

Action for health taxes from policy development to implementation

Making the case for tobacco taxes



UN INTERAGENCY
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1

Introduction

1.1. Background

Introduction

1.1. Background

Tobacco consumption is a global problem that requires a coordinated global response with strong national leadership. Tobacco remains one of the foremost global public health threats and is responsible for over 8 million deaths worldwide annually.¹ It is the second-leading risk factor for global mortality and is associated with a range of noncommunicable diseases (NCDs) including cancer, cardiovascular disease, and lung disease.² The WHO Framework Convention on Tobacco Control (FCTC) and associated WHO MPOWER measures for national implementation of tobacco control policy are powerful tools for action.^{3,4} Of the MPOWER measures, tobacco taxes are the most effective and cost-effective tools for reducing tobacco consumption in countries of all income levels. Despite their importance, the implementation of tobacco taxes is considered suboptimal compared to other WHO FCTC policies.^{5,6} Only 24 high income countries and 15 middle income countries and one low-income country have implemented tobacco taxes at best practice levels.⁷

Tobacco taxes are a win for public and individual health, for public revenues, and for national development. Tobacco taxes (and other measures to raise the price of tobacco products) make tobacco less affordable, and in turn reduce tobacco consumption.⁸ This translates into substantial health gains: raising the price of tobacco globally by 50% could avert more than 27 million deaths over 50 years.^{7,9} Tobacco taxes are also highly cost effective and the cheapest tobacco control policy available: implementing and administering a tobacco tax costs less than US\$ 0.005 per person per year in lower-middle-income countries (LMICs).¹⁰ Tobacco taxes boost national development and are an important strategy to reach the targets of the Sustainable Development Goals (SDGs). They can also contribute to domestic revenue mobilization as highlighted in the Addis Ababa Action Agenda.^{9,11,12}

This document supports policymakers and other stakeholders to implement tobacco taxes more effectively, with a focus on the political economy of tobacco taxation and on how policy processes are shaped at a national level. It is the second in a series of resources that provide a practical overview of approaches to support national stakeholders to develop, strengthen, and implement fiscal policies for health. It provides a step-by-step approach to demonstrate how the Health Tax Action Framework can be applied to tobacco taxes.

This document focuses on excise taxes levied on tobacco. Governments may apply a variety of taxes on tobacco, including customs duties, value-added or general sales taxes, and excise taxes. Of these, excise taxes are the most important for promoting health because they can be applied in a targeted manner to raise the cost of tobacco products relative to other goods. Increasing excise taxes and prices on tobacco products is one of the key recommendations of the WHO Global Action Plan for the Prevention and Control of Noncommunicable Diseases.¹³



2

The case for tobacco taxes

2.1. The current situation

2.2. Understanding tobacco products

2.3. Why tax tobacco?

The case for tobacco taxes

2.1. The current situation

Tobacco use is one of the largest threats to public health, globally. Tobacco consumption and exposure to second-hand smoke kills more than eight million people worldwide annually.^{1,9} The average loss of life from lifelong smoking is a full decade per smoker.^{14,15} Tobacco is the second largest risk factor for global mortality and contributes to leading NCDs including cancer, cardiovascular disease, and lung disease.² Because these primarily affect working-age people (30-69 years of age) this has implications for national labour-force participation, productivity, and economic growth.¹⁶ Tobacco use also drains valuable public resources: for example, health care expenditures to treat tobacco-related illnesses account for nearly 6% of all health expenditure, globally.¹⁷ In addition, tobacco use is a health equity issue: of the world's 1.1 billion tobacco smokers, 80% come from LMICs, and more than 80% of those dying from lung cancer by 2030 will be from these countries.¹⁸ Due to a combination of population growth and ageing, LMICs have seen increased burden of disease caused by smoking in recent decades, often despite decreases in smoking prevalence.¹⁹ Unless progress in reducing smoking and preventing uptake accelerates, these demographic forces will likely worsen the existing health and social burden that tobacco use places on society.

Around a quarter of the world's population (over 40% of men and 9.5% of women) were current users of tobacco in 2015.²⁰ About 17% of young people aged 15-24 (over 27% in young men and 5.6% in young women) were current users of tobacco in 2015.²⁰ Whilst global rates of tobacco use are declining, many countries will fall short of the WHO Global Action Plan for the Prevention and Control of Noncommunicable Diseases target of a 30% reduction in tobacco use prevalence by 2025 from a baseline of 2010.²⁰ Tobacco consumption patterns vary worldwide and depend on a range of contextual factors. In 2020, tobacco use prevalence was 29% in South East Asia, 25% in Europe, 25% in the Western Pacific, 19% in the Eastern Mediterranean, 16% in the Americas, and 10% in the African region.²⁰ Lower middle-income countries currently have the highest prevalence of tobacco use.^{21,22}

Tobacco consumption, and smoking in particular, is socio-economically patterned with higher use among more disadvantaged smokers who ultimately bear a disproportionate burden of tobacco related morbidity and mortality.²¹ While globally 182 Parties to the WHO Framework Convention on Tobacco Control (FCTC) have committed to raising tobacco taxes, there is substantial work to be done to ensure countries reach best practice targets. The WHO Report on the Global Tobacco Epidemic classifies taxes that account for at least a 75% share of the retail price of tobacco products as the highest level of achievement in terms of tobacco taxation.⁷ But only 41 countries in 2022 have achieved this level of implementation, covering only 13% of the world's population and less than 3% of people living in low-income countries.⁷ On average, taxes account for 56.5% of the price of cigarettes in low-income countries, 59.1% in middle-income countries and 66.9% in high-income countries.⁷ On average, taxes account for 51.2% of the price of cigarettes in low-income countries, 67.1% in middle-income countries, and 67.4% in high-income countries.⁷ Furthermore, economic growth and the associated rise in incomes can increase the affordability of tobacco products if tobacco prices, and tobacco taxes, do not increase at the same rate.²⁴

2.2. Understanding tobacco products

Tobacco may be consumed through smoking (e.g. cigarettes, bidis, kreteks, waterpipes, hookah, nargile), or directly through oral or nasal mucosa (e.g. snuff, betel quid, chewing tobacco).²⁵

Whilst many new and emerging products such as electronic nicotine delivery systems (ENDS) do not contain tobacco, the WHO recommends they should also be included in national tobacco control strategies.⁷ On the other hand, heated tobacco products contain tobacco and should be treated as tobacco products. Decision 22 of the eighth session of the WHO FCTC Conference of the Parties recognizes that *"heated tobacco products are tobacco products and are therefore subject to the provisions of the WHO FCTC"*.²⁶

There is a huge diversity of tobacco products and brands worldwide. Of them, manufactured cigarettes are the form most commonly used, accounting for over 92% of tobacco product sales and causing the most tobacco-related harm worldwide.⁸ Table 1 outlines the key characteristics of common tobacco products.

