

tobacconomics

Economic Research Informing Tobacco Control Policy

Health Taxes: A Global Overview of the Evidence

Frank J. Chaloupka, University of Illinois at Chicago

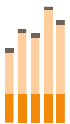
Sin Tax Policy Reform

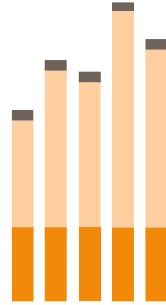
World Bank and International Monetary Fund Annual Meetings

12 October 2018, Nusa Dua, Bali, Indonesia

Overview

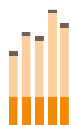
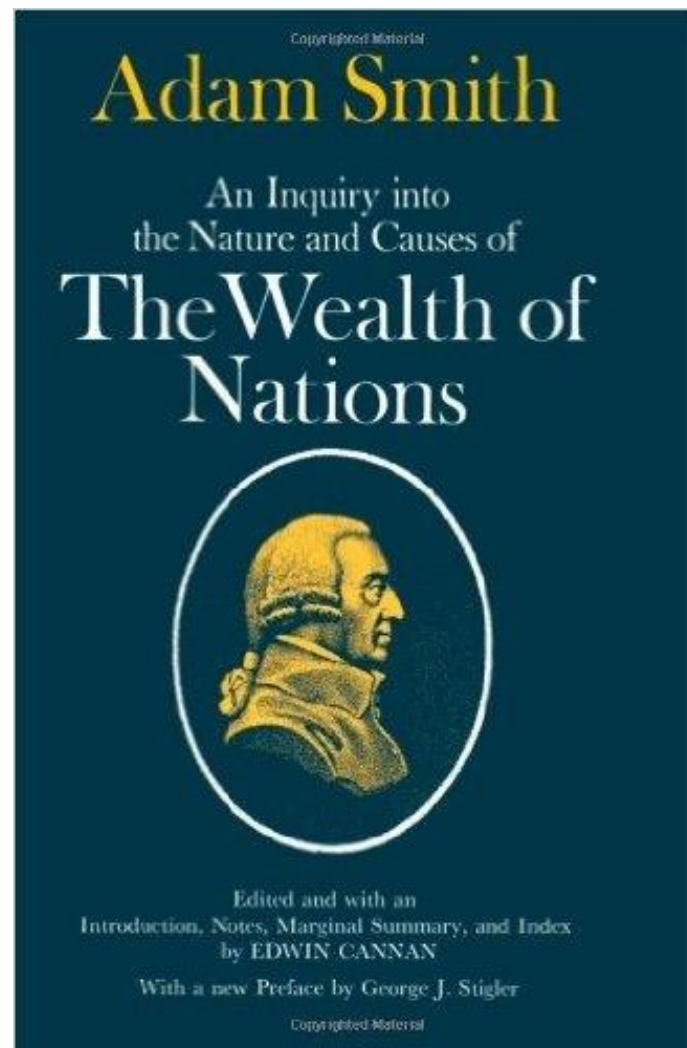
- Impact of Tobacco, Alcohol, and Sugary Beverage Taxes on Use and Consequences of Use
- Myths and Facts About Economic Impact of Taxes



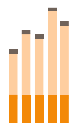


Impact of Taxes & Prices on Unhealthy Behaviors

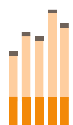
" Sugar, rum, and tobacco, are commodities which are no where necessaries of life, which are become objects of almost universal consumption, and which are therefore extremely proper subjects of taxation.



Tobacco Consumption and Cigarette Prices New Zealand, 1990-2013, Inflation Adjusted



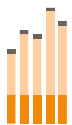
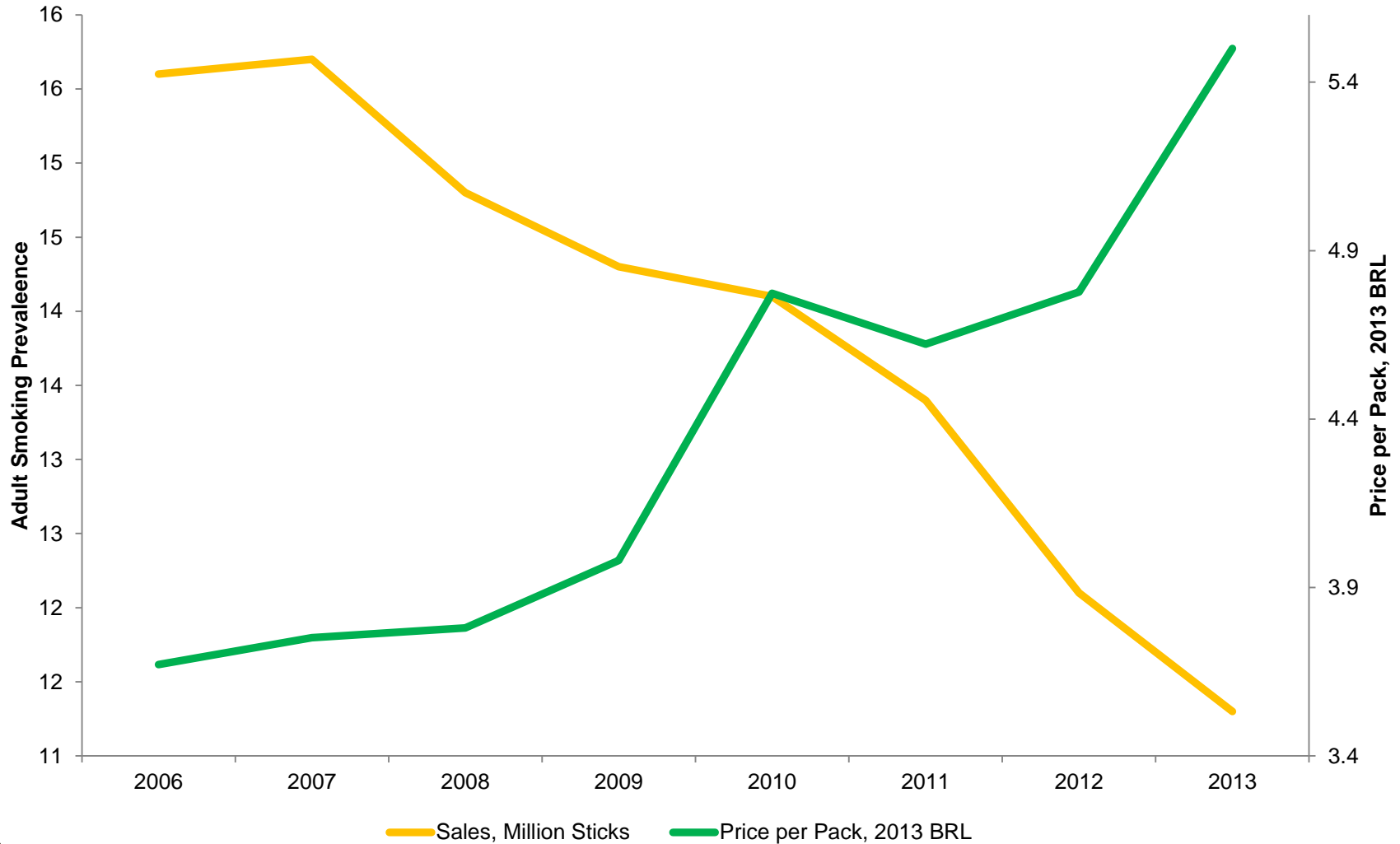
Cigarette Sales and Cigarette Prices Philippines, 2002-2016, Inflation Adjusted



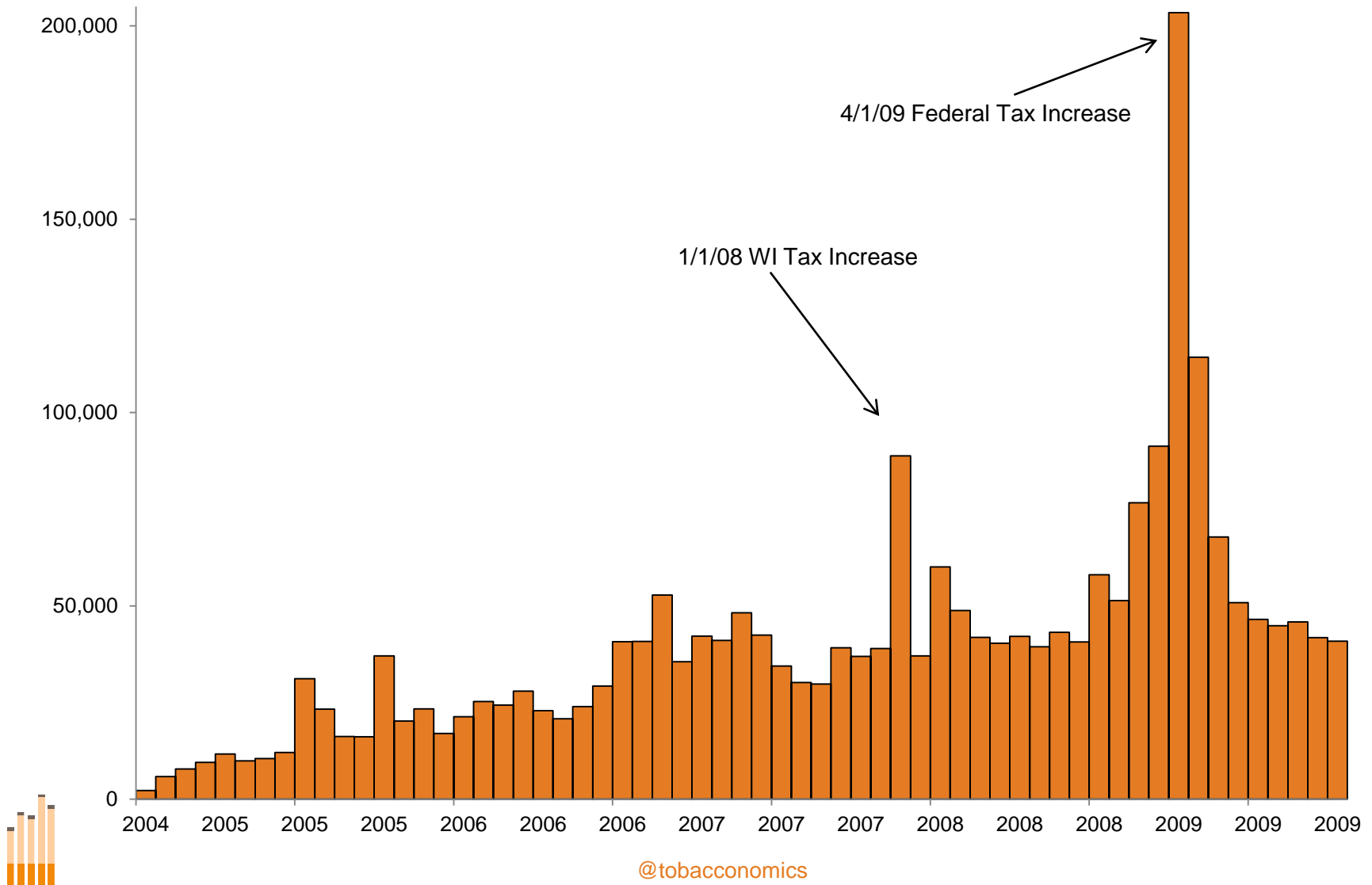
Sources: Euromonitor, World Bank, and Authors' Calculations

