



World Health  
Organization



# 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.

(WHO, 2008; WHO, 2015)

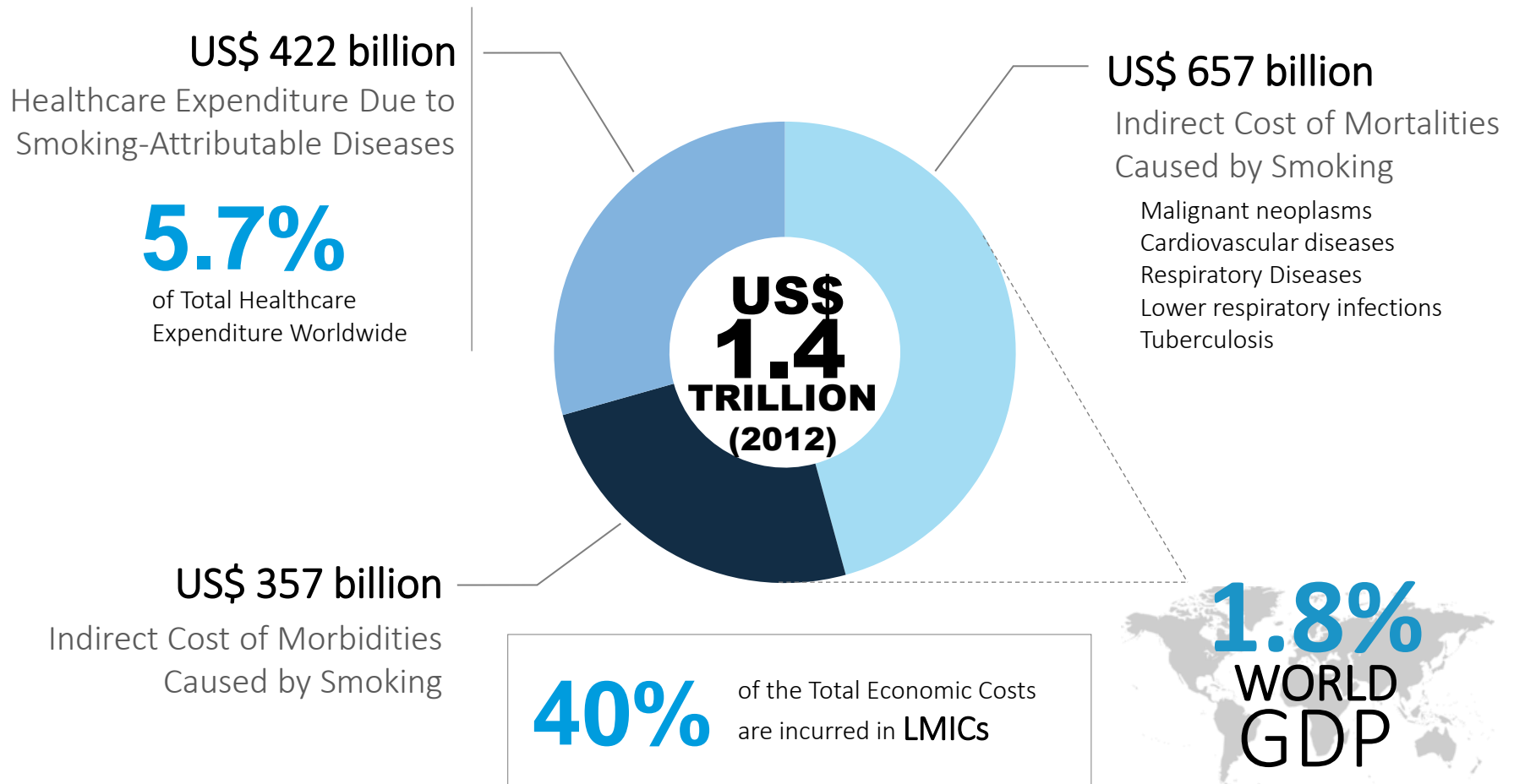
**Source:** World Bank Group – Global Tobacco Control Program, retrieved from: <http://www.worldbank.org/en/news/infographic/2017/05/31/stop-smoking-its-deadly-and-bad-for-the-economy>

# 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

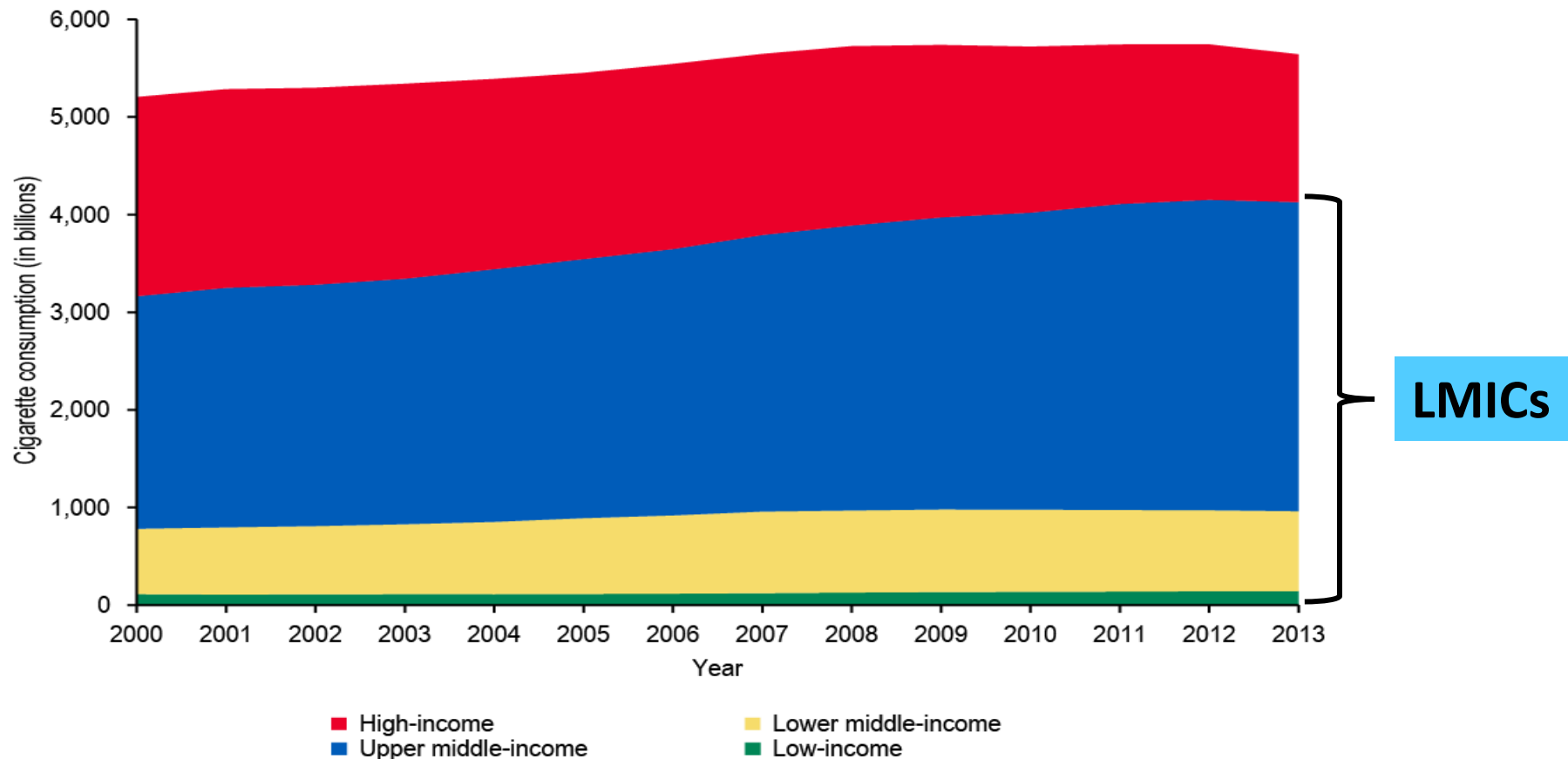
# ... It Also Comes with Enormous Economic Costs



