



tobacconomics

Economic Research Informing
Tobacco Control Policy

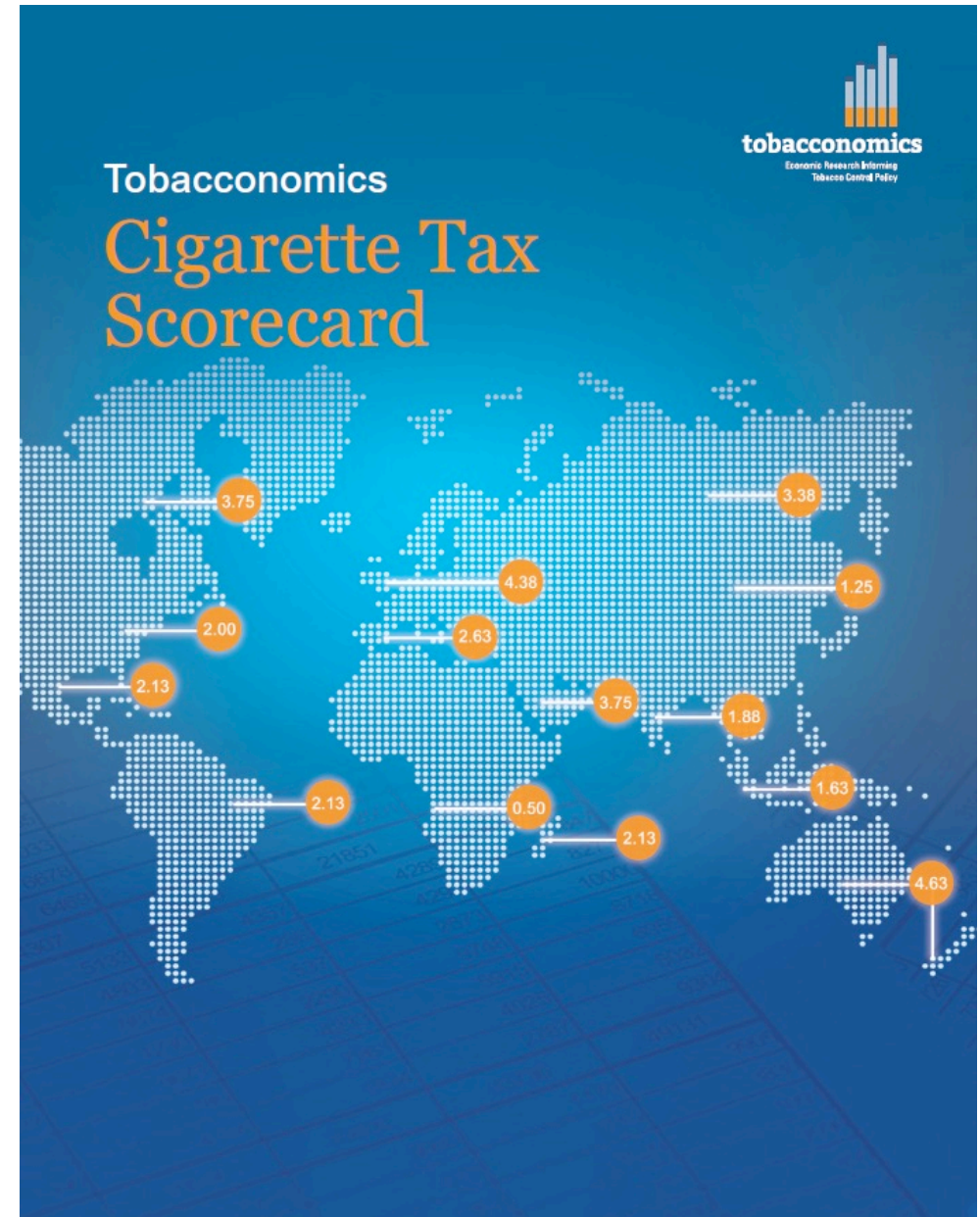
Improving the Health and Revenue Impacts of Cigarette Taxes: The Tobacconomics Cigarette Tax Scorecard

Frank J. Chaloupka, University of Illinois at Chicago

Fiscal Strategies for Financing Health Services in Pandemic Times

18th World Conference on Tobacco or Health, December 15, 2020

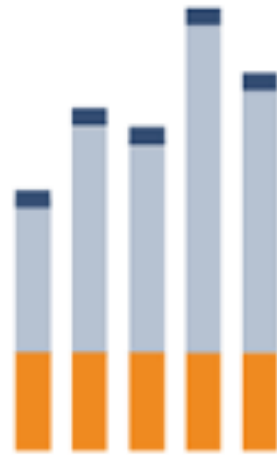
- Focuses on four key dimensions of cigarette tax systems
 - Cigarette prices
 - Changes in cigarette affordability over time
 - Share of taxes in retail cigarette prices
 - Cigarette tax structure



Cigarette Tax Scorecard

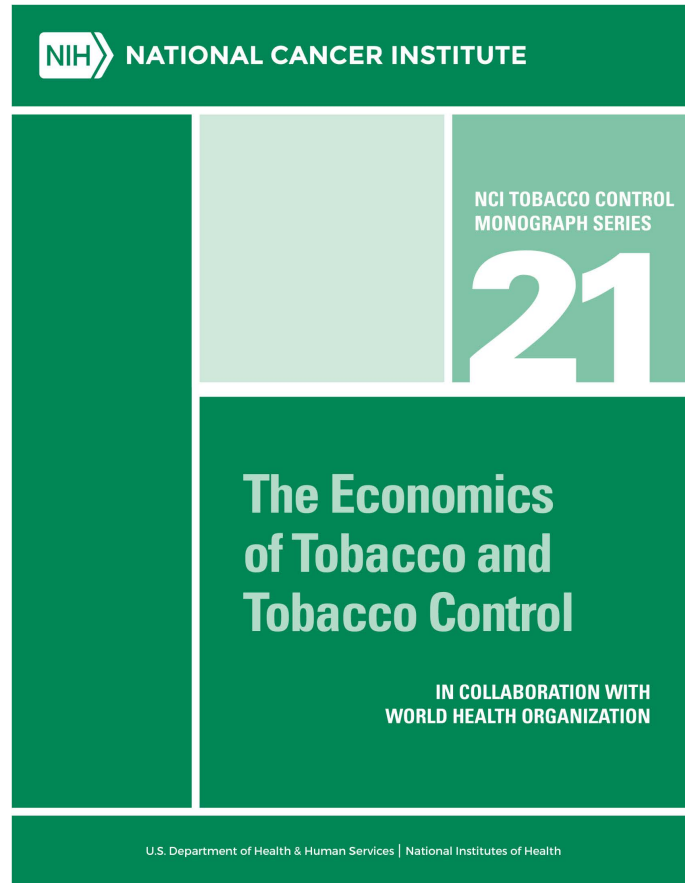
- Data from WHO's biennial reports on the global tobacco epidemic
- Scores for 2018, 2016, and 2014
- Extensive peer review
- Based on recommendations and guidance from multiple sources





