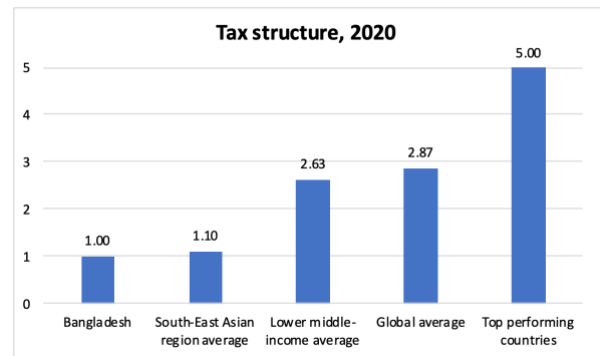


Tax Structure

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

In this component, Bangladesh received only 1 point out of 5. The country scored lower than the income group, regional, and global averages as a result of its tiered ad valorem tax structure. Tiered structures generally mean large price ranges that provide opportunities for smokers to

switch to a cheaper cigarette when prices increase. Tiered structures also give tobacco companies more opportunities to avoid paying taxes.



Scores Over Time

Between 2014 and 2020, Bangladesh has shown significant improvements in reducing cigarette affordability, leading to an increase in overall score. In contrast, the country’s cigarette prices and tax structure have remained constant, signifying room for improvement.

Score Component	2014	2016	2018	2020
Cigarette Price	0.00	0.00	1.00	1.00
Changes in cigarette affordability	0.00	0.00	0.00	5.00
Tax share	2.50	3.50	3.50	3.50
Tax structure	1.00	1.00	1.00	1.00
Overall score	0.88	1.13	1.38	2.63

Policy Implications and Recommendations

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

- To improve its tax structure, Bangladesh should replace its tiered ad valorem tax with a **uniform specific excise tax on cigarettes** or a hybrid structure (both ad valorem and specific taxes) that relies more on the specific tax. These specific taxes must be adjusted annually to outpace inflation and economic growth.
- Bangladesh should significantly increase the tax on cigarettes in order to **increase the price of cigarettes** to at least ₳338.26 (\$Intl 10.31) per pack of 20 cigarettes.
- At the same time, the government should strive for excise taxes to account for at least 70% of retail price.