

**RAISE TOBACCO TAX**

**LOWER DEATH AND DISEASE**

Fact Sheet

# Tobacco Taxation



## The effect of taxation

Raising tobacco taxes has proved to be the most effective way to reduce consumption. WHO calculates, using data from 2012, that if all countries increased the amount of excise they charge on cigarette packs by 50% there would be 49 million fewer smokers, which would avert at least 11 million smoking-attributable deaths.

On average, raising tobacco taxes to increase prices by 10% would reduce tobacco use by 4% in high-income countries and by around 5% in low- and middle-income countries.

## Tobacco tax in Europe – the global context

The WHO European Region leads the way globally in tobacco tax increases and has made great progress in recent years. The proportion of countries with tax shares representing more than 75% of the retail price (the minimum level recommended by WHO) of the most popular brand of cigarettes increased from 15 of the 53 countries in the European Region in 2008 to 26<sup>1</sup> in 2012 (Table 1).

Table 1. Countries with tax shares representing more than 75% of the retail price of the most popular brand of cigarettes in the WHO regions, 2012		
WHO region	Countries	
	No.	%
European	26	49
Eastern Mediterranean	3	13
Americas	2	6
Western Pacific	1	4
African	1	2
South-East Asia	0	0

The countries in the European Region with the highest prices are Ireland, Norway and the United Kingdom.

## The key to successful tax measures in Europe

The WHO Framework Convention on Tobacco Control (WHO FCTC) encourages each Party to adopt appropriate tax and price policies on tobacco products as part of its national health objectives for tobacco control (Article 6). Of the 53 countries in the WHO European Region, 50 are Parties to the WHO FCTC.

In addition, European Union (EU) legislation has contributed significantly to the success of tax measures in the 28 EU countries. The latest piece of legislation, Council Directive 2011/64/EU of 21 June 2011 on the structure and rates of excise duty applied to manufactured tobacco, binds EU countries to:

- a minimum excise duty of 57% of the retail selling price of cigarettes
- a minimum excise duty of €90 per 1000 cigarettes, regardless of the retail selling price.

**Raising taxes on tobacco is the most effective policy to reduce tobacco use and save lives.**

**WHO encourages increases in taxes that increase prices above inflation.**

**WHO recommends that the tax share should represent at least 75% of the retail price of the most popular brand of cigarettes.**

**Raising tobacco taxes and prices should be a coordinated effort with neighbouring countries.**

**Raising taxes costs 20 times less to obtain the same health benefit than other measures.**

Higher tobacco taxes = fewer smokers, less death and healthier communities.

**WORLD NO TOBACCO DAY, 31 MAY**  
www.who.int/world-no-tobacco-day

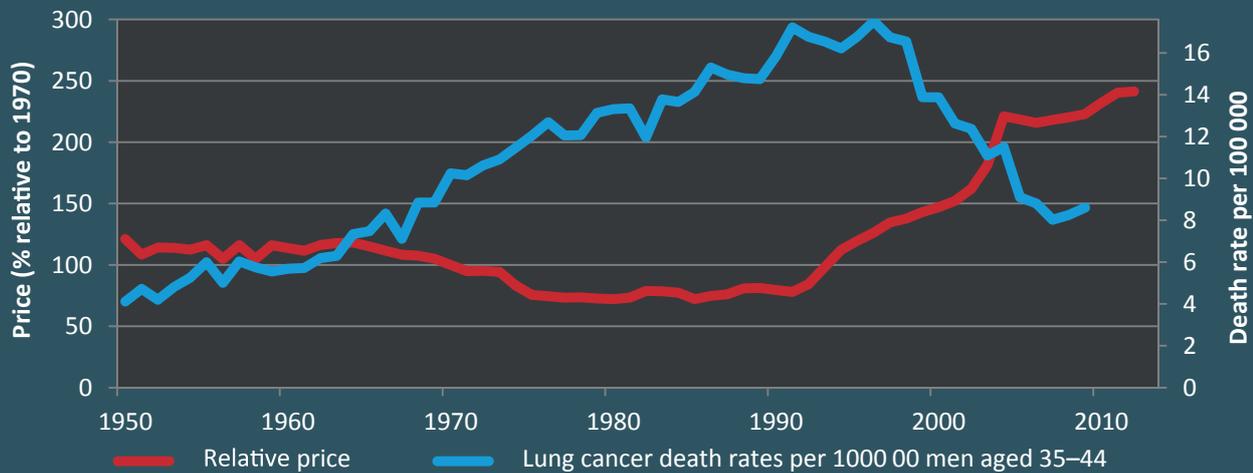
<sup>1</sup> Belgium, Bosnia and Herzegovina, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Greece, Hungary, Ireland, Israel, Italy, Latvia, Lithuania, Malta, Montenegro, Poland, Portugal, Serbia, Slovakia, Slovenia, Spain, Turkey and the United Kingdom.

## Tobacco taxation works

In Turkey, excise taxes have steadily increased to 84.2% since 2008, along with the implementation of other policies such as bans on indoor smoking and tobacco advertising. This has led to a relative decline in smoking by 13% between 2008 and 2012, representing a reduction in prevalence among adults from 31.2% to 27.1%, during the same period.

France introduced substantial price and tax increases between 1995 and 2005; this led to a very clear impact on lung cancer deaths among men aged 35–44 years (Fig. 1).

**Fig. 1. Prices (rising with tax increases) and lung cancer death rates, France, 1950–2010**



Source: Graph reproduced using data from Hill C. Prévention et dépistage des cancers [Cancer prevention and screening]. Bulletin du Cancer. 2013;100:6.

## Responses of smokers to tax and price increases

The effects of tobacco tax increases can be counteracted by either legal or illegal means. Illegal means include illicit trade; legal means include:

- trading down to cheaper cigarettes
- changing to “roll-your-own” cigarettes
- cross-border shopping within the threshold for personal use
- duty-free purchases and/or internet sales.

## Measures to address these responses

### Clamp down on price gaps

It is important to level up taxes on different tobacco products and keep them raised to align with inflation. When cheaper substitutable tobacco products and brands are available, price increases can encourage some to change their consumption to those products and brands. The price gap between the most sold brand and the cheapest brand should be as small as possible – large price differences can compromise the effectiveness of tax and price increases as consumers move to cheaper products.

### Align prices with neighbouring countries

Cigarette retail prices vary widely between countries. Cross-border purchasing and/or illicit trade is particularly an issue when great disparities in prices exist in neighbouring countries. Data collected for the WHO Report on the Global Tobacco Epidemic 2013<sup>2</sup> show that the retail price for the most sold cigarette brand (pack of 20) ranges from 6.11 international dollars (Romania) to 1.75 international dollars (Ukraine).

Raising tobacco taxes and prices should be a coordinated effort with neighbouring countries; this is a key point within the WHO FCTC. The new Protocol to Eliminate Illicit Trade in Tobacco Products, currently open for ratification, facilitates cross-border cooperation for effective control. This Protocol introduces licensing for all participants in the tobacco business, a tracking and tracing system to identify legal and illegal manufacturing and importing of tobacco products, traceable methods of payment, control of free zones and significant financial penalties for illicit trade. The Protocol will enable broad international cooperation among Parties and facilitate close cooperation in the investigation of illicit trade, including by affording mutual legal assistance and extradition.

<sup>2</sup> WHO Report on the Global Tobacco Epidemic 2013: enforcing bans on tobacco advertising, promotion and sponsorship. Geneva: World Health Organization; 2013 ([http://www.who.int/tobacco/global\\_report/2013/en/](http://www.who.int/tobacco/global_report/2013/en/), accessed 22 May 2014).