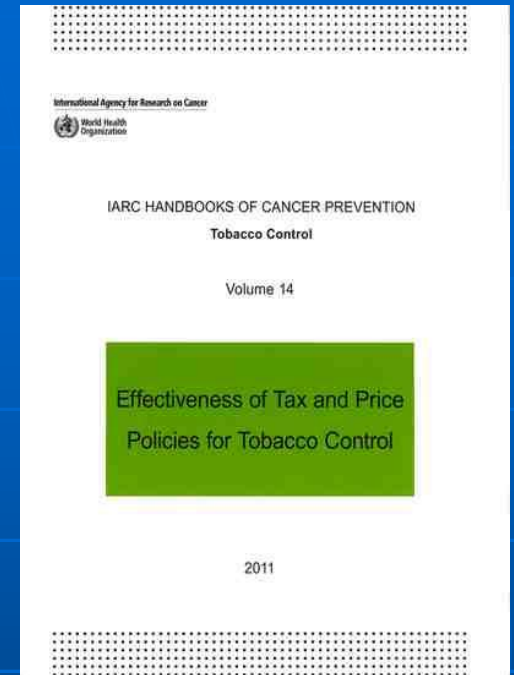


# The Effectiveness of Tobacco Tax & Price Policies for Tobacco Control



**Frank J. Chaloupka**  
**University of Illinois at Chicago**

**The 10<sup>th</sup> Asia Pacific Conference on Tobacco or Health  
Symposium 11  
Makuhari Messe, Chiba, Japan, August 20, 2013**

# Tobacco Taxation

*"... We [] have a package of six policy measures, known as MPOWER, that can help countries implement the provisions in the Convention. All six measures have a proven ability to reduce tobacco use in any resource setting. **But tobacco taxes are by far the most effective.**"*

