

Global and regional overview of cigarette prices and taxation



Outline

- Excise tax application around the world
- Average prices, excises and total taxes globally
- Taxes applied on other tobacco products
- Summary and conclusions



Types of taxes imposed on tobacco products

- Excises

- **Specific**: based on quantity (e.g. \$1.50 per pack regardless of price)
- **Ad-Valorem**: based on value (e.g. 45 percent of the manufacturer's price)
- **Hybrid/mix taxes**- both specific and ad-valorem

- VAT or Sales Taxes

- Customs/import Duty

Excise Tax Application

Excise application on cigarettes, 2012

	Number of countries
Total covered	186
Specific excise only	56
Ad valorem excise only	50
Mixture of both excises	60
No Excise	20

Source: WHO Report on the Global Tobacco Epidemic, 2013

Types of Cigarette Excise Taxes by Income Group, 2012

Excise System on Cigarettes					
	Only Specific	Only Ad-Valorem	Specific & Ad-valorem	No Excise	Total countries
High	13	4	28	6	51
Upper Middle	17	9	18	7	51
Lower Middle	18	19	11	4	52
Low	8	18	3	3	32
All Countries	56	50	60	20	186

Source: WHO Report on the Global Tobacco Epidemic, 2013

Types of Cigarette Excise Taxes by WHO Region, 2012

Excise System on Cigarettes					
	Only Specific	Only Ad-Valorem	Specific & Ad-valorem	No Excise	Total countries
AFRO	13	27	2	2	44
AMRO	15	9	7	2	33
EMRO	0	5	6	11	22
EURO	10	3	39	0	52
SEARO	3	2	3	1	9
WPRO	15	4	3	4	26
All Countries	56	50	60	20	186

Source: WHO Report on the Global Tobacco Epidemic, 2013

Countries applying different types of taxes with tiers or at a uniform rate

Type of tax (Total number of countries: 162)						
Specific (50)		Ad Valorem (35)		Mix (58)		No Excise (19)
Tiers (17)	Uniform (33)	Tiers (4)	Uniform (31)	Tiers (7)	Uniform (51)	
Algeria, Armenia, Belarus, Belize, Fiji, Georgia, India, Indonesia, Kazakhstan, Mozambique, Nepal, New Zealand, Papua New Guinea, Philippines, Tajikistan, Uganda, Uzbekistan	Albania, Australia, Azerbaijan, Barbados, Botswana, Brunei, Canada, Cook Islands, Cuba, Ecuador, Haiti, Honduras, Ivory Coast, Jamaica, Japan, Lesotho, Macao, Malawi, Mauritius, Namibia, Nicaragua, Norway, Panama, Peru, Singapore, South Africa, South Korea, Suriname, Swaziland, Tanzania, Trinidad & Tobago, USA, Uruguay	Bangladesh, Burkina Faso, Senegal, Myanmar	Angola, Argentina, Bahamas, Bolivia, Burundi, Cambodia, Cameroon, Ethiopia, Gabon, Ghana, Guatemala, Guinea, Guyana, Kenya, Laos, Lebanon, Madagascar, Mali, Mauritania, Niger, Nigeria, Paraguay, Rwanda, Sudan, Syria, Togo, Turkmenistan, Venezuela, Vietnam, Yemen, Zambia	Brazil, China, Kyrgyzstan, Moldova, Pakistan, Sri Lanka, Ukraine	Andorra, Austria, Belgium, Bosnia & Herzegovina, Bulgaria, Chile, Costa Rica, Croatia, Cyprus, Czech Republic, Colombia, Democratic Republic of Congo, Denmark, Dominican Republic, El Salvador, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Jordan, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Montenegro, Morocco, Netherlands, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey*, Thailand, Tunisia, UK	Afghanistan, Antigua & Barbuda, Bahrain, Iran, Iraq, Kiribati, Kuwait, Libya, Maldives, Marshall Islands, Niue, Oman, Palau, Qatar, Saint Lucia, Saudi Arabia, Sierra Leone, Somalia, United Arab Emirates

Note: The following countries imposed a minimum tax in addition to their statutory rates: the 27 EU countries, Israel, Russia, Turkey, Turkmenistan and Ukraine

