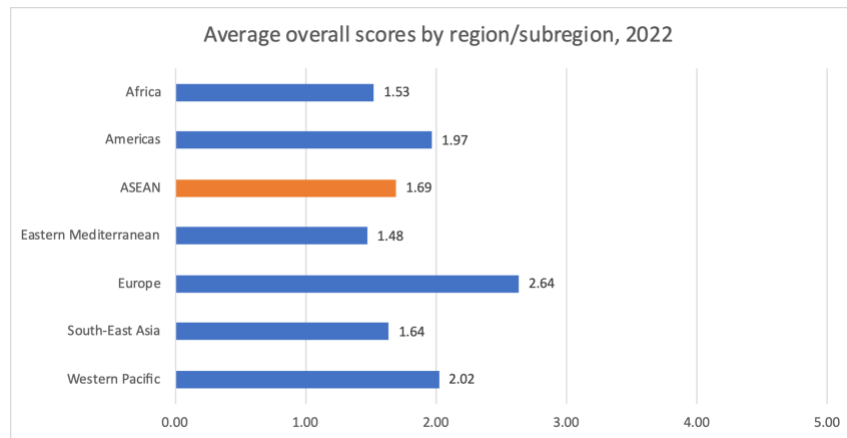


Cigarette Tax Scorecard: Spotlight on ASEAN



Key Messages

- In the third edition of Tobacconomics Cigarette Tax Scorecard, the average overall score in the countries in the Association of Southeast Asian Nations (ASEAN) is only 1.69 out of 5 points in 2022. This is lower than the global average and average scores of the Americas, the Western Pacific, and European 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 that is regularly adjusted.
- The countries would benefit most from reducing the affordability of cigarettes over time—the average score in that component is only 0.56 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 at a minimum 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, each receiving only 0.5 and 0.25 points out of 5 respectively.

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 1.69 points out of 5. Only three countries received more than half of the possible points. Improving cigarette tax policies is essential

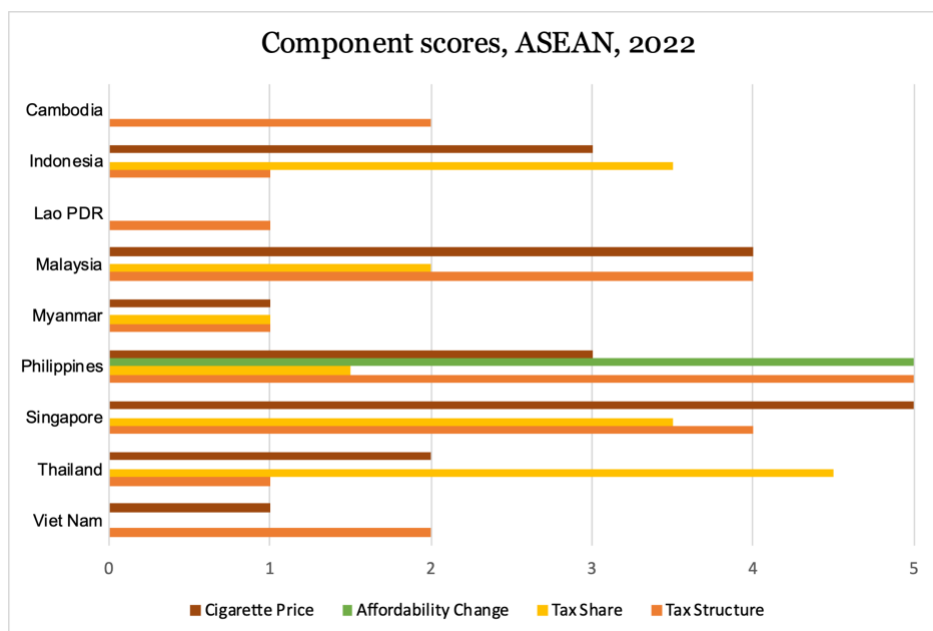
to decreasing smoking prevalence, while raising additional tax revenues for governments in the region.