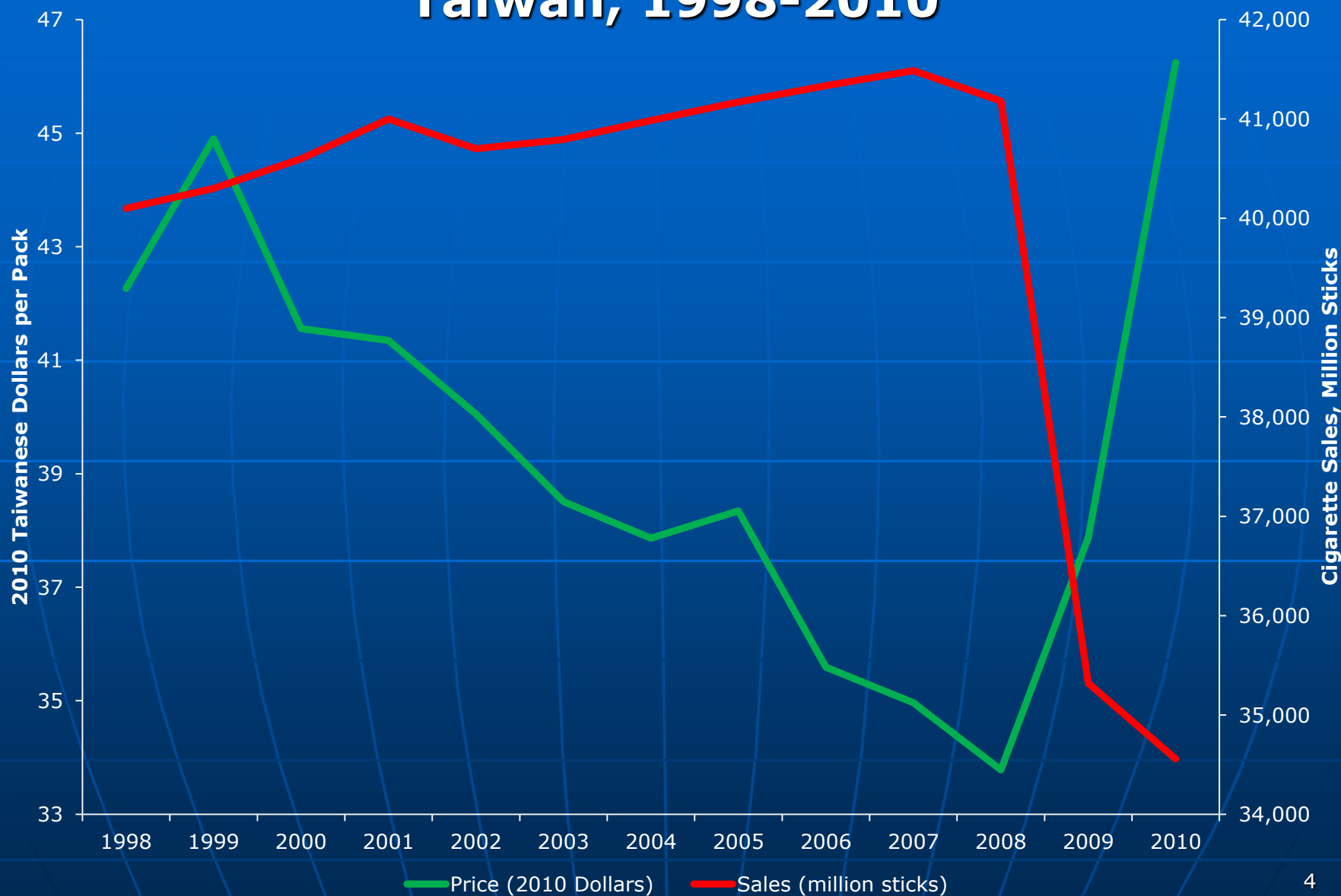
Director General Dr. Margaret Chan, WHO

# **Tobacco Taxes and Tobacco Use**

Increases in tobacco excise taxes that increase prices result in a decline in overall tobacco use.

# Taxes, Prices and Tobacco Use

## Taiwan, 1998-2010



# **Tobacco Taxes and Prevalence of Tobacco Use**

Increases in tobacco excise  
taxes that increase prices  
reduce the prevalence of adult  
tobacco use.

# Taxes, Prices and Adult Smoking Prevalence

## United States, 1970-2010

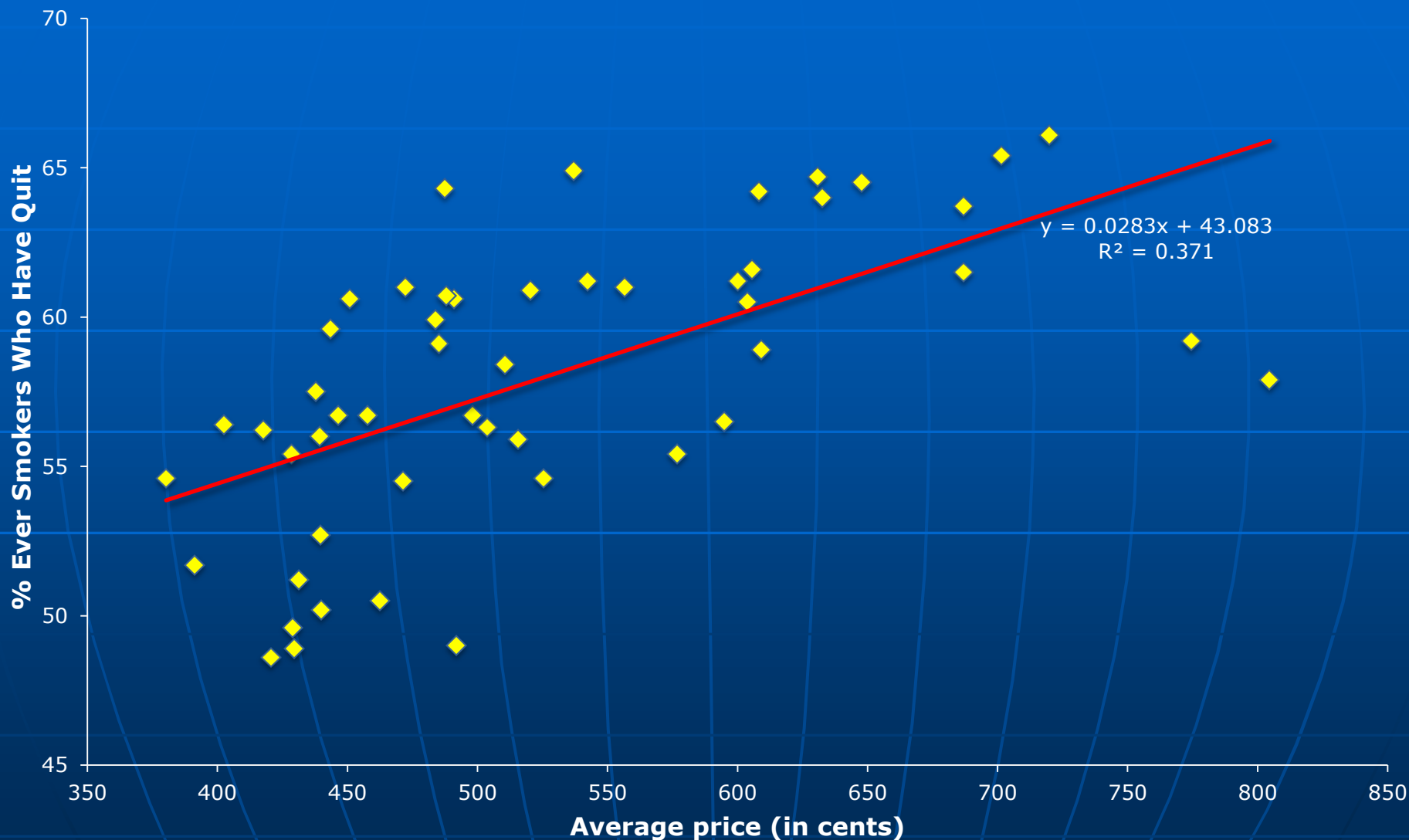


Source: *Tax Burden on Tobacco*, 2011, National Health Interview Survey, and author's calculations

