Accelerating Progress on Effective Tobacco Tax Policies in Low- and Middle-Income Countries

Frank J. Chaloupka, University of Illinois at Chicago
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Impact of Tobacco Tax Increases
Cigarette Sales and Cigarette Prices
Philippines, 2002-2016, Inflation Adjusted

Million Cigarettes

Price (2016 pesos)

Sources: Euromonitor, World Bank, and Authors’ Calculations
Adult Smoking Prevalence & Price

Brazil, Inflation Adjusted, 2006-2013

Sources: Ministry of Health, Brazil; EIU; World Bank

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Monthly Quit Line Calls, United States
11/04-11/09

4/1/09 Federal Tax Increase
1/1/08 WI Tax Increase
Cigarette Price & Youth Smoking Prevalence
Chile, 2000-2015

Source: Paraje, 2017
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Price, Consumption & Lung Cancer, France

Sources: Jha & Hill, 2012

Lung cancer death rates per 100,000 (divided by four): men age 35-44

# cigarettes/adult/day

Relative price

Year


Number/adult/day and death rates

Price (% relative to 1980)
A substantial body of research, which has accumulated over many decades and from many countries, shows that significantly increasing the excise tax and price of tobacco products is the single most consistently effective tool for reducing tobacco use.
Affordability & Tobacco Use
Adult Smoking Prevalence, Indonesia, 2001-2014

Sources: Euromonitor, EIU, World Bank

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Excise Tax Structure Important

Source: WHO 2017 GTCR data; unpublished figure.
Notes: Averages are weighted by WHO estimates of number of current cigarette smokers ages 15+ in each country in 2015; Prices are expressed in Purchasing Power Parity (PPP) adjusted dollars or international dollars to account for differences in the purchasing power across countries. Based on prices as of July 2016 for 53 high-income, 100 middle-income and 27 low-income countries with data on prices of most sold brand, excise and other taxes, and PPP conversion factors.
Association between tax structure and cigarette consumption: findings from the International Tobacco Control Policy Evaluation (ITC) Project

Ce Shang1, Hye Myung Lee2, Frank J Chaloupka1, 2, Geoffrey T Fong3, 4, Mary Thompson5, Richard J O'Connor6

Abstract
Background Recent studies show that greater price variability and more opportunities for tax avoidance are associated with tax structures that depart from a specific uniform one. These findings indicate that tax structures other than a specific uniform one may lead to more cigarette consumption.

Objective This paper aims to examine how cigarette tax structure is associated with cigarette consumption.

Methods We used survey data taken from the International Tobacco Control Policy Evaluation Project in 17 countries to conduct the analysis. Self-reported cigarette consumption was aggregated to average measures for each surveyed country and wave. The effect of tax structures on cigarette consumption was estimated using generalised estimating equations after adjusting for sociodemographic characteristics, average taxes and year fixed effects.

Findings Our study provides important empirical evidence of a relationship between tax structure and cigarette consumption. We find that a change from a specific to an ad valorem structure is associated with a 6%–11% higher cigarette consumption. In addition, a change from uniform to tiered structure is associated with a 34%–65% higher cigarette consumption. The results are consistent with existing evidence and suggest that a uniform and specific tax structure is the most effective tax structure for reducing tobacco consumption.
Taxes & Tax Revenues, South Africa

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

Sources: Blecher & Van Walbeek, 2014

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Economic Impact of Tobacco Control - Dispelling the Myths
Oppositional Arguments

- Massive job losses as tobacco use falls in response to higher tobacco taxes and other tobacco control policies
- Poor adversely affected by higher tobacco taxes
- Increased tax avoidance and tax evasion in response to higher taxes
  - Increasingly used against other tobacco control policies
Tobacco Control & Employment

- Tobacco control will lead to decreased consumption of tobacco products
  - Small loss of jobs in tobacco sector
- Money not spent on tobacco products will be spent on other goods and services
  - Gains in jobs in other sectors
- Increase in tobacco tax revenues will be spent by government
  - Additional job gains in other sectors
- Net increase in jobs in most countries
Impact on the Poor

• Concerns about the regressivity of higher tobacco taxes
  – Tobacco taxes are regressive, but tax increases can be progressive
    • Greater price sensitivity of poor – relatively large reductions in tobacco use among lowest income populations, small reductions among higher income populations
    • Health benefits that result from tax increase are progressive
Who Pays & Who Benefits Turkey - 25% Tax Increase

Change in Consumption  
Change in Taxes Paid

Source: Adapted from Önder & Yürekli, 2014

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Impact of Tobacco Taxes on the Poor

Also depends on use of new tax revenues:

- Greater public support for tobacco tax increases when revenues are used for tobacco control and/or other health programs
- Net financial impact on low income households can be positive when taxes are used to support programs targeting the poor
- Concerns about regressivity offset by use of revenues for programs directed to poor
Incremental Revenues for Health and the Poor Philippines, 2001-2016

Source: Adapted from Jeremias Paul, 2017
Tax Avoidance & Evasion Do NOT Eliminate Health Impact of Higher Taxes

