



FREE MARKET FOUNDATION
Progress through freedom

Africa Tax Forum



TANZANIA REVENUE AUTHORITY



Tobacco Tax

Taxing virtue and the poor
promoting illicit trade
promoting tax evasion

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Contents

- Formal paper available
- WHO tax proposals are *ultra vires*
- Concerns (implications)
- Economics of 'sin' tax
- Unintended consequences
- Social costs
- Misleading terminology
- Recommendations

WHO exceeding mandate/expertise

- Fiscal policy
- Regressive tax
- Budgetary policy
- Criminal law and procedure
- Social engineering/behaviour modification
- Erosion of consumer rights
- Erosion of property rights

Concerns

- One-size-fits-all
- Compromising separation of functions
- Legitimising fiscal discrimination
- Legitimising authoritarianism –
no mention of lifestyle choice, consumer rights, property rights, freedom of association, civil liberties, due process etc

Economics of 'sin' tax

- No such thing as a free lunch!
- Elasticity determines tax incidence
- Only marginal smokers have elasticity
- Tax diverted from?:
 - Known elasticity mix
 - Time preference (short vs long term)
- WHO wants it both ways, higher tax:
 - Reduces smoking
 - Increases revenue
- WHO's factual and logical errors (eg ITIC critique)

(Un)intended consequences

- Tax evasion
- Illicit trade
- Victimising the vulnerable:
 - Psychological aspects
 - Social aspects
 - Taxing the poor

Social costs

- Who 'subsidises' who?
 - Tobacco revenue vs social health spend
 - Smoker spending vs smoker facilities
 - Life expectancy vs old-age costs

Misleading terminology

- 'Tobacco tax' = consumer tax
- 'Tobacco control' = consumer control
- 'Ant-tobacco' = anti-smoker
- 'Public place' = private place

Conclusions and recommendations

- Require WHO to honour mandate/expertise
- Disregard non-health adventurism
- Adopt country-specific policies
- Consider implications:
 - Other contexts
 - Counter-productive effects

Don't follow the crowd!

