



## PRESS RELEASE

### **ITIC's Excise Tax Manual Undermines Best Practice in Tobacco Taxation**

**Bangkok, 27 October 2015: ASEAN governments should be wary of the recommendations in the *ASEAN Excise Tax Reform: A Resource Manual* released by the International Trade and Investment Centre (ITIC). The Manual is a tool for promoting vested interests rather than a tool designed to help governments.**

The Bangkok-based Southeast Asia Tobacco Control Alliance (SEATCA) warned legislators and finance ministries against relying on this Manual, which is being widely promoted by ITIC to ASEAN governments. An academic review of the Manual's section on tobacco taxation has revealed contradictions and inconsistencies when compared against international best practices and recommendations in the WHO Framework Convention on Tobacco Control (FCTC) Article 6 Guidelines on tobacco tax and price measures, which 180 governments worldwide have committed to implement.

Prof. Hana Ross from the University of Cape Town, who reviewed the Manual said, "On the surface, the Manual and the WHO FCTC Article 6 Guidelines seem to be aligned on some issues. However, the main principles and views that the Manual promotes often contradict its analysis and recommendations. It also runs contrary to international best practices on tobacco taxation outlined in the Article 6 Guidelines of the WHO FCTC."

Among the main faults of the Manual are the following:

- The Manual fails to acknowledge the evidence and recommendations of the WHO FCTC Article 6 Guidelines on Price and Tax Measures to Reduce the Demand for Tobacco that States Parties unanimously adopted in 2014.
- ITIC claims Indonesia has the lowest penetration of illicit tobacco products in another document; yet this Manual claims Indonesia is an example of a country with the highest taxes in terms of affordability, which, according to the Manual, drives illicit trade in Indonesia.
- The Manual warns against substantial tobacco tax increases, even if some countries in the ASEAN region and many others globally have successfully increased tax to reduce tobacco use while also boosting their tax revenues.
- The affordability of cigarettes is driven not only by tobacco taxes, but also by the industry-set prices which the Manual conveniently does not address.
- The Manual's very strong opposition to tobacco tax earmarking sharply contrasts with the recommendations in WHO FCTC Article 6 Guidelines.
- The Manual falsely claims that the tobacco industry's system (Codentify) supposedly designed to deal with illicit trade is compliant with the WHO FCTC Protocol to Eliminate Illicit Trade in Tobacco Products.

"Its estimates of illicit trade and the associated revenue losses are based on another ITIC report funded by the tobacco industry that has been discredited due to its methodological weakness, the use of unreliable data, biased conclusions, and abundance of mistakes and errors." added Prof. Ross.

"Given the vested interests of the transnational tobacco companies that fund ITIC and provided it with data, it is obvious that the manual cannot be trusted," remarked Ms. Sophapan Ratanachena, SEATCA's Tobacco Tax Program Manager. "A tobacco tax roadmap developed in collaboration with the tobacco industry is a dangerous proposition for both tax revenue and public health. It is important that governments protect their public health policies, including tobacco taxation, from commercial and other vested interests of the tobacco industry," she said.

Download a full review of the manual here: [http://seatca.org/dmdocuments/Review\\_ITIC\\_Tax\\_Manual\\_Revised\\_Oct26.pdf](http://seatca.org/dmdocuments/Review_ITIC_Tax_Manual_Revised_Oct26.pdf)

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