NYC Smoking Prevalence Declined as Price Increased

Source: Schroth, 2014

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Tax Avoidance & Evasion
Do NOT Eliminate Revenue Impact of Higher Taxes
Illicit Cigarette Market Share & Cigarette Prices, 2012

Sources: Euromonitor, WHO

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Smuggling and Corruption, 2011

\[ y = -0.0131x + 0.2028 \]
\[ R^2 = 0.08146 \]

Sources: Euromonitor, Transparency International

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Combating Illicit Tobacco Trade

• Illicit trade protocol to the WHO FCTC
  – Adopted November 2012; enter into force September 2018
  – Strong tax administration
    • Prominent, high-tech tax stamps and other pack markings
    • Licensing of manufacturers, exporters, distributors, retailers
    • Export bonds
    • Unique identification codes on packages
  – Better enforcement
    • Increased resources
    • Focus on large scale smuggling
  – Swift, severe penalties
  – Multilateral/intersectoral cooperation

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Key Tobacco Control Policies
Cost-Effectiveness

**Notes:**

- HLYG = healthy life-year gained.
- Source: NCI & WHO, 2016

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Economic Impact of Tobacco Control

Tobacco tax increases and other effective tobacco control measures make good economic sense:

• Not just long-term public health, but near-term health and economic benefits

• Higher taxes and stronger tobacco control measures will not harm economies

• Substantial impact in reducing health care costs, improving productivity, and fostering economic development.
Bloomberg Initiative to Reduce Tobacco Use & UIC/Tobacconomics
IF LEFT UNCHECKED, TOBACCO USE WILL KILL ONE BILLION PEOPLE THIS CENTURY

Bloomberg Philanthropies has committed nearly $1 billion since 2007 to combat tobacco use worldwide.

The **Bloomberg Initiative to Reduce Tobacco Use** aims to reduce the global demand for tobacco through a comprehensive, proven approach that combines policy change with increased public awareness. Key strategies of this approach include creating smoke-free public places, banning tobacco advertising, increasing tax on tobacco products, requiring graphic pack warnings and supporting hard-hitting mass media campaigns.
Effective tobacco control measures gain momentum

- Monitor tobacco use and prevention policies
- Protect people from tobacco smoke
- Offer help to quit tobacco use
- Warn about the dangers of tobacco
- Enforce bans on tobacco advertising, promotion and sponsorship
- Raise taxes on tobacco
Nearly two thirds of countries – comprising 63% of the world’s population – have now at least one MPOWER measure in place at the highest level of achievement.

SHARE OF THE WORLD POPULATION COVERED BY SELECTED TOBACCO CONTROL POLICIES, 2016

- Monitoring: 39%
- Smoke-free environments: 20%
- Cessation programmes: 33%
- Pack warnings: 47%
- Mass media: 44%
- Advertising bans: 15%
- Taxation: 10%
Bloomberg Initiative – UIC

- Build capacity of ‘think tanks’ in selected priority countries and regions to provide local evidence to support tobacco tax reforms and tax increases
- High-level engagement with decision makers to build technical capacity and political support for tobacco tax policy
- Develop/disseminate resources (policy briefs, white papers, etc) on tobacco taxation to build knowledge and support for tobacco tax policy
Technical Assistance

[Map showing various locations and organizations with icons and labels such as UIC, IES, SPDC, PIDE, BIGD, IPPM, DEPOCEN, PRAKARSA, and UI – Tax Centre]
South-East Europe

- Institute of Economic Sciences, Serbia
  - Development Solutions Associates, Albania
  - Entrepreneurship and Technology Transfer Center, and the Faculty of Economics – Center for Project Management and Entrepreneurship, University of Banja Luka, Bosnia & Herzegovina
- Faculty of Economics, Business and Tourism, University of Split, Croatia
- Center for Political Courage, Kosovo
- Analytica, Macedonia
- Institute for Socio-Economic Analyses, Montenegro
Latin America

- Red Sudamerica de Economia Aplicada, Uruguay
  - iDeAS, Universidad Nacional de San Martin, Argentina
  - Instituto Torcuato di Tella, Argentina
  - Fundação Centro de Estudos do Comércio Exterior, Brazil
  - Instituto de Investigaciones Económicas, Pontificia Universidad Católica del Ecuador, Ecuador
  - Centro de Investigación en Alimentación and Desarrollo, Mexico
- Ethos, Laboratorio de Políticas Públicas, Mexico
- Instituto de Estudios Peruanos, Peru
Asia Pacific Region

- Perkumpulan Prakarsa, Indonesia
- Tax Centre, University of Indonesia
- Development and Policies Research Center (DEPOCEN), Vietnam
- Institute of Public Policy & Management, National Economics University, Vietnam
- Pakistan Institute of Development Economics, Pakistan
- Social Policy and Development Centre, Pakistan
- BRAC Institute for Governance and Development, Bangladesh
High Level Engagement

Coming Soon: 2018 Annual Meetings - Bali, Indonesia
Online registration for the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG) is now open.

