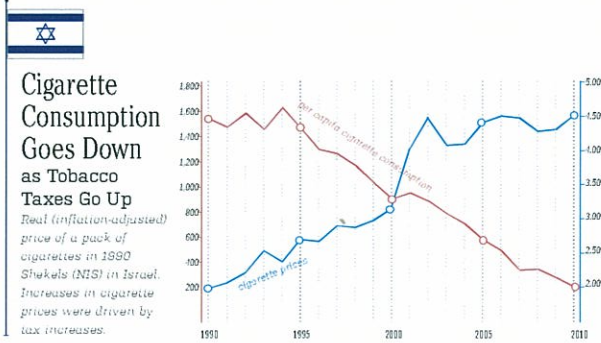


FUNDERS SAY:

“Among the revenue proposals I have examined, tobacco taxes are especially attractive because they encourage smokers to quit and discourage people from starting to smoke, as well as generate significant revenues. It’s a win-win for global health.”

Bill Gates, G20 Summit, France, 2011



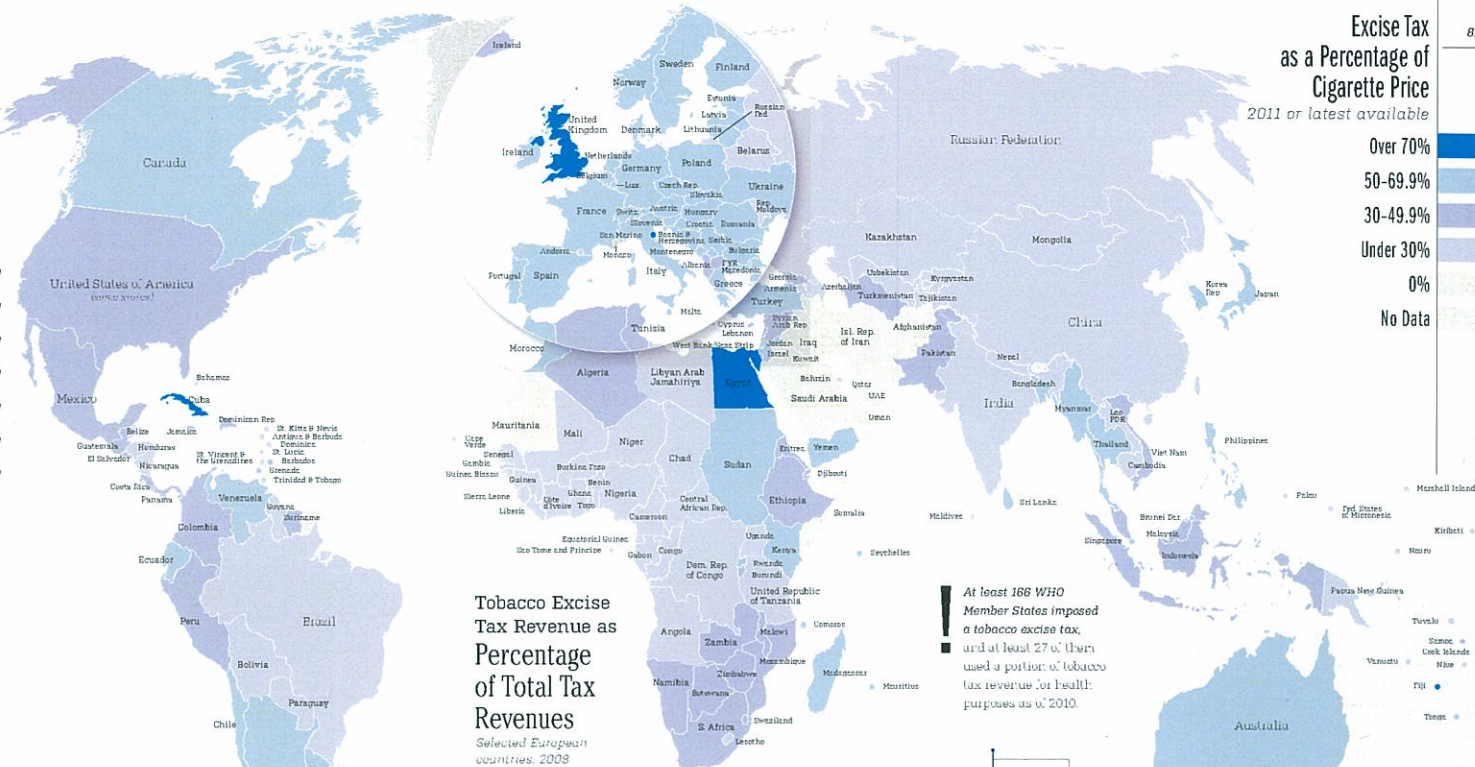
When administered correctly, tobacco tax increases are among the most effective and important tobacco control policies. **INCREASES IN TOBACCO TAXES THAT LEAD TO HIGHER CIGARETTE PRICES ENCOURAGE SMOKERS TO QUIT, INCREASE SUCCESSFUL QUIT ATTEMPTS, REDUCE THE NUMBER OF CIGARETTES SMOKED PER PERSON, AND PREVENT INITIATION AMONG YOUTH.** A 10% increase in cigarette prices reduces cigarette demand by 2–6% in high-income countries and by 2–8% in low- and middle-income countries. Youth, minorities, and low-income smokers are more likely than others to quit or smoke less in response to cigarette price increases. Because cigarette prices influence youth smoking initiation, increases in price significantly reduce long-term trends in cigarette consumption.