Table 1. Characteristics of some common tobacco products

Type	Product	Details
Smoking	Manufactured Cigarettes	Shredded or reconstituted tobacco, plus a variety of additives, wrapped in paper, often with a filter. Mass produced by machines.
	Kreteks (clove cigarettes)	In addition to tobacco, contain minced, dried clove buds. Commonly consumed in Indonesia.
	Bidis	Small cigarettes, hand-rolled in a tendu leaf. Commonly used in India. Less expensive alternative to cigarettes.
	Cigars	Tobacco wrapped in tobacco leaf or tobacco-containing paper. Can be either hand or machine rolled. Cigarillos (little cigars) may contain added flavorings.
	Waterpipe (shisha, nargile)	This is a device that facilitates tobacco inhalation through a water basin. A waterpipe (also known as 'hookah') includes a head where the flavored tobacco and coal are burned, a body housing the water, and a pipe or hose for inhalation. Common in the Middle East but has recently gained popularity in other regions.
Smokeless	Moist snuff, dip, snus, chewing tobacco	Damp and finely shredded/ground tobacco, placed between the lip and gum. May be flavored, may come pre-packaged in small sachets/bags.
	Gutka	A chewing tobacco preparation containing betel quid (betel leaf, areca nut, and slaked lime), tobacco, and flavorings. Commercially available in foil sachets and tins. Widely used throughout the Asian and Pacific regions.
New and emerging products	Electronic nicotine delivery systems (ENDS)	Battery-powered devices designed to heat a liquid (typically consists of propylene glycol, glycerin, nicotine, flavors, and sometimes other chemicals) into an aerosol for inhalation.
	Heated tobacco products (HTPs)	HTPs are designed to heat tobacco to a high enough temperature to release aerosol, without burning it or producing smoke. They differ from e-cigarettes because they heat tobacco leaf/sheet rather than a liquid.
	Nicotine pouches	Pre-portioned pouches similar to snus, but instead of containing tobacco leaf, are filled with white nicotine-containing powder (nicotine can be tobacco derived or synthetic nicotine). ²³

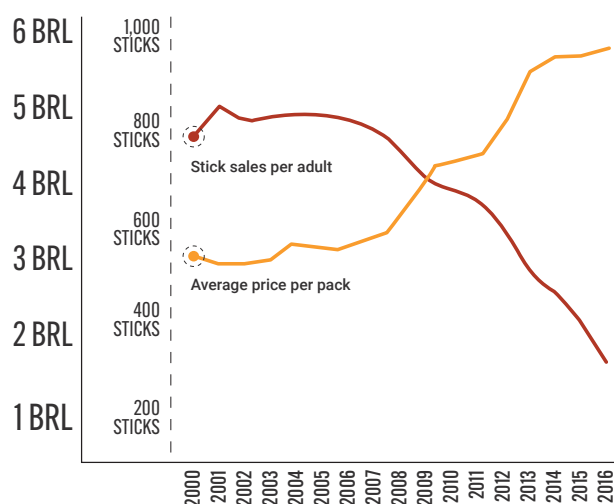
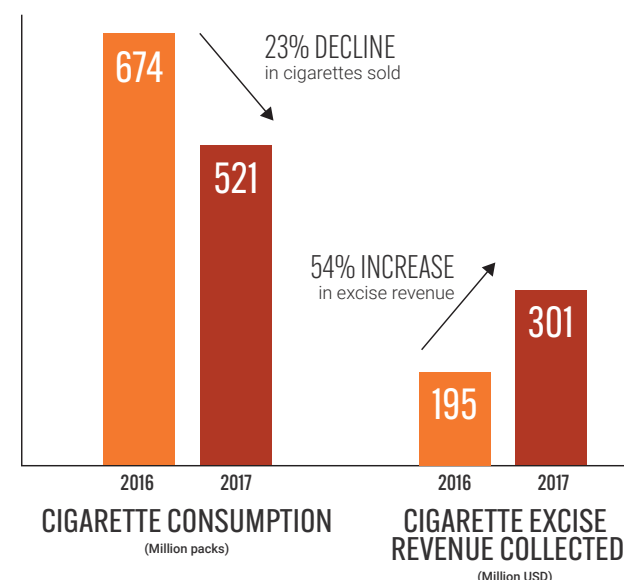
Source: U.S. National Cancer Institute and World Health Organization⁸

Understanding local patterns of tobacco consumption will help policymakers design and implement more effective tax policy. This is because the base on which excise taxes are applied varies across different products. For specific excise taxes on cigarettes, cigars and bidis, the tax base is usually the number of sticks, whereas for smokeless or roll-your-own tobacco products it is normally the weight of tobacco.²² Ad valorem excise taxes can be applied on the retail price, the cost, insurance and freight (CIF) value, or on the producer price.²² Tax design is discussed in further detail below.

2.3. Why tax tobacco?

Tobacco excise taxes are the single most effective tool for tobacco control. Effective tobacco taxes translate to higher real consumer prices, making tobacco products less affordable, which lowers overall consumption and prevalence of tobacco use.^{8,22,27} Price measures affect all aspects of tobacco consumption including cessation by current users, reduced frequency and amount by current users, and the initiation by potential users.²⁷ This translates to reduced mortality and morbidity, and protection of young people from initiating tobacco consumption.⁸

Country experiences show that tobacco excise tax increases are very effective at reducing tobacco consumption in countries at all income levels (Figure 1a and 1b). *Brazil, Colombia, Ukraine, South Africa, Turkey, and the Philippines* are examples of middle-income countries that have significantly reformed tobacco tax systems, resulting in reductions in consumption and increases in government revenue.⁹ Raising taxes on tobacco can save millions of lives and raise valuable revenue for governments worldwide (Table 2). The reduction in tobacco use due to tobacco taxes is expected to drive down the healthcare costs associated to tobacco-related diseases and deaths. It has been estimated that the costs associated with smoking alone is more than US\$ 1.4 trillion per year.¹⁷

Figure 1. The impact of tobacco price on sales and consumption**Figure 1a.** Cigarette prices and per capita cigarette sales, Brazil, 2000-2016**Figure 1b.** Packs sold and tobacco tax revenue before and after a Tax increase, Colombia, 2016-2017

Source: Reproduced from (9)

Table 2. Projected health and revenue impact of a one-time tax increase on tobacco, over a 50-year period (2017-2067)

Price increase due to higher tax	Deaths averted (millions)	Years of life gained (millions)	Change in tax revenue (trillions, \$2016 discounted)
20%	10.8	212.0	1.6
50%	27.2	535.7	3.0

Source: Adapted from (9)

Tobacco taxes are effective and cost effective. The cost of implementing and administering a tobacco tax is estimated to be less than US\$ 0.005 per person per year in LMICs.¹⁰ Taxation is considered the least costly and most cost-effective of all tobacco control policies. Tobacco tax increases have been labelled a “phenomenal” intervention, with robust evidence for benefits of taxation over 15 times the costs of implementation.²⁸ Increasing excise taxes and prices on tobacco products has been identified as a “best buy” policy and forms a key policy recommendations by the World Health Organization as part of the WHO Global Action Plan for the Prevention and Control of Noncommunicable Diseases.¹³

2.3.1. Rationale for tobacco taxes

While tobacco taxes are primarily intended to improve health, there are a number of other compelling reasons to tax tobacco. These include: to raise government revenue, to compensate for the societal costs of smoking/tobacco use, to prevent children and young people commencing use, to boost economic development, and to target inequality.^{8,22,29}

Raising government revenue

Taxes on non-essential goods such as tobacco have been used by governments for centuries as primarily a revenue raising strategy. Although there are now diverse forms of government revenue, tobacco taxes still constitute an important means of domestic resource mobilisation, particularly in LMICs.