Cigarette Prices

Effectiveness of Tobacco Taxes and Prices



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.**

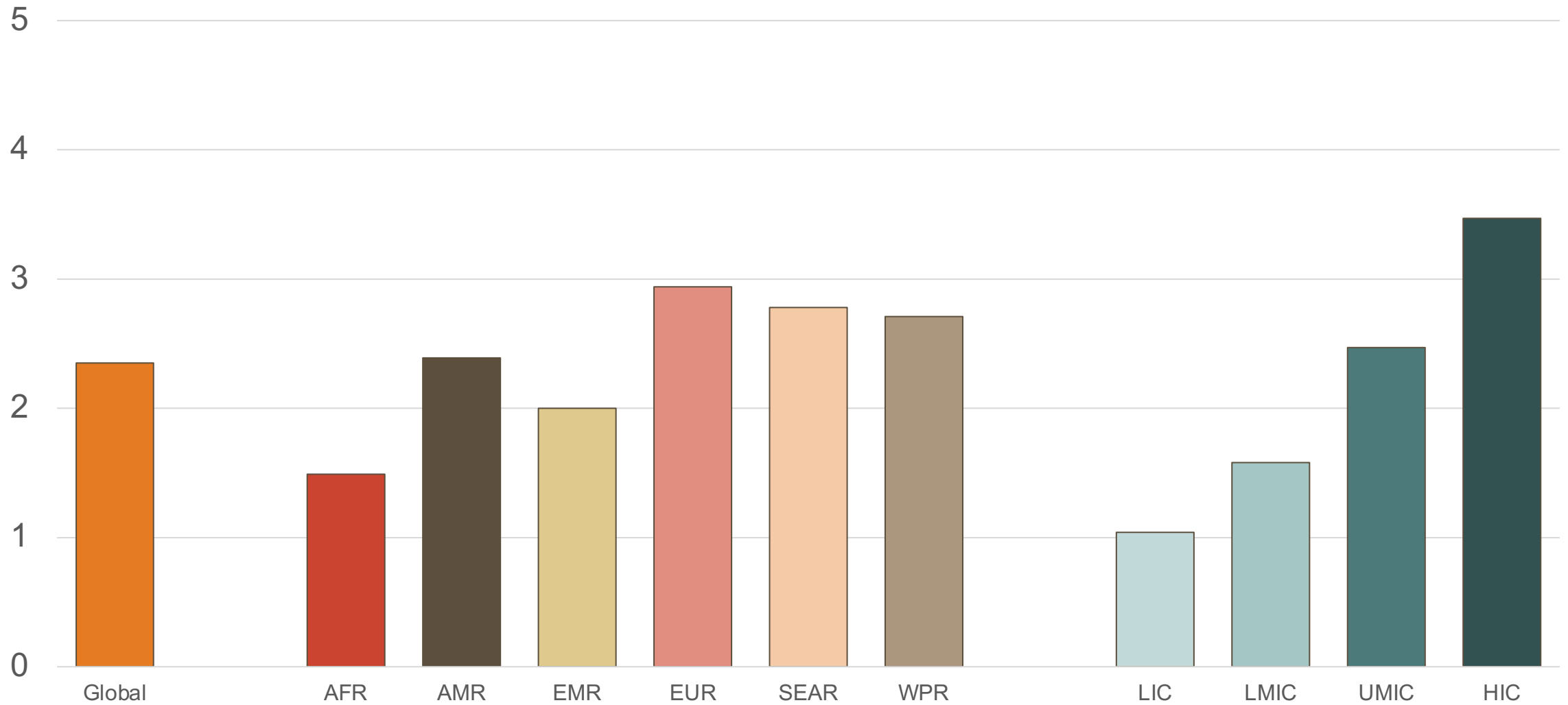


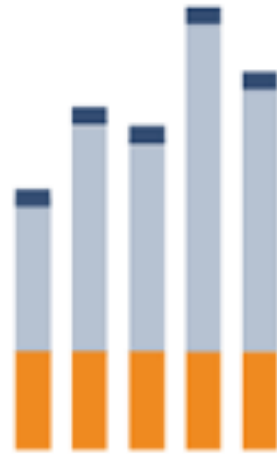
Cigarette Price

- Purchasing power parity price for most sold brand of cigarettes
- Scoring:
 - 5: 10 international dollars or higher
 - 4: $8.0 \leq \text{price} < 10.0$
 - 3: $6.0 \leq \text{price} < 8.0$
 - 2: $4.0 \leq \text{price} < 6.0$
 - 1: $2.0 \leq \text{price} < 4.0$
 - 0: $\text{price} < 2.0$



Cigarette Price Scores, 2018





Cigarette Affordability



FCTC

WHO FRAMEWORK CONVENTION
ON TOBACCO CONTROL

Guidelines for implementation of Article 6

Price and tax measures to reduce the demand for tobacco

Adopted by the Conference of the Parties at its sixth session (decision FCTC/COP6(5))

Online version available at http://www.who.int/fctc/treaty_instruments/Guidelines_article_6.pdf

Recommendation:

“When establishing or increasing their national levels of taxation Parties should take into account – among other things – both price elasticity and income elasticity of demand, as well as inflation and changes in household income, **to make tobacco products less affordable over time in order to reduce consumption and prevalence.** Therefore, Parties should consider having regular adjustment processes or procedures for periodic revaluation of tobacco tax levels..”