Adult Prevalence & Price, Brazil

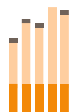
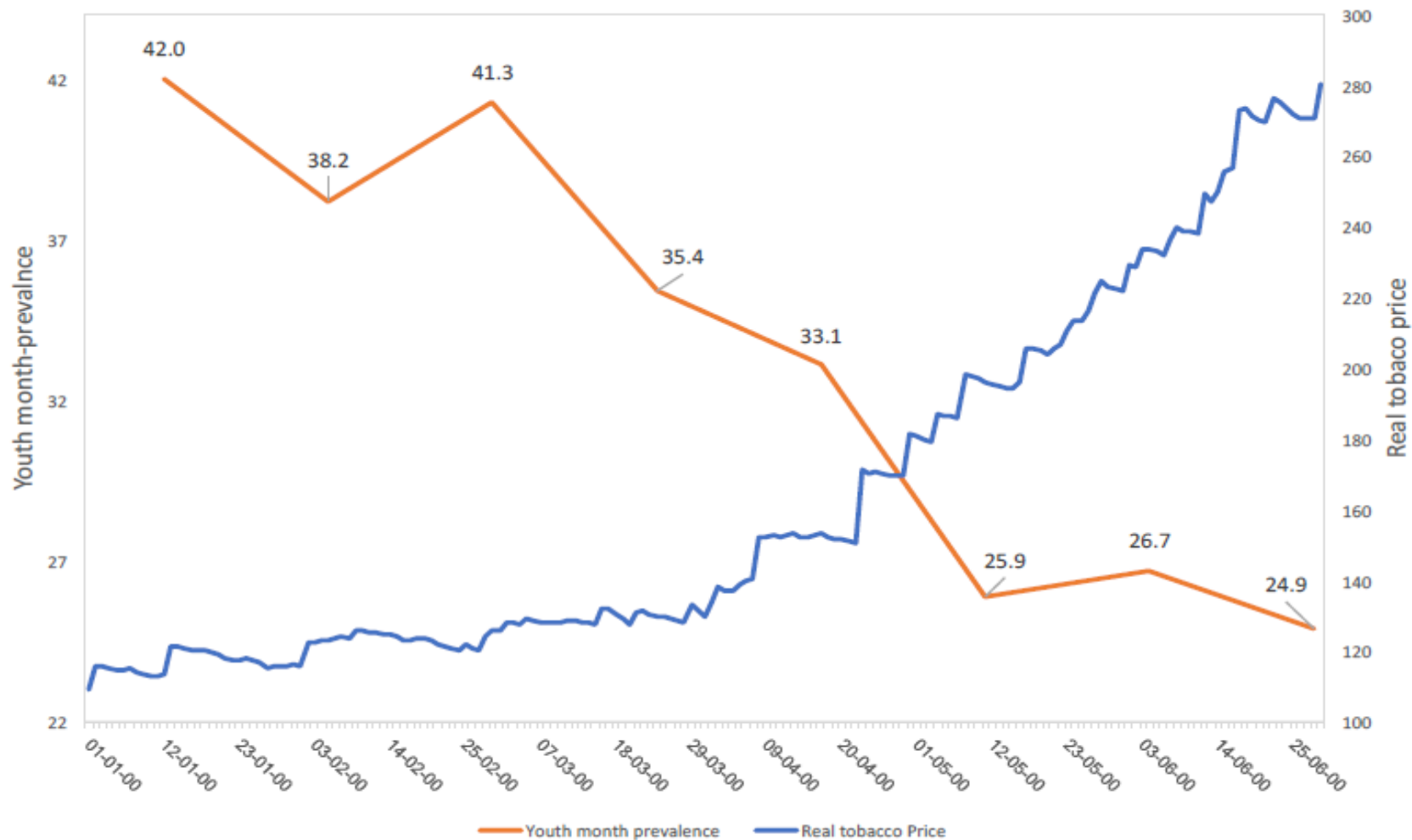
Inflation Adjusted, 2006-2013



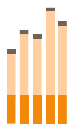
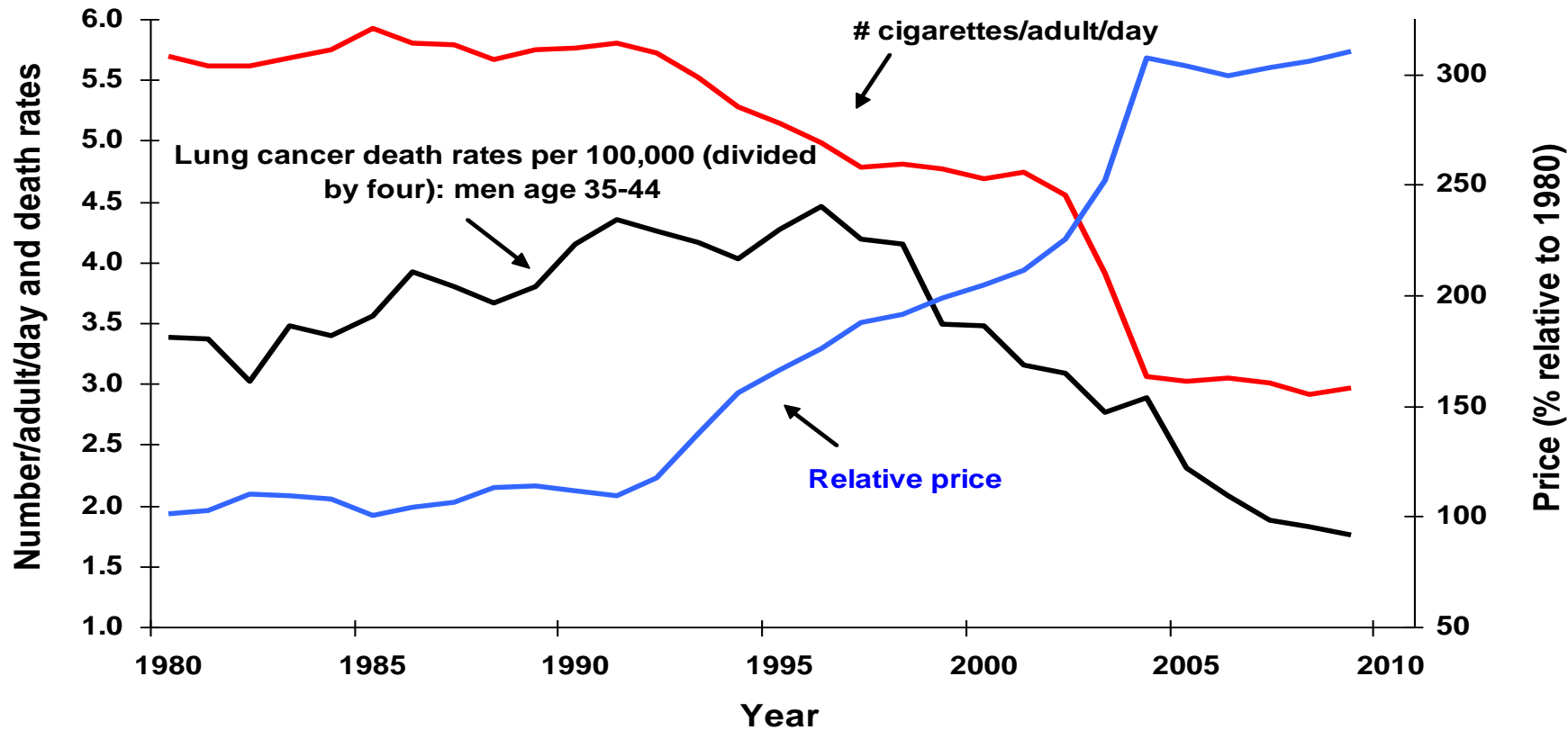
Monthly Quit Line Calls United States 11/04-11/09



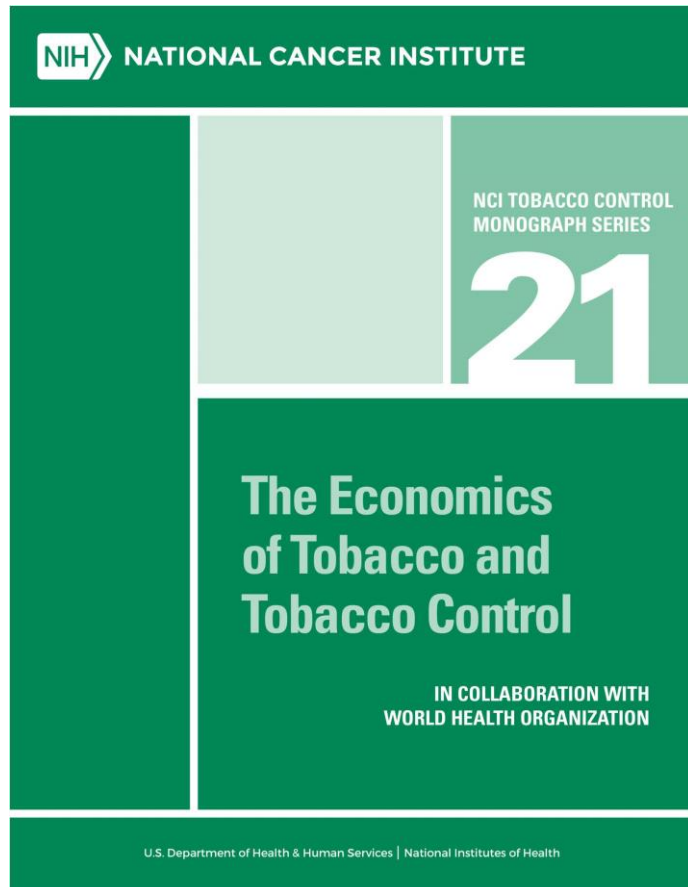
Cigarette Price & Youth Smoking Prevalence Chile, 2000-2015



Price, Consumption & Lung Cancer, France Inflation Adjusted, 1980-2010

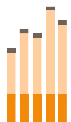


Effectiveness of Tobacco Taxes



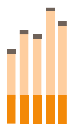
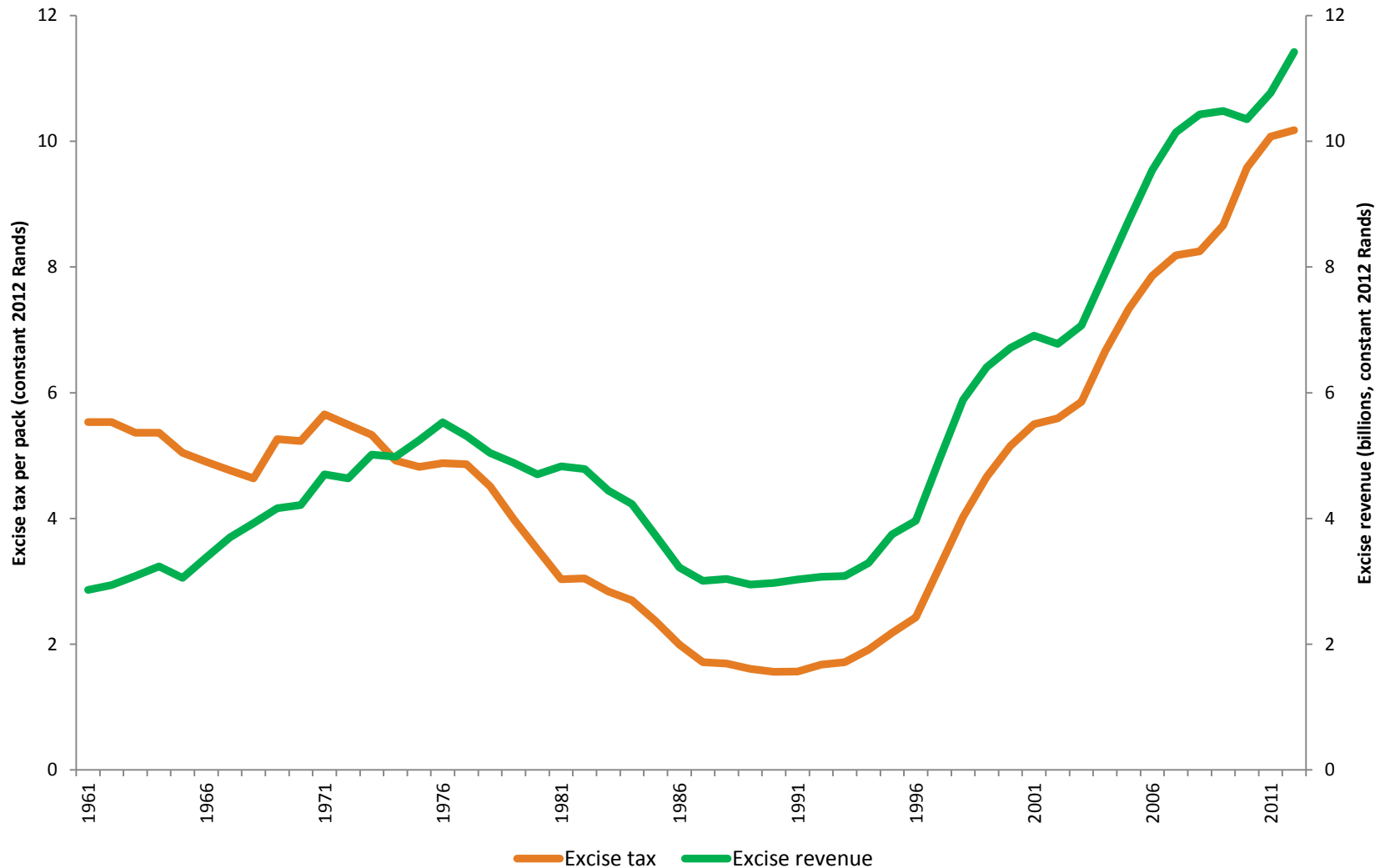
Chapter 4, Conclusion 1:

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.**



Taxes & Tax Revenues, South Africa

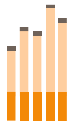
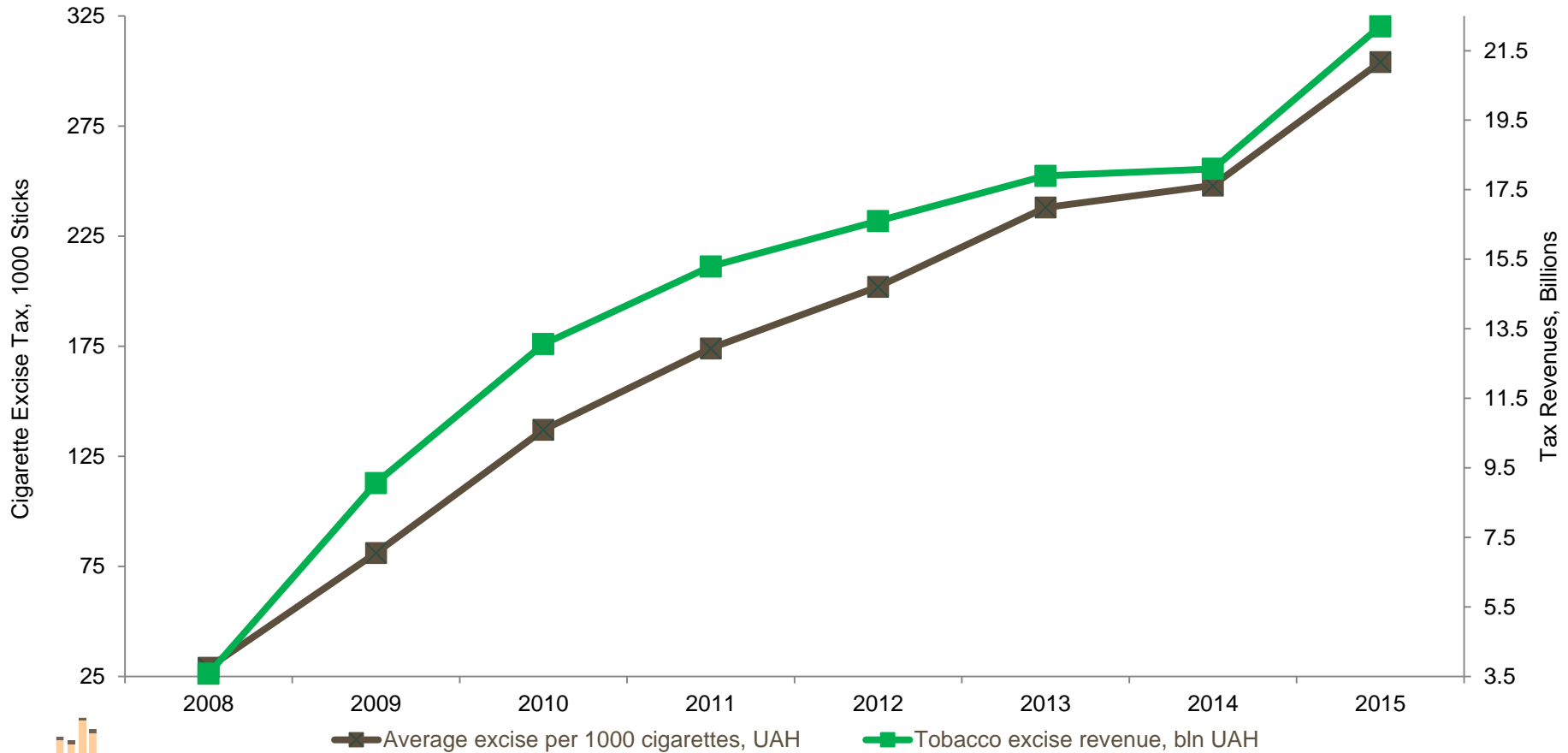
Inflation Adjusted, 1961-2012



Cigarette Tax and Revenues

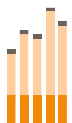
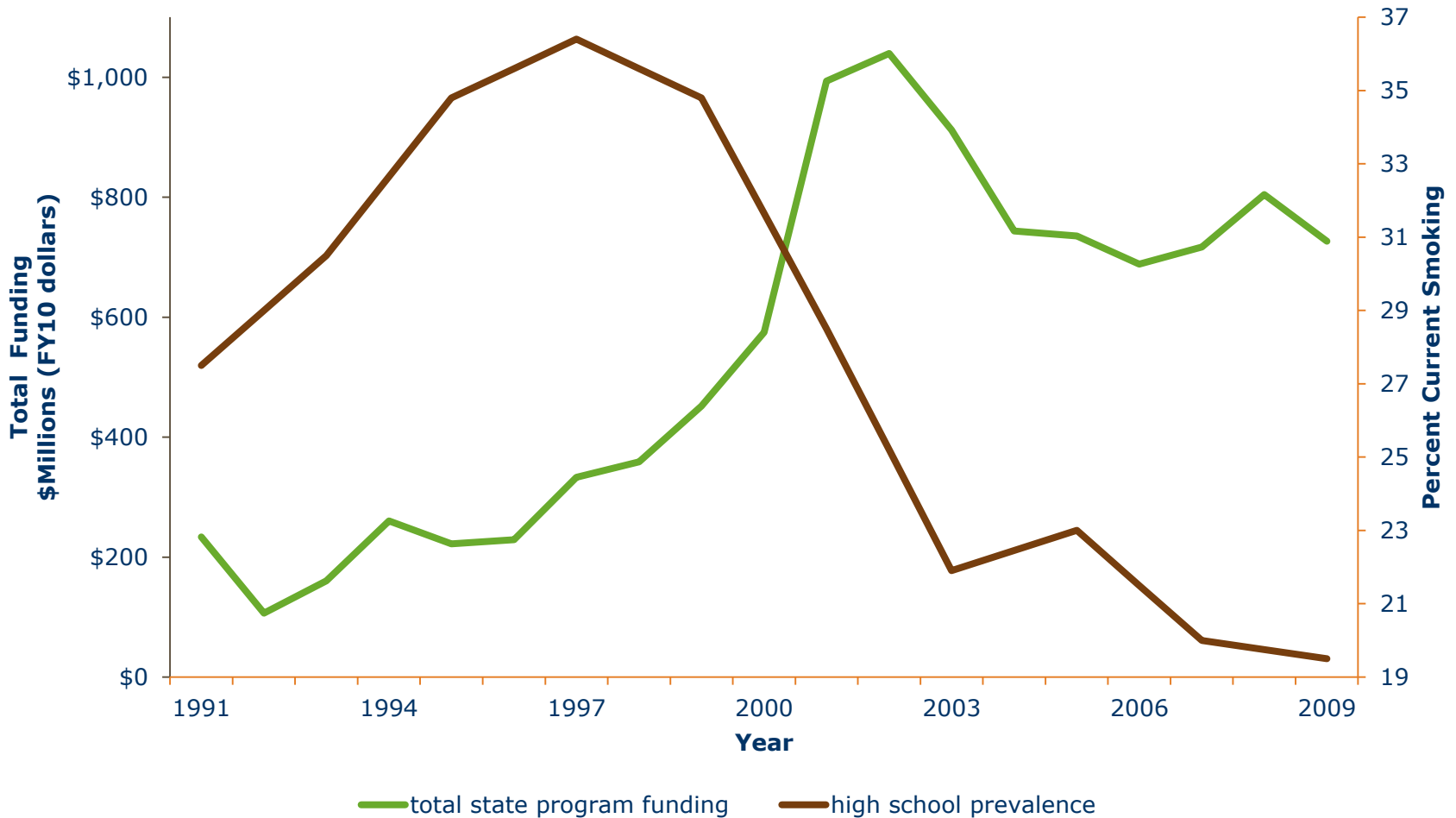
Ukraine: 2008-2015

Average excise rate for cigarettes – increased 10-fold
Cigarette Tax Revenue – increased 6-fold



Tobacco Control Funding & Youth Smoking

United States, Inflation Adjusted, 1991-2009

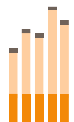


Tobacco Taxes and Revenues

- 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”

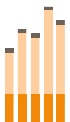


**FINANCING FOR
DEVELOPMENT**
13-16 JULY 2015 • ADDIS ABABA • ETHIOPIA
TIME FOR GLOBAL ACTION

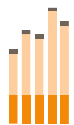


Alcohol Taxes, Prices & Drinking

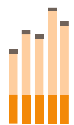
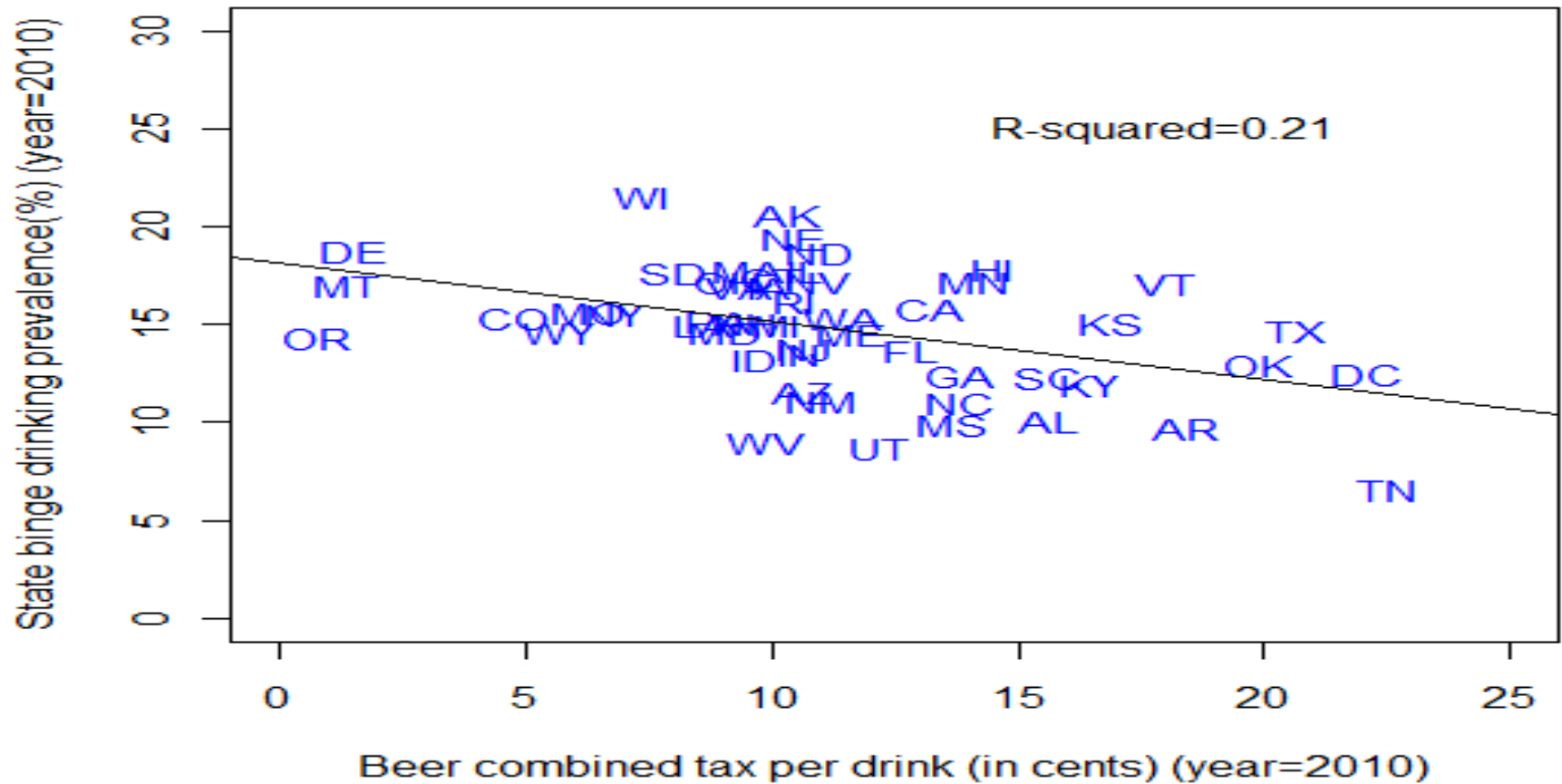
- Extensive econometric and other research shows that higher prices for alcoholic beverages significantly reduce drinking:
 - 10 percent price increase would reduce:
 - Overall consumption by 5.1% to 7.7% in HICs
 - Overall consumption by 6.4% in LMICs
 - Tax/price increases reduce all aspects of drinking
 - Prevalence, frequency, intensity
 - Generally larger effects on youth and young adults