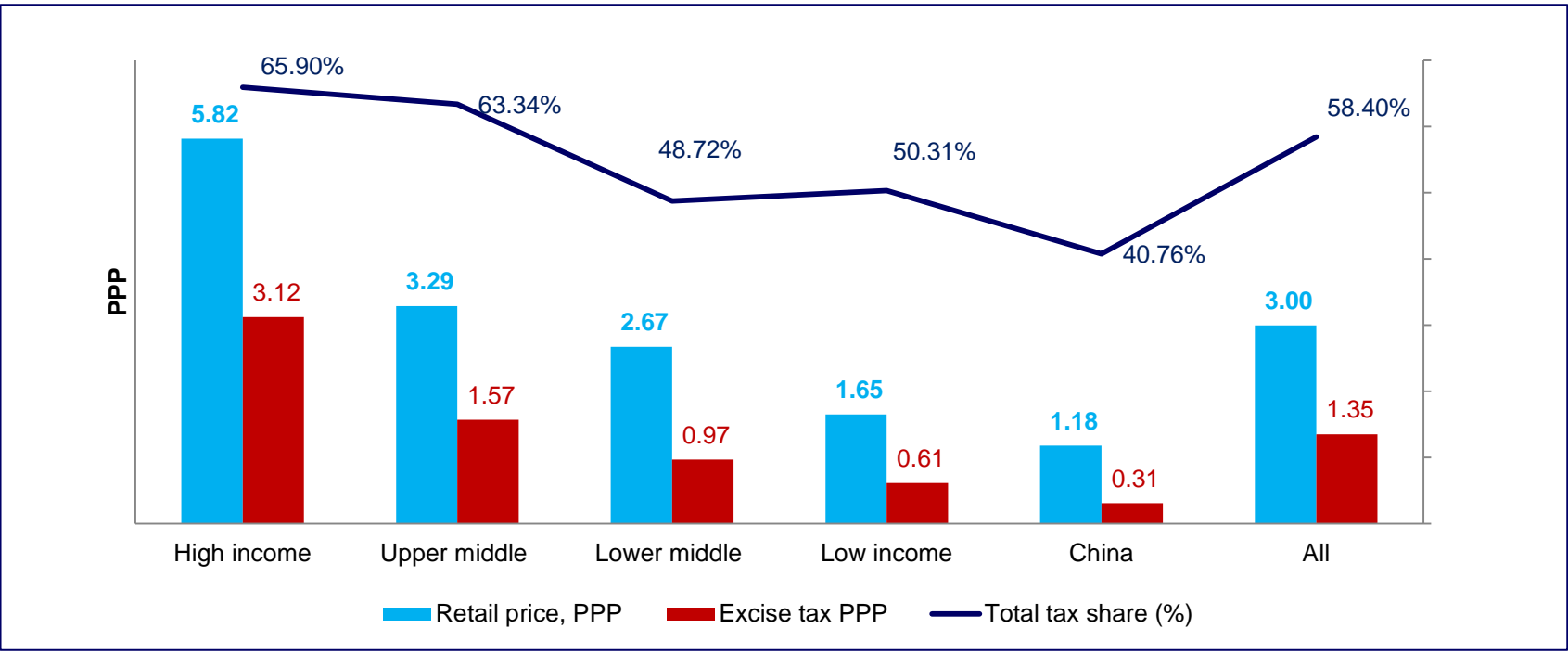
* Turkey's excise system changed from uniform ad valorem to uniform mix in 2013



Average Price, Excise and Total Tax

Weighted average Price of the Most Sold Brand & Excise Tax per pack, and Total Tax Share

By Income Group 2012



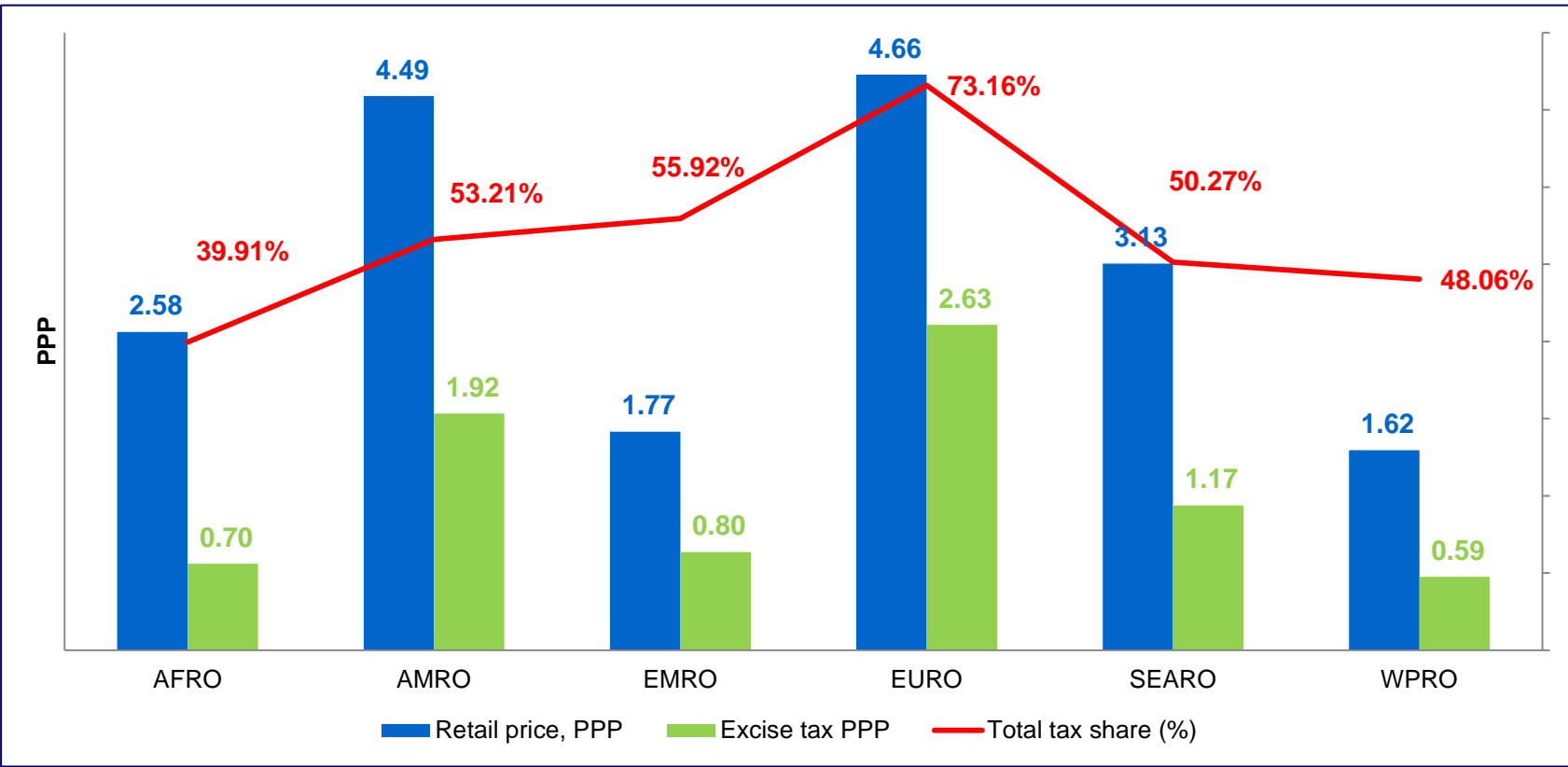
Note : Averages were weighted by number of current cigarette smokers in each country. Because of the very large number in China, China's estimates were added separately.

