Cigarette Tax Scorecard: Spotlight on ASEAN

Average overall scores by region/subregion, 2018

Region/subregion	Score
Africa	1.36
Americas	2.13
ASEAN	1.75
Eastern Mediterranean	1.68
Europe	2.79
South-East Asia	1.82
Western Pacific	2.14
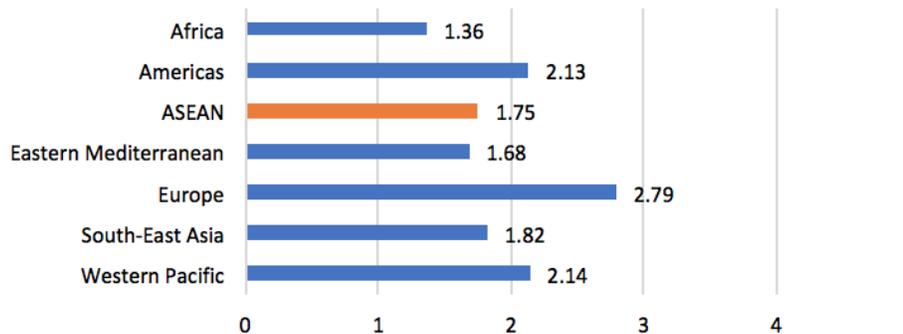
Key Messages

- In the Tobacconomics Cigarette Tax Scorecard, the average overall score in the countries in the Association of Southeast Asian Nations (ASEAN) is only 1.75 out of 5 points in 2018. This is lower than the global average and most of the World Health Organization (WHO) regions.
- Out of the four components used to calculate the overall score in the Scorecard, the ASEAN region performed best on tax structure, with an average score of 2.33 points. Still, the tax structure in most of the countries is far from the optimal uniform specific excise tax.
- The countries would benefit most from reducing the affordability of cigarettes over time—the average score in that component is only 0.56 points out of 5. Tax policies do not address income growth and inflation.
- In ASEAN, the Philippines is the highest performer, with an overall score of 3.75 points, while Cambodia and Lao PDR lag far behind, each receiving only 0.5 point out of 5.

Introduction

The Tobacconomics Cigarette Tax Scorecard evaluates countries' cigarette tax systems based on a five-point rating system that incorporates international guidance and best practices in tobacco taxation. The five-point index uses data from the World Health Organization to score countries on the following four components: cigarette price, changes in the affordability of cigarettes over time, the share of taxes in retail cigarette prices, and the structure of cigarette taxes. The total score reflects an average of the four component scores.
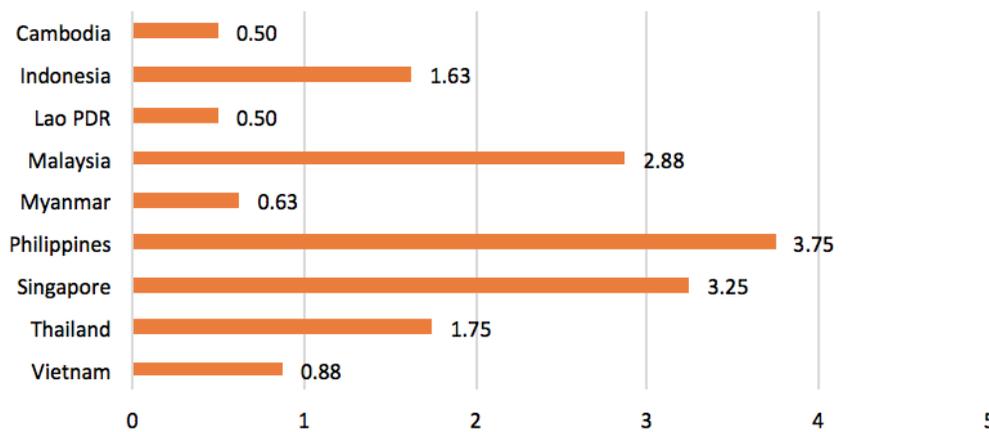
The average score in the nine ASEAN countries in 2018 is only 1.75 points out of 5. Only three countries received more than half of the possible points. Improving cigarette tax policies is essential to decreasing smoking prevalence, while raising additional tax revenues for governments in the region.