Correct negative externalities and internalities

Consumption of tobacco imposes costs on others. Costs which are not borne by the consumer or the industry but that are passed on to society are known as negative externalities.³⁰ Negative externalities of tobacco use include exposure to second-hand tobacco smoke by non-smokers, the cost of tobacco-attributable illness on health services, environmental externalities associated with tobacco production such as deforestation, and the waste products from the manufacturing and consumption of tobacco products.^{30,31} Tobacco users may also present present-biased preferences by pursuing immediate gratification through consumption despite known long-term negative health consequences. Tobacco taxes are also an effective way to correct for such internalities.⁸

Prevention of initiation

One of the most effective strategies of tobacco control is to prevent initiation of tobacco use in the first place. Young adults are particularly sensitive to cigarette prices. As prices decrease, smoking initiation increases, and as prices increase, smoking initiation decreases.^{32,33}

Health gain

Price measures such as taxes improve public and individual health. Higher tobacco prices reduce initiation, decrease consumption among current smokers, and reduce relapse among former smokers.^{27,34}

Evidence reveals a reduction in overall mortality (including deaths from cancers and respiratory diseases), severity of childhood asthma, and

hospitalization for heart failure, among other effects, due to decrease tobacco use and exposure to second-hand smoke.^{8,35} Furthermore, one study in the US found that raising tobacco excise taxes reduces low birthweight births and overall infant mortality.⁹

Enhanced economic development

Tobacco use harms human development, particularly in LMICs. The economic costs of smoking in 2012 were estimated at over US\$ 1.4 trillion worldwide, or around 1.8% of gross world product.¹⁷ Estimates reveal that US\$ 422 billion was spent on treating the diseases caused by smoking, with US\$ 1 trillion in productivity losses.¹⁷ Tobacco use costs the economy twice over. First, the large-scale morbidity and mortality associated with tobacco use places high demands on already overburdened healthcare systems. For example in Latin American countries, smoking was found to be responsible for health care costs of 6.9% of the overall health budget (0.6% of GDP).³⁶ Secondly, ill health caused by tobacco imposes high productivity costs on the economy due to sickness and premature death in working-age people. These impacts are set to affect highly populated LMICs most.³⁷

Improved equity

Tobacco consumption is an equity issue. Many women and children that do not smoke are harmed by exposure to second-hand tobacco smoke in the household.³⁸ Women and girls also bear the brunt of caregiving for those suffering from a tobacco-associated disease.³⁸ The tobacco industry also targets women (as well as youth and LGBTQI people) and conflates gender empowerment with smoking through subliminal advertising messaging.³⁹ It's also a socioeconomic equality challenge as households with lower incomes bear a disproportionate share of the associated burden of premature death and disease from tobacco.²¹ Reducing consumption of tobacco can help avoid household impoverishment from the high healthcare costs of NCDs.⁴⁰

3

Applying
the health tax
action framework
to tobacco taxation

Applying the health tax action framework to tobacco taxation

In *Action for Health Taxes: From Policy Development to Implementation*, a stepwise framework was introduced to guide users through the policy implementation process and expand on the factors that support the success of health taxes (Figure 2). These steps can be grouped into three main areas: policy environment, policy content, and policy prioritisation.

Figure 2. Health Tax Action Framework



Source: Authors

The following sections will expand on each of the steps introduced in the Health Tax Action Framework, highlighting tobacco-specific insights. We begin by focusing in more detail on understanding the national policy context for tobacco taxation, and then discuss technical tax design issues and conclude with outlining relevant advocacy and engagement strategies.

4

The policy environment

4.1. Policy context

4.2. Policy actors and stakeholders

4.3. Legal/regulatory analysis

4.4. Policy objectives and framing the tax

The policy environment

Understanding the policy environment will help those developing or advocating for tobacco taxes to coordinate their approach more effectively. Prior to designing a tobacco tax, it is important to reflect on the broader political context, including trade and regional issues, identify relevant policy actors and stakeholders, and analyse the legal and regulatory environment.

4.1. Policy context

The national political economy of tobacco taxes is influenced by a range of factors. Key enabling factors include the presence of locally relevant evidence, policy advocacy, cross-ministerial support, and national, regional, and international political momentum.⁴¹ These factors often face opposition, including industry interference, vested political and financial interests, and disjuncture in the policy arena.⁴¹ Fortunately, tobacco taxes have benefitted from decades of research, advocacy and policy initiatives. Tobacco taxes are also supported by powerful global policy initiatives, including the WHO Framework Convention on Tobacco Control (FCTC)³ and the Sustainable Development Goals,⁴² discussed further below.

4.1.1. WHO Framework Convention on Tobacco Control

The FCTC was adopted during the 56th World Health Assembly in 2003 to address tobacco use and its harms. The FCTC is the first treaty negotiated under the auspices of the WHO and represents new political and legal dimensions for international health cooperation.³ The treaty entered into force in 2005, and it has influenced policies targeting both the demand and supply of tobacco products worldwide. Measures for demand reduction include price and tax measures, and non-price measures such as education and communication initiatives, as well as the regulation of the contents of tobacco products, packaging and labelling, and advertising, promotion and sponsorship.^{3,4}

These measures are summarised by the WHO MPOWER framework: Monitoring tobacco use; Protecting people from tobacco smoke; Offering help to quit tobacco; Warning about the dangers of tobacco;

Enforcing tobacco advertising, promotion & sponsorship bans; and, Raising taxes on tobacco.⁴ Measures to reduce the supply of tobacco include targeting illicit trade and sales to and by minors.³ Of the 182 Parties to the Convention, many have increased tobacco taxes, however only 41 countries have reached the accepted best-practice threshold of levying taxes that represent at least 75% of retail price.⁷ Country-level implementation of the FCTC is also encoded into the SDGs, discussed further below.

4.1.2. Tobacco and sustainable development

Tobacco use is a barrier to sustainable development. Tobacco use harms human health, burdens healthcare systems and damages economies. Tobacco control is a focus of the Sustainable Development Goals and in particular SDG 3.a, which sets out to strengthen the implementation of the WHO FCTC. Beyond this, tobacco control is central to achieving multiple other health targets including SDG 3.4, reducing premature deaths from noncommunicable diseases (NCDs) by one third by 2030, SDG 3.5, strengthening the prevention and treatment of substance abuse, SDG 3.c, increasing health financing and strengthening the health workforce, and SDG 3.d, increasing national capacity for early warning, risk reduction and management of national and global health risks.⁴² Further, tobacco control is directly or indirectly related to many of the other 17 goals, including poverty reduction (SDG 1), gender inequality (SDG 5), inequalities within and among countries (SDG 10), and sustainable consumption and production patterns (SDG 12).⁴³ The Addis Ababa Action Agenda provides a global framework for financing the sustainable development goals.^{11,43} Because of their impressive capacity to increase domestic government revenues while simultaneously reducing the costs of tobacco use, tobacco taxes have been endorsed as a key strategy to finance sustainable development by the Action Agenda.¹²

4.1.3. Trade and regional issues

International trade agreements can impede the effectiveness of national strategies to control and prevent NCDs related to tobacco and other products.⁴⁴⁻⁴⁶ However, national governments may justify (and have legal protections for) the introduction of taxes for the protection of the health of their populations.

