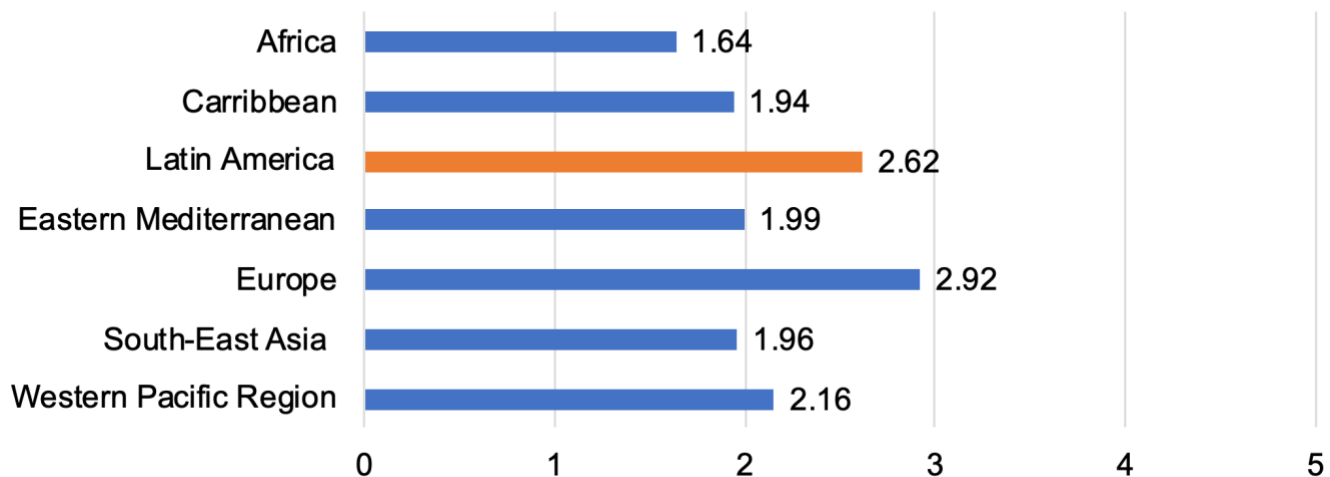


## Cigarette Tax Scorecard: Spotlight on Latin America

Average Overall Scores by WHO Region/Subregion, 2020



### Key Messages

- In the second edition Tobacconomics Cigarette Tax Scorecard, the average overall score in 2020 in Latin America is 2.62 out of 5 points. Although this is higher than several other regions and the global average, Latin America scored just over 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 3.47 points. This suggests that tax structures in the region are somewhat effective but there remains considerable room for improvement in many countries.
- Higher excise tax rates would help to reduce the affordability of cigarettes— the average score in that component is only 1.88 points out of 5. The prices of cigarette in most countries have not even been keeping up with inflation or income growth.
- Out of the Latin American countries, Ecuador is the highest performer, with an overall score of 4.63 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.