# **Tobacco Taxes and Cessation**

**Increases in tobacco excise taxes that increase prices induce current tobacco users to quit.**

# Cigarette Prices and Cessation US States & DC, 2009



Source: BRFSS, *Tax Burden on Tobacco*, 2010, and author's calculations



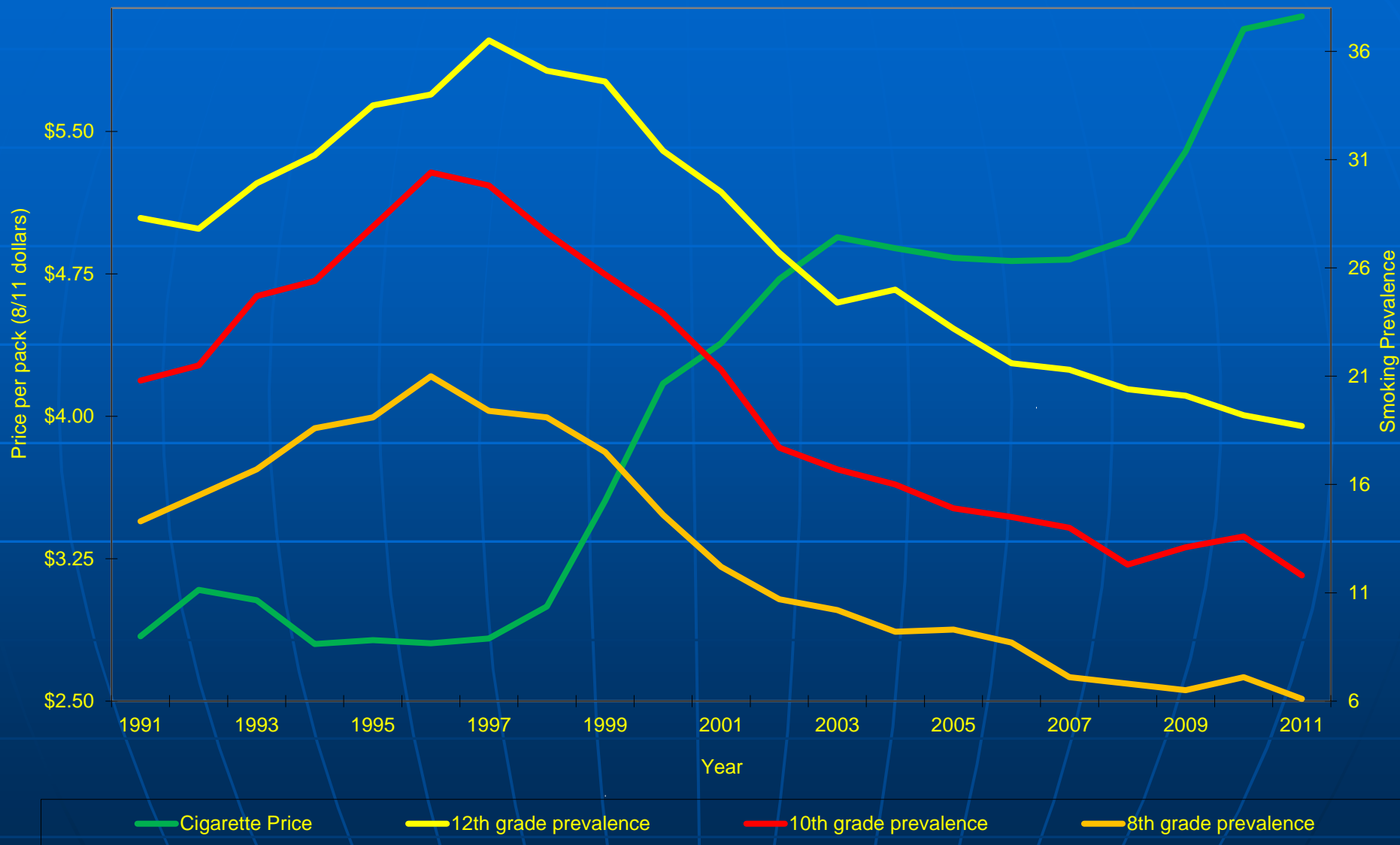
# Tobacco Taxes and Youth Tobacco Use

Increases in tobacco excise taxes that increase prices reduce the initiation and uptake of tobacco use among young people, with a greater impact on the transition to regular use.

