

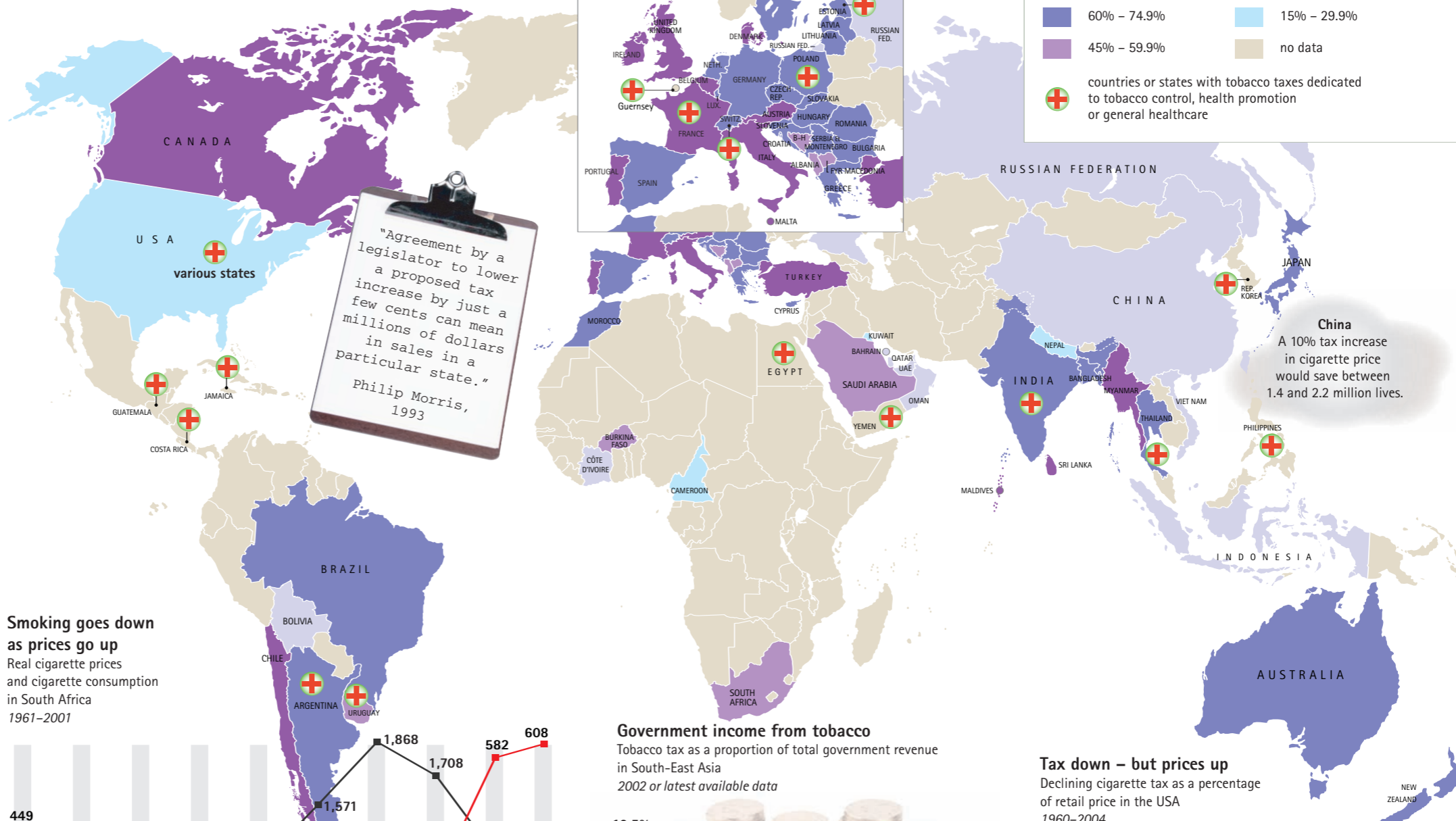
Tobacco taxes

"Sugar, rum and tobacco are commodities which are nowhere necessities of life, which are become objects of almost universal consumption, and which are therefore extremely proper subjects of taxation."
 Adam Smith *An Inquiry into the Nature and Causes of the Wealth of Nations 1776*

Price is the most important factor affecting short-term tobacco consumption patterns. A 10 percent increase in the price of cigarettes reduces consumption by about 4 percent in high-income countries and 8 percent in low and middle-income countries. Youth, minorities, and low-income smokers are two to three times more likely than other smokers to quit or smoke less in response to price increases. Because price is an especially powerful determinant of smoking initiation in youth, it significantly modulates long-term trends in cigarette consumption.