Policies designed to reduce the supply or marketing of health-harming products can be successfully defended against trade-related challenges by ensuring there is a clearly stated public health objective.^{45,47}

4.2. Policy actors and stakeholders

Broad alliances of support for tobacco taxation will help strengthen policy as well as counter anticipated industry opposition. Taking a whole-of-government approach helps build cross-sectoral political support, widen the agenda and decision windows for the tax, streamline the design and implementation of the tax, and fortify against industry interference.⁴⁹ Beyond ministry support, this requires efforts from academia, civil society, international development partners, and regional coordinating bodies.⁴⁸

Cross sectoral coordination will help strengthen tobacco tax policy. Strengthening tobacco taxation requires leadership from Ministries of Health and Ministries of Finance, or their national equivalents. Central tax authorities and/or customs authorities may also lead implementation efforts. Additional sectors of relevance include commerce and trade, agriculture, and labour. Early engagement between health and other government departments, particularly finance departments, allows for priorities to be set and cross-departmental coalitions to be established.⁴⁸ It is also critical to have a clear agreement on the health policy objectives, cognizant of cross-ministerial priorities and policy dynamics. For instance, in the United Kingdom the formation of the All Party Parliamentary Group on Smoking and Health – made up of ministers from across the political spectrum – has encouraged cross-party agreement on policy recommendations for the country to be smoke free by 2030.⁵⁰

Civil society, academia and special interest groups can play a pivotal role in public and political awareness for these taxes to bolster support for these taxes. They can carry out grassroots advocacy work to garner support from politicians, academics, members of the public and other organisations, as well as organize and help finance public awareness campaigns and garner public support for the tax. Civil society organisations can also form a strong coalition to help withstand industry interference. External development partners may also help shape tobacco taxes policy through their knowledge base, knowledge sharing approaches, and consensus building actions across a wide range of stakeholders as part of a comprehensive package of aid, technical assistance, or country support.⁴⁸

The tobacco industry exerts substantial influence on the policy process. Industry should have no role in policymaking related to tobacco control, including in tobacco taxation. Article 5.3 of the FCTC recognises the inherent and irreconcilable conflict of interest between the tobacco industry and the objectives of the FCTC and recommends that: *“In setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law”*.³ Nevertheless, tobacco control policies are often complicated by industry interference. Industry strategies and addressing opposition tactics will be discussed further below.

4.3. Legal/regulatory analysis

From the outset of tobacco tax policy reform, it helps to understand the domestic legal environment and identify any potential opportunities or roadblocks. This includes assessing existing legal frameworks, including constitutional provisions which provide governments with the authority to regulate to protect public health, including any limitations on the exercise of that authority, and government duties or fundamental rights of individuals which may oblige the government to support the right to health,⁵¹ and may need to be balanced with other fundamental rights, for example the right to run a business. It is also important to assess the government’s specific authority (legislative mandate) to levy a tobacco excise tax as in most jurisdictions excise taxes are applied under a specific law such as a Finance Act. Any existing excise tax law(s) should be reviewed and the scope, mechanism and process for amending such laws must be clarified. Related laws, such as any tax concessions provided to induce investment in tobacco production, may also need to be considered. Case studies based on real-life country examples that help anticipate particular types of legal challenges to tobacco taxes can be found in chapter 4 of the WHO Technical manual on tobacco tax policy and administration.²²

There are limits on the extent to which it is possible to generalize about the legal issues associated with tobacco tax in different jurisdictions, but successful legal challenges to well-designed tobacco taxes are not common. Nonetheless, it is also possible to anticipate particular types of legal challenges to tobacco taxes from the experience of states implementing tobacco taxes, as it is common for the tobacco industry to claim that tobacco control measures are or will be unlawful.

It is important to understand a government's obligations under international law which are potentially applicable to tobacco taxes. Obligations under international trade agreements (WTO, multilateral, regional and bilateral agreements) include placing limits on tariffs (customs duties), a prohibition on discriminatory taxes, and there may be requirements (particularly in regional trade agreements or customs unions to which the state is a party) for notification of regulations and/ or taxes, or harmonized rates, such as maximum or minimum rates. International investment agreements, whether standalone or in investment chapters of free trade agreements, generally also include obligations on protection of foreign investments. However, trade and investment agreements generally include exceptions allowing governments to regulate to protect public health and to exercise taxation powers.

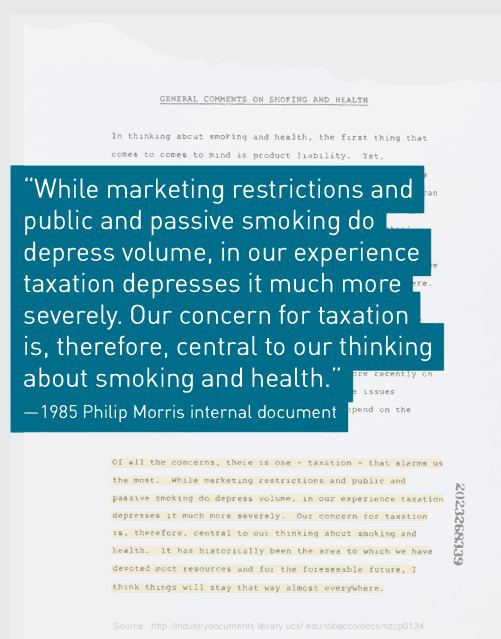
Tobacco taxes are supported by international law. The WHO Framework Convention on Tobacco Control (WHO FCTC) creates binding legal obligations on governments of States that are party to (e.g. have signed and ratified) the Convention, to implement measures required by the Convention.³ Currently, there are 182 Parties to the FCTC covering over 90% of the world's population.^{3,7} Article 6 of the FCTC requires States party to the WHO FCTC to implement price and tax measures to reduce the demand for tobacco, stating: *"...[P]rice and tax measures are an effective and important means of reducing tobacco consumption... [Parties should adopt]...measures which may include:...tax policies and... price policies on tobacco products so as to contribute to the health objectives aimed at reducing tobacco consumption."*³ Although it is the most effective and cost effective intervention, tobacco taxes are the least adopted of the measures recommended in the FCTC.⁷ Data from 2022 suggest that only 41 countries covering 12% of the world's population adopted the recommended total tobacco tax rates of 75% retail price or more.⁷ As legal frameworks for levying taxes generally exist, this suggests that there is substantial scope for the increased implementation or strengthening of taxes on tobacco products to meet health objectives, particularly in LMICs.

In part, the underuse of taxation as a measure to decrease tobacco consumption may be due to industry interference, for example through lobbying, spreading misinformation, the use of front groups to oppose tobacco control measures and actual or threatened litigation to deter governments from implementing tobacco control measures including tobacco taxes. Of all the MPOWER interventions, tobacco taxes have attracted particular industry attention because of their potential impact (Box 1). WHO FCTC Article 5.3 specifically recognizes that tobacco control policies can be undermined through the actions of the tobacco industry and those acting in their interests and requires that, *"in setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law."* anticipating and responding to industry opposition to tobacco taxes mounted by industry and other opponents, is discussed in further depth below.

Box 1. Tobacco taxes and industry concerns

Internal tobacco company documents reveal industry concerns about the impact of cigarette price increases on reductions in smoking, particularly among young people.

A 1985 Philip Morris internal document stated, *"Of all the concerns, there is one— taxation— that alarms us the most. While marketing restrictions and public and passive smoking do depress volume, in our experience taxation depresses it much more severely. Our concern for taxation is, therefore, central to our thinking about smoking and health. It has historically been the area to which we have devoted most resources and for the foreseeable future, I think things will stay that way almost everywhere."*



The economics behind this statement are as true today as they were in 1985.