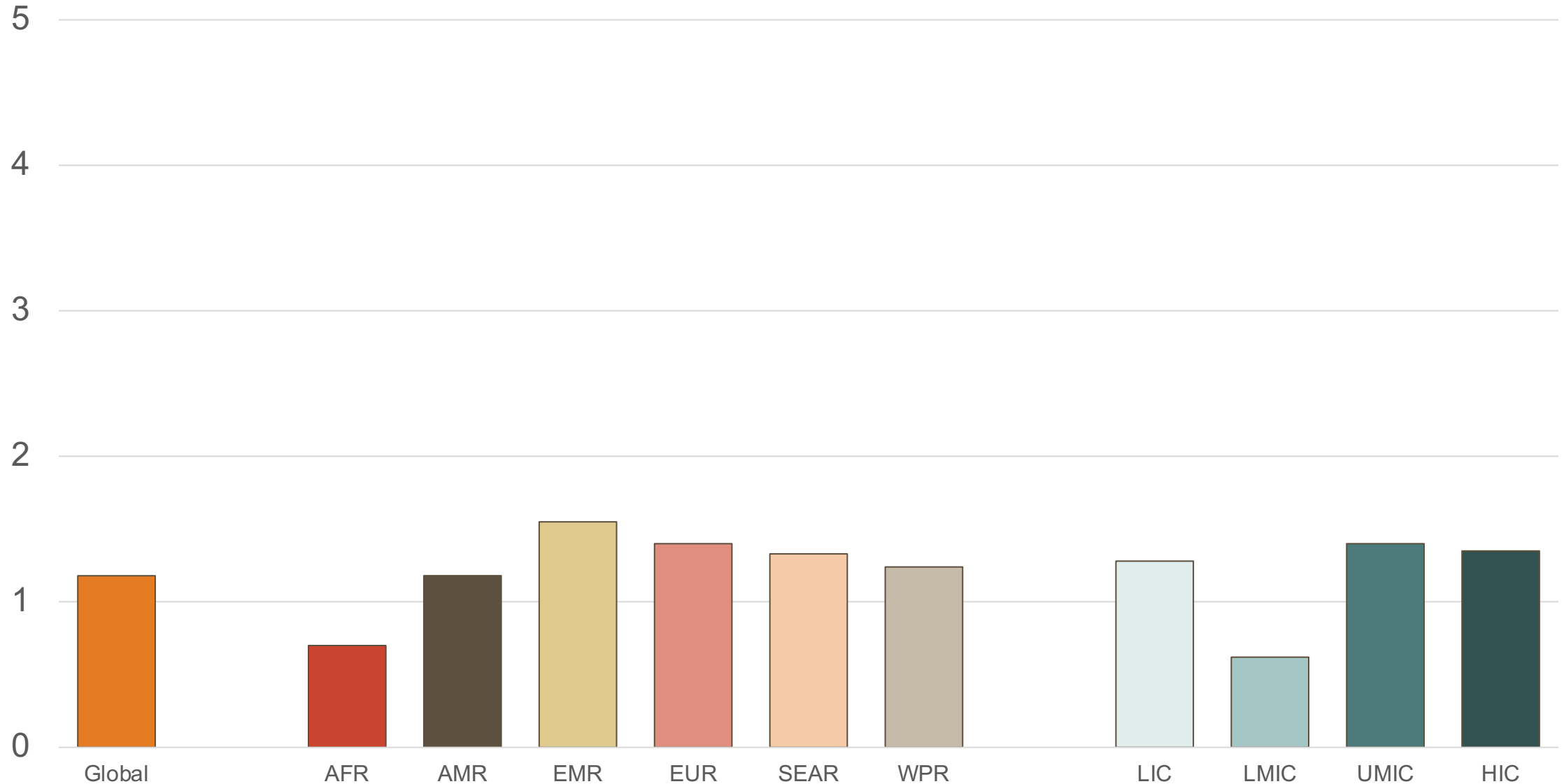


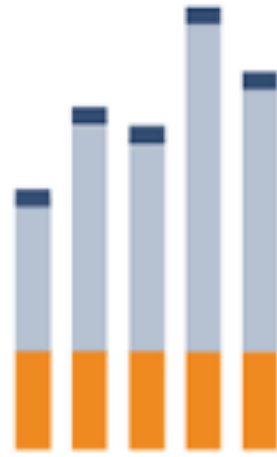
Change in Cigarette Affordability

- Change in the affordability of cigarettes over previous 6 years
 - At least one cigarette tax increase
 - Statistically significant
- Scoring:
 - 5: 7.5% annual avg. change or higher
 - 4: $5.0\% \leq \text{change} < 7.5\%$
 - 3: $2.5\% \leq \text{change} < 5.0\%$
 - 2: $\text{change} < 2.50\%$
 - 1: reduced affordability but no tax increase
 - 0: increased affordability



Change in Cigarette Affordability Scores, 2018

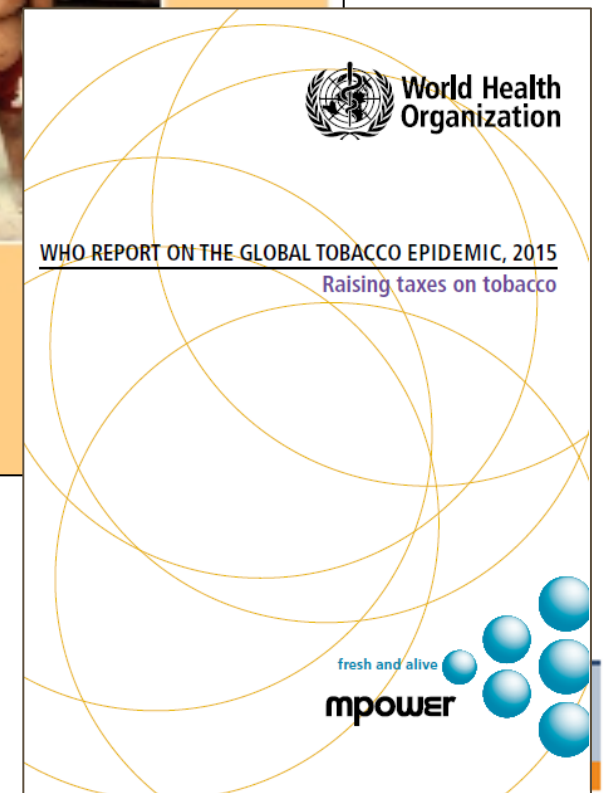
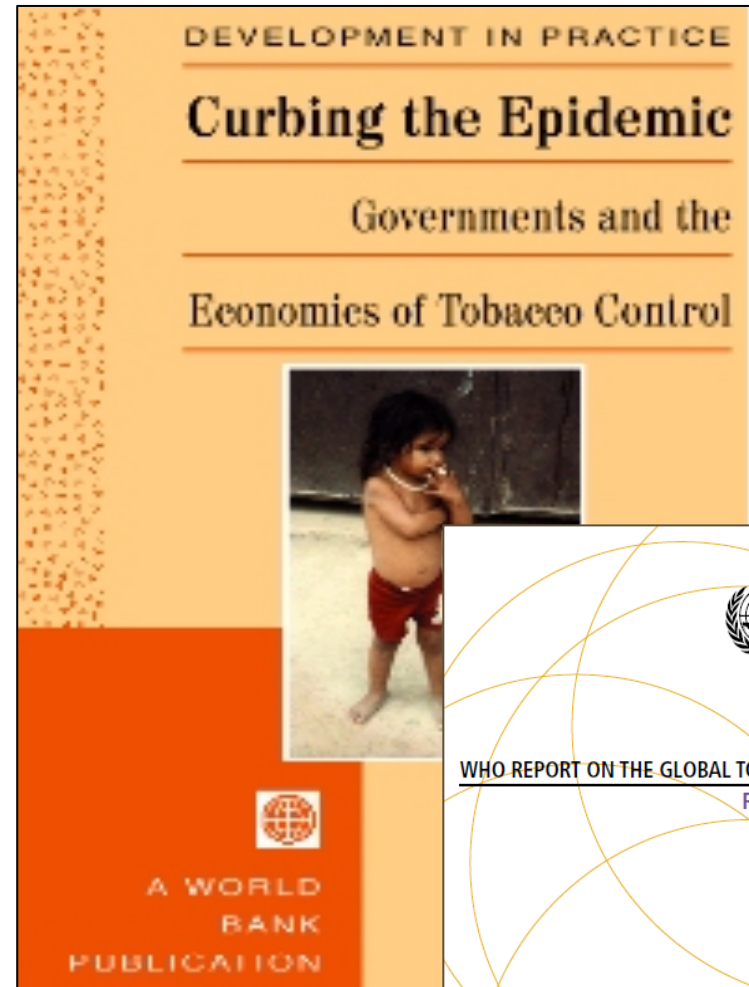