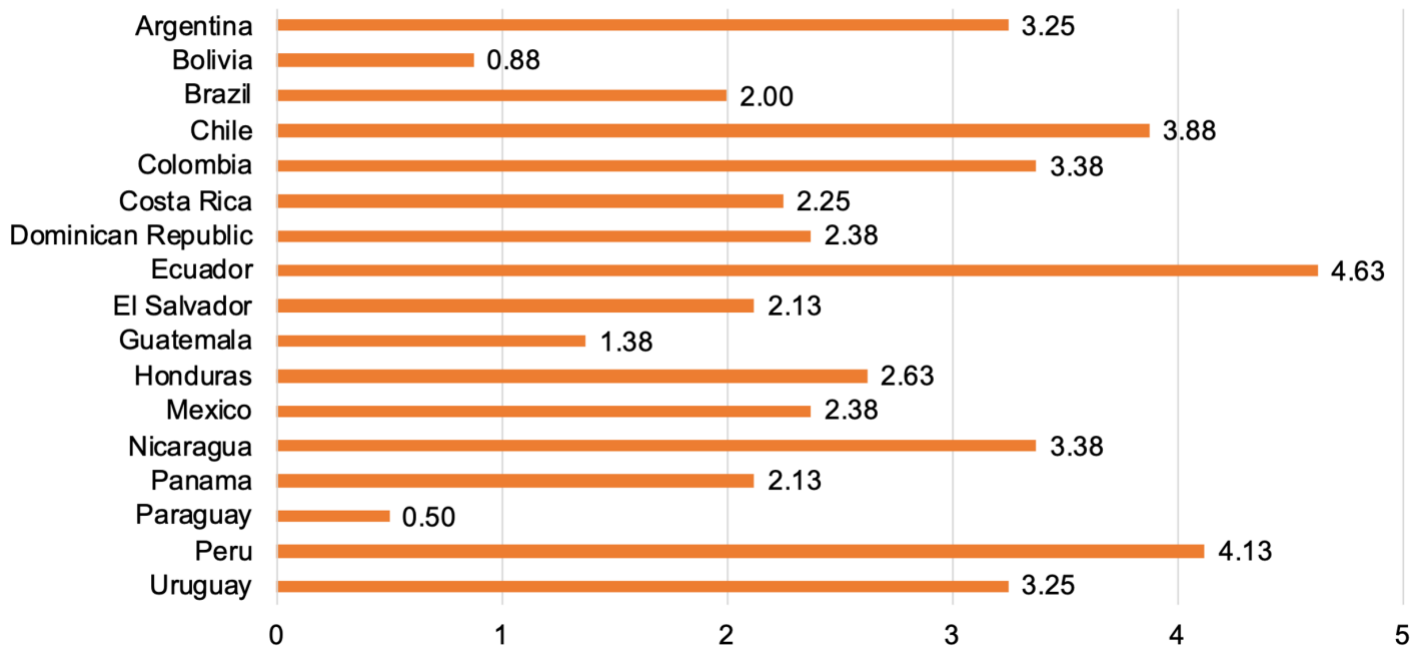
The Latin America region on average scored just over half of the potential points in 2020. Improving cigarette tax policies would decrease smoking prevalence, while raising additional tax revenues for governments.

## Regional Findings

There is significant variation across the Latin American region for overall scores in 2020. Ecuador scored the highest with 4.63 points out of 5, followed by Peru, which scored 4.13 points. Paraguay had the lowest score of 0.50, and Bolivia closely followed with a score of 0.88. A