# **Tobacco Taxes and Youth Tobacco Use**

Tobacco use among young people responds more to changes in tobacco product taxes and prices than does tobacco use among adults.

# Cigarette Price and Youth Smoking Prevalence United States, 1991-2011



Source: MTF, *Tax Burden on Tobacco*, 2011, and author's calculations

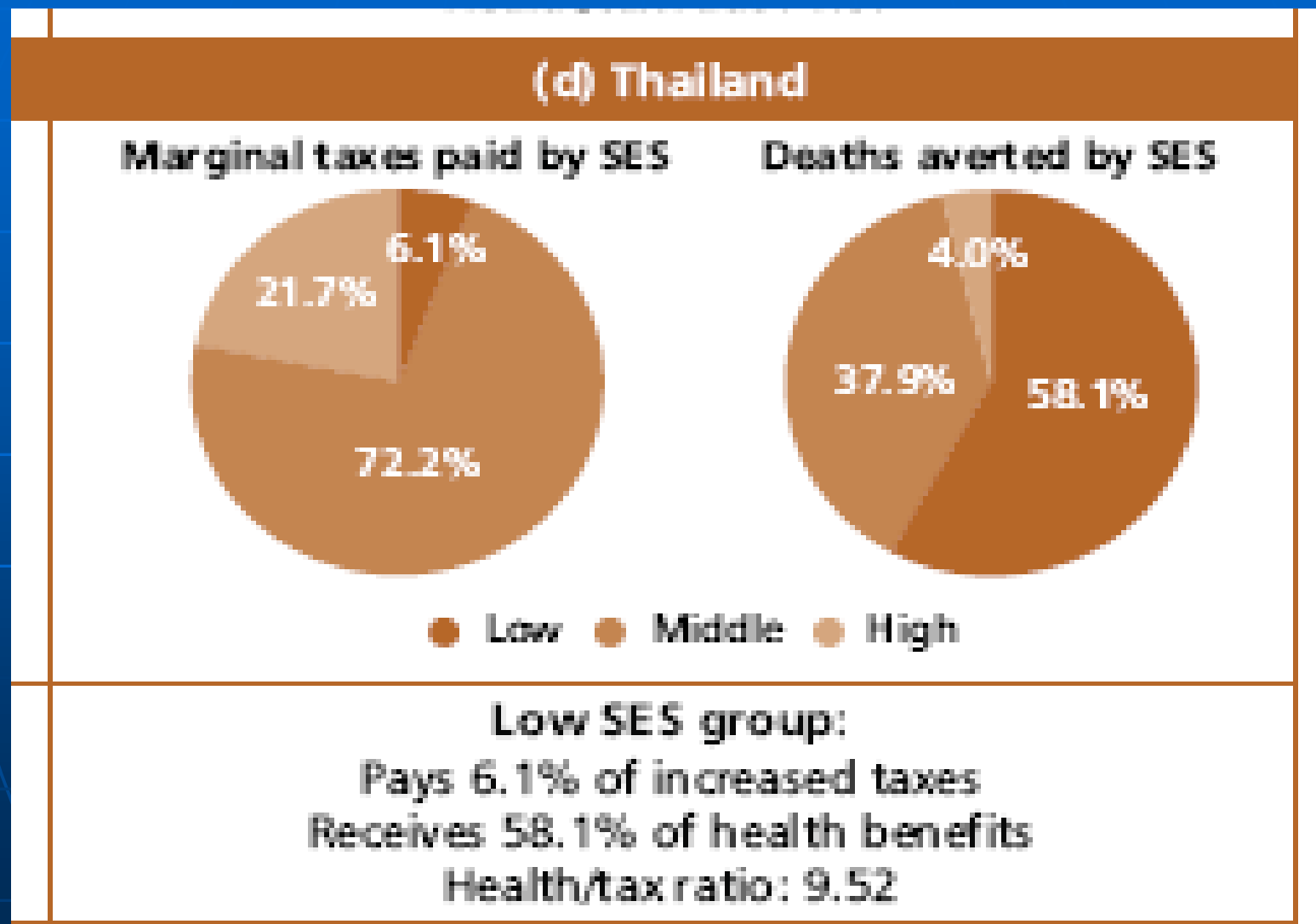
# Tobacco Taxes and LMICs

The demand for tobacco products in low-income countries is at least as responsive to price as is the demand for tobacco products in high-income countries.