Source: Goodchild M, Nargis N, Tursan d'Espaignet E. Global economic cost of smoking-attributable diseases. *Tobacco Control* Published Online First: 30 January 2017. doi: 10.1136/tobaccocontrol-2016-053305

# Most Smokers are in LMICs

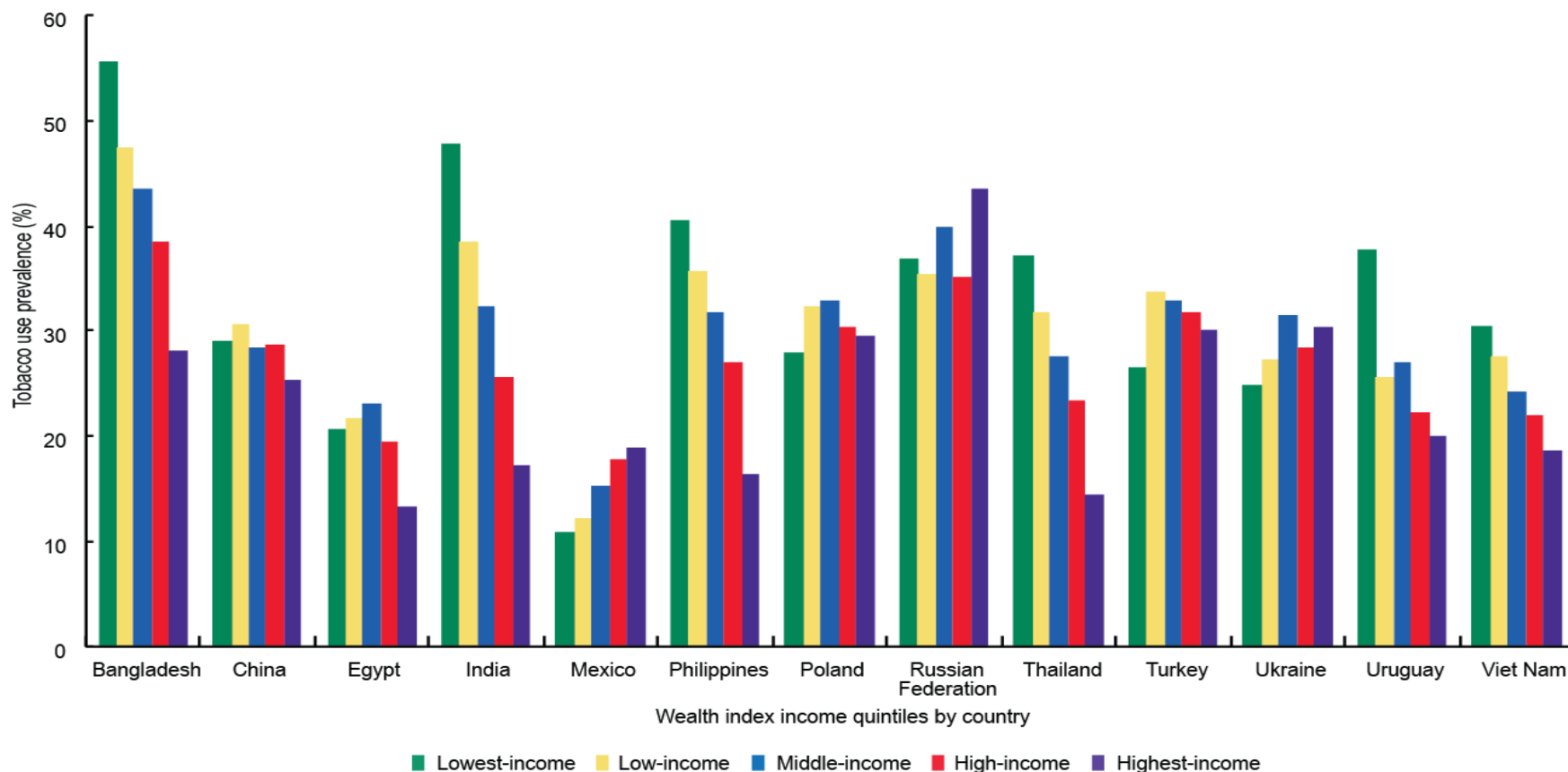
About 80% of smokers are from Low- and Middle- Income Countries (LMICs)