Source: WHO Report on the Global Tobacco Epidemic, 2013



Weighted average Price of the Most Sold Brand & Excise Tax per pack, and Total Tax Share

By Region 2012

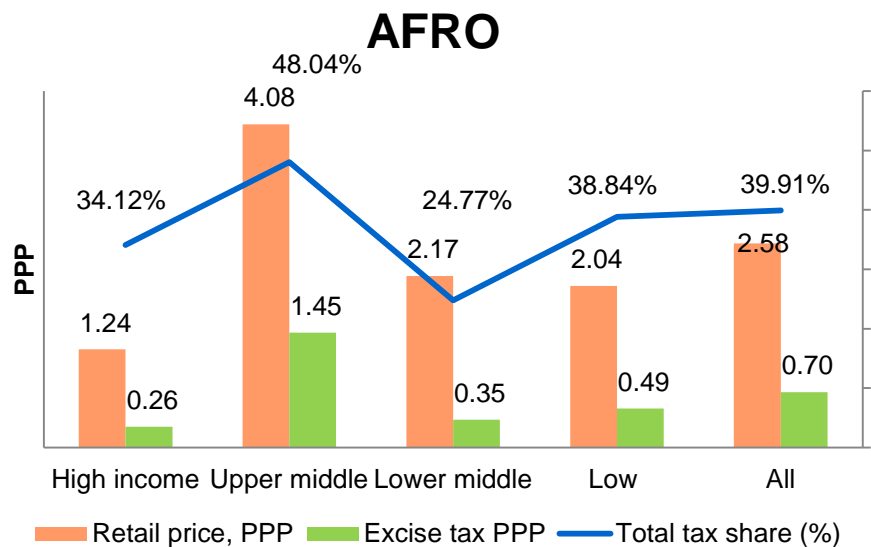


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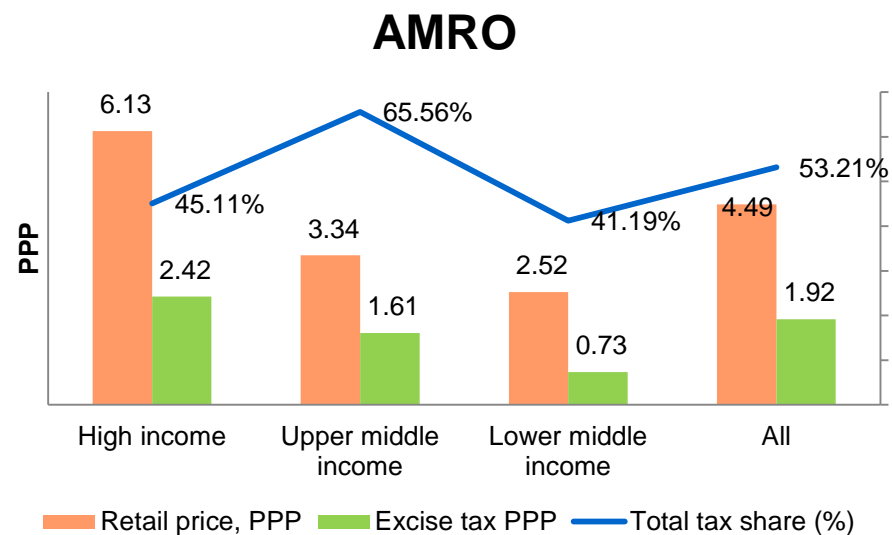
Source: WHO Report on the Global Tobacco Epidemic, 2013



Breakdown by Region and Income group (weighted averages, 2012)