In addition to reducing cigarette consumption, higher tobacco taxes increase tax revenues, which can be used to implement and enforce tobacco control measures or to pay for tobacco-related health-care services or other social programs. On the other hand, tax cuts allow the industry to raise their profit margins.

Excise taxes have been shown to reduce tobacco consumption throughout the world. Other taxes that have been levied on tobacco, including import duties and sales taxes, apply to a wide variety of other goods and services. There are two types of excise taxes: specific and ad valorem. The decision to choose one or both types of tax has implications for government revenue, the retail prices of tobacco products, the tobacco industry’s profits, and public health. Understanding the mechanisms of these economic tools is crucial to implementing effective, evidence-based tobacco control policy.

The WHO Framework Convention on Tobacco Control obligates signatories to adopt tax and price policies that reduce tobacco consumption. Furthermore, the World Health Organization recommends that **AT LEAST 70% OF THE RETAIL PRICE OF TOBACCO PRODUCTS COMES FROM EXCISE TAXES. ONLY FIVE NATIONS HAVE ACHIEVED THIS BEST-PRACTICE STANDARD.**

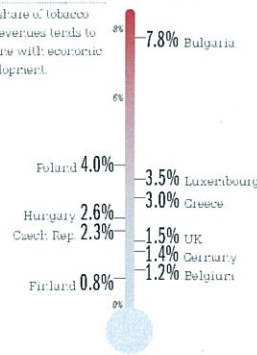
Japan: Tobacco urged Serbia to align excise taxes on cigarettes with the European Union: levels and increase these taxes in a “predictable and stable way.” However, this is designed to have as little effect on cigarette consumption as possible. The small tax increases can be easily absorbed by the industry or eroded by inflation and income growth over time.



Tobacco Excise Tax Revenue as Percentage of Total Tax Revenues

Selected European countries, 2008

The share of tobacco tax revenues tends to decline with economic development.



The state of New Hampshire reduced its cigarette excise tax by 10 cents per pack, and immediately thereafter the tobacco companies raised their prices by the same amount, thereby shifting revenue from the state government to the tobacco industry. It is estimated that the cut will cost the state \$14 million in lost revenues over a two-year period.

At least 166 WHO Member States imposed a tobacco excise tax, and at least 27 of them used a portion of tobacco tax revenue for health purposes as of 2010.

Tax Revenue Goes Up as Tobacco Taxes Go Up

Total tobacco excise tax as a percentage of retail price and the inflation-adjusted tobacco tax revenues in Poland, Zloty, 2010