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 3.13 points. The remainder of the countries received less than 3 points. Cambodia and Lao PDR received the lowest scores in the region: 0.50 points and 0.25 points respectively. Myanmar and Vietnam followed closely with 0.75 points out of 5. These findings suggest that there is significant room for improvement in tobacco taxation policies in almost all countries in the region.



Note: There are insufficient data for Brunei Darussalam.



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Key Component Findings

Cigarette Price

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

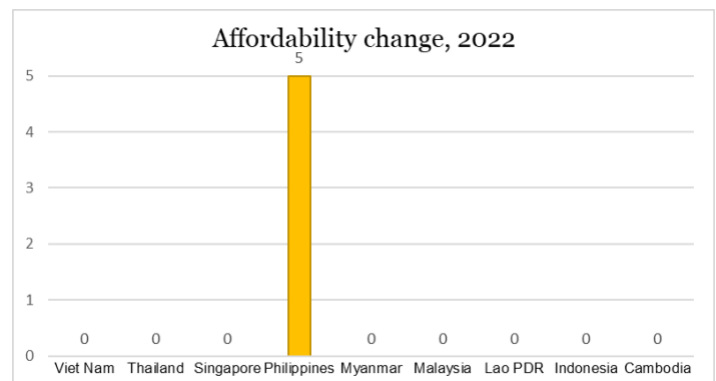
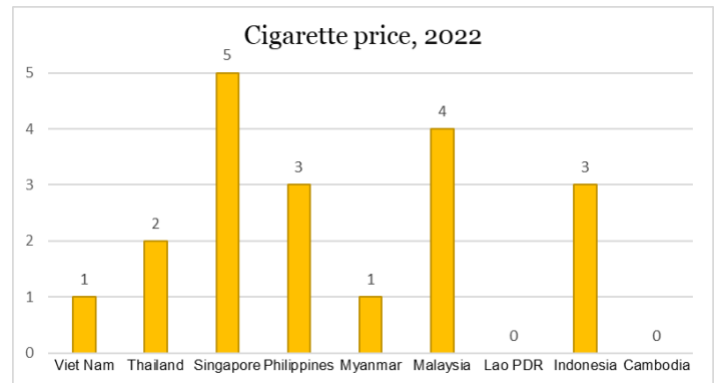
For 2022, the average score in ASEAN for this component is 2.11 out of 5 points. Singapore performed the best in this component, receiving all 5 points with prices of 17.23 international PPP dollars. In contrast, Cambodia and Lao PDR scored 0 points.

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 0.56 points out of 5 for cigarette affordability in 2022. This component of the score requires the most significant improvement, given that eight countries scored 0 points. The Philippines, on the other hand, received all 5 points, which means it had at least a 7.5% annual decrease in affordability in the 2016-20 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.

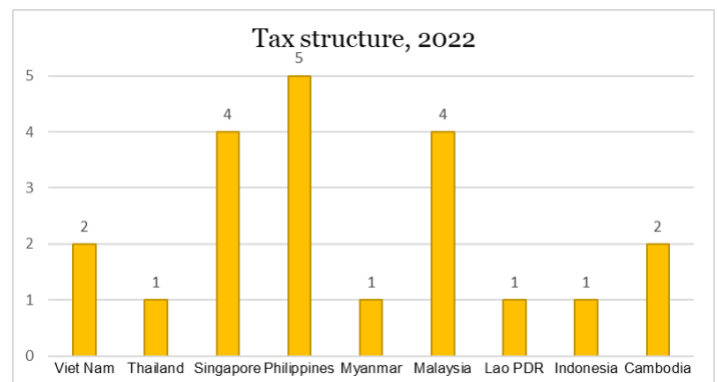
The average for this component of the score in the ASEAN countries is 1.78 points, although there is significant variation among them. The tax share of price is high in Thailand at 4.50 points out of 5. On the other hand, Cambodia, Lao PDR and Viet Nam received no points and Myanmar received only 1 point, 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.