Comprehensive approaches to reduce tobacco use will produce the greatest impact. Implementing a comprehensive framework of tobacco control measures to reduce demand for and/or supply of tobacco products will also strengthen the position of government in the event of legal challenge, as outcomes such as behavioural change or reduction in tobacco sales or consumption are generally multifactorial. A comprehensive tobacco control program includes measures required or recommended under the WHO FCTC and the associated Guidelines for the implementation of specific Articles of the WHO FCTC, such as the regulation of tobacco products through mandated testing of products, setting age limits for purchase, enforcing tobacco advertising bans, enforcing promotion and sponsorship bans, and regulating product packaging and labelling.⁷ WHO FCTC obligations are summarised by the MPOWER measures:⁴ (M) monitoring tobacco use and prevention policies; (P) protecting people from tobacco smoke (smoke-free laws); (O) offering help to quit tobacco use (cessation services); (W) warning about the dangers of tobacco (including graphic pack warnings and plain packaging); (E) enforcing bans on tobacco advertising, promotion and sponsorship; and (R) raising taxes on tobacco products. Article 5.2(a) of the WHO FCTC obliges Parties to establish a governance framework, or leverage an existing one, that can coordinate tobacco control interventions, such as tobacco taxation, while facilitating action across sectors.³

4.4. Policy objectives and framing the tax

A clear set of objectives will help structure the subsequent technical aspects of tobacco tax policy including tax design, implementation, monitoring and evaluation. Establishing policy objectives may also help garner political support across sectors as well as fortify against industry opposition in the implementation process. Forming policy objectives is best achieved through engaging in structured conversations with a broad range of stakeholders with a public interest (i.e. excluding the tobacco industry and those acting in its interests, as required under WHO FCTC Article 5.3) to understand and render explicit their goals, and to build a shared vision of how to bring about change in areas of clear consensus. This also may help bring about policy coherence across various government sectors whilst upholding the primary objective of public health. Specifically, a robust tobacco tax design will involve

cross-sectoral engagement of health, finance, agriculture, trade and commerce ministries or local equivalents, as well as the legislative and executive branches of government. A coherent tobacco tax policy that has buy-in from an early stage will increase the likelihood of implementing the tax.

Clear regulatory objectives that are linked to evidence supporting tobacco tax as an effective and cost effective measure in response to a legitimate public health issue, and to fulfilling state obligations under the WHO FCTC, will also strengthen the government position against potential legal challenges.

As a health tax, the primary objective of tobacco excise taxes should be improving population health. However, revenue generation and other social goals are legitimate outcomes of effective tax policy and should be considered when framing the policy. In particular, the contribution of health taxes to domestic resource mobilization to further national health and social objectives is a compelling outcome that can attract cross-ministerial support.

Tobacco taxes can generate substantial revenues and result in cost-savings through reduced health care costs and avoided economic productivity losses (Box 2). Tobacco taxes also lead to cost savings by reducing consumption-related deaths and disabilities and their associated healthcare costs.

In Latin America, for example, while tax revenues were estimated to cover 36% of health expenditures attributable to smoking, a 50% increase in cigarette price was projected to:

- Avert over 300 000 deaths and 1 million disease events,
- Add 9 million healthy life-years to the population, and
- Save over US\$ 26 billion in health-care costs over 10 years.

The total economic benefit to the region was estimated to be US\$ 43.7 billion.³⁶

The revenue generated from tobacco tax can be re-invested in health and social programmes, further strengthening the impact of this policy on health and social outcomes. Earmarking tobacco taxes for health initiatives can increase the political acceptability of the tax and will be discussed further below. Indeed, public support for raised tobacco taxes tends to be highest where the money is reinvested into tobacco control or health promotion more broadly.

Box 2.

Country evidence: revenue gains from tobacco excise taxes

Tobacco taxes increase government revenue, which can be reinvested in health and social initiatives. Evidence from a range of countries demonstrate the revenue-raising potential of tobacco excise taxes.

The Gambia

Prices of cigarettes in 2012 in The Gambia were among the lowest in the African region. The country went on to implement tobacco tax increases in the following years. As a result, compared with revenues in 2012, revenues generated in 2013 were twice as high in 2013 and three times as high in 2014.

China

In 2015, China increased its excise rate on the wholesale price of cigarettes from 5 to 11 per cent and included a specific rate of 0.1 yuan/pack. Consequently, cigarette sales dropped by 3.3 per cent after one year; and yet the tax delivered an additional 70 billion yuan (US\$ 11 billion) to the Chinese central government in one year.

Colombia

Colombia in 2016 increased the specific tax on cigarettes by 200 percent and established a 4-percentage point annual increase on top of inflation. Cigarette consumption decreased by 23% in 2017 relative to 2016, while tobacco tax revenues increased by 54%.

Source: 9, 52, 53, 72

5

Policy content

5.1. Evidence base

5.2. Tax design

5.3. Public financial management and
tax administration

5.4. Earmarking

Policy content

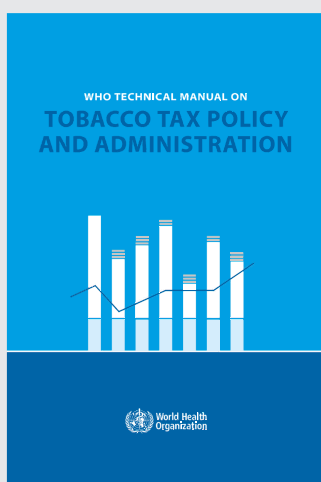
5.1. Evidence base

An evidence base to support tobacco tax policy may include epidemiological data to characterise the extent of the problem, economic studies modelling the impact of price and tax measures on policy objectives, best-practice policy examples, and political economy and industry analyses. If well described and identified early by policymakers, national evidence needs can be addressed by civil society and academia. Local evidence is preferable wherever possible, however evidence from other countries with due consideration to the applicability to the local context may be a next-best option when national evidence is unavailable. Where international evidence is utilised, its applicability to the national context must be carefully considered.

Of all the health taxes, tobacco taxes are supported by some of the most robust global evidence. Additional technical and guidance materials on tobacco taxes can be found through resources including but not limited to those listed in Box 3.

Box 3.

Some guidance materials useful for tobacco tax policy design and implementation



The extent and patterns of tobacco consumption:

- [WHO Global Report on Trends in Prevalence of Tobacco Use 2000-2025](#),
- [Sustainable Development Goal Indicator 3.a.1: Age-standardized prevalence of current tobacco use among persons aged 15 years and older](#)
- [Global Health Observatory data](#)

Detailed information on the state of tobacco prevention and control:

- [WHO report on the global tobacco epidemic 2021](#)
- [FCTC Global Progress Reports](#)
- [Global Health Observatory data](#)

The economics of tobacco prevention and control

- [NIH/WHO Monograph: The economics of tobacco and tobacco control](#)

Specific tax policy guidance:

- [WHO technical manual on tobacco tax policy and administration](#)
- [FCTC Guidelines for implementation of Article 6: Price and tax measures to reduce the demand for tobacco.](#)

The political economy of tobacco taxes:

- [Raising taxes on tobacco: what you need to know](#)
- [Earmarked tobacco taxes: lessons learnt from nine countries](#)
- [Tobacco Tax Reform at the Crossroads of Health and Development: A Multisectoral Perspective](#)

Existing policies

Tobacco excise taxes have been implemented in 169 countries.⁷

Tobacco taxes therefore benefit from a large body of national political experience across a range of settings. Some of the most important learning can be derived from studying the political processes of tobacco tax policy development, reform, or implementation across different national contexts.⁴¹ Box 4 summarises some insights from the political economy of tobacco tax policy reform in Colombia, Philippines and Mongolia. These will be expanded in more depth in 'Health Taxes: What Works?'.