Click here to register

Day 4 - Friday, October 12, 2018

**Jakarta A**
Early Learning in Deprived Context

Yayasan Sayangi Tunas Cilik - Save the Children Indonesia

**Jakarta B**
Inequality in Asia and the International Financial Institutions (Launching of the report on inequality in Asia)
Asian Peoples Movement on Debt & Development with Fight Inequality Alliance

**Bandung**
Financing Climate Change Without Contributing to Debt Crises?

Debt Justice Norway with Erlassjahr, Jubilee Debt Campaign UK

**Surabaya**
Sin-Tax Policy Reform: Policy Tools to Improve Health Behaviors and Increase Financing SDG 3

Perkumpulan PRAKARSA with Health Policy Center - University of Illinois at Chicago
Tobacco Products Are Becoming Increasingly Affordable in Bangladesh

Introduction

Increasing the price of tobacco to higher taxes is widely recognized as a policy for reducing tobacco use and its devastating health consequences. One key challenge is the affordability of tobacco products, particularly in low-income countries. As the price of tobacco products increases, affordability is a major issue, especially in low-income countries. This Brief is based on a recently published research paper from the World Health Organization (WHO) on tobacco control policies.

Methods

The data for this study came from a nationally representative sample of smokers in Bangladesh. The sample was selected randomly from households in urban and rural areas, and included individuals aged 15-64 years. The survey was conducted using a face-to-face interview method. The data was collected from March to May 2015, and included information on smoking rates, tobacco use behavior, and the affordability of tobacco products.

Tobacco use is estimated to cause 7 million deaths worldwide, and is responsible for 4% of global deaths. In low-income countries, tobacco use is estimated to cause 27% of total mortality. The study found that in Bangladesh, 45% of smokers reported that they could not afford to buy cigarettes on a regular basis, and 41% reported that they could not afford to buy cigarettes on an ad hoc basis.

Raising tobacco excise tax by 1 International Dollar (about US$ 0.80) in all countries would:

- Reduce average annual tobacco consumption by 4% (from 141 to 100 billion)
- Increase tobacco prices by 4% and tobacco consumption by 66 billion
- Reduce smoking prevalence by 4% in low-income countries

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Tobacco & Poverty

Tobacco Use Makes the Poor Poorer; Tobacco Tax Increases Can Change That

Introduction

Tobacco use is a major contributor to global poverty. It is estimated that tobacco use causes 4% of total global mortality, and is responsible for 1.4% of GDP loss in low-income countries. Tobacco use also has a disproportionate impact on women and children, with women being more likely to become addicted than men, and children being more likely to become addicted than adults.

Global Impacts of Tobacco Use

Approximately 25% of the world’s population (over 45 million people) are estimated to be smokers, and about 35% of smokers are women. Tobacco use is a major contributor to global poverty, with the majority of the world’s poorest countries estimated to have a prevalence of 5% or more. Tobacco use is a major contributor to global poverty, with the majority of the world’s poorest countries estimated to have a prevalence of 5% or more. Tobacco use is a major contributor to global poverty, with the majority of the world’s poorest countries estimated to have a prevalence of 5% or more.

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Estructura Impositiva del Tabaco en Argentina

Estructura Impositiva de los Cigarrillos

Los impuestos a los productos de tabaco se distinguen entre impuestos generales al consumo (Impuesto al Valor Agregado - IVA) e impuestos específicos (Impuesto Adicional de Emergencia - IAE, Fondo Especial del Tabaco - FET e Impuesto Interno - II). Los cuatro impuestos recaudan a nivel federal. Entre el montante recaudado en concepto de FET como el IAE se distribuye de acuerdo con el Reglamento de Cooperación Fiscal, que regula los impuestos recaudados a los Gobiernos Provinciales y Federal. El IAE y el FET poseen mecanismos de asignación específicos de recursos.

La estructura tributaria sobre el consumo de cigarrillos en Argentina es muy compleja. El origen de los tributos que gravan la actividad a nivel nacional es diverso, difuso, la denominación no está armonizada y los locomotivos difieren significativamente. Puede ser el caso que el sistema esté diseñado para evitar la doble tributación. La única excepción clara a este regla es el Impuesto Adicional de Emergencia.

Llamamos PVC al precio de venta al consumidor final de un paquete de 20 unidades, a continuación, se describen cada uno de los tributos.

a) Impuesto Adicional de Emergencia

El Impuesto Adicional de Emergencia (IAE) fue creado por la ley 14.645 sancionada el 18 de diciembre de 1995. El artículo 1, de la normativa original establece:

"Crear un impuesto adicional de emergencia del VEINTICINCO POR CIENTO (25%) sobre el precio final de venta de cada paquete de cigarrillos vendido en el territorio nacional."

Como la base imponible es el precio de venta final, el IAE produce una doble tributación por el monte que se calcula también sobre otros tributos. En cambio, la ley establece que este tributo no forma parte de la base imponible de Impuesto Interno, Impuesto al Valor Agregado, al Fondo Especial del Tabaco. Su cálculo responde entonces a la expresión,

IAE = PVC - PVC
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