Tobacco Taxation for Health and Development

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STOP SMOKING
IT'S DEADLY AND BAD FOR THE ECONOMY

SMOKING IS A LEADING GLOBAL CAUSE OF PREVENTABLE DISEASE AND DEATH

22% of the world's adults are smokers. Nearly 80% of the world's 1.3 billion smokers live in low- and middle-income countries.

Smoking causes more deaths each year than HIV/AIDS, tuberculosis, and malaria combined.

Tobacco Is Not Only Deadly…

- Smoking causes around **7 million** deaths per year globally
- It is a **major risk factor** for the main non-communicable diseases (NCDs) which are: cancer, cardiovascular disease, diabetes, and chronic lung disease
- **NCDs** account for **70% of all deaths**, and this is likely to increase further
- Over three-quarters of NCD deaths occurred in LMICs, most of them prematurely (before the age of 70)
- Decreased tobacco consumption can significantly reduce premature mortality from NCDs

*Source: NCI-WHO Monograph on the Economics of Tobacco and Tobacco Control*
... It Also Comes with Enormous Economic Costs

US$ 422 billion
Healthcare Expenditure Due to Smoking-Attributable Diseases

US$ 357 billion
Indirect Cost of Morbidities Caused by Smoking

US$ 657 billion
Indirect Cost of Mortalities Caused by Smoking

5.7%
of Total Healthcare Expenditure Worldwide

40% of the Total Economic Costs are incurred in LMICs

1.8% of Total GDP

Source: Goodchild M, Nargis N, Tursan d'Espaignet E. Global economic cost of smoking-attributable diseases. *Tobacco Control*
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Most Smokers are in LMICs

About 80% of smokers are from Low- and Middle- Income Countries (LMICs)

Source: NCI-WHO Monograph on the Economics of Tobacco and Tobacco Control
Most Smokers Come From the Lower Income Segments of the Population

Within countries, tobacco use is higher among populations with lower income

Source: NCI-WHO Monograph on the Economics of Tobacco and Tobacco Control
Smoking Prevalence in Selected G24 Countries in 2015

G24 Countries with available estimates on tobacco smoking prevalence (2015)


Note: The prevalence data reported above are age-adjusted estimates to enable cross-country comparisons for a specific year. Such estimates will therefore vary from the latest country-reported prevalence data.
Tobacco Use Perpetuates Inequality

• Tobacco use in LMICs is increasing, and within most countries, among the lower socioeconomic status populations.

• It is concentrated among the poor and other vulnerable groups and accounts for a significant share of the health disparities between the rich and the poor.
Tobacco Use Exacerbates Poverty

Foregone Income 1: More money spent on tobacco, less money spent on nutrition, education, etc.

Foregone Income 2: Due to treatment cost and loss of work days

Foregone Income 3: Due to premature death

Family falls into poverty

Change in income

Youth and women start smoking and men smoke more

Higher smoking prevalence and consumption

Breadwinner gets sick due to tobacco use

Vicious Cycle of Tobacco & Poverty

Source: NCI-WHO Monograph on the Economics of Tobacco and Tobacco Control
A Global Response to the Global Tobacco Epidemic

WHO Framework Convention on Tobacco Control (WHO FCTC)

The WHO FCTC, which entered into force on 27 February 2005, was the first negotiated global public health treaty

- Parties to the WHO FCTC: 181

**Article 6:** Parties recognize that price and tax measures are an effective and important means of reducing tobacco consumption by various segments of the population, in particular young persons.
Further Reaffirmed by the SDGs

Increasing tobacco taxes will help meet goals stated in the 2030 Agenda for Sustainable Development (SDGs)

SDG 3.4
By 2030, reduce by one-third premature mortality from non-communicable diseases

SDG 3.a
Strengthen the implementation of the WHO Framework Convention on Tobacco Control
Tobacco Taxes are Crucial to Financing Development

Addis Ababa Action Agenda – Financing for Development

“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”
Raising Tobacco Taxes
Significant Tobacco Tax and Price Increases Reduce Consumption and Death

High Cigarette Prices Prevent the Youth from Smoking


Source: NCI-WHO Monograph on the Economics of Tobacco and Tobacco Control
Tobacco Taxation is Effective and Works Better for the Price-Sensitive Youth/Poor

• Significantly increasing the excise tax and price of tobacco products is the single most consistently effective tool for reducing tobacco use.