Box 4.

National tobacco tax policy reform experiences

Colombia

In 2016, the government of Colombia achieved a substantial tobacco reform milestone by increasing the tax share to over 75% of retail price. Prior to this, it had the second-cheapest

cigarettes in the Western hemisphere. Evidence on the health rationale for implementing an increased tobacco tax had been accumulating for years, however it was a national budget deficit that crystalized political support for the reform: an increased tax rate would raise additional revenue and it was possible to position the tobacco tax as a policy solution to the budget problem. By coupling the idea of a tobacco tax with the problem of revenue shortfalls, the MoH, along with CSOs, PAHO, the World Bank and other stakeholders were able to open a window of opportunity around tobacco taxation.

Philippines

Although the Government of the Philippines had decades-long experience in excise tax reforms, the repeated failure of initial 'sin tax' reform efforts around the turn of the millennium highlights the political challenges, and, in particular, the role of industry opposition. Prior to 2012, cigarette prices in the Philippines were among the lowest in the world, and taxes were not adjusted for inflation, costing the Government billions of Philippine pesos for the excise tax base eroded over time. Analysis of tobacco industry documents revealed that this situation was largely due to tobacco companies interfering with tobacco tax policy making. Despite strong opposition, the successful passage of the Sin Tax Law of 2012 was fortified by a clear political agenda articulated by the incumbent government and a broad coalition of supporters, backed by the Executive branch. This policy process emphasized health objectives, as high rates of tobacco associated illness and mortality were a political concern at the time. Proponents also proposed allocating a portion of incremental revenues to encourage tobacco farmers to shift to other crops and other projects to mitigate opposition.

Mongolia

In Mongolia, tobacco excise taxes were increased gradually through amendments to the Law on Excise Tax in 1995, 1997, 1999, 2000, 2001 and 2004. In 2012, cigarette excise taxes were increased from US\$ 0.12 to US\$ 0.48 per pack on domestically produced cigarettes and from US\$ 0.24 to US\$ 0.48 on imported cigarettes. This indicates two positives in the policy change (1) a large tax increase and (2) a simplification of tax structure by moving from two tiers to a uniform rate. This was in response to a range of political and economic factors, and the positioning of tobacco taxes as a national development issue rather than simply as a health issue. In particular, Mongolia's debt restructuring agreement with the International Monetary Fund presented an opportunity for a multilateral agency to place tobacco (and alcohol) taxes on the agenda as a conditionality.

Source: 34, 55-59

5.2. Tax design

The technical content of tobacco tax policy should expressly mention the tax type (e.g. excise), the tax structure (e.g. uniform vs tiered), the tax base (e.g. what is being taxed, and where in the value chain) and the tax rate. The technical aspects of tobacco tax policy and administration have been outlined in depth in the WHO technical manual on tobacco tax policy and administration;²² this should be referenced by national policymakers where possible. The key technical aspects of tobacco tax policy content are summarised below.

5.2.1. Tax type and structure

Taxes relevant to tobacco include excise taxes applied to tobacco products, value-added taxes (VAT) on consumer goods applied proportionally to the consumer price, import duties on goods imported into a country to be consumed in that country, and other taxes such as environmental taxes. Although a range of approaches exist, it has been well-established that tobacco products should be subject to excise taxation. Excise taxes are recommended as they increase the price of certain products in a targeted manner by raising the cost of the products relative to other goods.^{22,30} This reduces the affordability of tobacco products and subsequently reduces consumption.

Tobacco excise taxes can be specific, ad valorem, or mixed.⁶⁰ Specific excise tobacco taxes are levied on the quantity of the product (for example, on cigarette sticks, on packs, or on the weight of tobacco).²² Ad valorem tobacco taxes are levied as a percentage of the value of the product at a point in the production chain (either on the producer price, the cost, insurance and freight value or the retail price). Mixed approaches combine specific and ad valorem taxes. Excise taxes can be applied at a uniform or a differential (tiered) rate.²²

Uniform specific excise taxes or mixed systems that rely more on specific excises are considered best practice. Uniform specific systems are the easiest and least costly to administer and can bring about the best health and fiscal outcomes if structured and administered effectively.²² The use of specific excise taxes also reduces price gaps between premium and lower-priced alternatives, which limits opportunities for users to switch to less-expensive brands in response to tax increases. Ad valorem taxes and/or tiered tax structures are more difficult to implement and administer and can undermine the health and revenue impacts of tobacco excise taxes. Ad valorem approaches may provide more opportunity for tax avoidance (for example, price shifting),

incentivise manufacturers to sell lower priced brands, and make government tax revenues more dependent on industry pricing strategies, which increases the uncertainty of the tobacco tax revenue stream.²² Tiered systems, while being more difficult to administer, also provide more opportunities for tax avoidance. The distribution of differential tax rates by tiers may encourage substitution to cheaper brands.

Regardless of the excise type, all tobacco products should be taxed equally to reduce incentives for substitution.²⁴ Globally, more countries are adopting specific excise taxes or mixed excise systems that rely more on specific excise taxes.²⁴

5.2.2. Tax base

It is important to clearly define the tax base at the outset. The tax base for tobacco excise taxes depends on the tax type and structure as well as the type of tobacco product. Specific excise taxes on products such as cigarettes, cigars and bidis are normally levied on the number of sticks but may be applied by weight; for other tobacco products such as smokeless tobacco or rolling tobacco, specific excises are generally levied on the weight of tobacco.²² If countries have ad valorem excise taxes, levying the excise tax on the retail price of cigarettes tends to lead to higher prices than levying the tax on CIF (the price of a good delivered at the frontier of the importing country before the payment of import duties or other taxes) or producer prices.²² CIF and producer prices are difficult for government authorities to ascertain and are prone to undervaluation. Among countries that apply an ad valorem or mixed excise tax on cigarettes, imposing a minimum specific excise tax helps ensure a 'floor' price and tends to lead to higher consumer prices.²²

5.2.3. Effective tax rate

The effective tax rate is a key determinant of both the revenue and health impact of tobacco excise taxes. Best practices for tobacco taxation include the adoption of a relatively simple excise tax system (uniform specific excise tax with rate adjustments for inflation and income growth) that applies in an equivalent manner to all tobacco products and which is high enough so that total taxes represent at least 75% of the final consumer price.^{7,22} Taxes should also be increased on a regular basis to follow inflation and income growth (i.e., to ensure that tobacco prices increase above real income changes, so that affordability is reduced).²⁴

5.3. Public financial management and tax administration

According to guidelines for the implementation of Article 6 of the WHO FCTC, tobacco taxes “...should be structured to minimize the costs of compliance and administration, while ensuring that the desired level of tax revenue is raised and health objectives are achieved.”⁶¹

Tobacco tax administration helps maximise the health and revenue benefits of tobacco taxes. Effective tax administration depends on the technical capacity of tax and revenue authorities, particularly to monitor tax compliance. A competent authority is the term used to describe the agency or department legally assigned to complete tax administration activities, and usually refers to a tax administration, revenue authority, customs department, or ministry of finance.^{22,24} The shared characteristics of good tobacco tax administration are summarised in the Technical Manual on Tobacco Tax Policy and Administration and outlined in Action for Health Taxes: From Policy Development to Implementation. These include clearly defined institutional arrangements and jurisdictions, effective coordination at the national, cross-border, regional and international levels, regular assessment of performance and accountability of competent authorities, ensuring tax compliance across the product cycle, and ensuring effective control and enforcement.