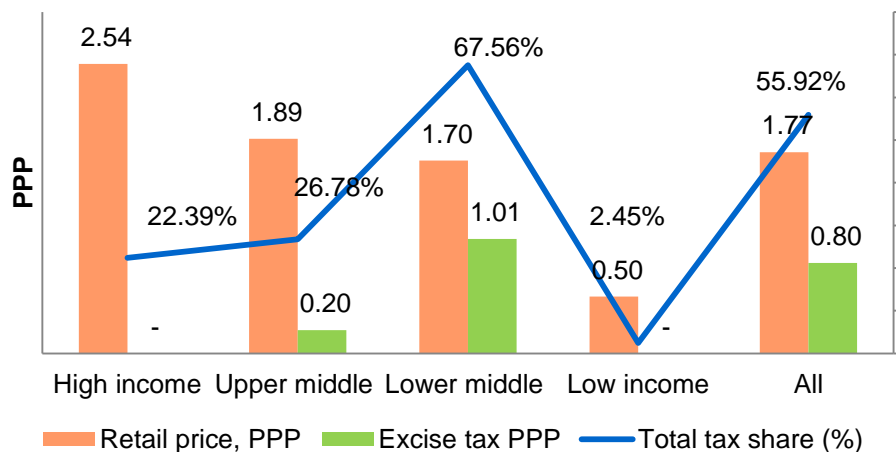
Note: only one country is included in the High Income group: Equatorial Guinea



Source: WHO Report on the Global Tobacco Epidemic, 2013

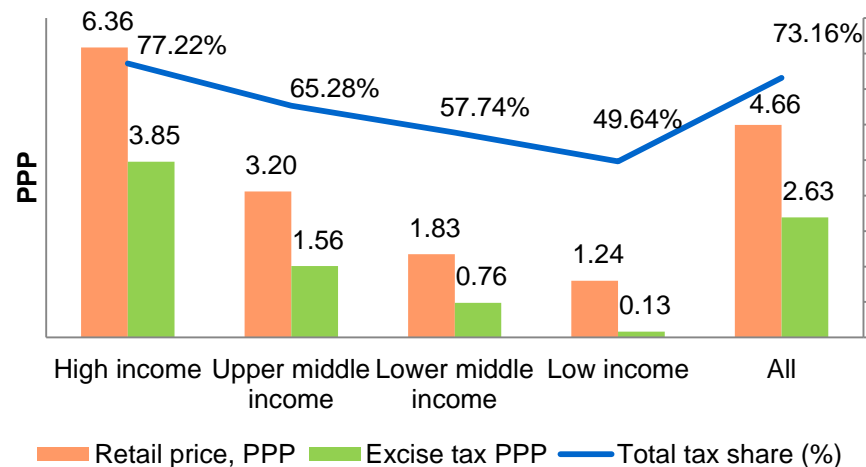
Breakdown by Region and Income group (weighted averages, 2012)

EMRO



Note: only one country is included in the Low Income group: Afghanistan

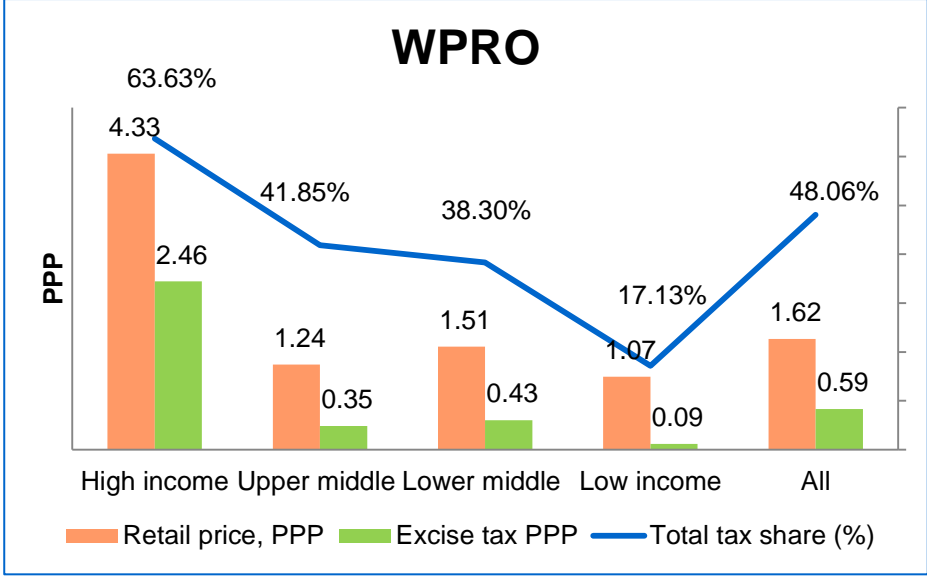
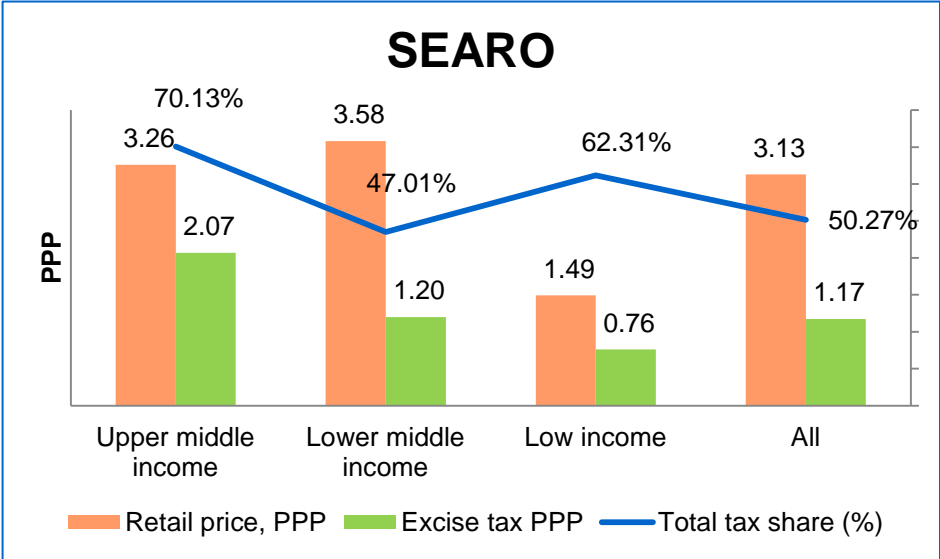
EURO



