

# Raise Taxes on Tobacco

## One of Six Cost-Effective Actions Endorsed by WHO to Reduce Tobacco's Deadly Toll



Increasing the price of tobacco through higher taxes is the single most effective way to decrease consumption and encourage tobacco users to quit.<sup>1</sup> A 70 percent increase in the price of tobacco could prevent up to a quarter of all smoking-related deaths worldwide.<sup>2</sup>

### WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL (FCTC)

Article 6 of the FCTC recommends parties take into account tax policies and price policies as a part of their overall national health policy. WHO recommends all governments raise tobacco taxes. All tobacco products should be taxed similarly and need to be regularly adjusted for inflation. Taxes on cheap tobacco products should be equivalent to products that are more heavily taxed, such as cigarettes, to prevent substitution in consumption.

### KEY MESSAGES

- » Raising tobacco taxes is the single most effective way to reduce tobacco use and save lives.
- » Higher tobacco taxes increase government revenues even with reduced consumption.
- » Tobacco tax increases are well accepted by the public.

### THE CASE FOR RAISING TAXES ON TOBACCO

- **Higher tobacco taxes save lives.** Increasing tobacco taxes by 10 percent decreases tobacco consumption by 4 percent in high-income countries and by about 8 percent in low- and middle-income countries.<sup>3,4</sup> A 70 percent increase in the price of tobacco could prevent up to a quarter of all smoking-related deaths worldwide.<sup>5</sup>
- **Higher tobacco taxes help the young and the poor.** Youth and low income people are much more sensitive to the price of goods.<sup>6</sup> Tax increases help the poor stop using tobacco and allow them to reallocate their money to food, shelter, education and health care.
- **Higher taxes increase government revenue.** Tobacco tax increases do not reduce government revenues. Increasing tobacco taxes by 10 percent generally leads to increases in government tobacco tax revenues of nearly 7 percent.<sup>7</sup>
- **All tobacco products must be taxed.** All products must be taxed at equivalent rates to prevent tobacco users from switching tobacco brands and types based on tax and price differences.

“The most effective way to deter children from taking up smoking is to increase taxes on tobacco. High prices prevent some children and adolescents from starting and encourage those who already smoke to reduce their consumption.”

World Bank, *Curbing the Epidemic*, 1999

<sup>1</sup> WHO Tobacco Free Initiative. Building blocks for tobacco control: a handbook. Geneva: World Health Organization; 2004. Available from: [http://www.who.int/tobacco/resources/publications/tobaccocontrol\\_handbook/en/](http://www.who.int/tobacco/resources/publications/tobaccocontrol_handbook/en/). <sup>2</sup> Jha P, et al. Tobacco Addiction. In: Jamison DT et al., eds. Disease control priorities in developing countries, 2nd ed. New York, Oxford University Press and Washington, DC: World Bank; 2006: 869–885. Available from: <http://www.dcp2.org/file/52/DCPP-Tobacco.pdf>. <sup>3</sup> Ibid. <sup>4</sup> Chaloupka FJ et al. The taxation of tobacco products. In: Jha P, Chaloupka FJ, eds. Tobacco control in developing countries. Oxford, Oxford University Press, 2000:237–272. <sup>5</sup> Jha, 2006. <sup>6</sup> WHO Report on the Global Tobacco Epidemic, 2008: The mpower package. Geneva, World Health Organization, 2008. <sup>7</sup> Sunley, et al. The design, administration, and potential revenue of tobacco excises. In: Jha P, Chaloupka FJ, eds. Tobacco control in developing countries. Oxford, Oxford University Press, 2000:409–426.