Distilled Spirits Prices & Sales Ukraine, Inflation Adjusted, 2002-2016

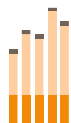


Beer Taxes & Binge Drinking Prevalence United States, 2010



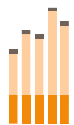
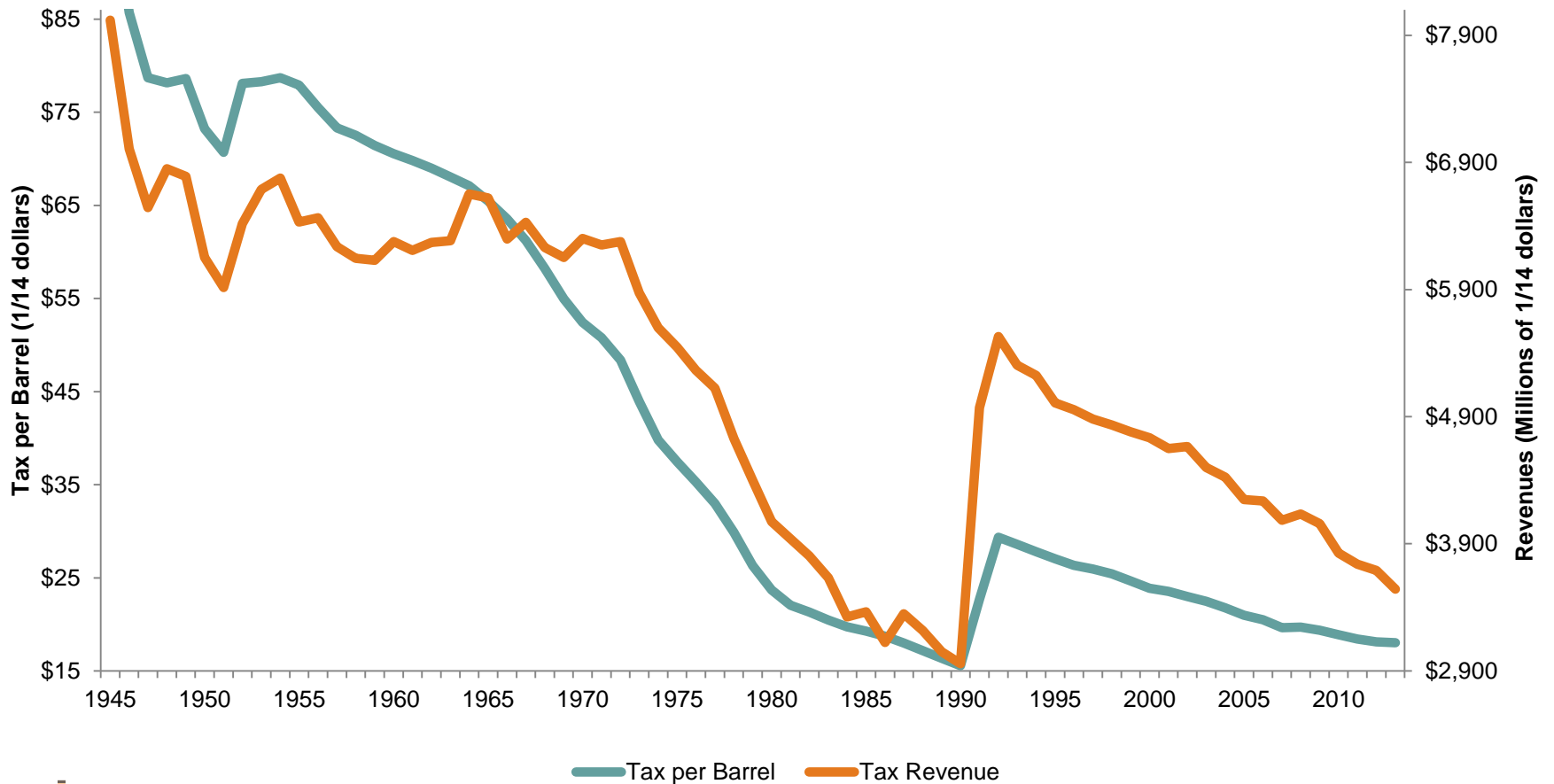
Alcohol Taxes, Prices & Consequences

- Econometric and other research shows that higher prices for alcoholic beverages significantly reduce:
 - Drinking and driving, traffic crashes, and motor-vehicle accident fatalities
 - Deaths from liver cirrhosis, acute alcohol poisoning, alcohol-related cancers, cardiovascular diseases, and other health consequences of excessive drinking
 - Violence (including spouse abuse, child abuse, and suicide) and other crime
 - Other consequences of drinking, including work-place accidents, teenage pregnancy, and incidence of sexually transmitted diseases



Federal Beer Tax & Tax Revenues

United States, Inflation Adjusted, 1945-2013

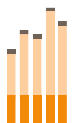


Source: *Brewers Almanac*, 2013, ATTTB, 2014, and author's calculations

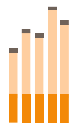
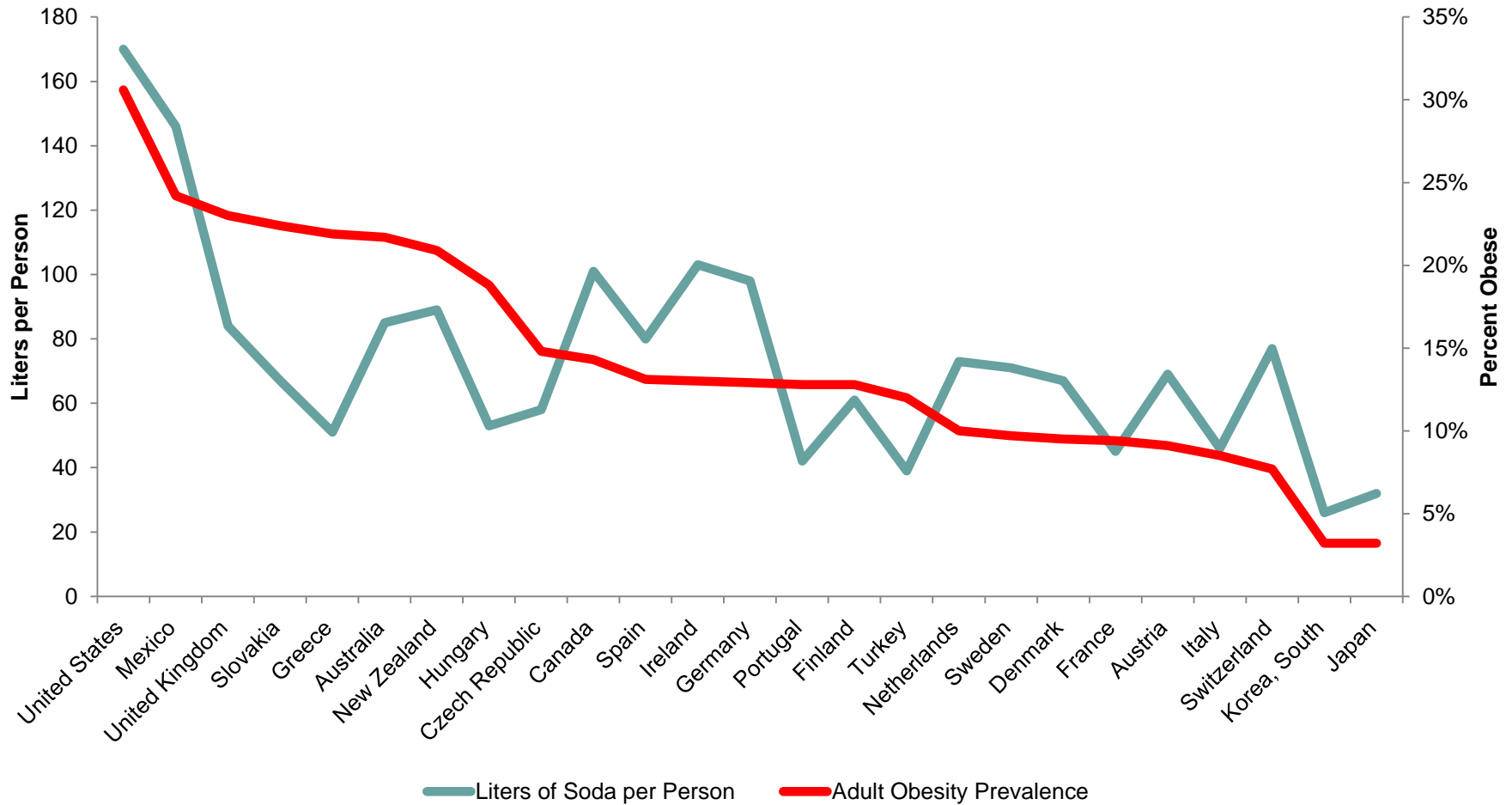
Prices and Food & Beverage Consumption

Extensive economic research on the effects of prices on food/beverage consumption

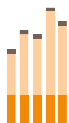
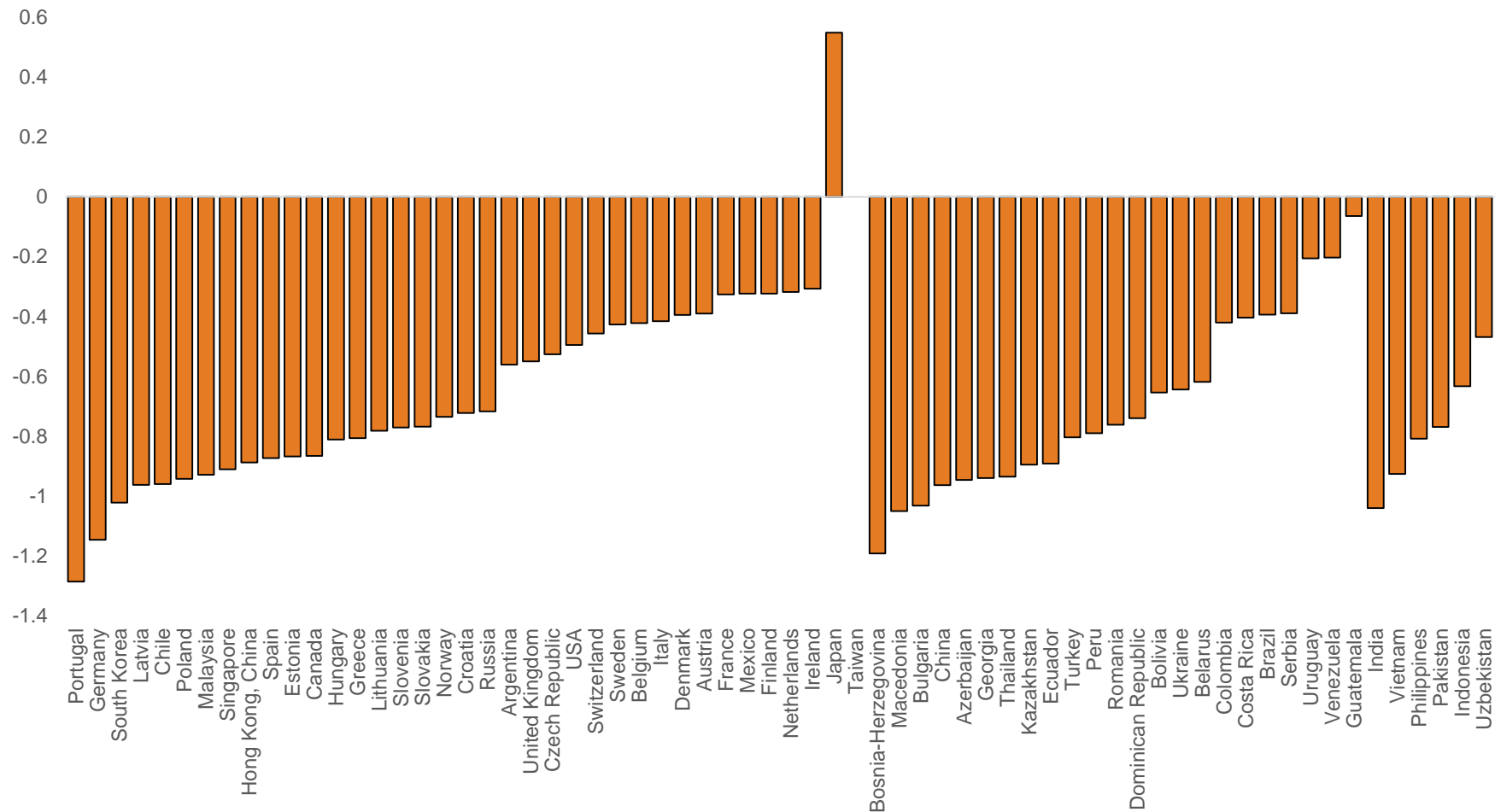
- Our recent review concludes 10% increase in own-price would reduce:
 - Sugar-sweetened beverage consumption by 12.1%
 - Fruit consumption by 4.9%
 - Vegetable consumption by 4.8%
 - Fast food consumption by 5.2%