Source: WHO Report on the Global Tobacco Epidemic, 2013



Breakdown by Region and Income group (weighted averages, 2012)



Note: only one country is included in the Low Income group: Cambodia

Source: WHO Report on the Global Tobacco Epidemic, 2013

Weighted average price and excise tax by tax structure, 2012

Excise tax structure	Average price PPP	Average excise PPP
Specific only	3.73	1.57
Ad valorem only	2.50	1.28
Mix system	2.86	1.32
Relying more on specific	3.84	1.67
Relying more on ad valorem	2.29	1.11
No excise	1.70	-

Source: WHO Report on the Global Tobacco Epidemic, 2013

Weighted average price and excise tax by tax structure and income group, 2012

Type of tax	Income group	Retail price, PPP	Excise tax, PPP
Specific excise		3.73	1.57
	High income	5.40	2.46
	Upper middle	3.36	1.19
	Lower middle	2.12	0.82
	Low income	2.37	0.42
Ad valorem Excise		2.50	1.28
	High income	2.91	0.92
	Upper middle	4.40	2.77
	Lower middle	2.00	0.67
	Low income	1.56	0.72
Mixed system		2.86	1.32
Relying more on specific excise		3.84	1.67
	High income	6.81	4.06
	Upper middle	2.52	0.90
	Lower middle	3.60	1.15
	Low income	1.19	0.28
Relying more on ad valorem excise		2.29	1.11
	High income	5.92	3.66
	Upper middle	1.63	0.64
	Lower middle	2.31	1.47
	Low income	0.64	0.29

Note: only one country is included in the Low Income group with a mixed system relying more on ad valorem: Zimbabwe.

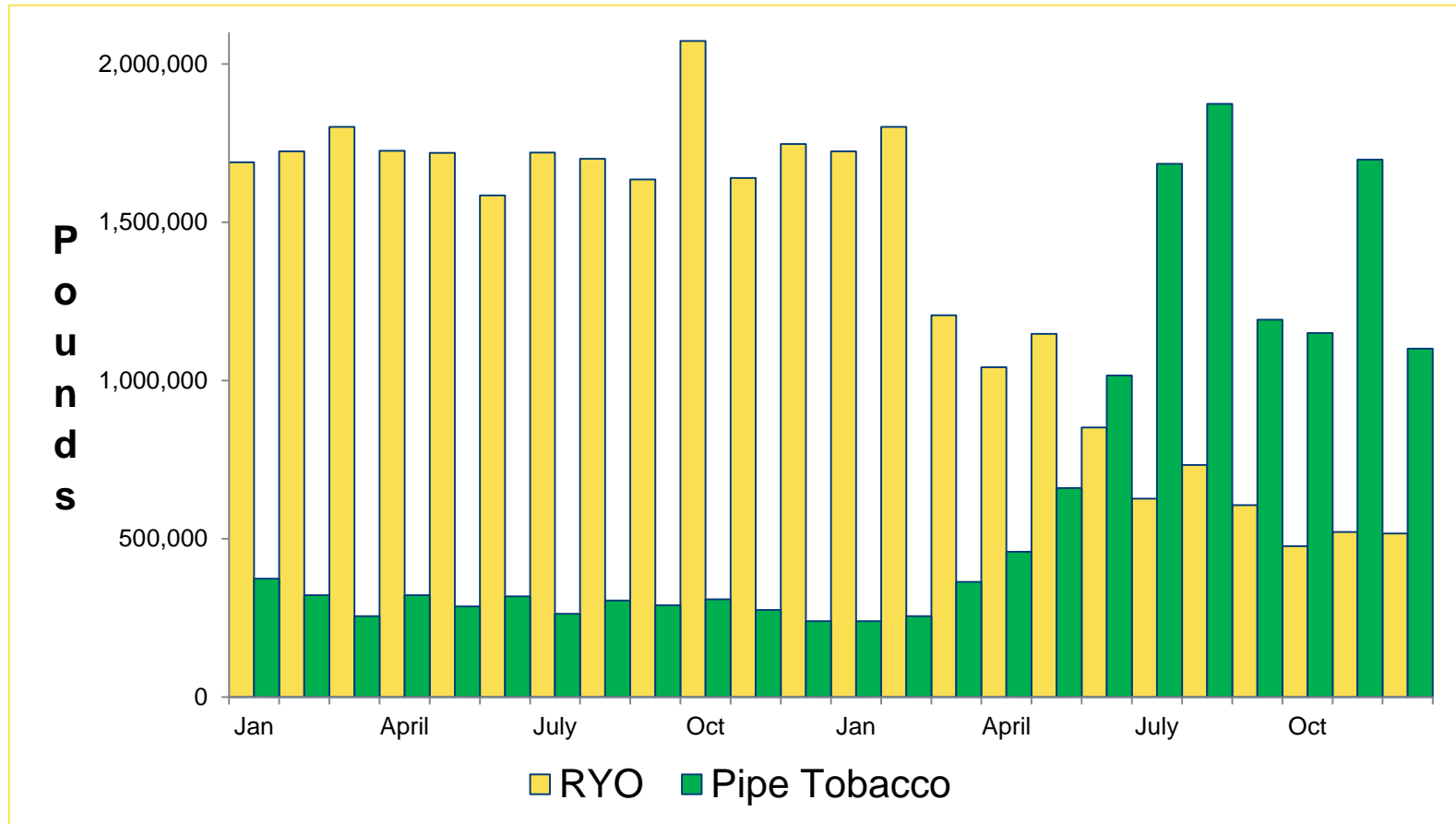
Source: WHO Report on the Global Tobacco Epidemic, 2013