# **Tobacco Taxes and Low-Income Populations**

In many countries, tobacco use among lower-income populations is more responsive to tax and price increases than is tobacco use among higher-income populations.

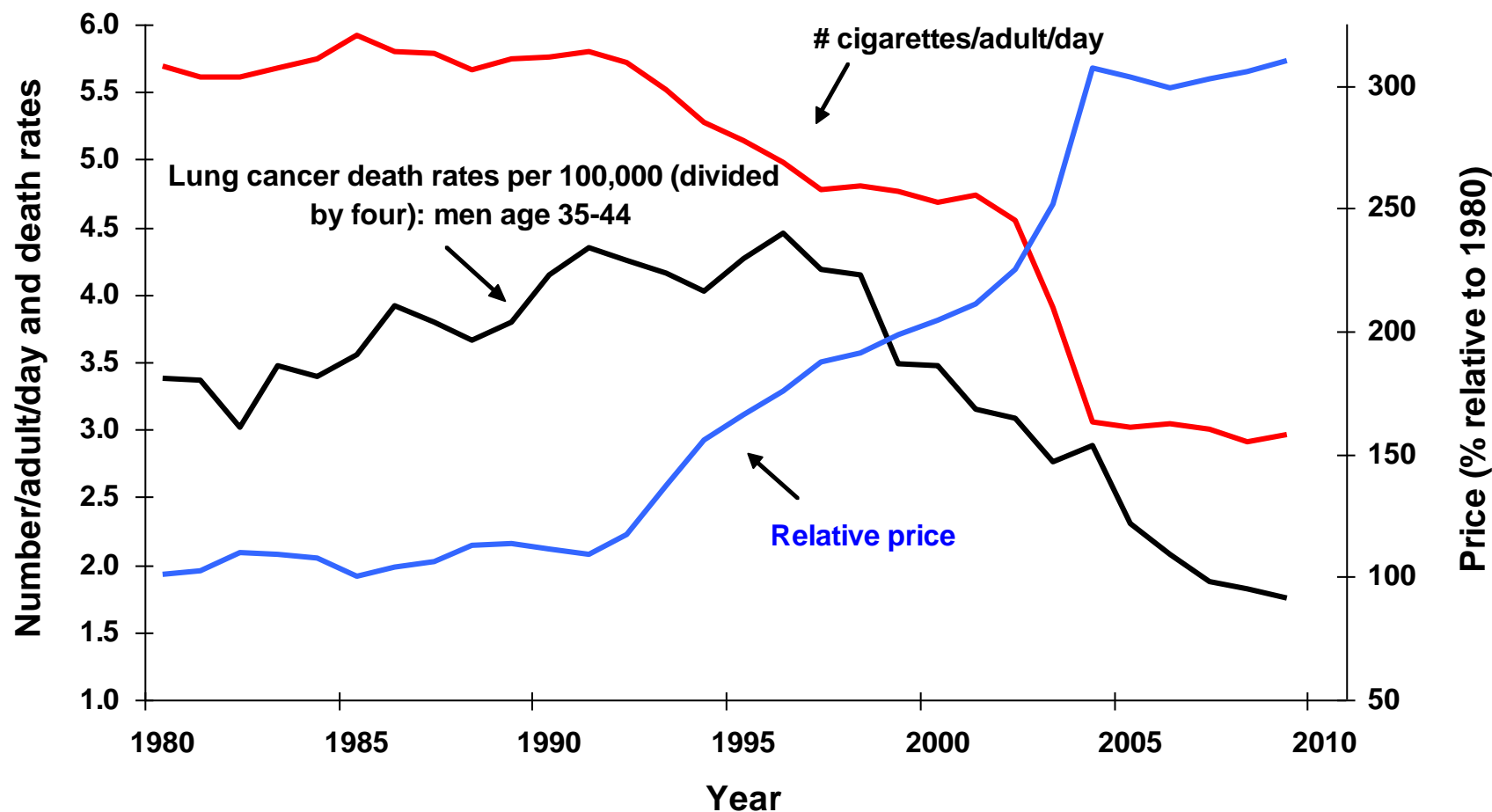
# Who Pays & Who Benefits



# **Tobacco Taxes and Population Health**

**Tobacco tax increases that  
increase prices improve population  
health**

# France: smoking, tax and male lung cancer, 1980-2010





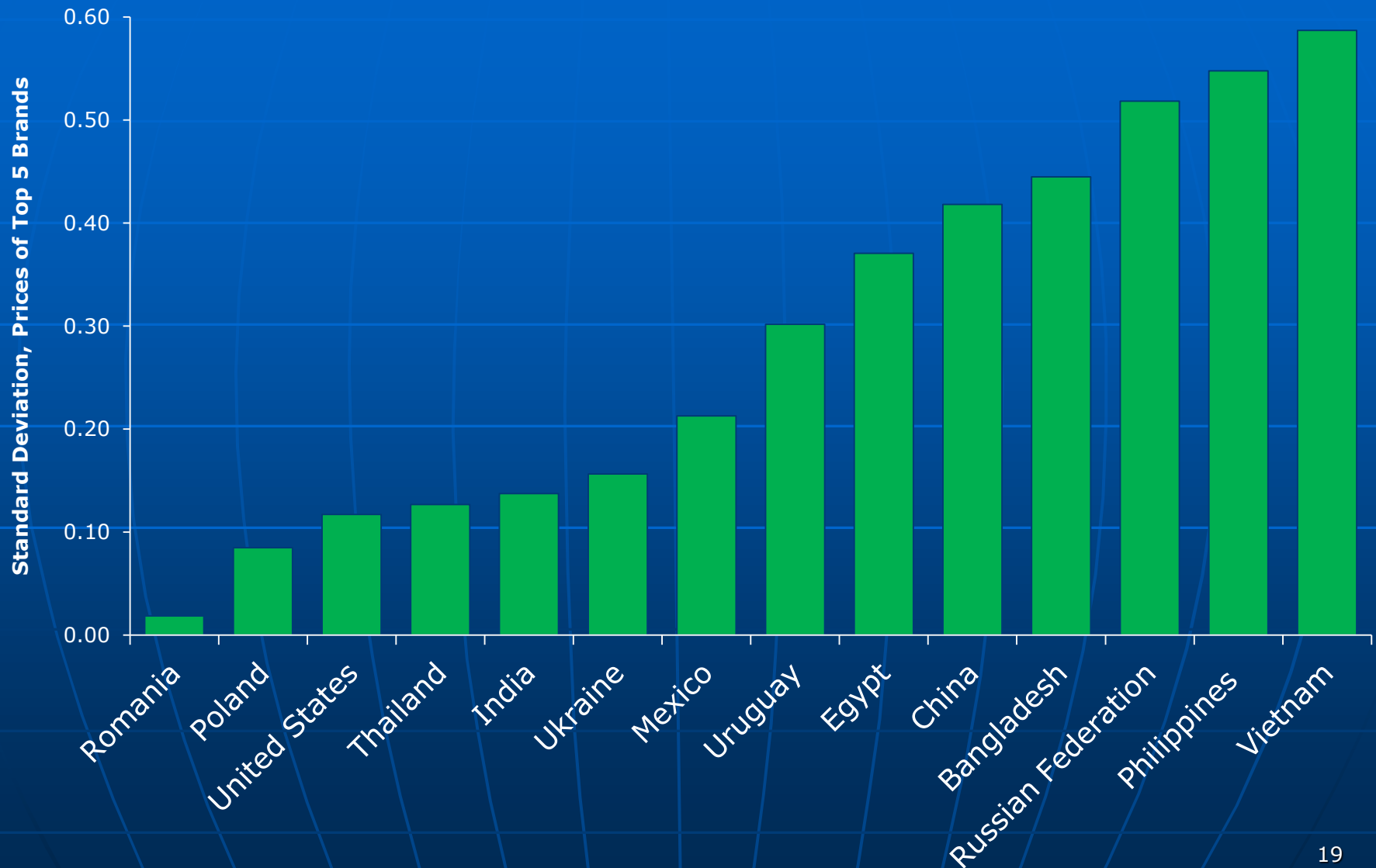
# **Tobacco Tax Structure**

Higher and more uniform specific tobacco excise taxes result in higher tobacco product prices and increase the effectiveness of taxation policies in reducing tobacco use.

# Cigarette Taxation Globally

	Excise System on Cigarettes				
Income Group	Only specific	Only ad valorem	Both specific and ad valorem	No Excise	Total countries *
High	11	2	25	7	45
Upper Middle	16	11	9	6	42
Lower Middle	18	19	12	3	52
Low	10	28	2	3	43
<b>By Region</b>					
AFRO	14	29	1	2	46
AMRO	13	16	2	3	34
EMRO	1	7	5	7	20
EURO	10	3	36	0	49
SEARO	3	2	2	1	8
WPRO	14	3	2	6	25
<b>All Countries</b>	<b>55</b>	<b>60</b>	<b>48</b>	<b>19</b>	<b>182</b>