Soda Consumption & Obesity Selected Countries

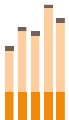
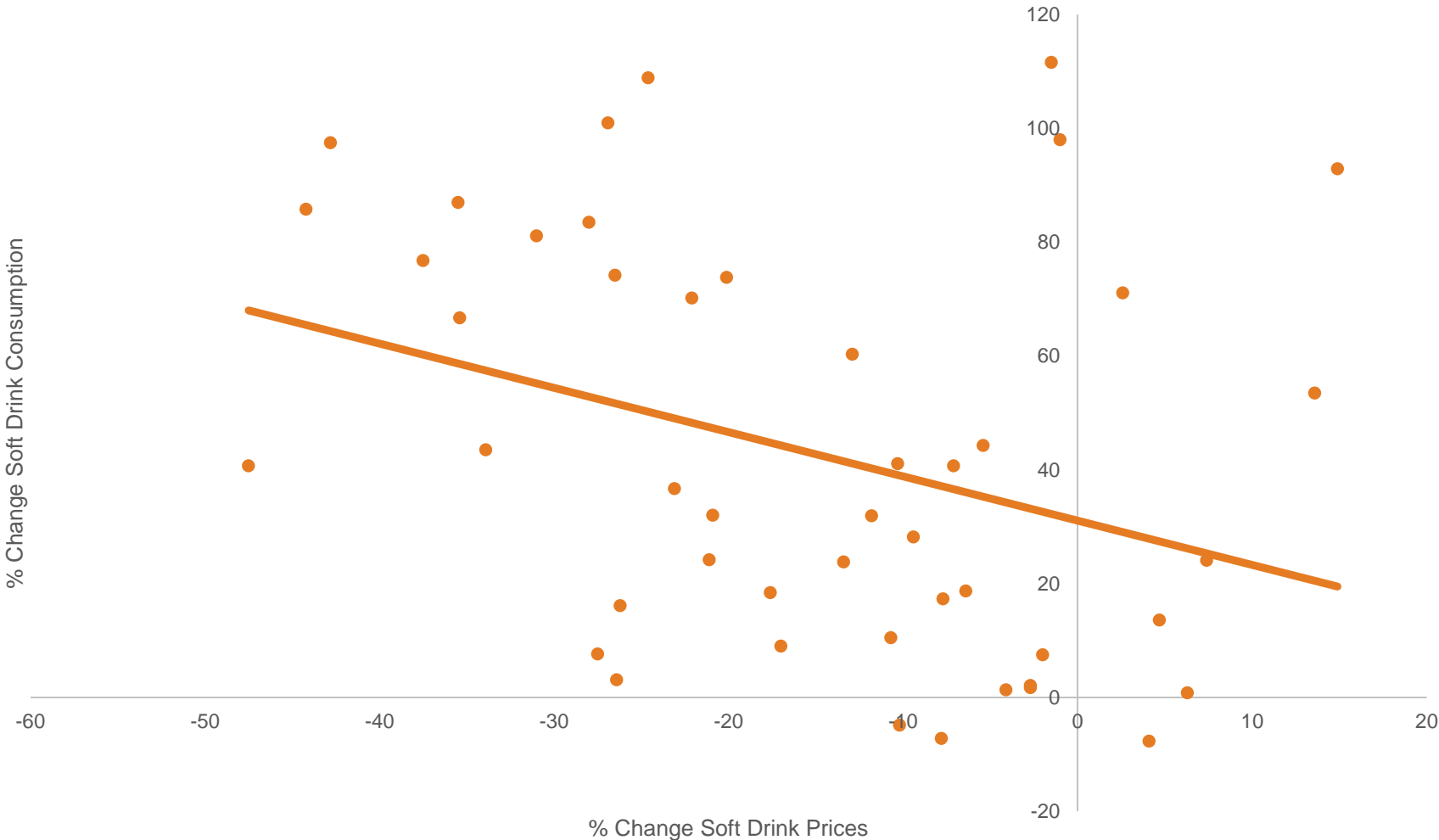


Change in Soft Drink Affordability 2000-2013, Selected Countries



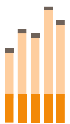
Soft Drink Prices & Consumption

Percentage Change, 2000-2014, Selected Countries



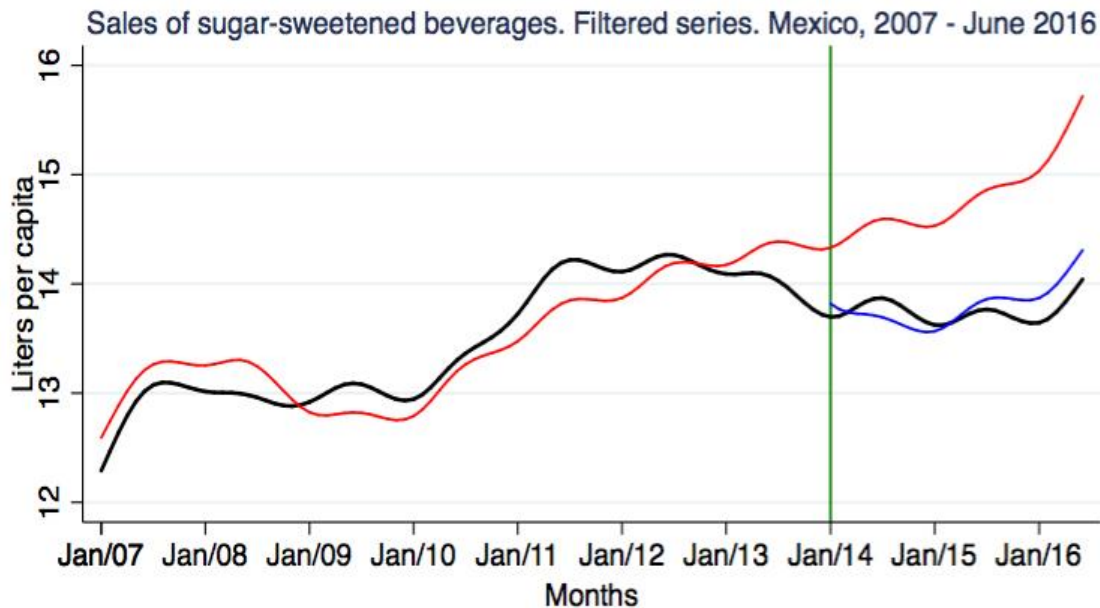
Sugary Drink Tax - Mexico

- Mexico implemented peso-per-liter tax on SSBs in 2014
 - Increased prices for SSBs relative to non-taxed beverages
 - about 10% price increase
 - pass through varies by type, size, location
 - Generated nearly 16 billion pesos in new revenue in first year
 - Also implemented a 'junk food' tax of 8% at the same time



Impact of SSB Tax on Sales

Mexico, 2007-2016

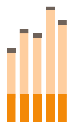


Significant reductions in SSB sales:

- 6% drop in 2014
- 8% drop in 2015
- 11% drop in first half of 2016

5.2% increases in bottled water sales

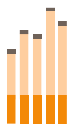
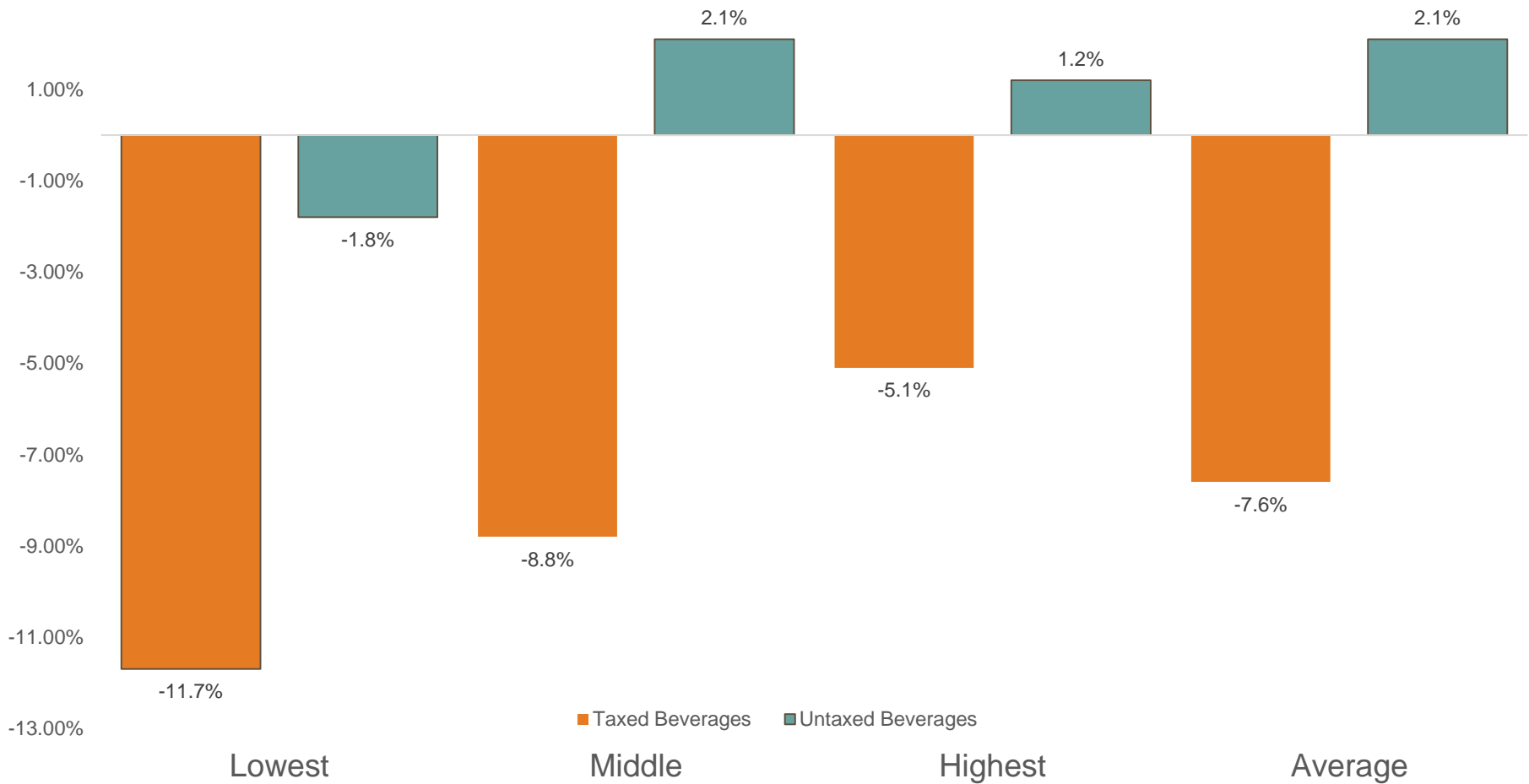
OLS- Adjusted for seasonality, the global indicator of the economic activity



Changes in sales of sugar-sweetened beverages in Mexico before (2007-2013) and after the tax (2014-2016): <https://www.insp.mx/epppo/blog/4278-changes-sales-beverages.html>

Colchero MA, Guerrero Lopez C, Molina M, Rivera J. Beverage sales in Mexico before and after implementation of a sugar sweetened beverages tax. 2016. PLoS ONE. 11(9).