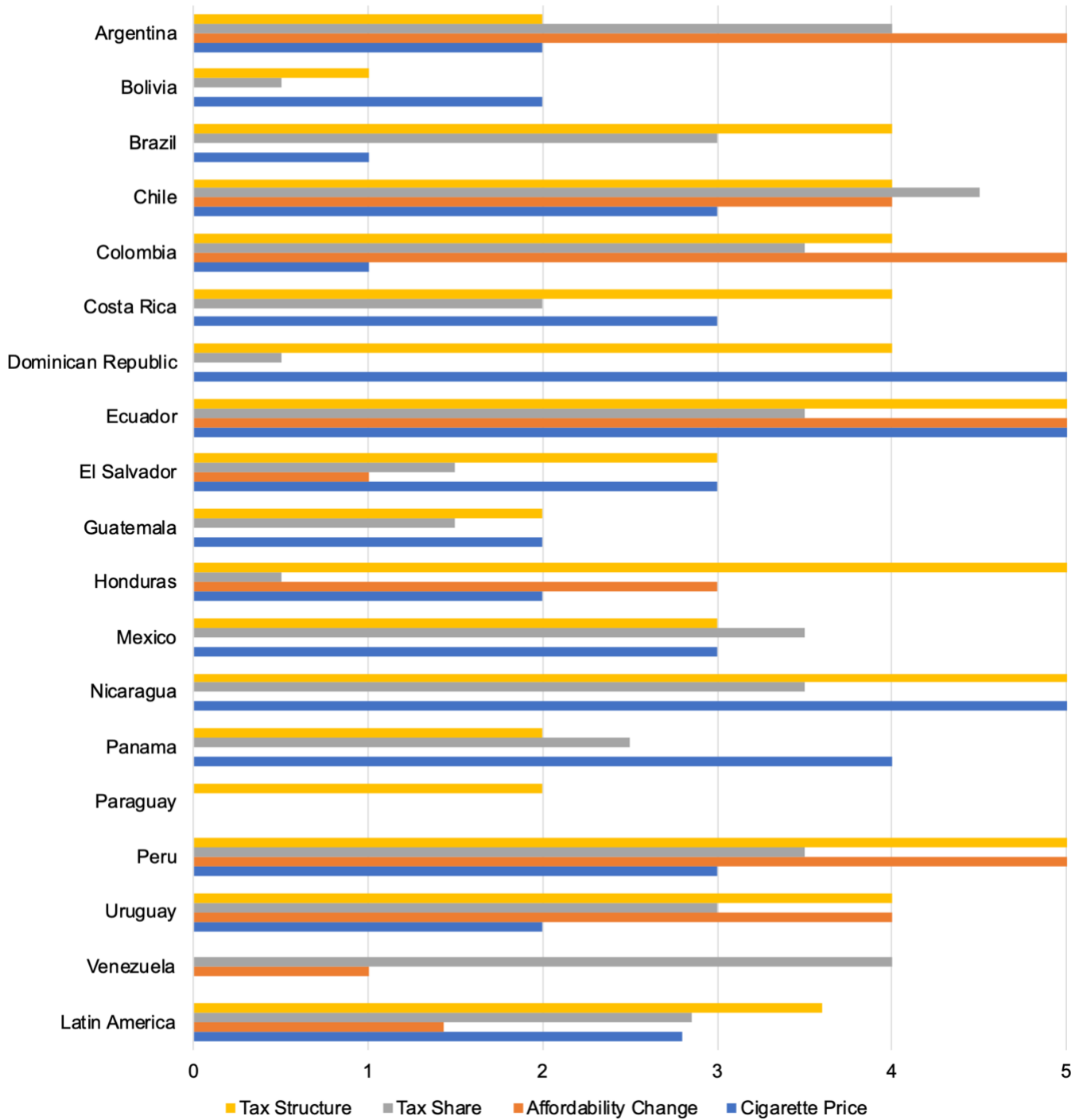
majority of countries in the region received less than half of the possible points. These findings suggest that there is significant room for improvement in tobacco taxation policies throughout the region.

Overall Scores, Latin America, 2020



Note: There are insufficient data for Venezuela and Cuba

Component Scores, Latin America, 2020



Note: There are insufficient data for the absolute price, tax share, and tax structure components in Cuba, and the absolute price and tax structure components in Venezuela.

## Key Component Findings

### *Cigarette Price*

Price is a key determinant of cigarette use— as the price increases, demand decreases. In 2020, the average score in Latin America in this component is 2.71 out of 5 points. Nicaragua, Ecuador, and Dominican Republic perform the best in this component, each scoring 5 points. In contrast, Paraguay scores 0 points. Such price variation across the region can threaten the effectiveness of high prices in countries.

### *Change 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 outpace inflation and income growth.

This component requires the most significant improvement in Latin America. The regional average score is only 1.88 points out of 5. Although Peru, Ecuador, Colombia, and Argentina scores 5 points indicating significant decreases in affordability from 2014 to 2020, 9 countries score 0 points.