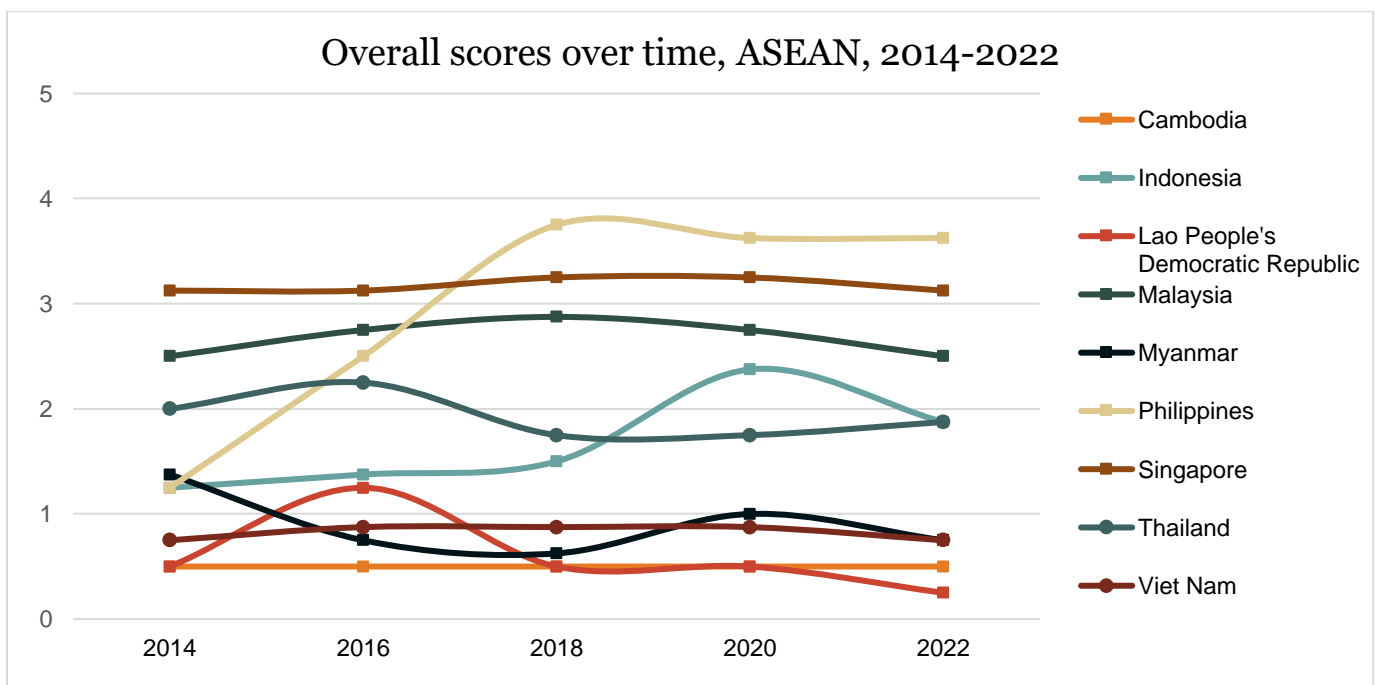
The average tax structure score in ASEAN is 2.33 points out of 5 in 2022. Although this is the region’s highest average component score, there is variation in the effectiveness of tax structures. The Philippines received all 5 points and Malaysia and Singapore received 4 points, yet Indonesia, Lao PDR, Myanmar, and Thailand received only 1 point, mainly because problematic tiered structures are common and provide opportunities for smokers to find cheaper brands.



Scores Over Time

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 1.69 points. In that time period, the only country that has experienced significant improvement in overall score is the Philippines, which saw dramatic improvement from 2014 to 2018 (1.25 in 2014 to 3.75 in 2018) though its score has since slid back slightly (3.63 in 2020 and 2022). Indonesia experienced some improvements, while the scores of the rest of the countries remained relatively constant from 2014 to 2022 except Lao PDR whose score rose in 2016 and fell back down in 2018-22. Myanmar saw a sizeable decrease, from 1.38 in 2014 to 0.75 in 2022. Thailand saw a smaller reduction between 2016 and 2022, from 2.25 points to 1.88.

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.



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