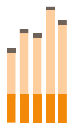
Impact of SSB Tax on Household Purchases Mexico, by Income Group, 2014-2015

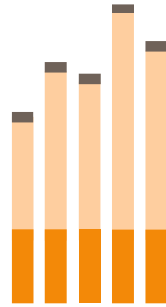


Impact of SSB Tax on Purchases Mexico, by Purchase Level, 2014

- Greatest impact on heaviest consumers
 - Highest purchasers:
 - 31% of households, purchased average of 157 liters of SSB/capita/yr
 - *10% reduction in purchases following tax*
 - Middle purchasers:
 - 40% of households, purchased average of 60 liters of SSB/capita/yr
 - *8% reduction of taxed beverages post-tax*
 - Light and non purchasers:
 - Remaining households; small impact on light purchasers

Ng SW, Rivera J, Popkin B, Colchero MA. Did high purchasers respond differently to the excise tax on sugar-sweetened beverages in Mexico?





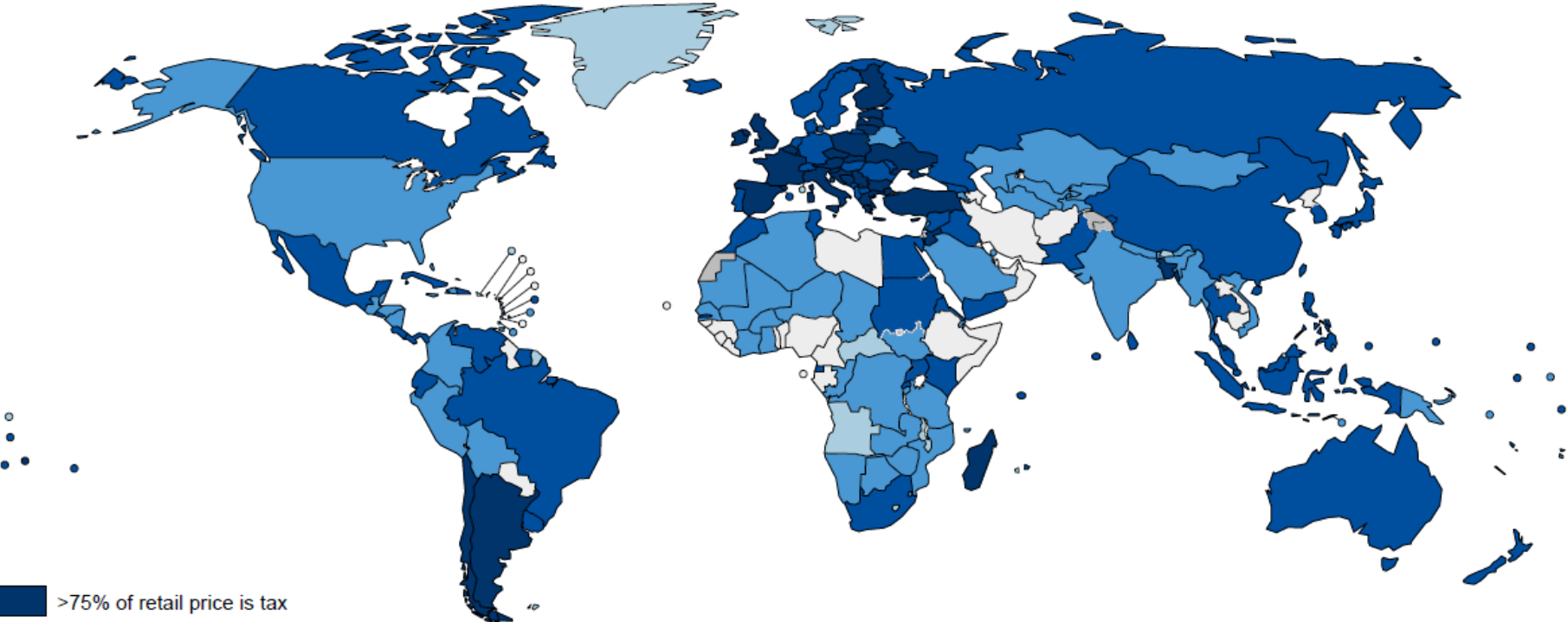
Oppositional Arguments

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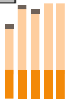
Myths & Facts

Cigarette Taxes as Percent of Retail Price

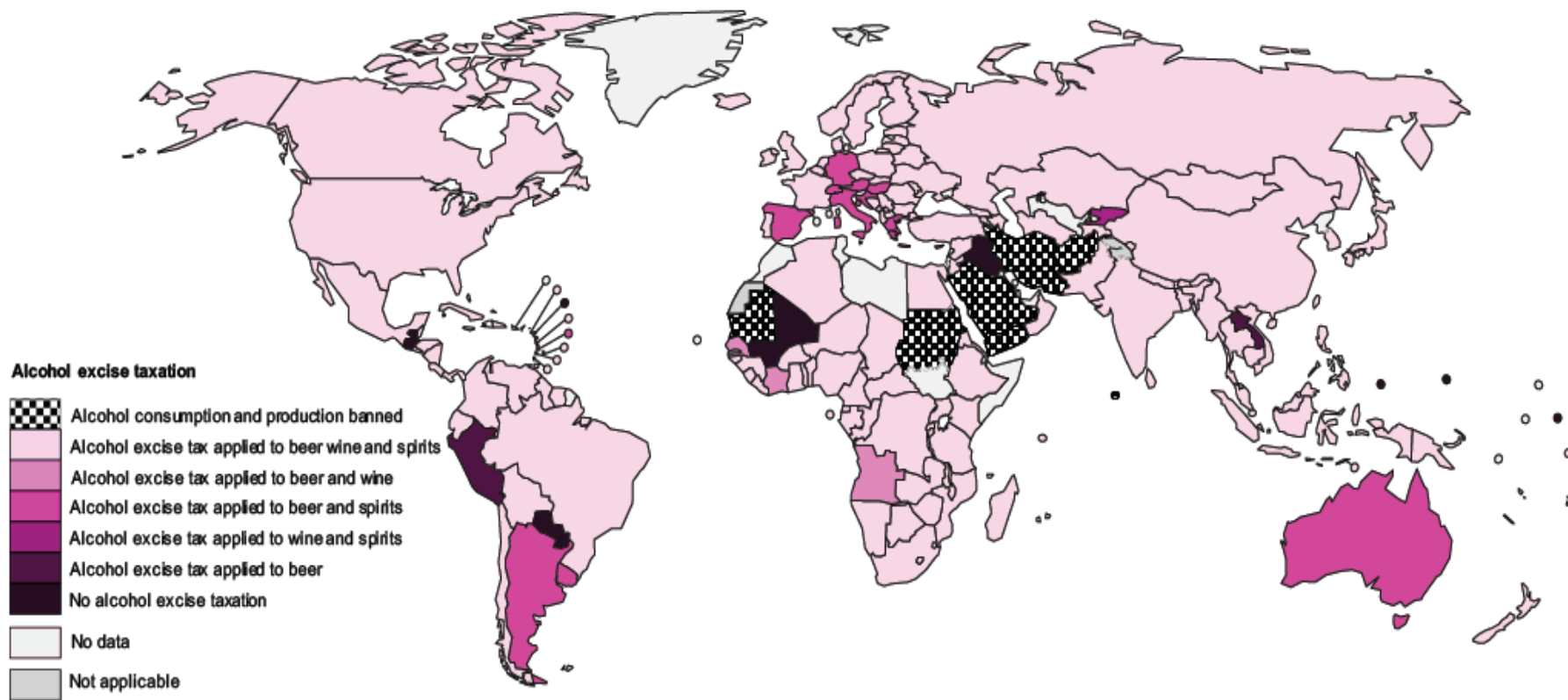
July 2016



- >75% of retail price is tax
- 51–75% of retail price is tax
- 26–50% of retail price is tax
- ≥25% of retail price is tax
- Not classified or data not available
- Not applicable



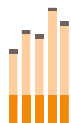
Alcoholic Beverage Excise Taxes by Beverage Type



The boundaries and names shown and the designations used on this map do not imply the expression of any opinion whatsoever on the part of the World Health Organization concerning the legal status of any country territory city or area or of its authorities or concerning the delimitation of its frontiers or boundaries. Dotted and dashed lines on maps represent approximate border lines for which there may not yet be full agreement.



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Sugary Drink Taxes, January 2018

1. COOK ISLANDS
2. KIRIBATI
3. FRENCH POLYNESIA
4. MEXICO
5. CHILE
6. DOMINICA
7. BARBADOS
8. PORTUGAL
9. SPAIN (CATELONIA)
10. IRELAND
11. UNITED KINGDOM
12. FRANCE
13. BELGIUM
14. NORWAY
15. FINLAND
16. ESTONIA
17. HUNGARY
18. ST HELENA
19. SOUTH AFRICA
20. SAUDIA ARABIA
21. UNITED ARAB EMIRATES
22. MAURITIUS
23. SEYCHELLES
24. BRUNEI
25. NAURU
26. FIJI
27. SAMOA
28. TONGA

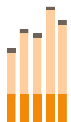


28 COUNTRIES &

7 US CITIES (so far...)*

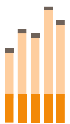


1. SAN FRANCISCO, CA
2. BERKELEY, CA
3. ALBANY, CA
4. OAKLAND, CA
5. SEATTLE, WA
6. BOULDER, CO
7. PHILADELPHIA, PA



Oppositional Arguments

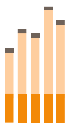
- Massive job losses as consumption falls in response to higher taxes and other control policies
- Poor adversely affected by higher taxes
- Increased tax avoidance and tax evasion in response to higher taxes



Excise Taxes and Jobs

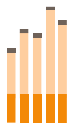
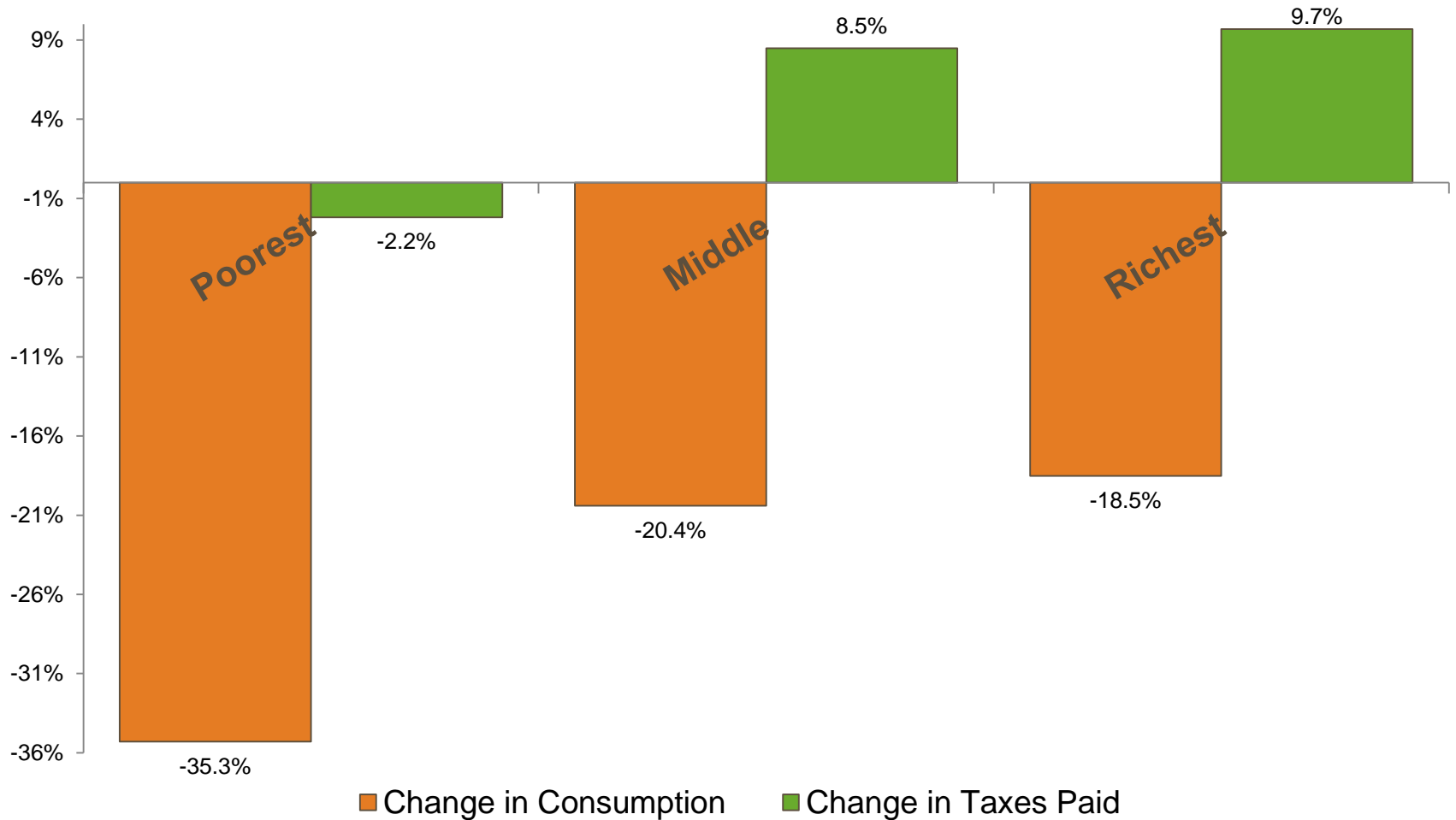
Industries tell only part of story:

- Focus on the gross impact:
 - New tax or tax increase will lead to decreased consumption of taxed product
 - Results in loss of some jobs dependent on production of taxed product
- Ignore the net impact:
 - Money not spent on taxed product will be spent on other goods and services
 - New/increased tax revenues spent by government
 - ***Offsetting job gains in other sectors***

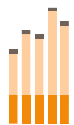
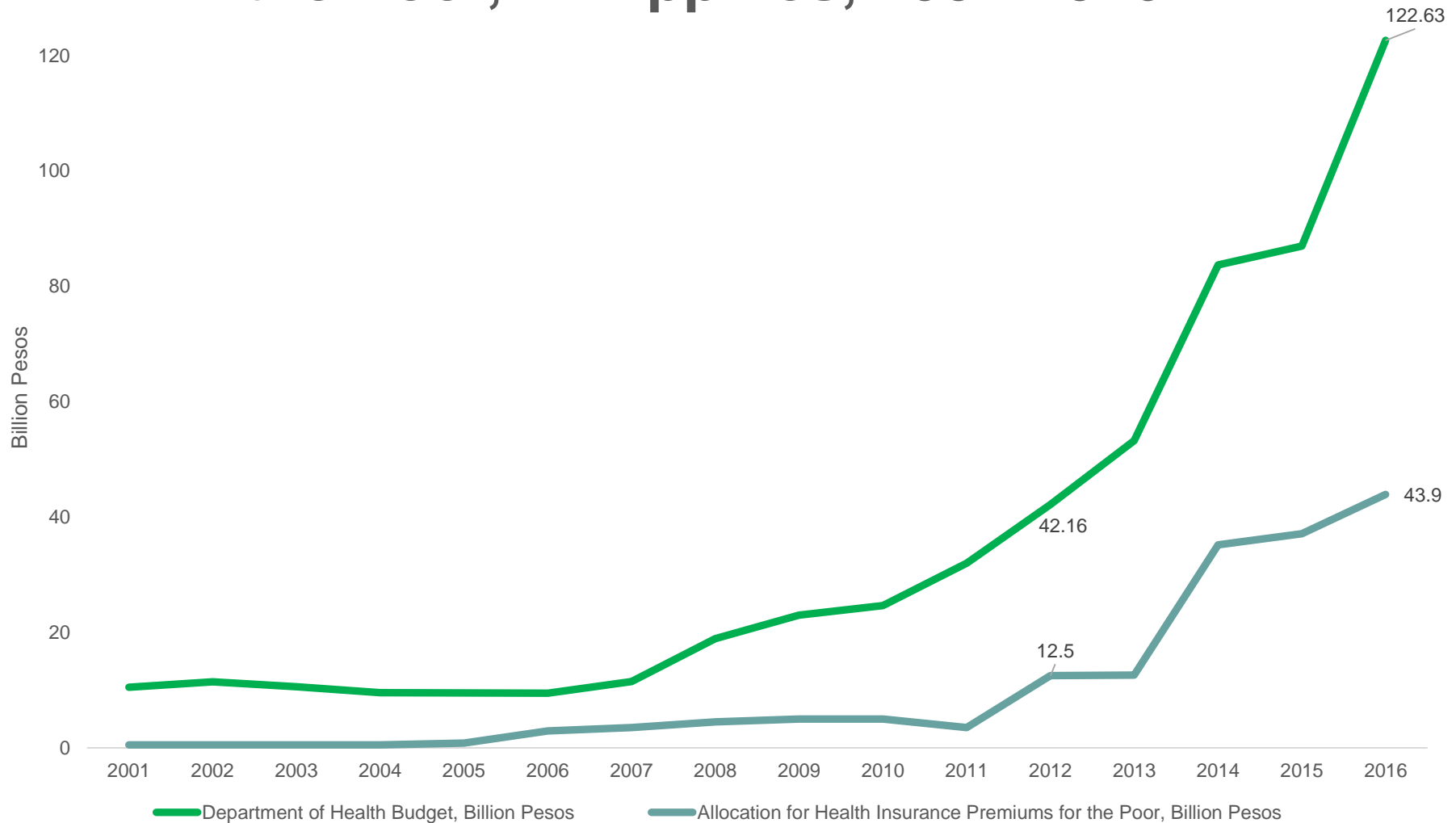


Who Pays & Who Benefits

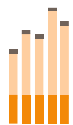
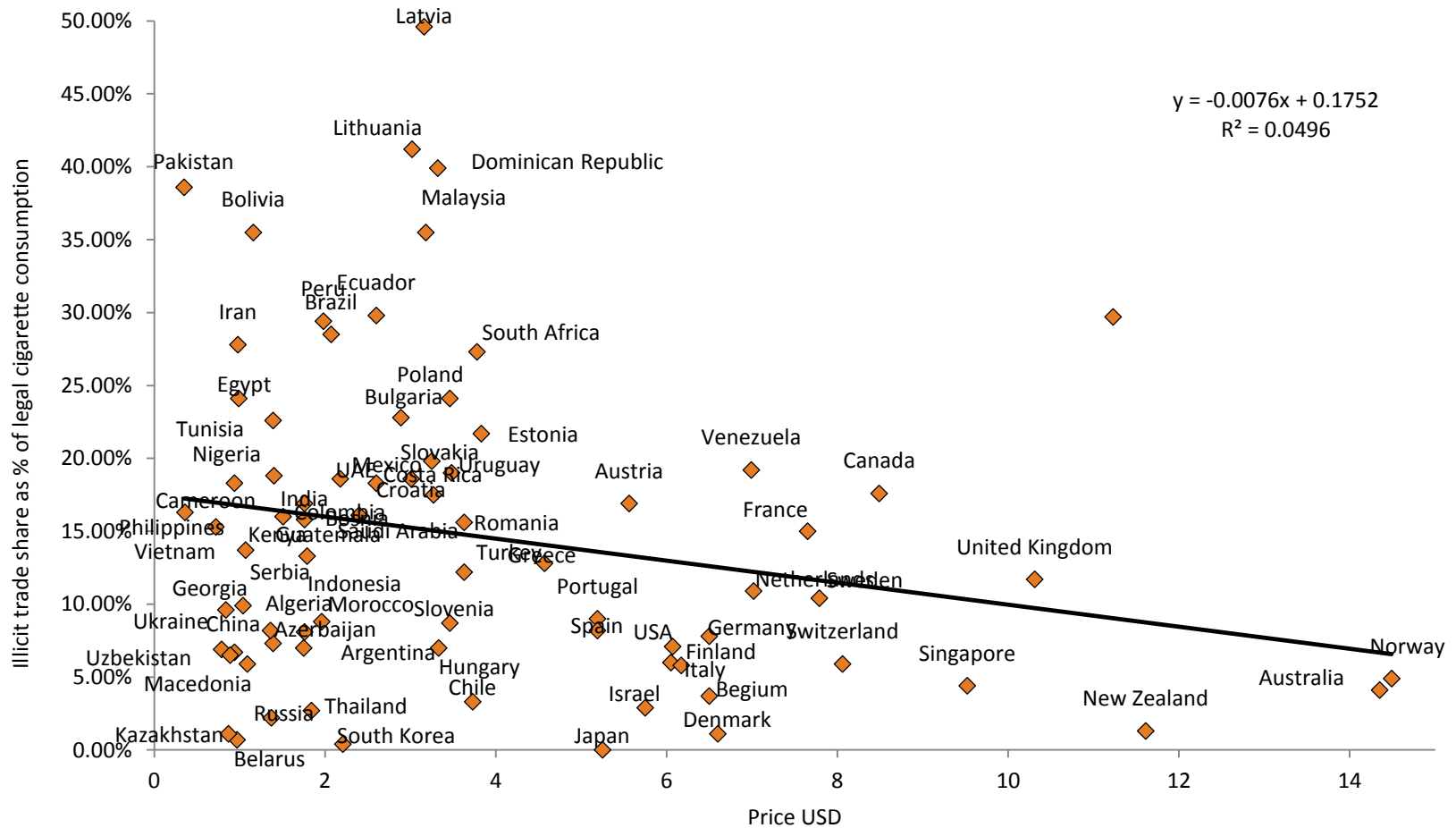
Turkey, 25% Cigarette Tax Increase



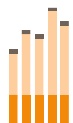
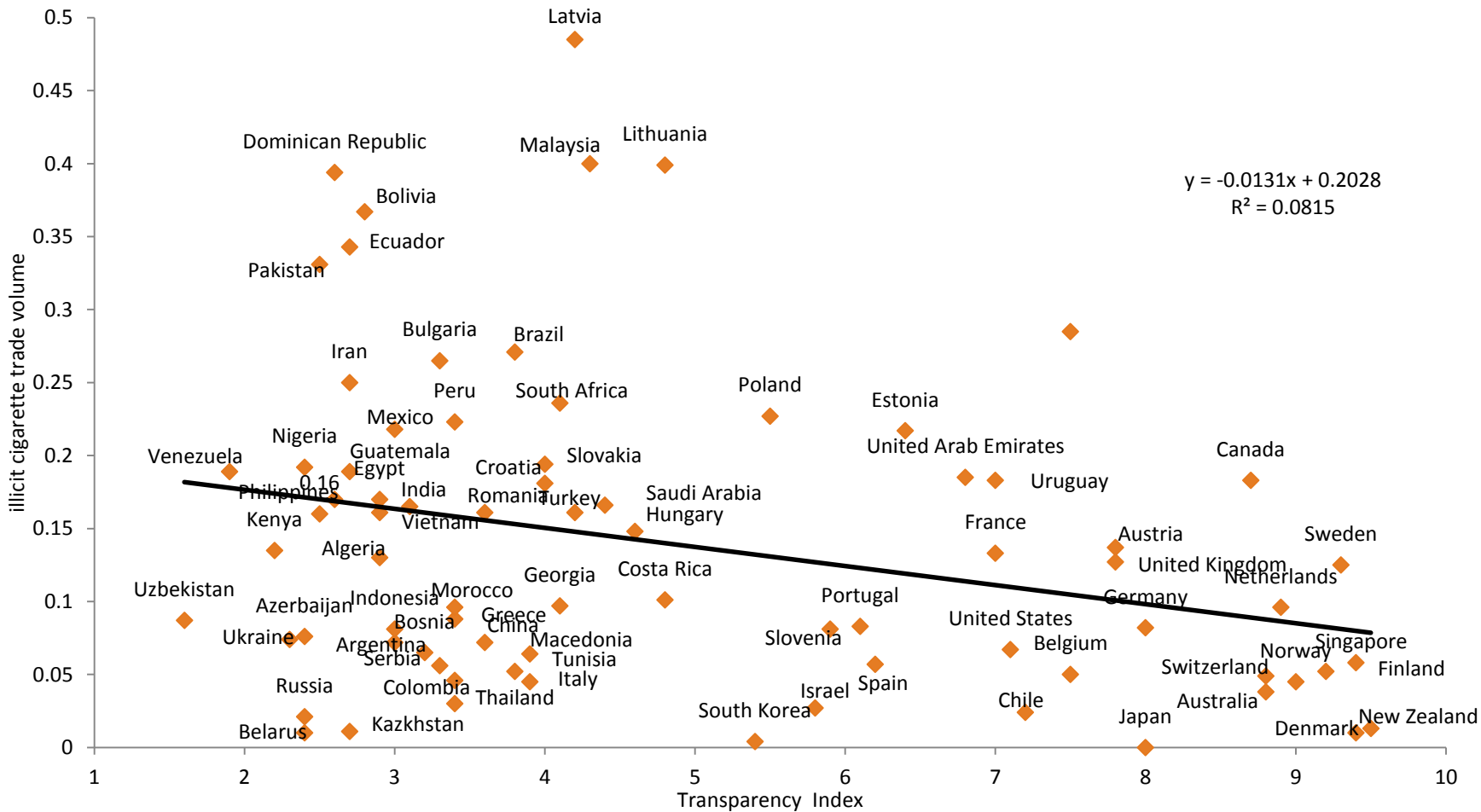
Incremental Revenues for Health and the Poor, Philippines, 2001-2016