Source: NCI-WHO Monograph on the Economics of Tobacco and Tobacco Control

# Most Smokers Come From the Lower Income Segments of the Population

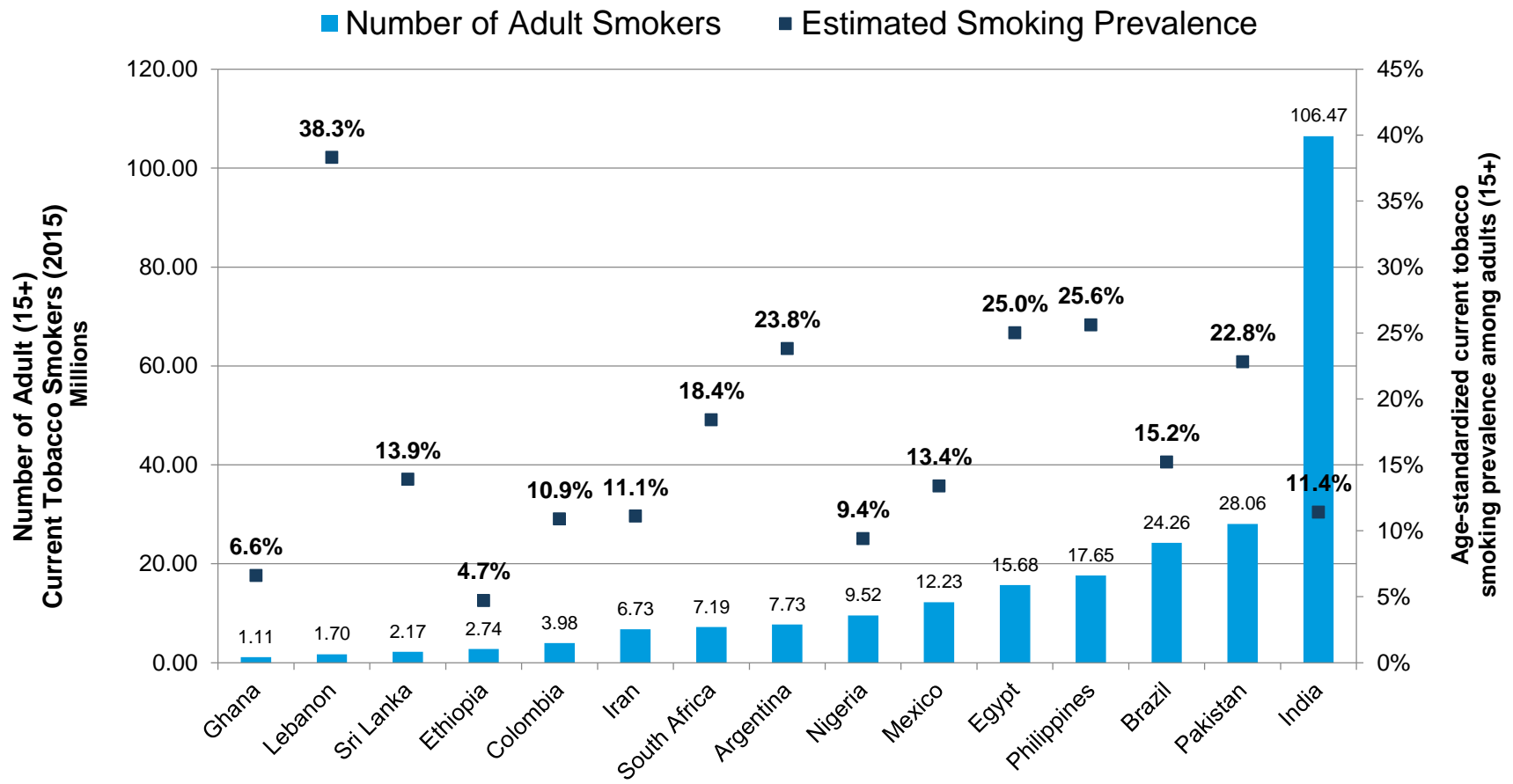
Within countries, tobacco use is higher among populations with lower income



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)



Source: WHO calculations from the WHO Report on the Global Tobacco Epidemic, 2017.

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.

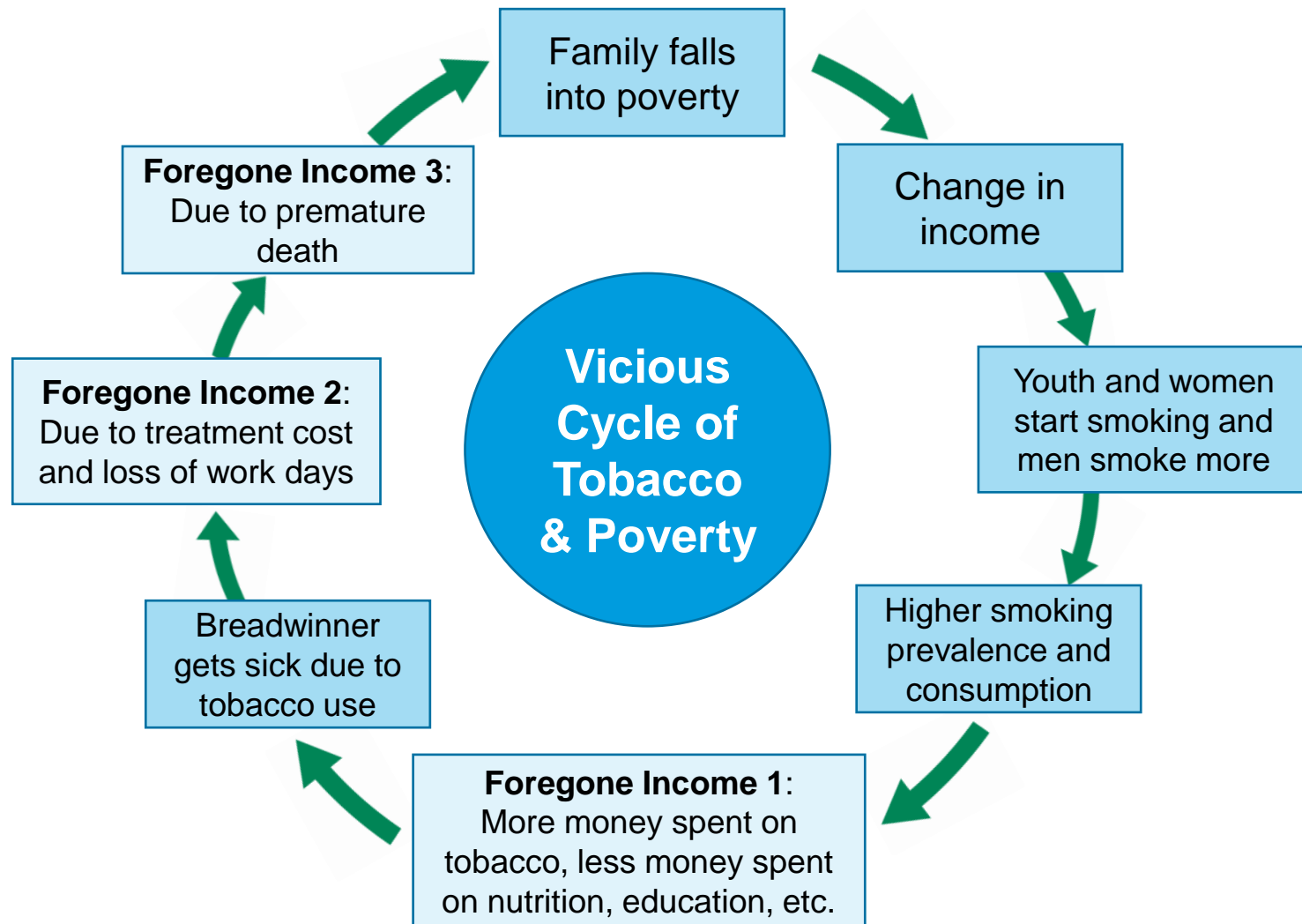
# Tobacco Use Perpetuates Inequality

- 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.