The tobacco tax compliance cycle was introduced in Action for Health Taxes: From Policy Development to Implementation and outlined in the WHO Technical Manual on Tobacco Tax Policy and Administration. This is a useful schematic to understand the key points at which tax compliance can be enforced, through registration and licensing, during licensed activities, through tax declaration, using audit and control measures, at payment and collection of tax, and at the point of tax refund.

A number of innovations have helped enhance tobacco tax enforcement. A strong example is the use of fiscal markings (for example, tax stamps) to monitor and control production, import and export of tobacco products, and increase tax compliance.^{7,22} Tax stamps and other fiscal markings such as banderols and digital tax stamps are affixed to the tobacco product (most commonly, on a box of cigarettes) and enables monitoring of whether taxes on tobacco products were paid, as well as differentiation between genuine and illicit products.^{7,22} Fiscal marking technology has become more sophisticated over time and may now include digital markers as well as covert features that can be authenticated by specific users.^{7,22}

Tobacco tax administration and enforcement benefits from the guidance contained in the Protocol to Eliminate Illicit Trade in Tobacco Products.^{22,61,62} This is the first protocol to the WHO FCTC and constitutes an international treaty with the objective of eliminating illicit trade in tobacco products.⁶² The protocol establishes the obligations of the Parties to adopt and implement effective measures to control or regulate the supply chain of goods, take measures to increase the effectiveness of their competent authorities and services, obtain technical assistance and financial support, and to cooperate with each other and relevant regional and international intergovernmental organizations.⁶²

5.3.1. Earmarking

Earmarking tobacco taxes for social and health spending may increase public support as long as policymakers follow through on spending commitments, and there are approaches to foster strong public and political support through broad stakeholder engagement. Framing tobacco taxation as contributing to other priorities, such as reducing the impact of tuberculosis, supporting economic growth or investing in early childhood education, can further bolster political and social acceptance. The Philippines Sin Tax Law of 2012 earmarked 15% of incremental revenue collected from tobacco excise taxes to support alternative livelihoods for tobacco farmers and workers in tobacco growing provinces.⁶³ In Jamaica, 20% of the revenues from the Special Consumption Tax on cigarettes is directed to the National Health Fund.⁶⁴

Earmarking is not without its challenges and policymakers should consider options around revenue earmarking for tobacco tax revenue. The benefits and challenges are outlined further in Action for Health Taxes: From Policy Development to Implementation.

5.4. Monitoring and evaluation

Monitoring and evaluation (M&E) of health tax policy is needed to ensure that tobacco taxation continues to achieve its objectives. A monitoring and evaluation strategy should ideally be developed during the design stage of the tax policy. There is robust and undisputed evidence on the mechanisms through which tobacco taxes impact health. This should serve as a guide for an M&E framework. Effective tobacco taxes should translate to higher real consumer prices, making tobacco products less affordable, which should lower overall consumption and prevalence of tobacco use.²⁴ This in turn reduces mortality and morbidity and protects young people from initiating tobacco consumption.^{15,18,27} Making the mechanisms of impact explicit and gathering evidence across this framework will assist national policymakers and advocates to understand if and how tobacco tax reform is effective.

At a minimum, a Health Tax Scorecard approach outlined in Action for Health Taxes: From Policy Development to Implementation suggests gathering information on four key components of tax policy: price level, change in affordability over time, total and excise tax share in the retail price and tobacco tax structure. Economic factors relating to the affordability of tobacco products (a key target of tobacco excise taxes) include price elasticity of demand, the ratio of excise tax to retail prices, changes in inflation and household income levels. The WHO Report of the Global Tobacco Epidemic classifies taxes that account for at least a 75% share of the retail price of tobacco products as the highest level of achievement.⁷

Adjustment of tax policy may be necessary in response to information gathered during M&E to ensure that tobacco taxation continues to achieve its objectives. In Bangladesh, for example, while the price of tobacco products increased between 2009 and 2015, rapid economic growth more than offset these increases, keeping the tobacco products highly affordable.⁶⁶ Tying tobacco tax rates to nominal wages, as Australia has done, or other broad measures of income, can help maintain tax revenues in real terms and prevent tobacco products from becoming more affordable over time (with the latter strategy especially useful in countries where good data on wage levels is lacking).²²

6

Political advocacy

6.1. Stakeholder management

6.2. Managing industry opposition

Political advocacy

Tobacco taxes are as much a political undertaking as they are a technical one. As with all health taxes, the successful implementation of tobacco taxes requires active management of the political environment. This section looks at the role of political advocacy for strengthening tobacco tax implementation, through stakeholder management, cross-sectoral advocacy, and managing industry opposition.

6.1. Stakeholder management

Broad-based support from a wide range of stakeholders, including civil society and the broader public, facilitates the successful implementation of tobacco taxes. Different countries have taken different approaches to garnering the political and social support necessary to achieve tobacco tax reforms. For example, in Colombia, when the health arguments for tobacco taxation were coupled with the problem of revenue shortfalls, the MoH, along with CSOs, PAHO, the World Bank and other stakeholders were able to open a window of opportunity to advance the tobacco tax agenda. While in the Philippines tobacco tax reform was framed as a health issue, this agenda achieved wider support as a result of high-level political backing.⁹ Additionally, a portion of incremental revenues were earmarked for economic development projects in tobacco growing provinces that would be impacted by tobacco taxes (largely to encourage tobacco farmers to shift to other crops) in order to mitigate social opposition.⁹ These examples were outlined in Box 2 above and more fully elaborated in *Health Taxes: What Works?*.

Despite a range of national approaches, a few key lessons for stakeholder management for tobacco taxes have emerged. Firstly, when tobacco taxes are only framed as a health issue, efforts to garner a whole of government response may fail.³⁹ This means that tobacco tax advocates must speak to the health, revenue, and development impacts of health taxes, alongside other considerations such as equity that may be of concern to policy actors and other stakeholders. Secondly, as underscored by Article 5.3 the FCTC, the tobacco industry should have no role in policymaking related to tobacco control. However, some ministries may feel obliged to have an audience with industry representatives or perceive the FCTC as simply a health treaty. The fact is that, as Parties to the convention, it is legally incumbent upon

all national government sectors to implement the provisions of the FCTC and reconcile any contradictions between ministerial mandates and the treaty.³⁹ Thirdly, in order to take action, other policy actors and stakeholders must feel a sense of shared ownership of the problem. This can be achieved through involving policy actors and stakeholders early in the policy design process as well as through developing clear sector- and audience-specific arguments.

Key arguments for tobacco taxes can be thought of as either emphasising a unified, whole-of-government approach, or as audience-specific messaging emphasising particular benefits relative to others. Unifying arguments may focus on the legally binding nature of the WHO FCTC and the responsibility of all government sectors to uphold its provisions, the role of tobacco prevention and strengthened FCTC implementation through Agenda 2030, the central role of tobacco taxation in the Addis Ababa Action Agenda on Financing for Development, national commitments to whole-of-government national NCD responses, and ultimately the achievement of the SDGs. Audience-specific messaging may be targeted to specific stakeholders. Audience specific arguments for cross-sectoral advocacy are summarised in more detail in Table 3 below. In reality, any and all of these strategies can be employed either simultaneously or in a targeted way when required to persuade particular policy actors.