Higher tobacco taxes are easy to implement and usually generate higher tax receipts despite reducing cigarette consumption. This is good news for policy-makers seeking to protect public health but wary about losing an important source of government revenue.

The WHO's Framework Convention on Tobacco Control calls for ratifying states to adopt tax and price policies that reduce tobacco consumption. The World Bank proposes that taxes should account for two-thirds to four-fifths of the retail price of cigarettes. Although the tobacco industry claims that taxation leads to increased smuggling without dampening consumption, the evidence proves that, despite potential smuggling problems, tax increases significantly reduce cigarette consumption.



Tax as a proportion of cigarette price
 2005 or latest available data

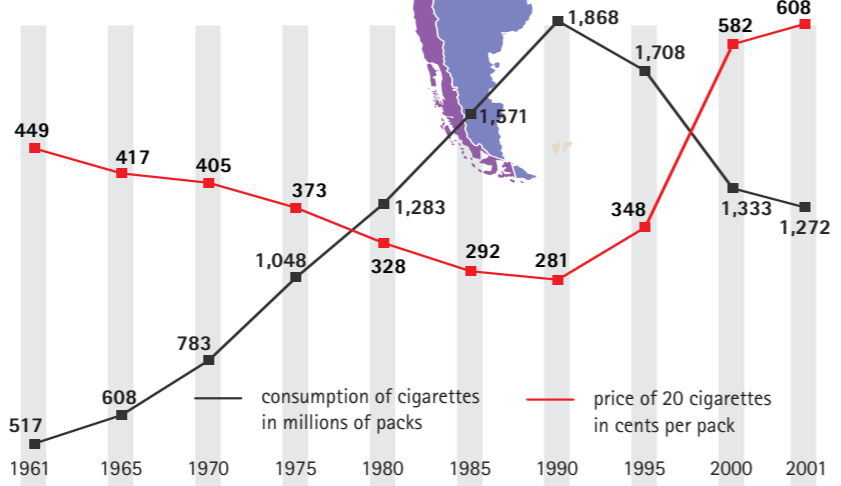
75% – 90.9%	30% – 44.9%
60% – 74.9%	15% – 29.9%
45% – 59.9%	no data

countries or states with tobacco taxes dedicated to tobacco control, health promotion or general healthcare

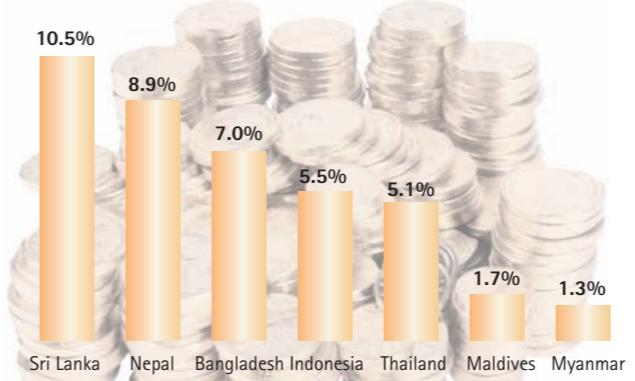
"Agreement by a legislator to lower a proposed tax increase by just a few cents can mean millions of dollars in sales in a particular state."
 Philip Morris, 1993

China
 A 10% tax increase in cigarette price would save between 1.4 and 2.2 million lives.

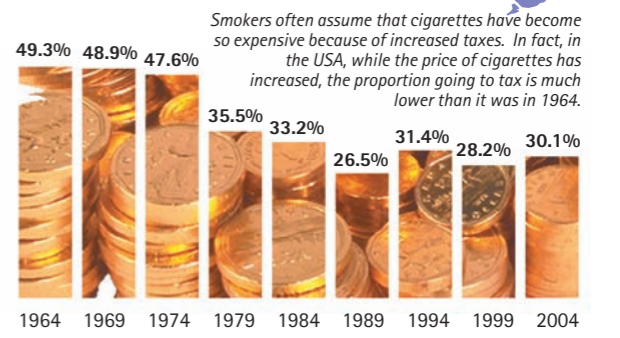
Smoking goes down as prices go up
 Real cigarette prices and cigarette consumption in South Africa 1961–2001



Government income from tobacco
 Tobacco tax as a proportion of total government revenue in South-East Asia 2002 or latest available data



Tax down – but prices up
 Declining cigarette tax as a percentage of retail price in the USA 1960–2004



Smokers often assume that cigarettes have become so expensive because of increased taxes. In fact, in the USA, while the price of cigarettes has increased, the proportion going to tax is much lower than it was in 1964.