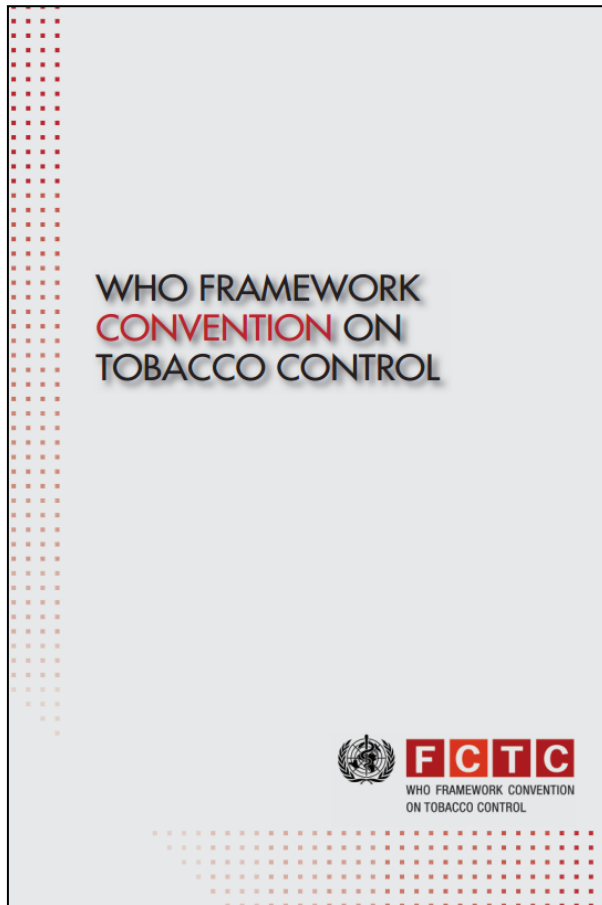
# Tobacco Use Exacerbates Poverty



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



FINANCING FOR  
DEVELOPMENT

13-16 JULY 2015 • ADDIS ABABA • ETHIOPIA  
TIME FOR GLOBAL ACTION

*“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**”*

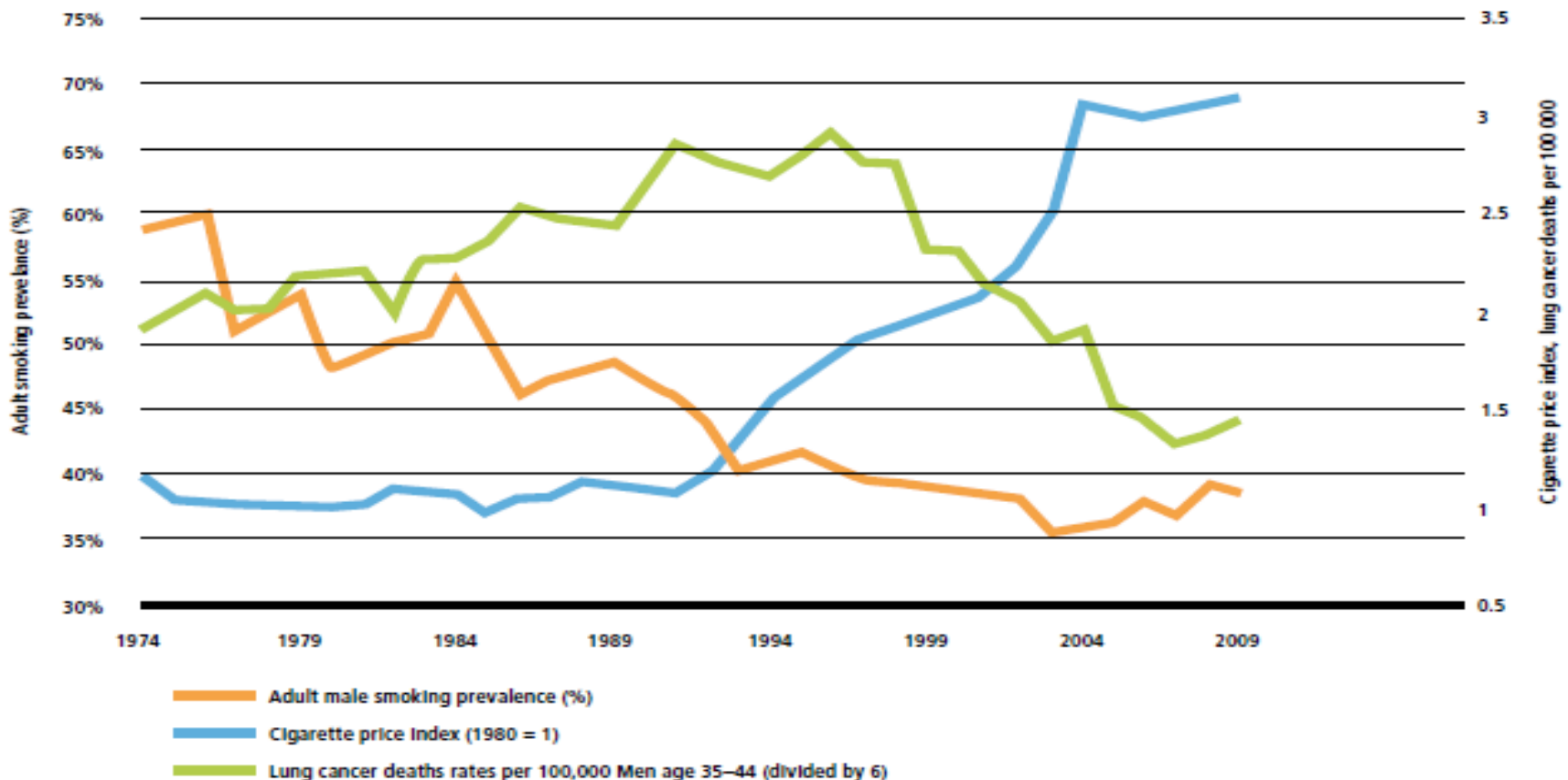


# Raising Tobacco Taxes

We Will Rise  
Again  
#Lord  
-Patawad

# Significant Tobacco Tax and Price Increases Reduce Consumption and Death

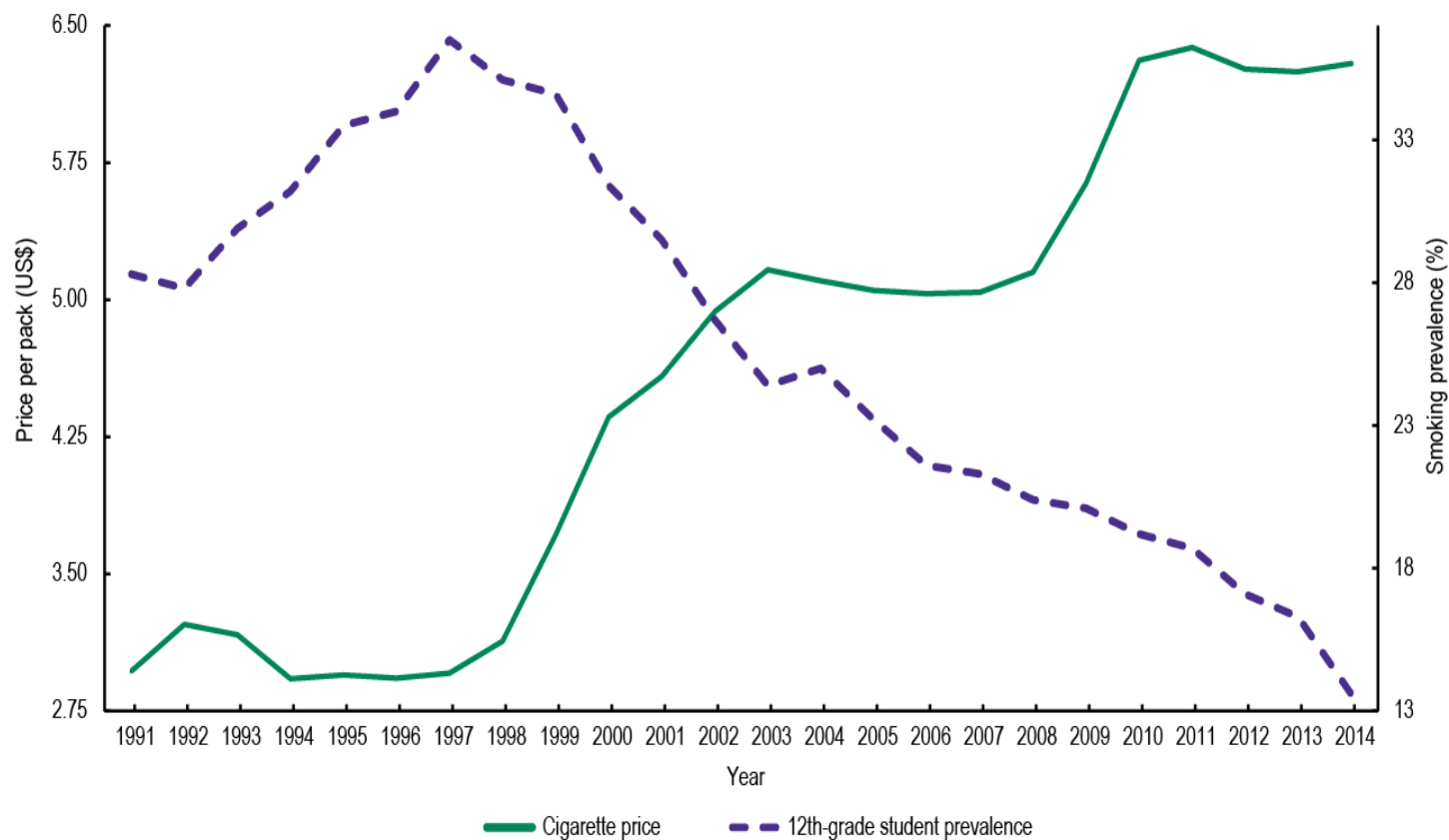
DECLINES IN SMOKING PREVALENCE AND LUNG CANCER DEATHS ACCOMPANY LARGE PRICE INCREASES IN FRANCE (DATA 1974–2009)



Source: WHO Report on the Global Tobacco Epidemic, 2015