Table 3. Cross sectoral advocacy strategies and messaging

Stakeholder	Key messages
Agriculture	Tobacco farming is resource-intensive, damaging to land, water and air. It is low profit and impacts the health of farmers. Shifting to alternatives can improve farmers' health and incomes, and open opportunities for sustaining population nutrition and the economy.
Education, sports and youth affairs	Tobacco use impairs learning and education, and channels family income away from education. Education is a strategy to protect children and families from the harms of tobacco and from predatory industry marketing strategies such as sporting sponsorship.
Employment	Tobacco use causes substantial impacts on employment productivity due to increased sick leave, under-performance from illness or smoke-breaks, and premature death. This leads to immense losses to employers and national economies. On the flipside, smoke-free workplaces can boost health and increase productivity.
Environment	Tobacco causes substantial harms across its production and consumption cycle (from farming and manufacturing to consumption and waste. Tobacco control helps protect the environment for example by reducing harmful land use and chemical waste.
Executive and legislative branches	Tobacco use drains the national budget. It does this through high health care costs and lost productivity associated with its use. As a Party to the treaty, the government is legally obliged to implement FCTC provisions and coordinate across sectors to do so.

Stakeholder	Key messages
Gender and family welfare	The tobacco industry targets women and girls (also youth and LGBT) through advertisements, implying that smoking is associated with gender empowerment. Women and girls face additional risks including exposure to secondhand smoke and caregiving burdens for someone who becomes sick from tobacco use.
Investment, trade and industry	The tobacco epidemic is helped to spread by trade liberalization policies alongside a powerful transnational tobacco industry. Whilst profits are siphoned abroad by multi-nationals, countries pay the price for the ill health associated with tobacco, with losses in GDP through lost productivity, healthcare costs and strained welfare systems. Tobacco taxes won't harm the economy and may shift spending to more productive sectors of the economy.
Local governments	Tobacco pollutes air and water, and threatens workplace safety, public spaces and transportation. Local governments can benefit from tobacco tax revenues.
Social and economic development	National economies are drained through the costs of tobacco-associated healthcare and lost productivity. Tobacco is a poverty trap: catastrophic out-of-pocket expenditures for tobacco-related illness, a loss of the primary breadwinner's income, and children dropping out of school to care for a sick relative trap families in a cycle of poverty. Tobacco tax revenues are an important source of domestic resource mobilization for development. Revenue can be allocated to support important social and economic development programmes and advance the sustainable development goals.
Tax and revenue	Raising taxes on tobacco products increase tax revenue and reduce the economic burden of tobacco use. Tobacco excise taxes are the most effective and cost-effective measure for reducing tobacco use. Tobacco tax revenues are an important source of domestic resource mobilization for development.

Source: 39

6.2. Managing industry opposition

Most governments that have implemented or reformed tobacco taxes have encountered opposition from industry and anti-tax lobbyists and campaigners. The tobacco industry spans businesses and those with vested interests in the manufacturing, importation, and distribution of tobacco products for the purpose of profit.⁶⁷ Tobacco industry opposition is powerful, politically savvy, and persuasive. Opposition campaigns span a range of tactics and can be played out in the public domain and across policy-making arenas.⁶⁷ A few key things can help fortify tobacco taxes against industry opposition. Firstly, the support of a broad-based coalition of policy actors and other stakeholders, and seeking input from early in the policy cycle, will help maximise opportunities for successful policy implementation. Secondly, a strong technical and political evidence base can be used to shape clear messages and help defend such taxes against opposition. Thirdly, public campaigns and public awareness strategies may bolster public support and help shift mindsets and counteract any anti-tax campaigns.

Industry opposition and interference in tobacco taxes have been extensively documented. These tactics can be summarised by the acronym 'SCARE' (Smuggling and Illicit Trade, Court and Legal Challenges, Anti-poor and regressive, Revenues, and Employment). The SCARE tactics have been summarised in depth in the WHO technical manual on tobacco tax policy and administration. These are briefly outlined below.

Smuggling and illicit trade

Industry opponents promote the myth that raising tobacco taxes automatically results in rampant tax evasion, tax avoidance and illicit trade (including smuggling). This is often based on poorly conducted or biased research that has been refuted by independent research.⁷ Cross-country evidence reveals that tobacco tax increases consistently produced significant revenue gains and reduction in tobacco use, even in the presence of illicit trade.⁷ The WHO FCTC Protocol to Eliminate Illicit Trade in Tobacco Products presents measures to reduce and prevent illicit trade in tobacco products by means of supply chain control and with recommendations concerning offenses and enforcement, reporting, and international cooperation. The WHO Technical Manual on Tobacco Policy and Administration outlines administration and enforcement strategies in more depth.

Court and legal challenges

Tobacco taxes may be challenged in court; and the response to these challenges should be based on solid evidence. Public awareness needs to be sustained after implementation to ensure continued support for the tax. Legal challenges often fall under the following categories: the discriminatory nature of tobacco taxes, lack of mandate or jurisdiction, violation of constitutional rights, lack of clarity or enforceability, adverse impact on industry, and limiting government intervention in individual choice.

Anti-poor and regressive

The effects of tobacco taxes and the health costs saved are progressive. While opponents argue that tobacco taxes disproportionately harm the poor and are regressive, it is actually the health and financial consequences of consuming tobacco products that are most regressive and harmful to the poor. Strong evidence suggests that poorer households tend to face more hardship from the harmful effects of tobacco. In particular, NCDs associated with tobacco use impact lower-income populations disproportionately.²¹ Multiple studies also show

that the health benefits accrued over time from reduced consumption for poorer households often outweigh the tax costs as they are more responsive to health taxes than richer households, thus giving them a disproportionate share of the health benefits. Tobacco taxes become even more progressive when the additional revenues generated from raising these taxes are spent on interventions spent on reducing health inequalities, particularly on interventions to reduce smoking relapse among lower socioeconomic groups (including policies that prevent tobacco industry price-shifting and marketing of cheaper tobacco products), and improving population health and educational outcomes.^{9,22}

Revenues

Opponents of tobacco taxes claim that they will result in lower tax revenues by reducing consumption. However, tobacco is price inelastic, which means that in response to price increases, consumption decreases by less than the price increase. As a result, tax increases on tobacco products will raise tax revenue in the short-to-the-medium-term, at the minimum. For tobacco, an overwhelming body of evidence refutes the argument that an increase in the excise tax on tobacco will reduce excise tax revenue.⁶⁹ Although there are challenges such as substitution to cheaper, less taxed and illicit brands that may undermine revenue increases, revenues will increase nevertheless. A well-designed tax structure will mitigate these challenges.^{9,22,69}

Employment

Opponents of tobacco taxes argue that job losses will be high because of the reduced consumption of tobacco. These claims exaggerate the labour force in these industries, misrepresent the labour market's respond to changing demand patterns, and ignore how shifting demand will increase employment in other sectors. Consumers who reduce spending on taxed products will buy other goods and services, shifting jobs from one sector to another. Governments will also spend tax revenues on other activities, leading to additional job gains. Evidence also indicates that tobacco farming is often not profitable with the costs of cultivation outweighing revenue generated from it.^{70,71} Changing to other crops can allow farmers to reallocate resources to more productive economic opportunities. Insofar as there may be sectoral and distributional variations and adjustment costs, the appropriate policy response is not to oppose taxes, but to provide compensation or support for workers affected by shifting production. Policies that address potential distributional impact of the taxes on labour can help manage political opposition to health taxes.^{69,72,73}

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