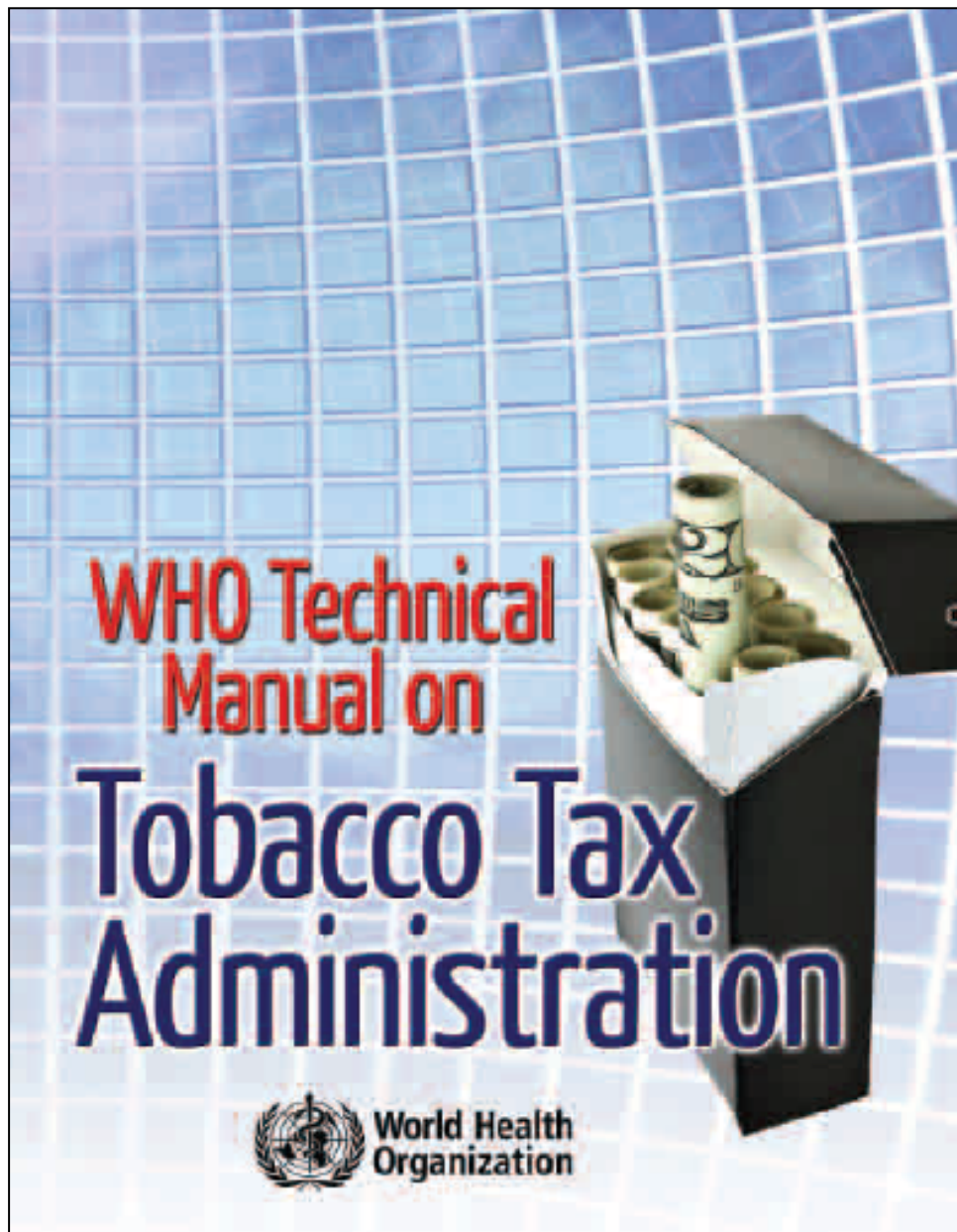


Cigarette Tax Shares

Recommendation:

“Raising taxes, using as a yardstick the rates adopted by countries with comprehensive tobacco control policies where consumption has fallen. In these countries, **tax accounts for two-thirds to four–fifths of the retail price of cigarettes.**”





Recommendation:
“Set tobacco **excise** levels so that they account for **at least 70 percent of the retail prices** for tobacco products