# High Cigarette Prices Prevent the Youth from Smoking

Inflation-Adjusted Cigarette Prices and Prevalence of Youth Smoking in the United States, 1991–2014



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

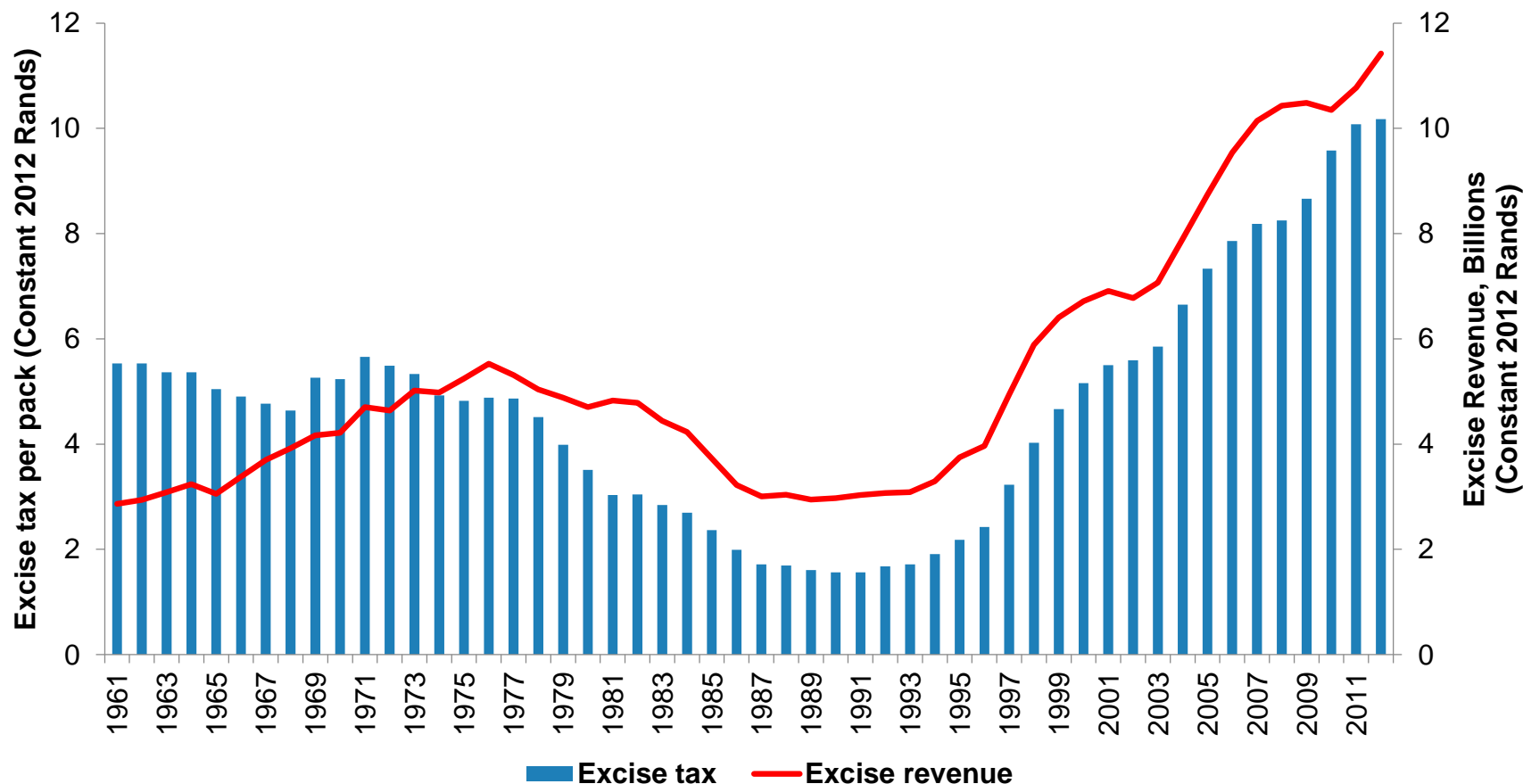
- Significantly increasing the excise tax and price of tobacco products is the **single most consistently effective tool for reducing tobacco use.**
- Young people and the poor are generally more responsive to changes in prices of tobacco products.
- In HICs, estimates of price elasticity of demand range from  $-0.2$  to  $-0.6$ , clustering around  $-0.4$ . In LMICs, elasticity estimates range from  $-0.2$  to  $-0.8$ , clustering around  $-0.5$ .