# Cigarette Prices & Tax Structure



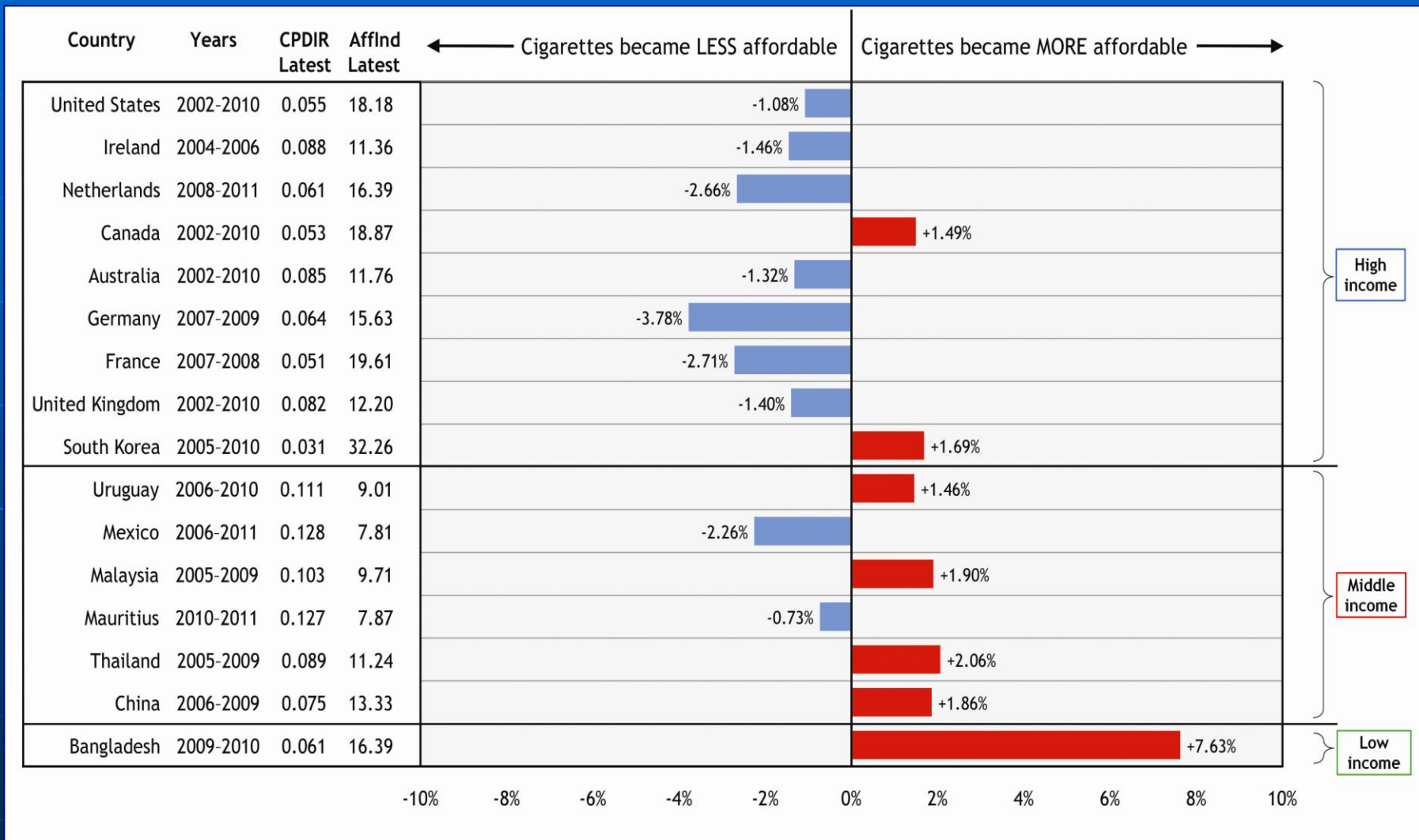
Source: Chaloupka, et al., forthcoming.

# **Tobacco Taxes and Affordability**

To achieve public health goals, tobacco tax and price increases need to reduce the affordability of tobacco products.

# Cigarette Affordability

## 16 ITC Countries over Time



# **Tobacco Taxes and Tobacco Tax Revenues**

**Tobacco tax increases increase  
tobacco tax revenues.**

# Tobacco Taxes, Sales & Revenues

WHO TaXSiM model forecasts of tax changes announced in 2012	% change in average excise per pack	% change in average price per pack	% change in annual sales volume	% change in annual excise revenue
Philippines (median est.)	201%	70%	-48%	58%
Senegal	57%	50%	-22%	23%
India (bidi cigarettes)	25%	1%	-1%	5%
Thailand	21%	14%	-6%	12%
India (white cigarettes)	20%	18%	-9%	9%
Fiji	10%	4%	-3%	7%
Papua New Guinea	10%	3%	-3%	7%
Bangladesh	8%	5%	-2%	6%
Indonesia	5%	3%	-1%	4%