Regional Findings

There is signficant variation in the overall scores in ASEAN. The Philippines scored the highest with 3.75 points out of 5, followed by Singapore with 3.25 points. The remainder of the countries received less than 3 points. Cambodia and L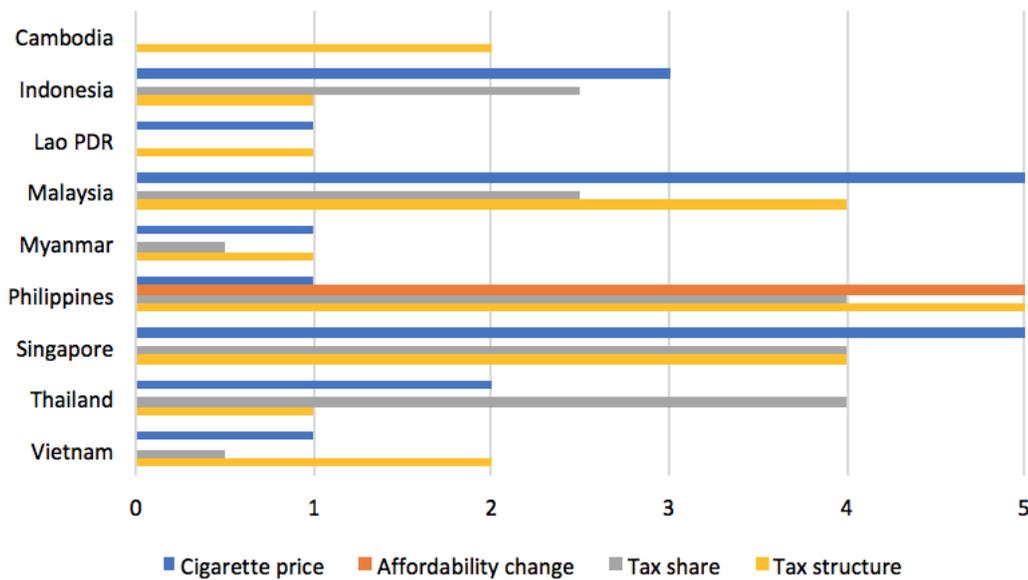ao PDR both received the lowest score in the region: 0.5 points, and Myanmar followed closely with 0.63 points out of 5. These findings suggest that there is significant room for improvement in tobacco taxation policies in almost all countries in the region.

Overall scores, ASEAN, 2018

Country	Score
Cambodia	0.50
Indonesia	1.63
Lao PDR	0.50
Malaysia	2.88
Myanmar	0.63
Philippines	3.75
Singapore	3.25
Thailand	1.75
Vietnam	0.88

Note: There are insufficient data for Brunei Darussalam.

Component scores, ASEAN, 2018

Legend: Cigarette price, Affordability change, Tax share, Tax structure

Note: There are insufficient data for Brunei Darussalam.

Key Component Findings

Cigarette Price

Price is a key determinant of cigarette use—as the price increases, demand decreases.

For 2018, the average score in ASEAN for this component is 2.11 out of 5 points. Singapore and Malaysia performed the best in this component, both receving all 5 points. In contrast, Cambodia scored 0 points. Such price variation across the region can also threaten the effectiveness of high prices in neighboring countries by creating opportunities for cheaper illicit products.

Changes in Cigarette Affordability

To reduce demand, cigarettes must become less affordable. As cigarettes become less affordable, consumers buy fewer and many stop buying them altogether. As part of this effort, at a minimum, cigarette prices must be updated for inflation and income growth.

The average score in the nine countries was only 0.56 points out of 5 for cigarette affordability in 2018. This component of the score requires the most significant improvement, given that eight countries scored 0 points. The Philippines, on the other hand, received all 5 points, which means it had more than 7.5% annual change in the 2012-18 period. Other ASEAN countries should look to replicate its success.

Tax Share

High tax share of price is a strong indicator of effective tobacco taxation and is essential to raise government tax revenues from cigarettes.