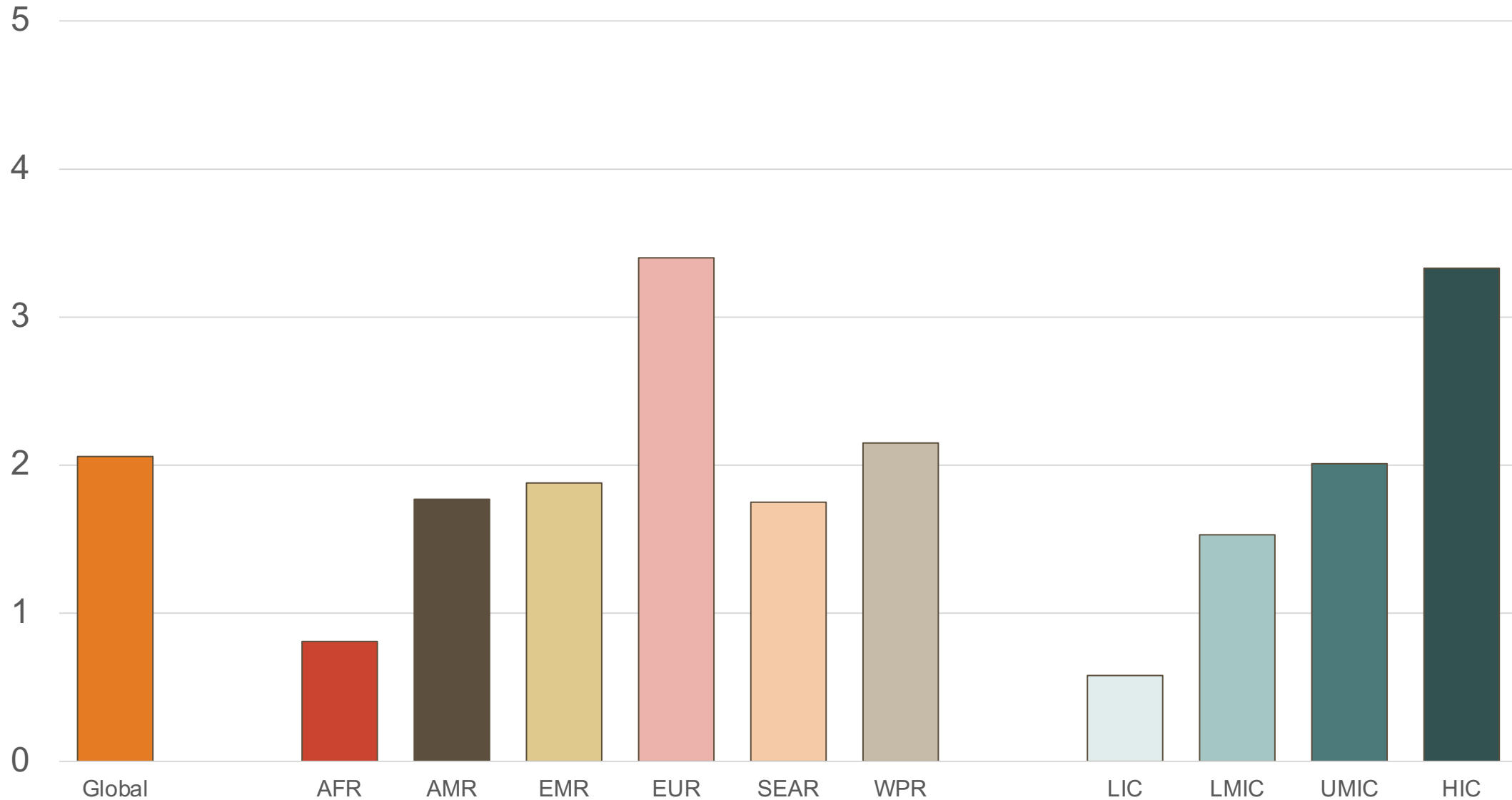


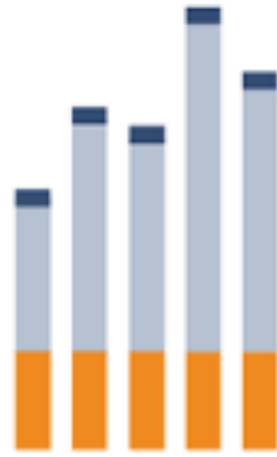
Cigarette Tax Shares

- Share of cigarette taxes in the most sold brand of cigarettes
 - Average of total tax share score and excise tax share score
- Scoring, total tax share:
 - 5: 75% or higher
 - 4: $65\% \leq \text{share} < 75\%$
 - 3: $55\% \leq \text{share} < 65\%$
 - 2: $45\% \leq \text{share} < 55\%$
 - 1: $35\% \leq \text{share} < 45\%$
 - 0: $\text{share} < 35\%$
- Scoring, excise tax share:
 - 5: 70% or higher
 - 4: $60\% \leq \text{share} < 70\%$
 - 3: $50\% \leq \text{share} < 60\%$
 - 2: $40\% \leq \text{share} < 50\%$
 - 1: $30\% \leq \text{share} < 40\%$
 - 0: $\text{share} < 30\%$



Cigarette Tax Share Scores, 2018





Cigarette Tax Structure



FCTC

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Recommendation:

“Parties should implement the simplest and most efficient system that meets their public health and fiscal needs, and taking into account their national circumstances. **Parties should consider implementing specific or mixed excise systems with a minimum specific tax floor**, as these systems have considerable advantages over purely ad valorem systems.”

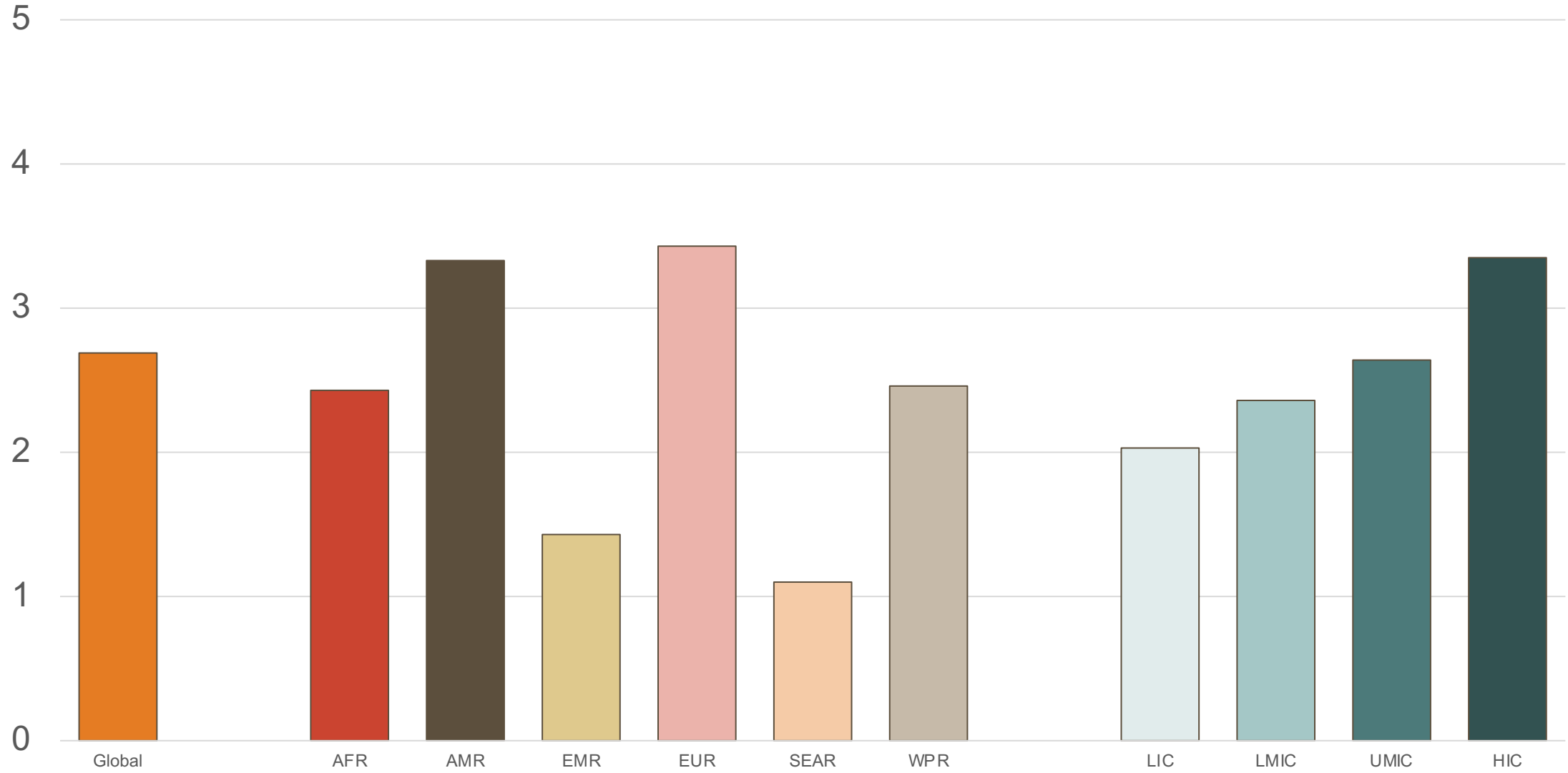


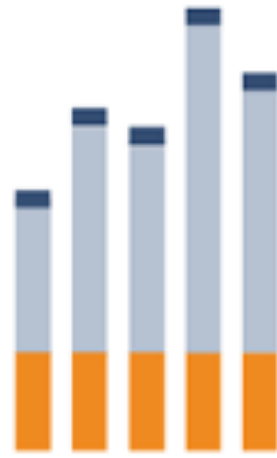
Cigarette Tax Structure

- Scoring:
 - 5: uniform specific excise tax or mixed system with greater share of specific tax;
 - automatic adjustment of specific tax
 - retail price base for ad valorem tax
 - minimum specific tax for mixed systems
 - 4: uniform specific excise tax or mixed system with greater share of specific tax, but not other features
 - 3: uniform mixed system with greater share of ad valorem tax
 - 2: uniform ad valorem tax
 - 1: tiered specific or ad valorem tax
 - 0: no excise



