

Increasing the Cigarette Excise Tax Would Reduce the Prevalence of Daily Smoking and Delay Smoking Initiation in Argentina

Key Findings



Increasing cigarette prices through cigarette excise tax increases would reduce the initiation of daily smoking in Argentina.



Increasing cigarette prices would reduce daily smoking prevalence, regardless of the population group considered.



Daily smoking prevalence is higher for men than for women and is higher among the poor than the rich.



Price increases delay the age of daily smoking initiation. An increase of 10 percent in cigarette prices would delay smoking initiation by four months.

Background

There is abundant evidence documenting the negative consequences of smoking on health.ⁱ Over the last 15 years Argentina has implemented effective policies to reduce tobacco consumption, and smoking prevalence has been decreasing. On average, people start smoking daily at 17 years old, with many starting as young as the age of ten. Moreover, early smoking initiation predicts long-term nicotine dependence, affecting them for their whole life. In practice, it is not possible to identify those individuals who, after their first use of tobacco, will adopt the habit of sustained smoking, but it is possible to find which groups are at a higher risk. Avoiding the habit of smoking is associated with fewer health harms, and this highlights the importance of addressing the tobacco epidemic through control policies at early

ages. Therefore, there is a compelling need to address the issue of onset and prevalence of daily smoking among young people.

Findings

Impact of a tax increase on smoking prevalence

According to the 2018 National Risk Factors Survey (Encuesta Nacional de Factores de Riesgo, ENFR), 16.8 percent of Argentinians smoke every day. Daily prevalence is lower for women than for men, and it is also negatively associated with wealth. The findings of this research study show that a 10-percent increase in cigarette prices would induce a reduction of 1.1 percent in daily smoking prevalence. While daily smoking prevalence is

affected by an increase in prices, there is no evidence that price increases affect overall prevalence in the group of both daily and occasional smokers. This finding suggests that the effect of a price increase is more likely to discourage smokers from smoking every day—or to switch from daily to occasional smoking—but not to quit smoking altogether.

Table 1 summarizes the effect on cigarette consumption after a price increase among Argentinian daily smokers. Results indicate an increase in cigarette retail prices would induce a reduction in daily prevalence across all groups of smokers, regardless of age, gender, or wealth.

Impact of a tax increase on smoking onset

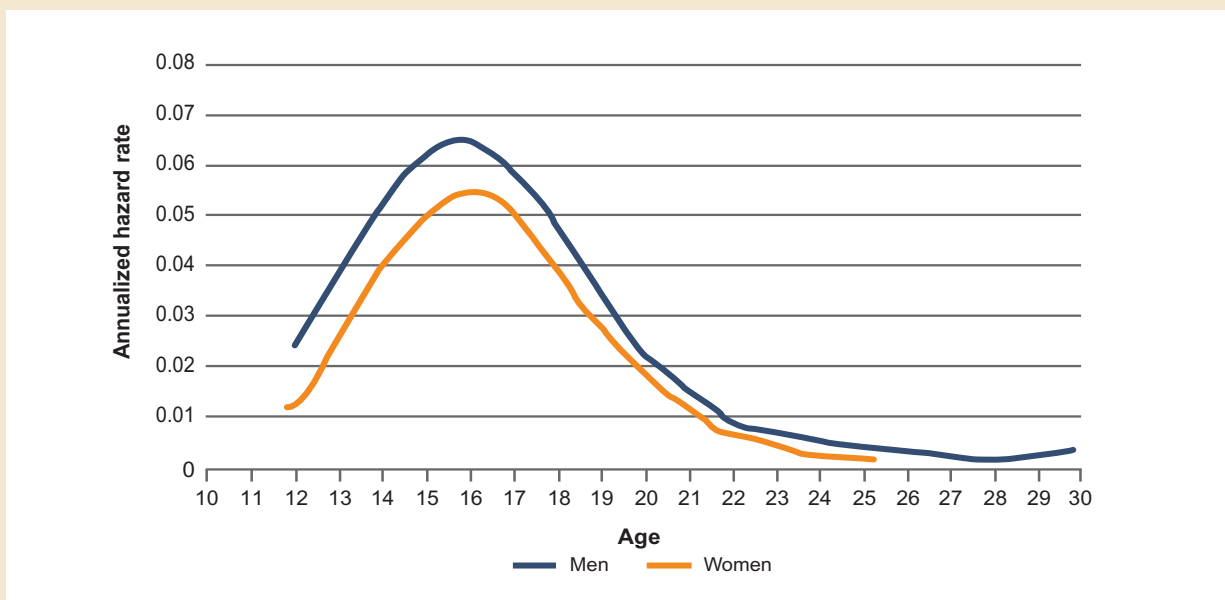
In Argentina, on average, people start smoking cigarettes daily around age 17. Figure 1 shows the pattern of smoking initiation by gender. Both genders have a risk of initiating smoking daily from around age 12. Teenage males around the age of 16 have the highest risk of starting to smoke daily while for females the highest risk is around 17 years old.