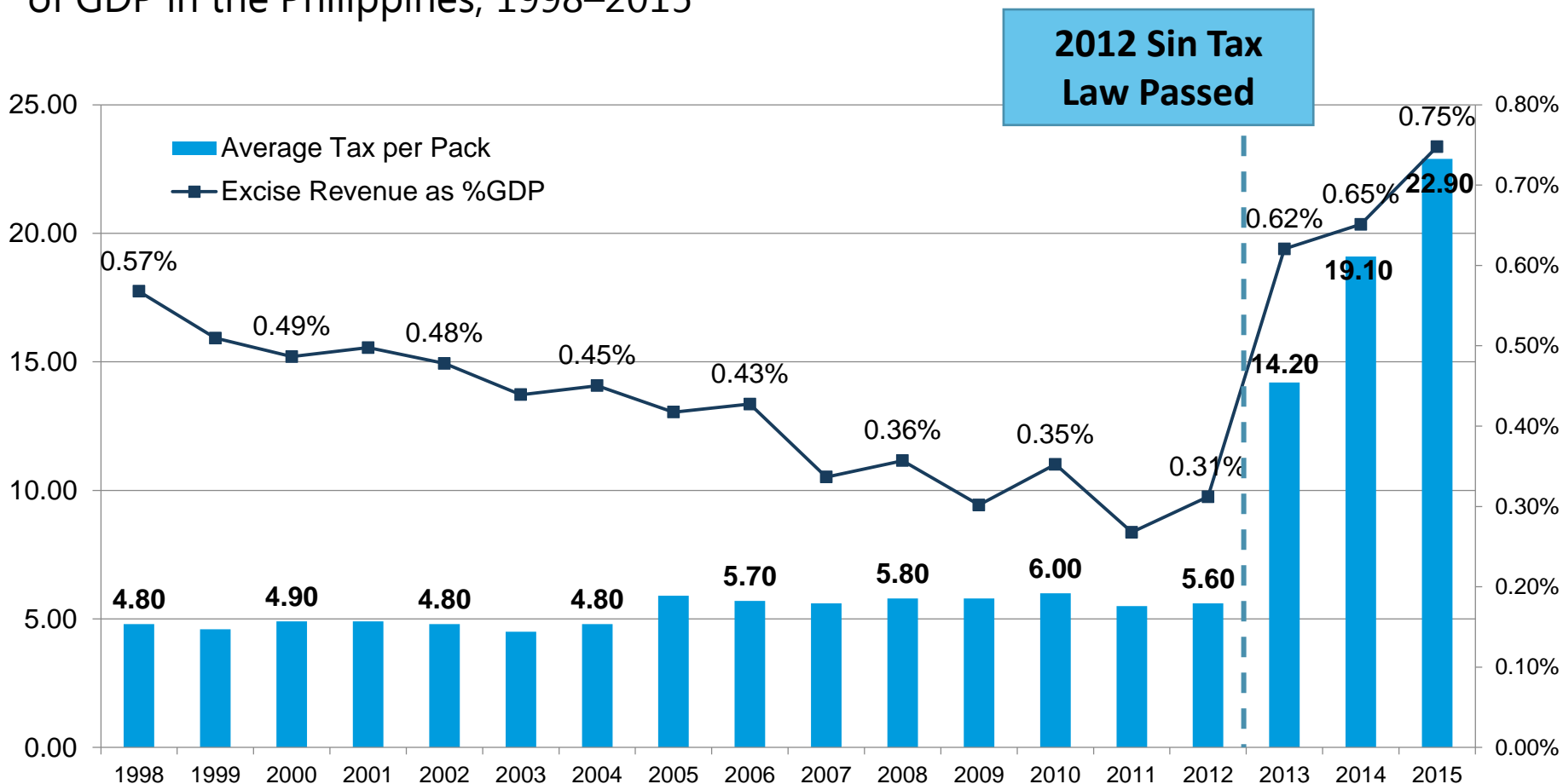
# Higher Tobacco Taxes Generate Additional Revenue

Inflation-Adjusted Cigarette Excise Taxes and Excise Revenue in South Africa, 1961–2012



# Higher Tobacco Taxes Generate Additional Revenue

Average Tax Per Pack of Cigarettes vs. Excise Tax Revenue as Share of GDP in the Philippines, 1998–2015



