

Cigarette Tax Scorecard: Spotlight on Bangladesh

Key Messages

- In the Tobacconomics Cigarette Tax Scorecard, the score in 2018 in Bangladesh was 2.38 out of 5 possible points. Although slightly higher than the average score of countries in its region and income group, this is less than half of the possible points.
- Of the four components used to calculate the overall score, Bangladesh received the most points in affordability change, with a score of 4 points. The average annual reduction in cigarette affordability between 2012 and 2018 was 6.76% as a result of a tax increase.
- In contrast, Bangladesh scored only 1 point in two other components: absolute price and tax structure. Cigarettes only cost ₳77.57 (\$Intl 2.53), and the country uses a suboptimal tiered ad valorem excise tax structure.
- Due to a reduction in the affordability of cigarettes, Bangladesh has seen a significant improvement in their overall score since 2014, when the country received only 0.90 points.

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.

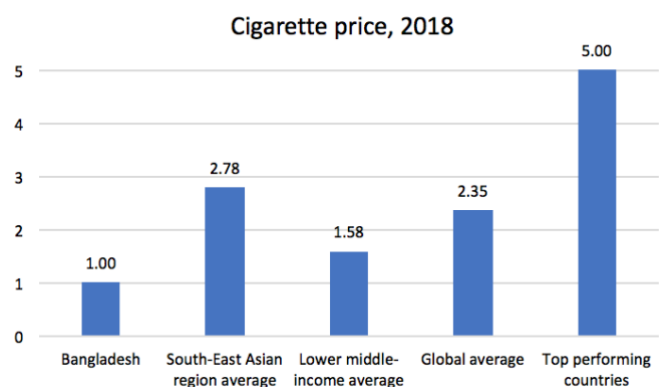
By implementing more effective cigarette tax policies, Bangladesh would improve the health of its population, while raising additional tax revenue for the government.

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, Bangladesh scored only 1 point out of 5, as the price for a 20-pack of the most-sold brand was only ₳77.57 (\$Intl 2.53). This is less than the average price in similar countries as well as globally.

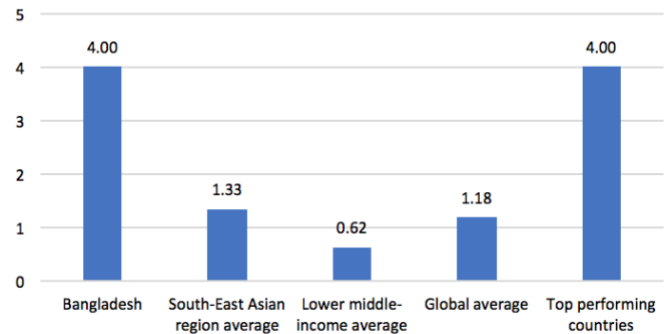


Changes in Cigarette Affordability

To reduce demand, prices must be increased enough through tax increases to reduce the affordability of cigarettes. Furthermore, they should be regularly updated for inflation and income growth.

Bangladesh scored well in this component and received 4 out of 5 possible points in 2018. Over the 6-year period, the average annual reduction in affordability was 6.76% as a result of increasing prices to outweigh inflation and income growth.

Changes in cigarette affordability, 2018

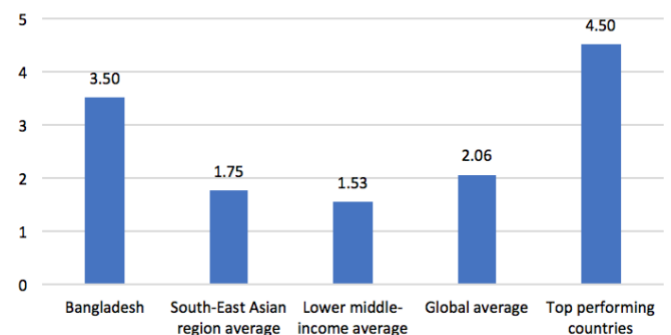


Tax Share

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

Bangladesh received 3.50 points out of 5 in 2018. The total tax share of price was 71%- only 4% below the minimum recommendation. The excise tax share, on the other hand, was 56%, compared to the recommendation of at least 70%.

Tax share, 2018

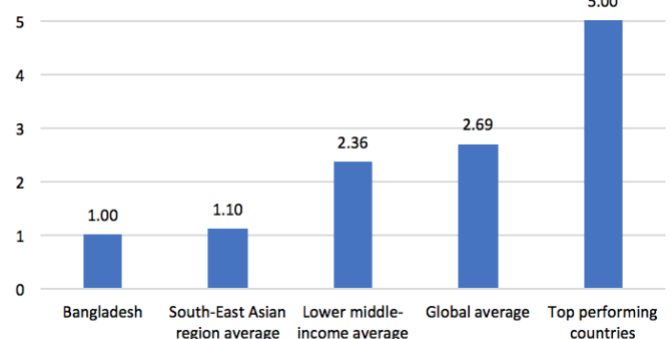


Tax Structure

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

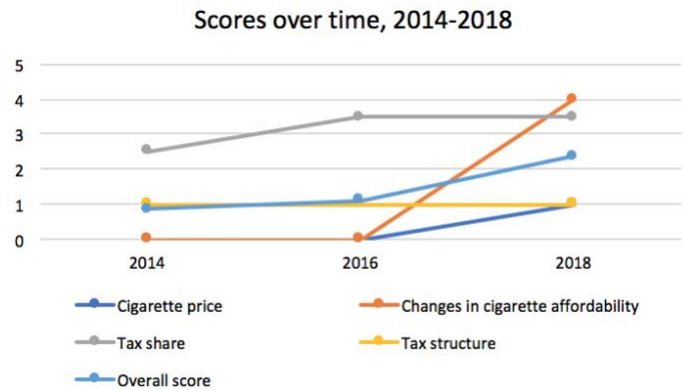
In this component, Bangladesh only scored 1 out of 5 points. The country received less points than similar countries and the global average as a result of its tiered ad valorem tax structure.

Tax structure, 2018



Scores Over Time

Between 2014 and 2018, Bangladesh has seen a significant increase in its overall score: 0.90 to 2.38 points, respectively. This was largely due to a reduction in the affordability of cigarettes between 2016 and 2018. The country also saw increases in the price, from (₹34.65 to ₹77.57; \$Intl 1.13 to \$Intl 2.53), and tax share (58% to 71% total tax share, 43% to 56% excise tax share) component scores in that time period. In contrast, it received only 1 point for its tax structure in 2014, 2016, and 2018.



Policy Implications and Recommendations

In summary, the following cigarette tax policy improvements are recommended as concrete next steps to reduce smoking prevalence in Bangladesh and improve the health of its citizens, while increasing the tax revenue collected by the government:

- Bangladesh should significantly increase the tax on cigarettes in order to **increase the price of cigarettes** from ₹77.57 (\$Intl 2.53) per pack of 20 cigarettes.
- The total tax share should be increased from 71% to at least 75% of the retail price of cigarettes and the **excise tax share**, 56% in 2018, **should be at least 70% of the retail price**.
- In order to improve its tax structure, Bangladesh should replace its tiered ad valorem tax with a **uniform specific excise tax on cigarettes**.