### *Tax Share*

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

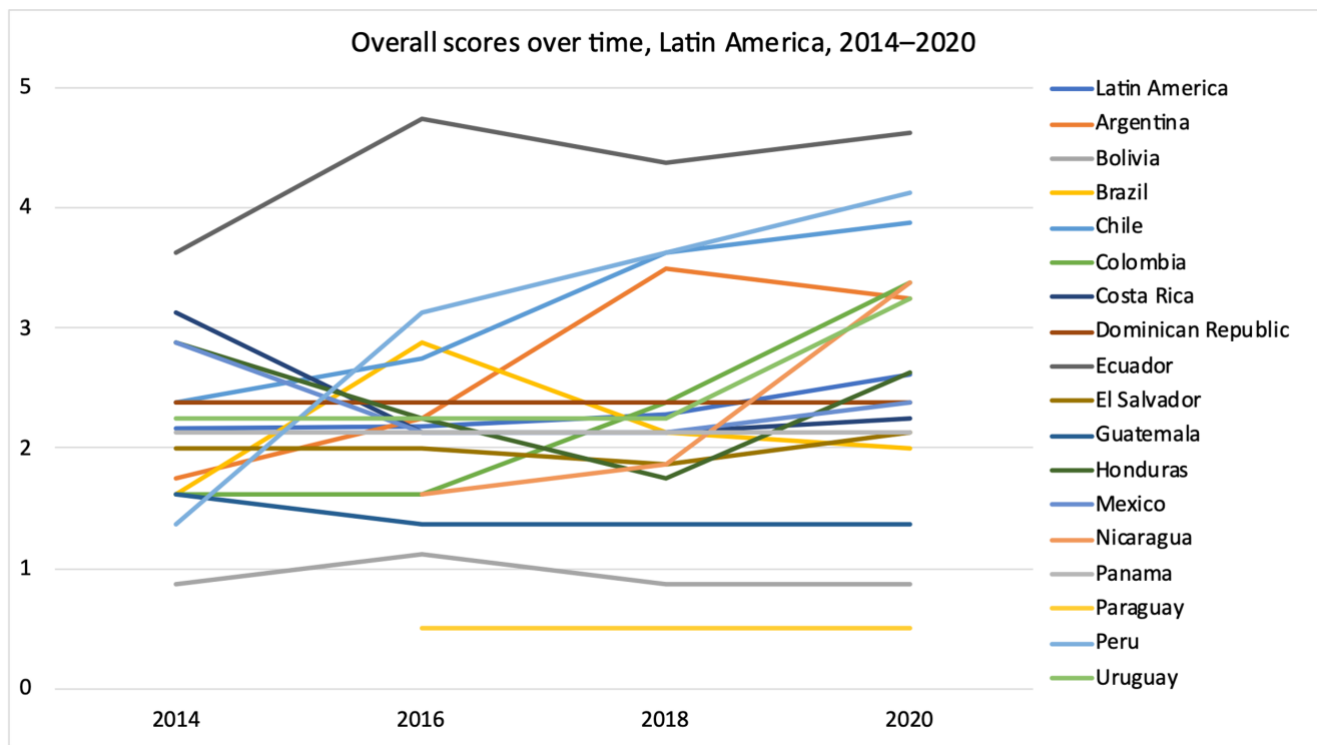
The average for this component of the score in Latin America is 2.41 points with large variation among countries. Chile receives 4.5 points out of 5, and nine countries score at least 3 out of 5 points. On the other hand, Paraguay receives no points and Bolivia, Dominican Republic, and Honduras receive only 0.5 points, indicating that these governments could be reaping significantly more revenues 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 3.47 out of 5 in 2020. Ecuador, Honduras, Nicaragua, and Peru receive all 5 points in this component. Bolivia scores the lowest in the region, with only 1 point out of 5.

## Scores Over Time



There is significant variation in progress on cigarette tax policies in the Latin American region. Since 2018, the regional average has improved moderately, from 2.26 to 2.62 points. In that time, Colombia, Nicaragua, and Uruguay increased their overall scores by more than 1 point. Argentina, Bolivia, Brazil, Dominican Republic, Guatemala, Panama, and Paraguay saw a decrease in their scores. The

remaining seven countries in the region saw small improvements 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 significant fiscal benefits such as increased tax revenues as well.