The average for this component of the score in the countries in ASEAN is 2 points, although there is significant variation among countries. The tax share of price is high in Thailand and the Philippines, at 4.5 points out of 5. On the other hand, Cambodia and Lao PDR received no points and Myanmar received only 0.5 points, suggesting significant opportunities for improvement.
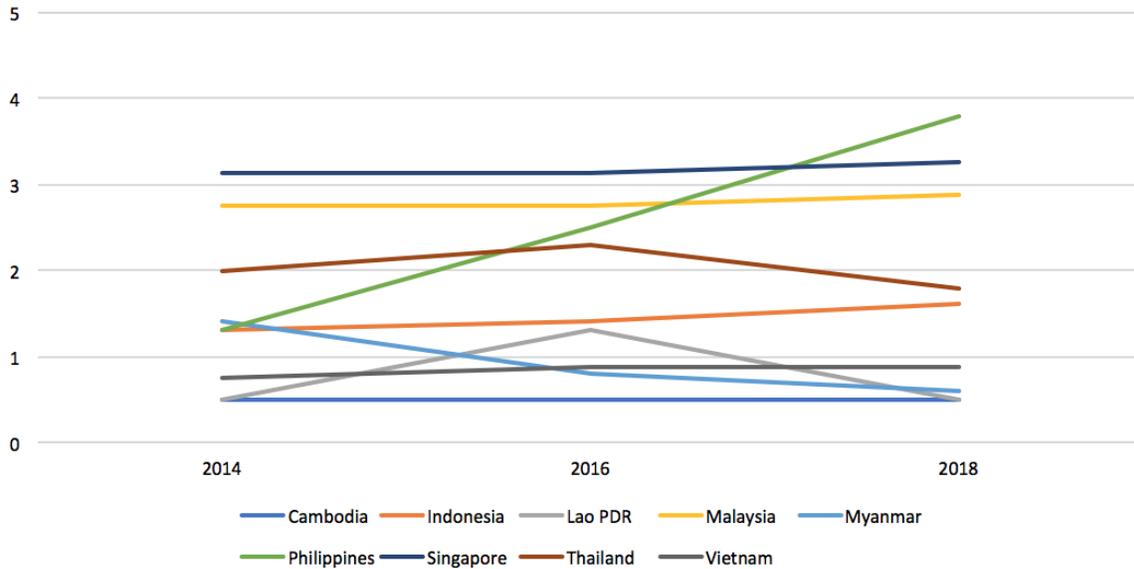
Tax Structure

Tax structures vary in their effectiveness when it comes to reducing tobacco use and collecting tax revenue. Uniform specific excise tax systems that adjust at least for inflation are generally the most effective and easiest to administer.

The average tax structure score in ASEAN is 2.33 points out of 5 in 2018. Although this is the region's highest average score, there is variation in the effectiveness of tax structures. The Philippines received all 5 points and Malaysia and Singapore received 4 points, yet Indonesia, Lao PDR, Myanmar, and Thailand received only 1 point.

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Scores Over Time

Overall scores over time, ASEAN, 2014-2018

Legend: Cambodia · Indonesia · Lao PDR · Malaysia · Myanmar · Philippines · Singapore · Thailand · Vietnam

Note: There are insufficient data for Brunei Darussalam for all years.

There is significant variation in the effectiveness of cigarette tax policies in the ASEAN region. Since 2014, the average of the nine countries has modestly improved, from 1.51 to 1.75 points. In that time period, the only country that experienced significant improvement in its overall score was the Philippines (1.3 in 2014 to 3.75 in 2018). Indonesia, Malaysia, Singapore, and Vietnam experienced small improvements, while Cambodia's score remained constant in 2014, 2016, and 2018, and Lao PDR's score rose and fell back down in 2016 and 2018, respectively. Myanmar saw a sizeable decrease, from 1.4 in 2014 to 0.6 in 2018, while Thailand saw a much smaller reduction, from 2 points to 1.8.

Most of the nine ASEAN countries have vast room for improvement in their cigarette tax policies. Governments should seize this opportunity to improve population health and reap fiscal benefits from increased tax revenue.

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