Tobacco Taxation in the Era of the Sustainable Development Goals

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High Level Meeting on Tobacco Tax and Sustainable Development
10 May 2017, Kathmandu, Nepal
Economic Impact of Tobacco Use

- Tobacco use single largest contributor to NCDs
- Significant spending on health care to treat diseases caused by tobacco

Source: Goodchild, et al., 2017

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Economic Impact of Tobacco Use

• Enormous economic costs from tobacco use
  – Over $1.4 trillion in health care costs, lost productivity globally

Source: Goodchild, et al., 2017

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Impact of Taxes on Tobacco Use

Significant tobacco tax increase are single most effective policy for reducing tobacco use and its health and economic consequences.

Sources: NCI & WHO, 2016; Jha & Hill, 2012
Cigarette Price & Consumption
Republic of Korea, 2005-2015, Inflation Adjusted

Sources: EIU, Euromonitor, and World Bank

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Cigarette Price & Youth Smoking Prevalence
Chile, 2000-2015

Source: Paraje, 2017
Impact of Taxes on Revenues

• Higher tobacco taxes very effective in generating new tax revenues

• Dedication of some tax revenues to tobacco control and other health promotion programs adds to the health impact of tax increases

Source: NCI & WHO 2016

Excise Tax per Pack and Excise Tax Revenue, South Africa, Inflation Adjusted, 1961-2012

Source: NCI & WHO 2016

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Tobacco Taxes and Revenues

• The Addis Ababa Action Agenda states:

“… price and tax measures on tobacco can be an effective and important means to reduce tobacco consumption and health-care costs, and represent a revenue stream for financing development in many countries”
Tax Structure Matters

- High, uniform specific taxes most effective in achieving health and revenue goals

- Need to adjust specific tax for inflation and income growth in order to reduce affordability,

Source: WHO 2015

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Tobacco Use & Poverty

Forgone Income 1: More money spent on tobacco; high opportunity cost. Less money spent on education, nutrition, etc.

Forgone Income 2: Due to treatment cost and loss of work days

Forgone Income 3: Due to premature death

Breadwinner gets sick due to tobacco use

Youth and women start smoking and men smoke more

Higher prevalence and consumption level

Income increases

Vicious Cycle of Tobacco and Poverty

Source: NCI & WHO 2016

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Crowding Out by Tobacco

### Spent Money on Cigarettes Instead of Essentials

Figure 2. Percentage of smokers who spent money on cigarettes instead of household essentials, such as food, in the last 6 months, by country.

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<tbody>
<tr>
<td>Females &amp; Males</td>
<td>25.0%</td>
<td>19.1%</td>
<td>12.8%</td>
<td>31.1%</td>
<td>27.4%</td>
<td>29.3%</td>
<td>19.9%</td>
<td>20.3%</td>
<td>22.2%</td>
<td>21.3%</td>
<td>11.2%</td>
<td>21.9%</td>
<td>26.6%</td>
<td>26.9%</td>
<td>73.7%</td>
<td>76.3%</td>
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<tr>
<td>Males only</td>
<td>24.8%</td>
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Source: ITC Project, 2012
Tobacco Taxes Reduce Inequity

Source: Adapted from Önder & Yürekli, 2014

Change in Consumption

-35.3% -20.4% -18.5%

Change in Taxes Paid

-2.2% 8.5% 9.7%

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Economic Impact of Tobacco Taxes

• Tobacco industry and its allies spread myths about the economic impact of tobacco taxes

• Evidence shows that higher tobacco taxes and other tobacco control measures:
  • Have no negative impact and often a positive impact on jobs, businesses
  • Do not lead to increased illicit trade in tobacco products
  • Make sense from an economic perspective
Highly Cost-Effective

Source: NCI & WHO 2016

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