World Health Organization

Taxes applied on other tobacco products

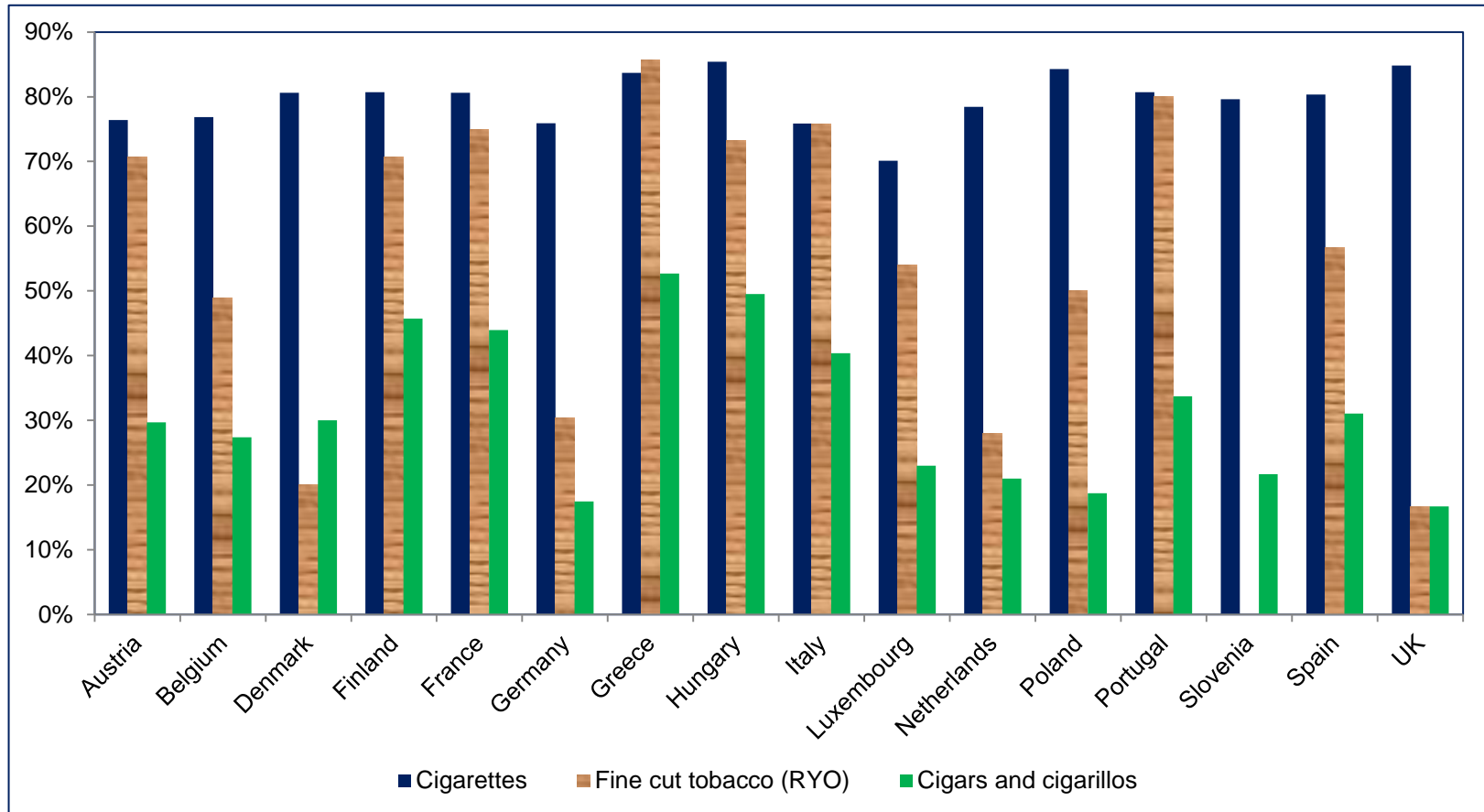
Taxable Roll-Your-Own and Pipe Tobacco Sales USA, January 2008 - December 2009