Source: Philippine Bureau of Internal Revenue

# Increasing Tobacco Taxes Does Not Harm Growth and Employment

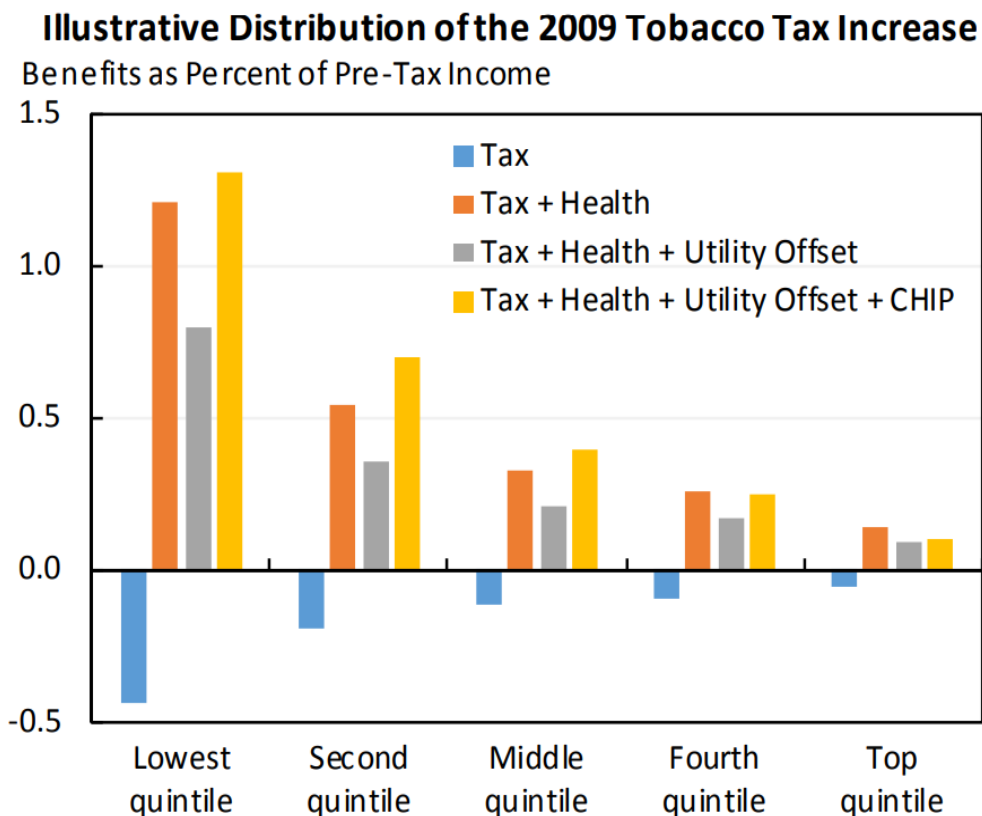


- The number of jobs that depend on tobacco has been **steadily declining** in part due to more efficient manufacturing processes
- Tobacco control policies, including higher tobacco taxes, will either have **no effect or a net positive effect** on overall employment because any tobacco-related job losses 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