Table 1
Sensitivity of prevalence to a 10-percent price increase among daily smokers

Categories	Percent reduction in prevalence caused by a 10% price increase
Gender	
Men	-1.0%
Women	-1.1%
Age	
18-24 years old	-1.1%
25-44 years old	-1.0%
45-64 years old	-1.0%
65 years and older	-1.3%
Wealth quartiles	
Q1 (poorest)	-1.0%
Q2	-1.1%
Q3	-1.1%
Q4 (richest)	-1.1%

Source: Authors' elaboration

Figure 1
Daily smoking initiation pattern, by gender



Source: Authors' elaboration

Increasing retail cigarette prices delays daily smoking initiation. In particular, at the average starting age of smoking (18 years old), a 10-percent price increase would delay daily smoking initiation by four months. This effect is stronger for women. As Table 2 shows, a price increase of 10 percent would delay smoking initiation by five months for women at their mean starting age, and by four months for men. The effect of an increase in retail price on smoking initiation age is equal for the

poorest individuals in the sample as for those in the other quartiles of wealth. A 10-percent increase in cigarette prices would delay smoking initiation by about four and a half months. Increasing the cigarette tax so that it effectively increases cigarette prices would delay smoking initiation. Delaying initiation makes initiation itself less likely, since fewer people will start smoking as they get older. Thus, increasing tobacco taxes improves long-term health outcomes.

Table 2
Mean smoking starting age and months of delay

Categories	Mean starting age	Delay caused by a 10 percent increase in price
Aggregate	18	4.2 months
Men	18	4 months
Women	20	5 months
Lowest quartile of wealth	18	4.4 months
Other quartiles of wealth	18	4.4 months

Source: Authors' elaboration

Conclusion and policy recommendations

After analyzing the effect of cigarette price changes on smoking, **this study finds that an increase of 10 percent in cigarette prices induces a reduction in daily smoking prevalence of one percent as well as a delay in the onset of daily smoking by around four months.**

Argentina has a very complex tax structure on cigarette consumption. There are four relevant federal taxes: the additional emergency tax (IAE), the value added tax (VAT), the special tobacco fund (FET), and the internal tax (II). The tax base of each

one is different, but almost all are ad valorem taxes. The cigarette tax reform applied in 2016 increased the ad valorem tax rate of the II from 60 to 75 percent, inducing an average increase in cigarette retail prices of more than 40 percent.ⁱⁱ This dramatic increase is important because it highlights the fact that in Argentina, increases in cigarette excise taxes lead to increases in retail prices. Therefore, a policy of increasing cigarette excise taxes with the objective of increasing cigarette prices could be very effective to reduce daily smoking and delay smoking initiation.

Notes

- ⁱ US Department of Health and Human Services. (2010). *How tobacco smoke causes disease: The biology and behavioral basis for smoking-attributable disease: A report of the Surgeon General*. Atlanta, GA: US Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health.
- ⁱⁱ Gonzalez-Rozada, M. (2020). Impact of a recent tobacco tax reform in Argentina. *Tobacco Control*, 29, s300–s303. doi:10.1136/tobaccocontrol-2019-055238.

Citation

Franco-Churruarin, F. & Gonzalez-Rozada, M. Increasing the Cigarette Excise Tax Would Reduce Daily Prevalence and Delay Smoking Initiation in Argentina. A Tobacconomics Policy Brief. Chicago, IL: Tobacconomics, Health Policy Center, Institute for Health Research and Policy, University of Illinois Chicago, 2022. www.tobacconomics.org

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This Policy Brief is funded by Bloomberg Philanthropies.

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