Source: Frank Chaloupka

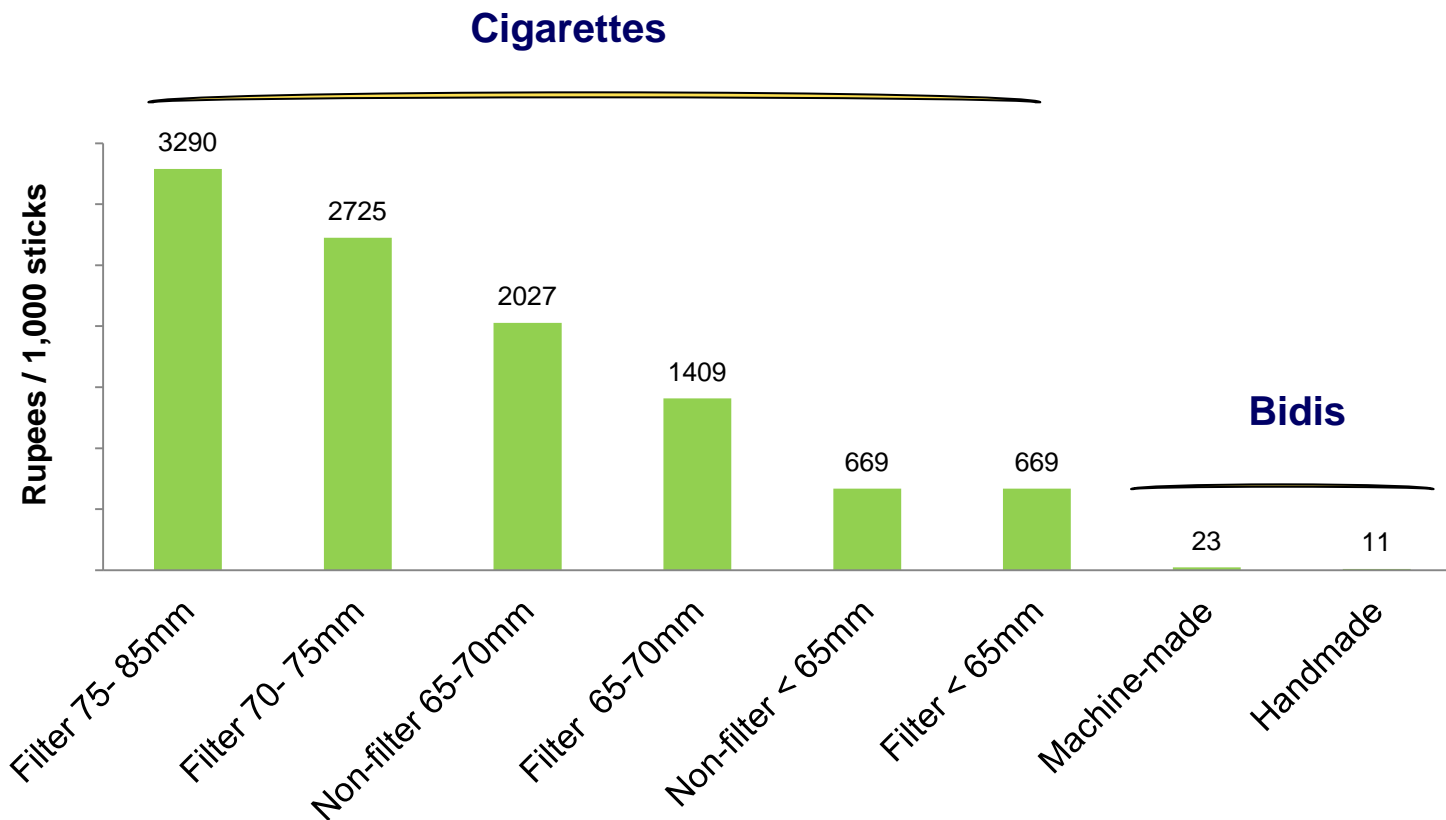
Total tax as a proportion of price for different tobacco products in the EU