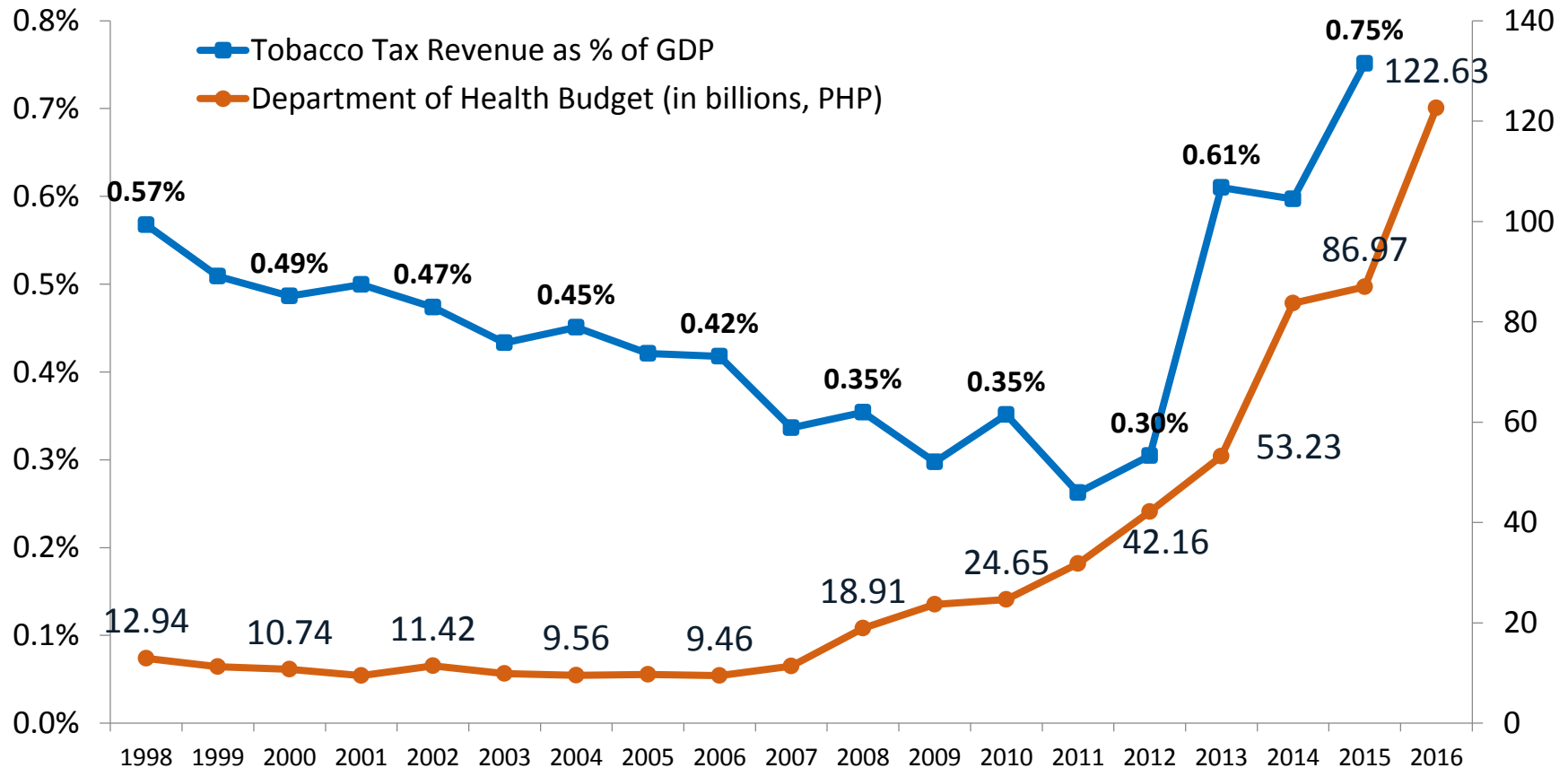
## Lessons from the United States

- 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



# 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

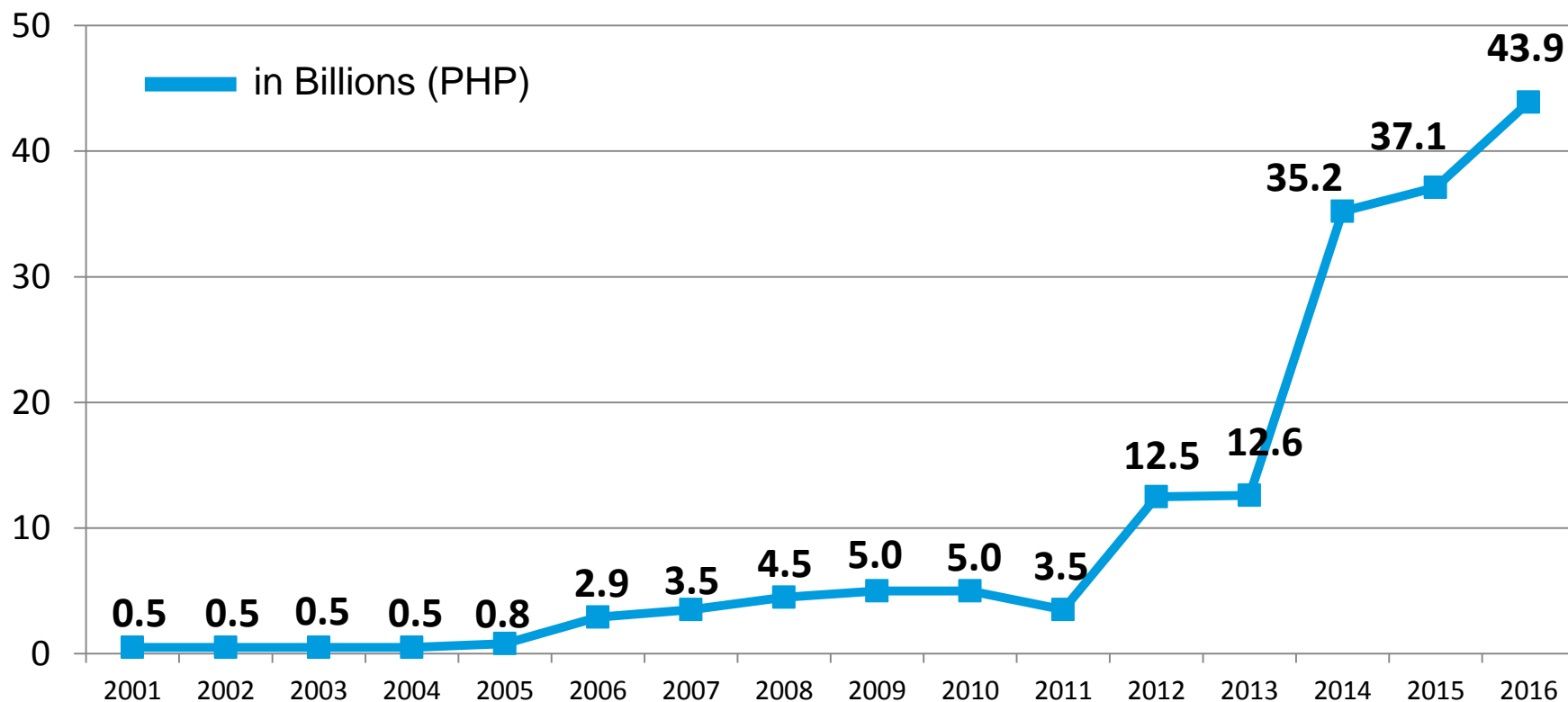


Source: Philippine Bureau of Internal Revenue and Department of Health

# 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 lessens the cost of borrowing

<b>MOODY'S</b>	Investment Grade Baa3 Positive (Oct. 3, 2013); Upgraded to Baa2 Stable (Dec. 11, 2014)
<b>FITCH RATINGS</b>	Investment Grade BBB- Stable (March 27, 2013); Affirmation (March 25, 2014); Upgraded to BBB- Positive (Sept 24, 2015)
<b>STANDARD &amp; POOR'S</b>	Investment Grade BBB-/Stable (May 2, 2013) Upgraded to BBB /Stable (May 8, 2014) Affirmation (April 24, 2015)
<b>JAPAN CREDIT RATING AGENCY (JCRA)</b>	Investment Grade BBB/Stable (May 7, 2013); Affirmation (May 30, 2014); Upgraded to BBB+ /Stable (July 6, 2015)
<b>RATING &amp; INVESTMENT (R&amp;I) INFORMATION, INC.</b>	Investment Grade BBB/Stable (July 9, 2014); Affirmation (July 20, 2015)

# The Case of the Philippines: Decreased Smoking Prevalence

Higher taxes and other tobacco control policies helped more than **1 million** smokers to quit

## GRAPHIC HEALTH WARNINGS, TAXES MAKE OVER 1M PINOYS QUIT SMOKING

By **Tina G. Santos**  
@santostinaINQ

More than 1 million Filipinos have kicked the smoking habit, according to the latest Philippines' Global Adult Tobacco Survey (GATS), the global standard protocol in monitoring adult tobacco use.

In a press briefing on Monday, Health Secretary Paulyn Ubial said a number of tobacco control interventions, particularly taxation, has led to a significant drop in current smokers from 17 million in 2009 to 15.9 million in 2015.

"This figure represents a relative reduction of close to 20 percent of smokers. Or in simpler terms, 1 million Filipinos have quit tobacco use—the biggest decline we have seen in Philippine history, and we can do more to stop the suffering caused by this epidemic," Ubial said.

She said other measures that



Health Secretary Paulyn Ubial shows cigarette brands during a news conference in Quezon City. —NINO JESUS ORBETA

had contributed to the decline in smoking were graphic health warnings, local ordinances and advocacy of the health sector in strong partnership with civil society.

"The decrease in the number of smokers as well as exposures to secondhand smoke was due to increase in the prices of tobacco

products brought about by the Sin Tax Reform Law of 2012, among other things. Cigarette products have become more inaccessible to the public, especially to the poor and the youth," Ubial said.

"We look forward to more positive outcomes from Republic Act 10351 in the long

run," she said.

She noted that the reduction in tobacco use translated to a million Filipinos at lower risk for cancer, heart disease, asthma and chronic obstructive pulmonary disease.

A total of 11,644 were interviewed for GATS 2015, with a response rate of 92 percent.

Citing the results of the survey, Ubial said that currently, only 15.9 Filipino adults smoked tobacco—40.3 percent among men, 5.1 percent among women.

"Smoking among women declined by close to 50 percent—also a sign that measures to counteract smoking among women are working," Ubial said.

Aside from the number of smokers, victims of secondhand smoke have also gone down significantly in homes, from 54 percent in 2009 to 34 percent in 2015; and in the workplaces, from 32 percent in 2009 to 21 percent in 2015. INQ



# 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<sup>1</sup>.
- 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<sup>2</sup>.

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

<sup>2</sup> - Furman J. Six Lessons from the U.S. Experience with Tobacco Taxes. Speech given at The World Bank Conference, "Winning the Tax Wars: Global Solutions for Developing Countries" May 24, 2016. Washington, DC.

# 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 greater<sup>1</sup>.
- 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.

<sup>1</sup> - Furman J. Six Lessons from the U.S. Experience with Tobacco Taxes. Speech given at The World Bank Conference, "Winning the Tax Wars: Global Solutions for Developing Countries" May 24, 2016. Washington, DC.



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**Thank you**

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