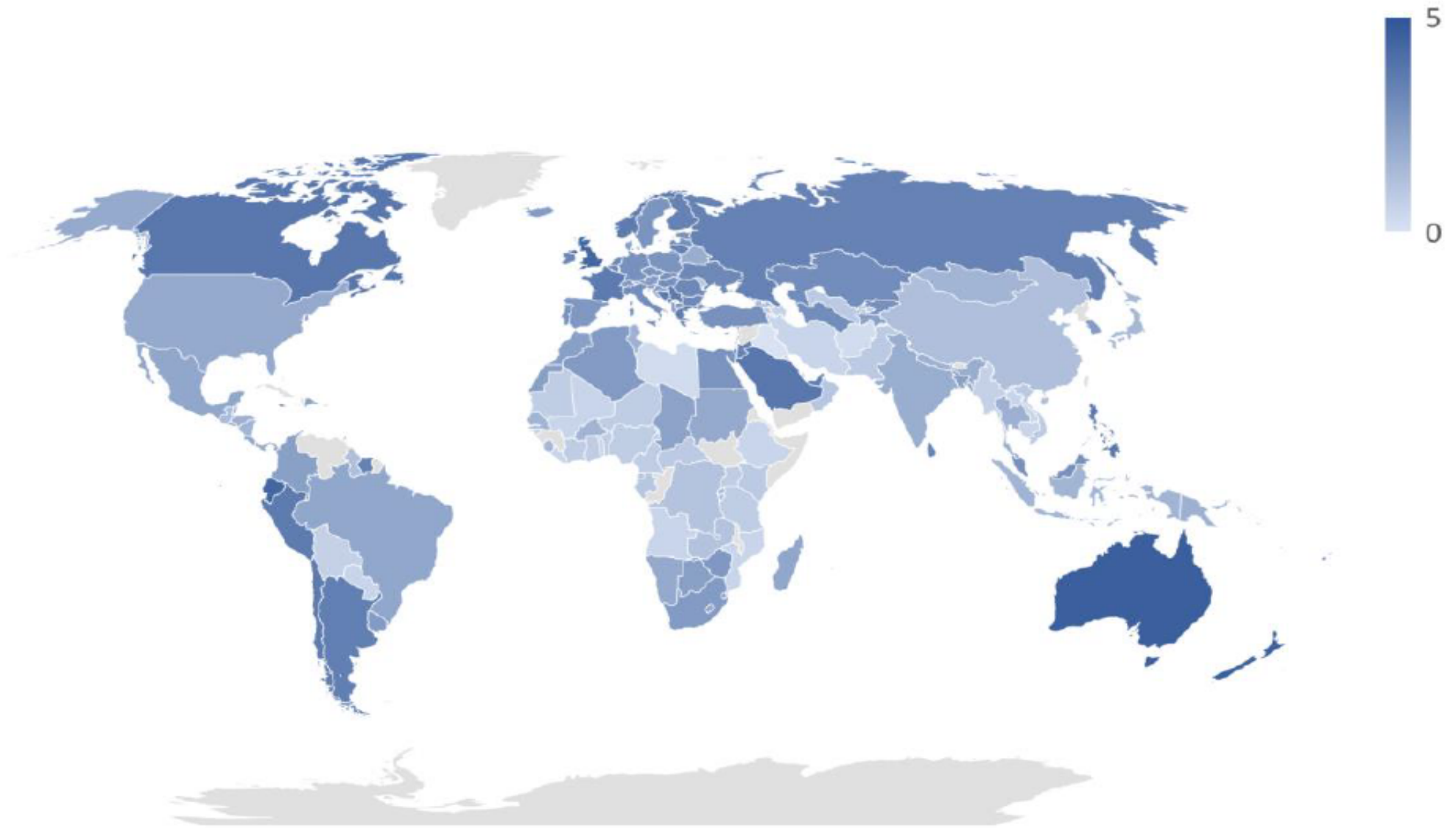
Cigarette Tax Structure Scores, 2018



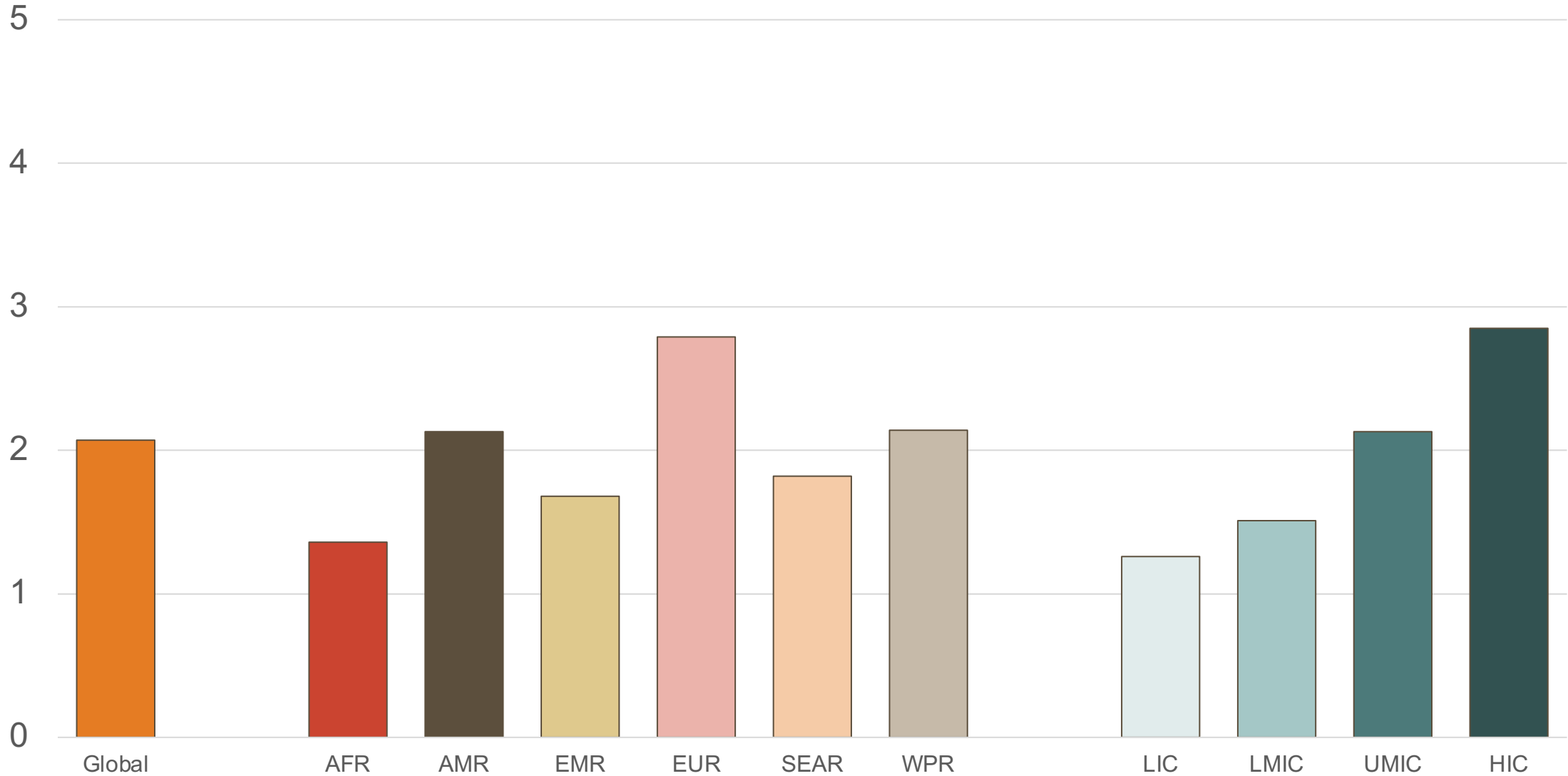


Overall Scores

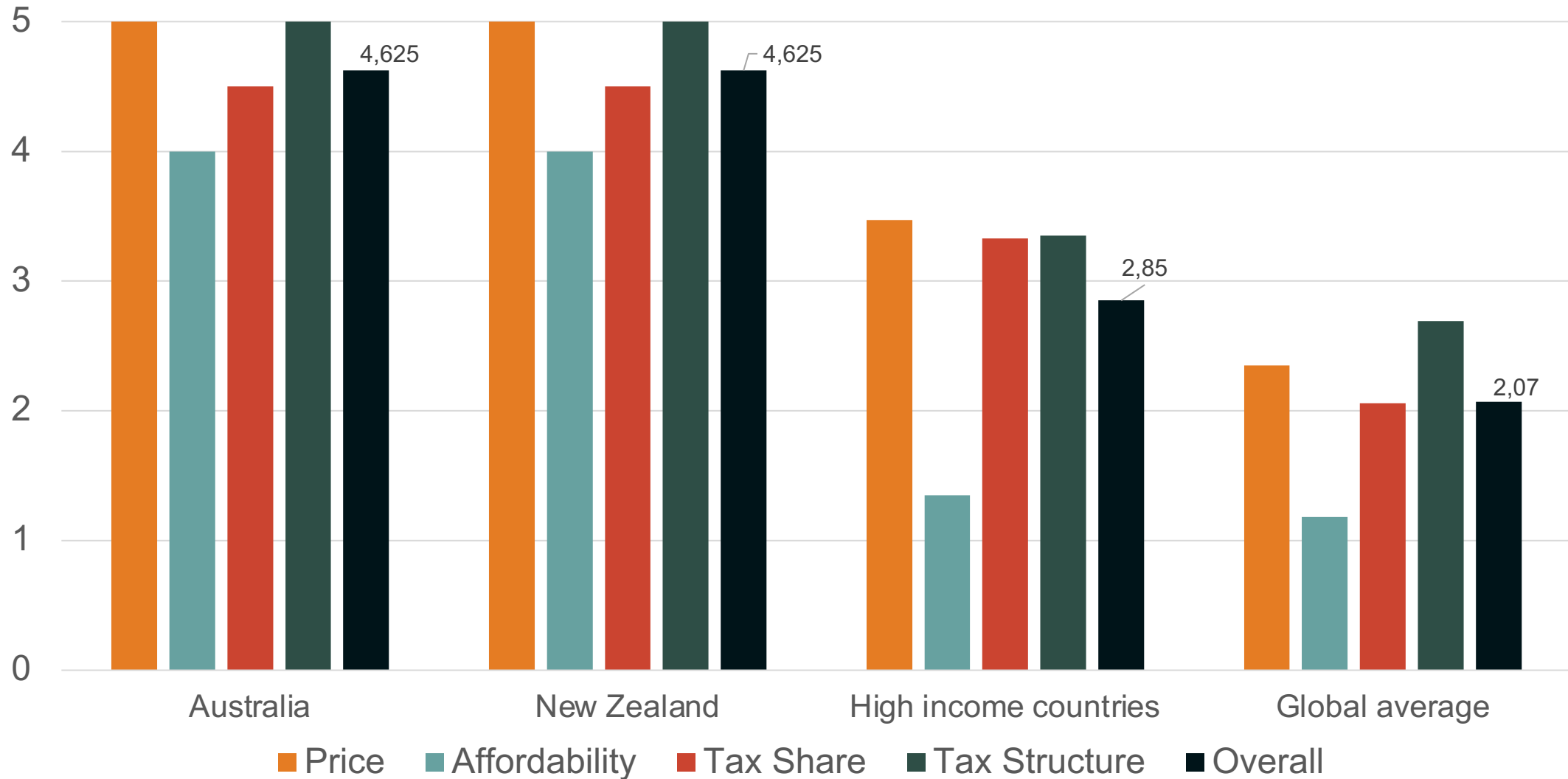
Overall Cigarette Tax Scores, 2018



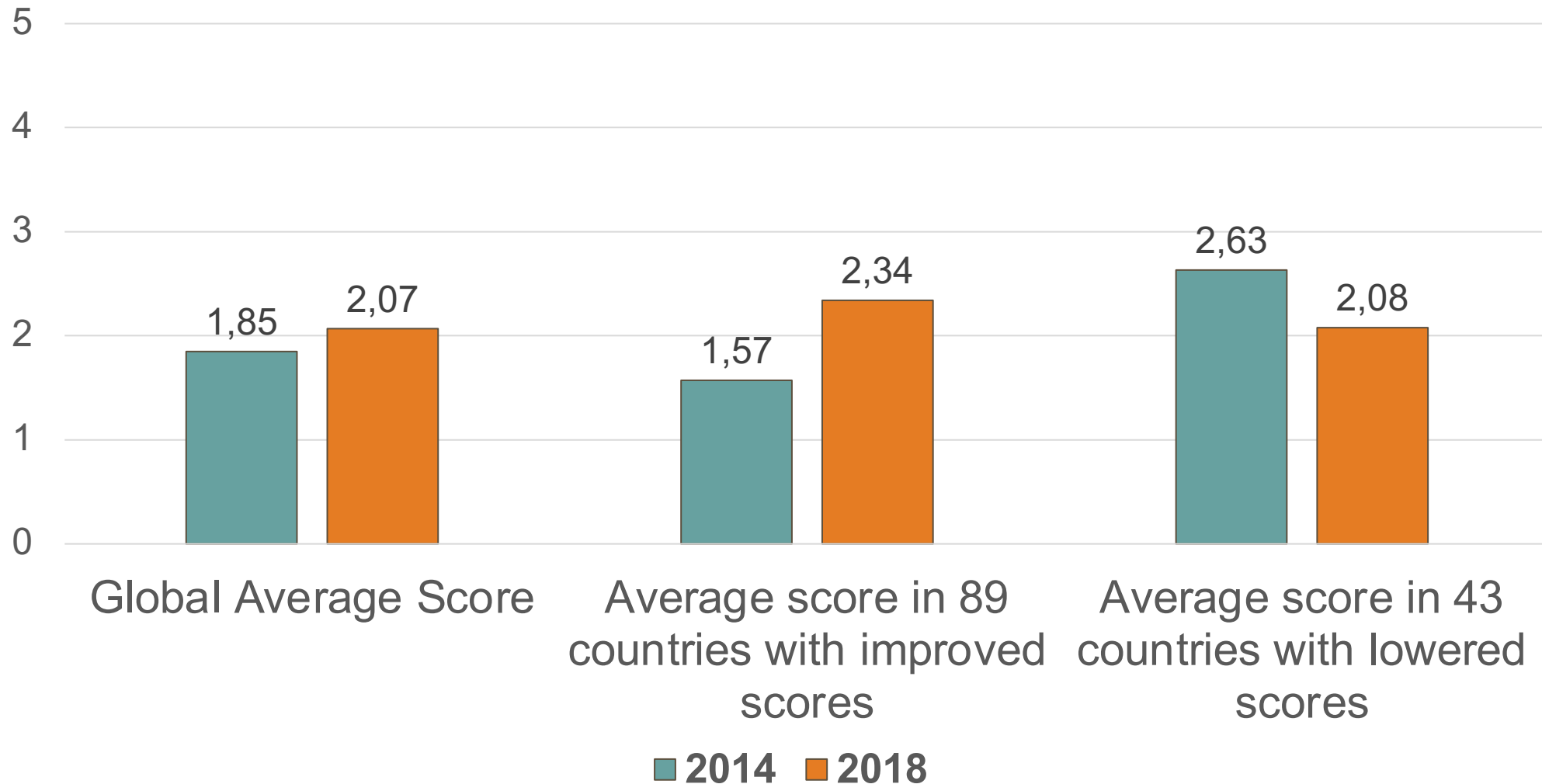
Overall Cigarette Tax Scores, 2018



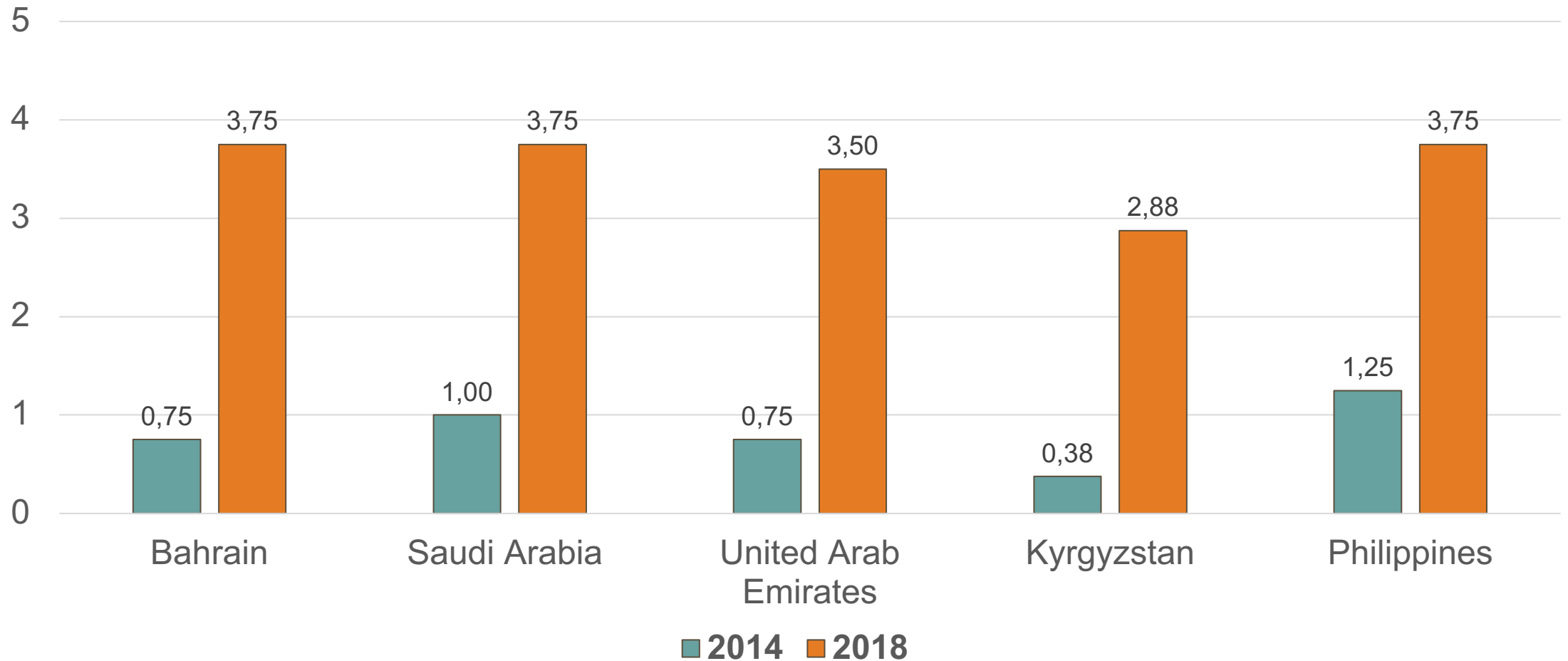
Top Performing Countries

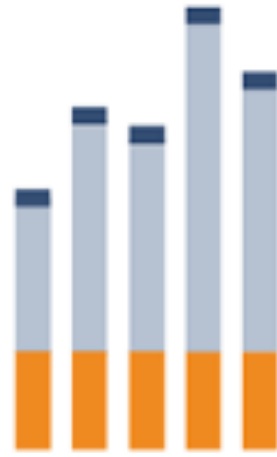


Overall Cigarette Tax Scores 2014-2018



Most Improved Countries, 2014-2018



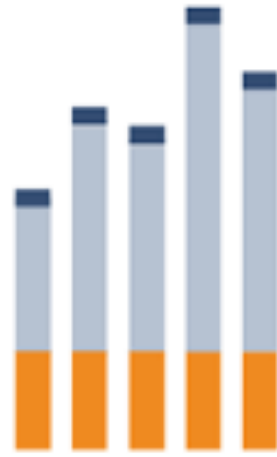


Limitations

Limitations

- Lack of information on effectiveness of tax administration
- Focus on manufactured cigarettes
- Limited to data on most sold brand of cigarettes
- Dependence of some components on industry pricing strategies
- Arbitrary thresholds





Conclusions

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- Considerable untapped potential of cigarette taxes
 - Almost half score less than 2 of 5 points
 - Little improvement over time
- Improvements in cigarette taxes particularly relevant during COVID-19 pandemic
 - Reduce tobacco use and its burden on health systems
 - Raise revenues for economic recovery



THANK YOU!

For more information:

Tobacconomics

<http://www.tobacconomics.org>

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