• Young people and the poor are generally more responsive to changes in prices of tobacco products.

• In HICs, estimates of price elasticity of demand range from –0.2 to –0.6, clustering around –0.4. In LMICs, elasticity estimates range from –0.2 to –0.8, clustering around –0.5.

Source: NCI-WHO Monograph on the Economics of Tobacco and Tobacco Control
Higher Tobacco Taxes Generate Additional Revenue


Excise tax per pack (Constant 2012 Rands)

Excise Revenue, Billions (Constant 2012 Rands)
Higher Tobacco Taxes Generate Additional Revenue


Source: Philippine Bureau of Internal Revenue
Increasing Tobacco Taxes Does Not Harm Growth and Employment

- The number of jobs that depend on tobacco has been steadily declining in part due to more efficient manufacturing processes.

- Tobacco control policies, including higher tobacco taxes, will either have no effect or a net positive effect on overall employment because any tobacco-related job losses will be offset by job gains in other sectors.

- Using additional revenue from higher taxes to help small farmers switch from tobacco to alternative crops can help overcome barriers to adopting and implementing strong tobacco control policies.

- In the few countries that depend on tobacco leaf exports, tobacco control policies could lead to job losses, but these losses are expected to be small, gradual, and unlikely to affect the current generation of tobacco farmers.
Tobacco Taxes Disproportionately Benefit Lower-Income Households

Lessons from the United States

• When the benefits of reduced mortality and morbidity are taken into account, tobacco taxes are strongly progressive.

• Using additional revenues for social programs that target the poor enhances its progressive effect.

• Tobacco taxes benefit the poor more and can help reduce inequalities in health and income

Source: NCI-WHO Monograph on the Economics of Tobacco and Tobacco Control
The Case of the Philippines: Incremental Revenues for Health

Additional revenues from increased tobacco tax rates were used to nearly triple the health budget within four years.

Source: Philippine Bureau of Internal Revenue and Department of Health
The Case of the Philippines: Higher Taxes Benefitting the Poor

National Government Allocation for Health Insurance Premiums for the Poor helped expand coverage for 15.4 million families

Source: Philippines Department of Health
## The Case of the Philippines: Benefits to the Economy

Increased fiscal space created by higher tobacco taxes helped to attain investment grade status, which lessen the cost of borrowing

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The Case of the Philippines: Decreased Smoking Prevalence

Higher taxes and other tobacco control policies helped more than 1 million smokers to quit.
Concluding Remarks

• The global health and economic burden of tobacco use is enormous and is increasingly borne by LMICs.

• Increasing the price of tobacco through tobacco taxation can help reduce social inequities in tobacco-related harm\(^1\).

• Higher taxes on tobacco products reduces consumption and improves public health, while also increasing revenue that can be used for programs that benefit the poor.

• Decreasing tobacco use contributes towards preventing premature deaths from NCDs, which brings us closer towards meeting the SDG targets for health and development.

• Tobacco taxes are not regressive. Lower-income households actually benefit more: the health gains exceed the increased tax liability and accrue more in poorer households due to higher smoking rates\(^2\).

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1 - World Health Organization, Regional Office for Europe. Tobacco and Inequities: Guidance for addressing inequities in tobacco-related harm. WHO. 2014
Concluding Remarks

• When additional revenue gained from increasing tax rates is used for purposes that serve the poor (such as improving health services), the benefits for lower-income households are even greater⁠¹.

• The number of jobs dependent on tobacco is steadily decreasing - increased tobacco taxes do not harm overall employment, and is likely to have positive effects on the economy.

• From both health and economic perspectives, increasing tobacco taxes make sense – it encourages development and reduces inequality by benefitting the poor more.

• Tobacco taxation is a low-lying fruit to finance the attainment of the SDGs – it is a proven win-win formula for increasing government revenues while reducing tobacco consumption.

Thank you

www.who.int/tobacco/economics