July 2012



Source: EU data

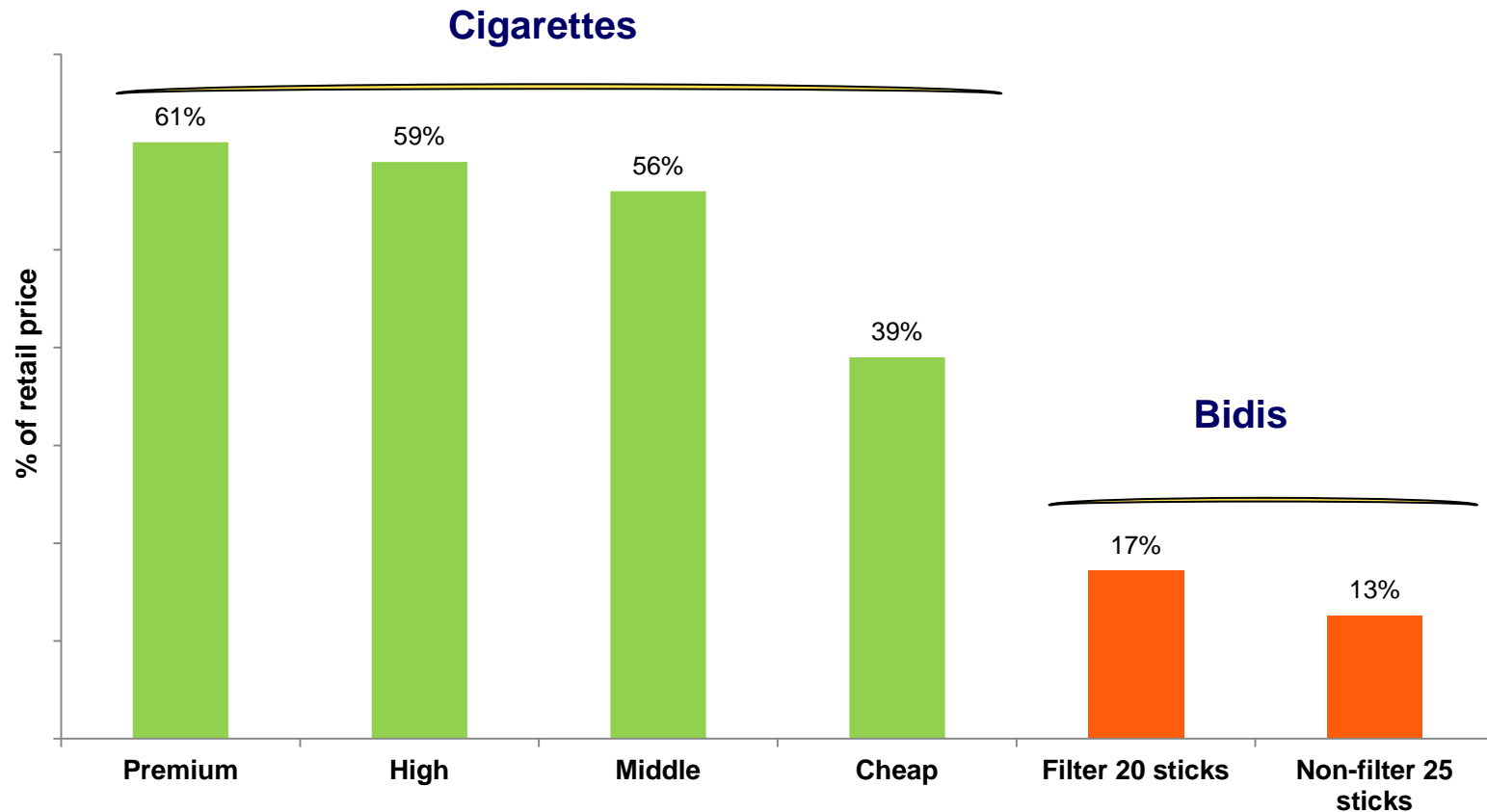
Tax rates for Cigarettes and bidis in India 2013



Taxes include: Basic Excise duty, National Calamity Contingent Duty, Health and Bidi Welfare Cess

Source: Ministry of Finance, India

Excise tax as a proportion of price for Cigarettes and bidis in Bangladesh, 2012



Source: Ministry of Finance, Bangladesh



Summary and conclusions

Summary and conclusions

- Most governments levy excise or other special taxes on tobacco products.
- The structure of tobacco excise taxes varies considerably across countries, with lower income countries more likely to rely more on *ad valorem* excises and higher income countries more likely to rely more on specific excise taxes, while many countries at all income levels use a mix of specific and *ad valorem* excises.
- Tobacco excise tax systems are quite complex in several countries, where different tax rates are applied based on prices, product characteristics such as presence/absence of a filter or length, packaging, weight, tobacco content, and/or production or sales volume. These complex systems are difficult to administer, create opportunities for tax avoidance, and are less effective from a public health perspective.

Summary and conclusions

- Globally, cigarette excise taxes account for less than 45 percent of cigarette prices, on average, while all taxes applied to cigarettes account for just over half of price. Higher income countries levy higher taxes on tobacco products and these taxes account for a greater share of price, with both the absolute tax and share of price accounted for by tax falling as country incomes fall.
- On average, countries that rely more on specific excise taxes have higher cigarette prices than those that rely more on *ad valorem* excises.
- Differential taxes on different tobacco products can lead to tax avoidance and will have a smaller public health impact than a system that taxes all tobacco products at the same effective rate.