# **Tax Avoidance & Tax Evasion**

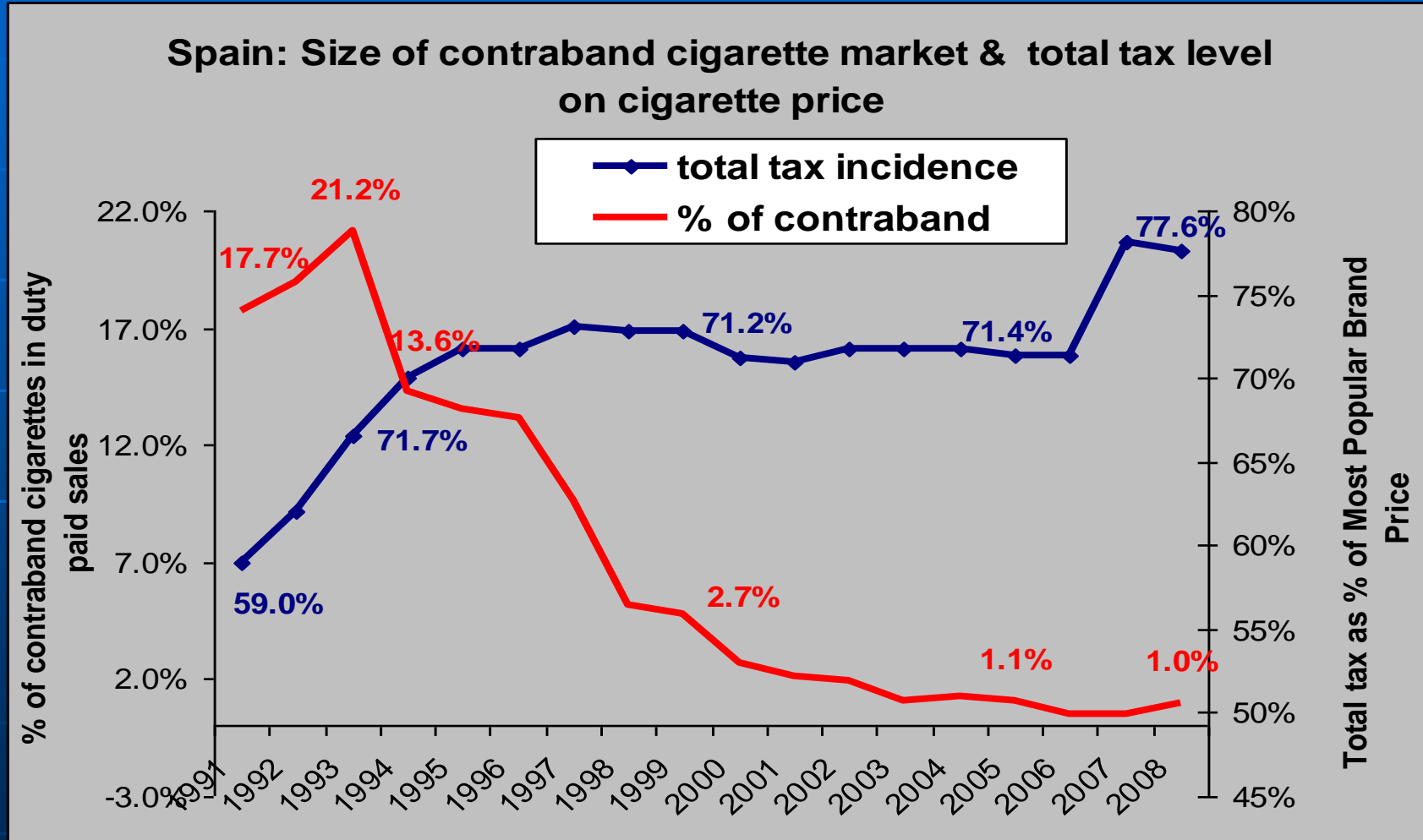
**Tax avoidance and tax evasion reduce, but do not eliminate, the public health and revenue impact of tobacco tax increases.**



# Curbing Tax Evasion

A coordinated set of interventions that includes international collaborations, strengthened tax administration, increased enforcement, and swift, severe penalties reduces illicit trade in tobacco products

# Cigarette Taxes and Illegal Cigarettes, Spain 1991-2008



Source: WHO, unpublished data

# Tobacco Taxes and Employment

Tobacco tax increases do not increase unemployment.

# Conclusions

Increases in tobacco taxes lead to significant reductions in tobacco use and its consequences while at the same time raising new tax revenues

Simple tax structures that include regular increases in taxes beyond inflation and income growth are more effective in achieving public health and revenue objectives of tobacco taxes

Arguments about economic consequences of higher tobacco taxes are either false or significantly overstated

# For more information:

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(coming soon)