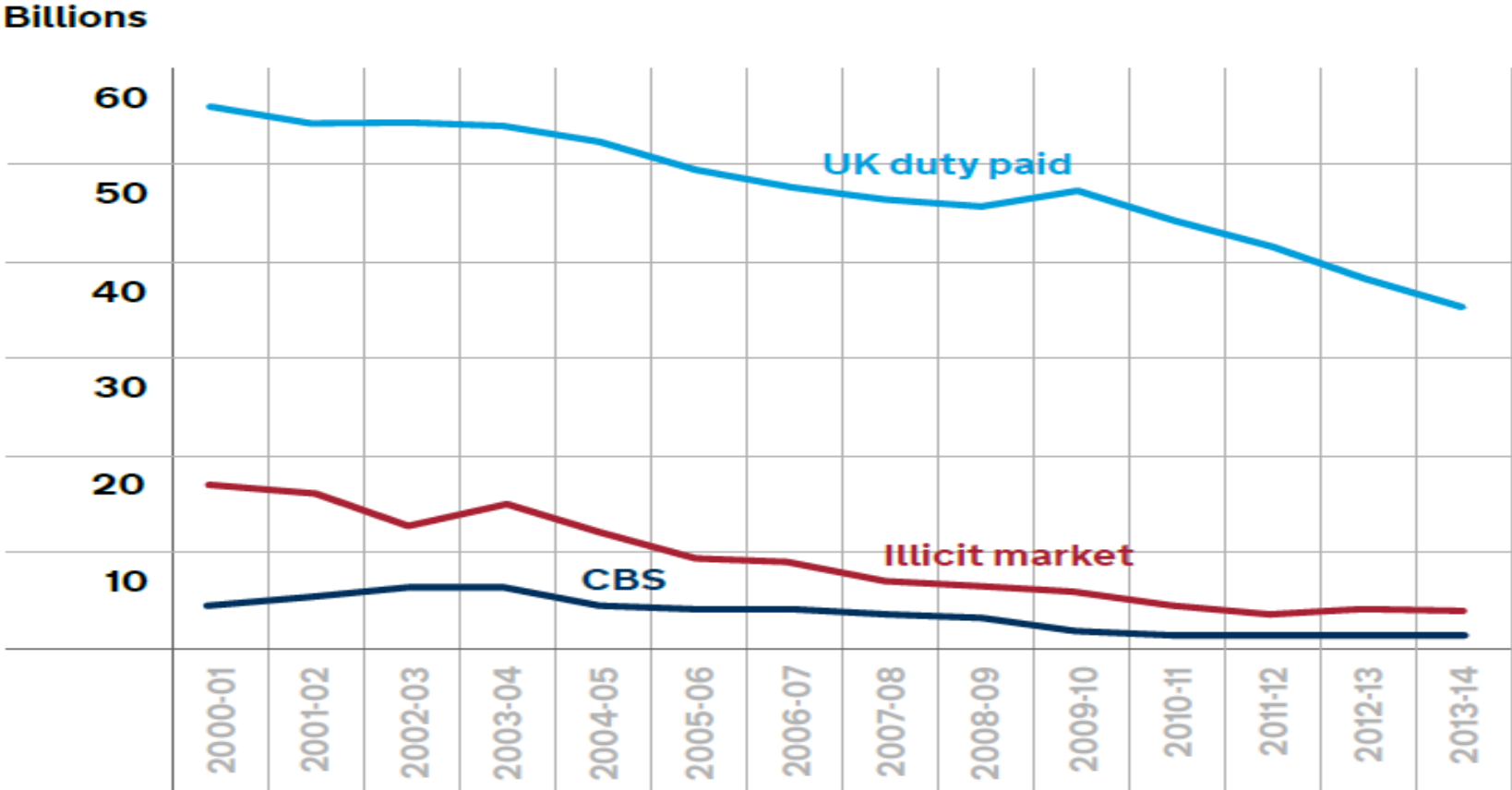
Illicit Cigarette Market Share & Cigarette Prices, 2012

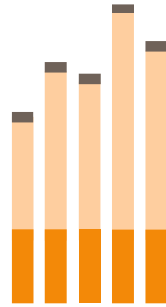


Illicit Cigarette Market Share & Corruption, 2011



Cigarette Consumption: Duty Paid, Illicit, and Cross-Border Shopping, United Kingdom, 2000-01 – 2013-14

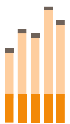




Conclusions

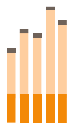
Conclusions

- Higher tobacco and alcohol taxes, and new sugary beverage taxes will significantly reduce consumption
- Reduced consumption will lead to fewer cases of cancer, cardiovascular disease, diabetes, and other non-communicable diseases
- Counterarguments about negative economic impact false or greatly overstated
- Taxes generally considered one of the “best buys” in NCD prevention

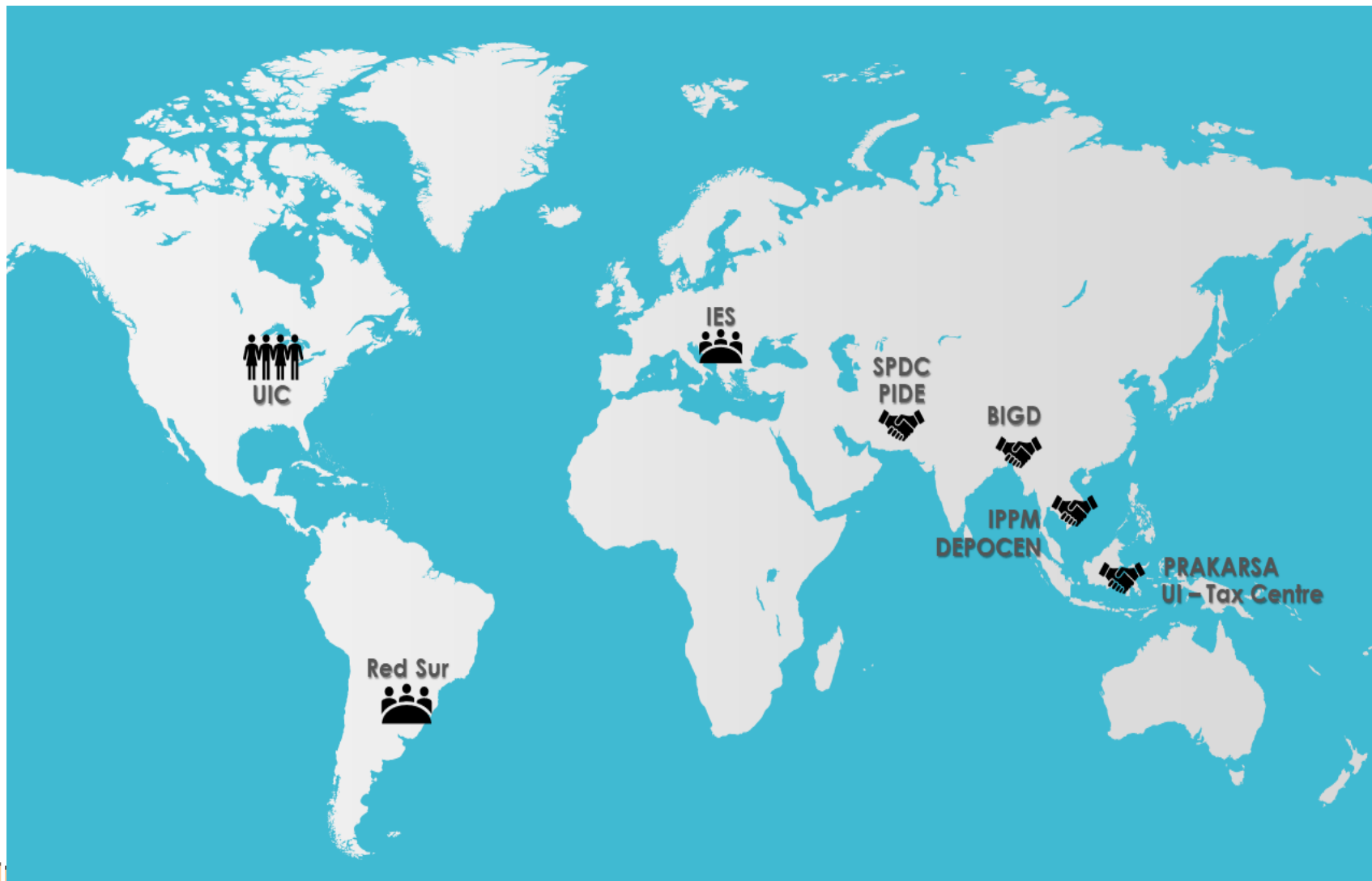


Bloomberg Initiative – UIC

- 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



THANK YOU!

For more information:

Bridging the Gap

<http://www.bridgingthegapresearch.org>

Tobacconomics

<http://www.tobacconomics.org>

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tobacconomics

Economic Research Informing Tobacco Control Policy

Policy Brief | August 2018

Tobacco Taxation Can Reduce Tobacco Consumption and Help Achieve Sustainable Development Goals

Introduction

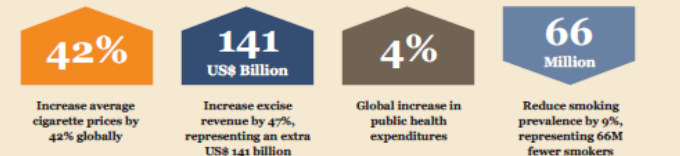
A substantial body of research shows that significantly increasing the taxes and prices of tobacco products is the single most effective way to reduce tobacco use and its devastating health consequences.ⁱ A tax increase that raises prices by 10% can reduce tobacco consumption on average by 5% in low and middle income countries (LMICs).ⁱⁱ

Tobacco also poses a threat to development, especially in the LMICs that have the highest rates of tobacco use. The global economic costs from smoking due to medical expenses and lost productivity in 2012 alone totaled over \$1.4 trillion dollars.ⁱⁱⁱ

Besides the growing recognition of the obvious harmful effects of tobacco on health and healthcare, there is a noticeable international movement recognizing the harmful effects of

tobacco use on sustainable development. The United Nations (UN) 2030 Agenda for Sustainable Development has set 17 Sustainable Development Goals (SDGs) and 169 related targets. One of those targets focuses specifically on tobacco, and urges “strengthened implementation of the Framework Convention on Tobacco Control (FCTC).” The FCTC is an international treaty created under the auspices of the World Health Organization (WHO). It focuses on reducing the demand and supply of tobacco products. In order to finance the SDGs, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development noted that “price and tax measures on tobacco can be an effective and important means to reduce tobacco consumption and healthcare costs and represent a revenue stream for financing for development in many countries”.

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



Source: WHO

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