

Cigarette Tax Scorecard: Spotlight on Southeastern Europe

Key Messages

- In the Tobacconomics Cigarette Tax Scorecard, the average score in 2018 in Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia was 3.20 out of 5 possible points. Although this was slightly higher than the global average, the high prevalence of tobacco use in the region (38%) requires further action to strengthen cigarette tax policies.
- Of the four components used to calculate the overall score in the Scorecard, these countries in Southeastern Europe performed very well in the tax share of price, with an average score of 4.20 points.
- At the same time, prices are low. These countries would benefit most from increasing the price of cigarettes- the average score in that component was only 2.20 points out of 5.
- Of the selected countries, Montenegro scored the highest on all four components with 3.88 points, while Albania scored the lowest with 2.25 points out of 5.

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 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.

Although the five countries in Southeastern Europe scored relatively high compared to other regions in 2018, smoking prevalence remains high at 38%. Improving cigarette tax policies would decrease prevalence, while raising additional tax revenues for governments.

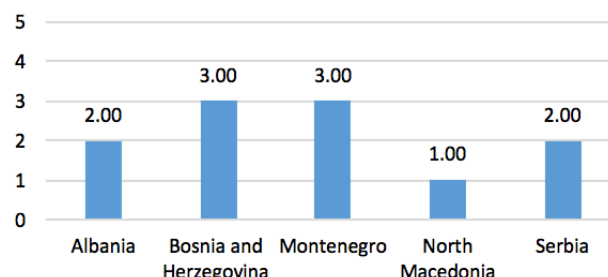
Regional Findings

Cigarette Price

Price is a key determinant of cigarette use. Although less than proportionately, as price increases, demand for cigarettes decreases.

In 2018, the average score in the countries for this component is only 2.20 points out of 5. Bosnia and Herzegovina and Montenegro scored the highest, while North Macedonia lagged behind its neighboring countries.

Cigarette price, 2018

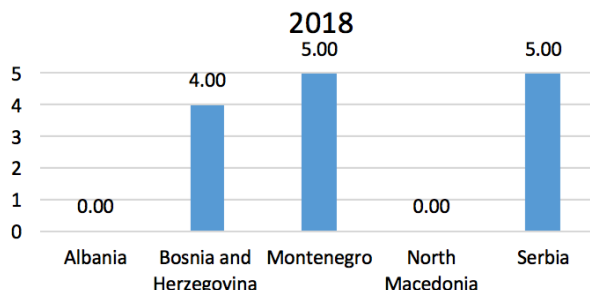


Changes in Cigarette Affordability

To reduce demand, taxes must be high enough to reduce the affordability of cigarettes. Furthermore, they should be regularly updated for inflation and income growth.

The average score in these SEE countries was only 2.80 out of 5 in this component. Bosnia and Herzegovina, Montenegro, and Serbia scored very well in this component.

Changes in cigarette affordability,

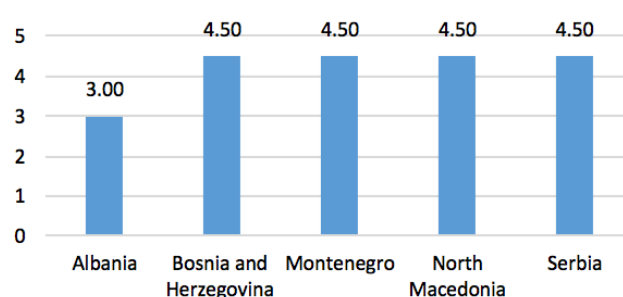


Tax Share

The tax share of cigarette price must be high enough so that governments are able to increase their tax revenue after raising cigarette prices.

The five SEE countries scored well in the tax share component in 2018, with an average of 4.20 points out of 5. Albania should increase the tax share of price to catch up to other countries in the region and increase government earnings.

Tax share, 2018

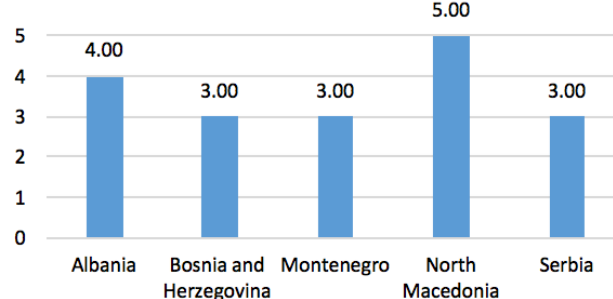


Tax Structure

The structure of an excise tax determines its ability to meet public health and revenue goals. A simple, uniform tax structure is the most effective way to decrease tobacco use, while maximizing tax revenue.

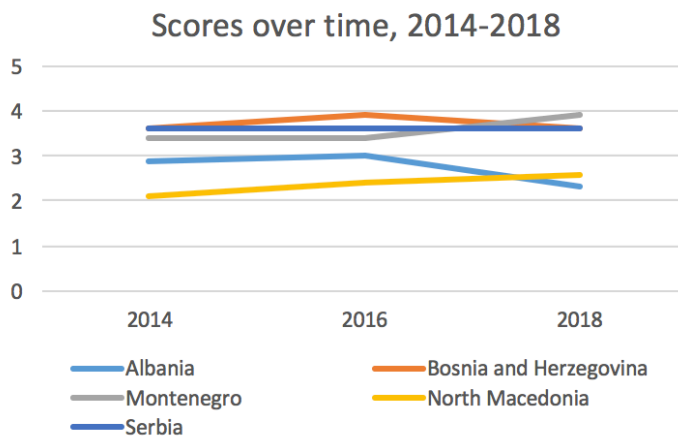
The average score among these countries was 3.60 out of 5.

Tax structure, 2018



Scores Over Time

Between 2014 and 2018, the selected Southeastern European countries have experienced variation in the effectiveness of their cigarette tax policies. Montenegro and North Macedonia modestly improved their scores. Montenegro did so by raising the price of cigarettes, while North Macedonia increased the tax share of the price and improved the tax structure used. Within the same time frame, Albania's score decreased, as cigarettes in the country became more affordable. Serbia and Bosnia and Herzegovina's scores remained the same in 2014 and in 2018.



Policy Implications and Recommendations

In summary, the following cigarette tax policy improvements are recommended as concrete next steps to reduce the high smoking prevalence in the five countries, while continuing to increase tax revenues for their governments:

- Albania should increase the price of cigarettes, increase the tax share of price, and reduce their affordability.
- Bosnia and Herzegovina should increase the price of cigarettes and improve the tax structure.
- Montenegro should increase the price of cigarettes and improve the tax structure.
- North Macedonia should increase the price of cigarettes and reduce their affordability.
- Serbia should increase the price of cigarettes and improve the tax structure.