



Tobacco Taxation in the ASEAN

Updates and Future Policy Considerations

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PRESENTATION OUTLINE



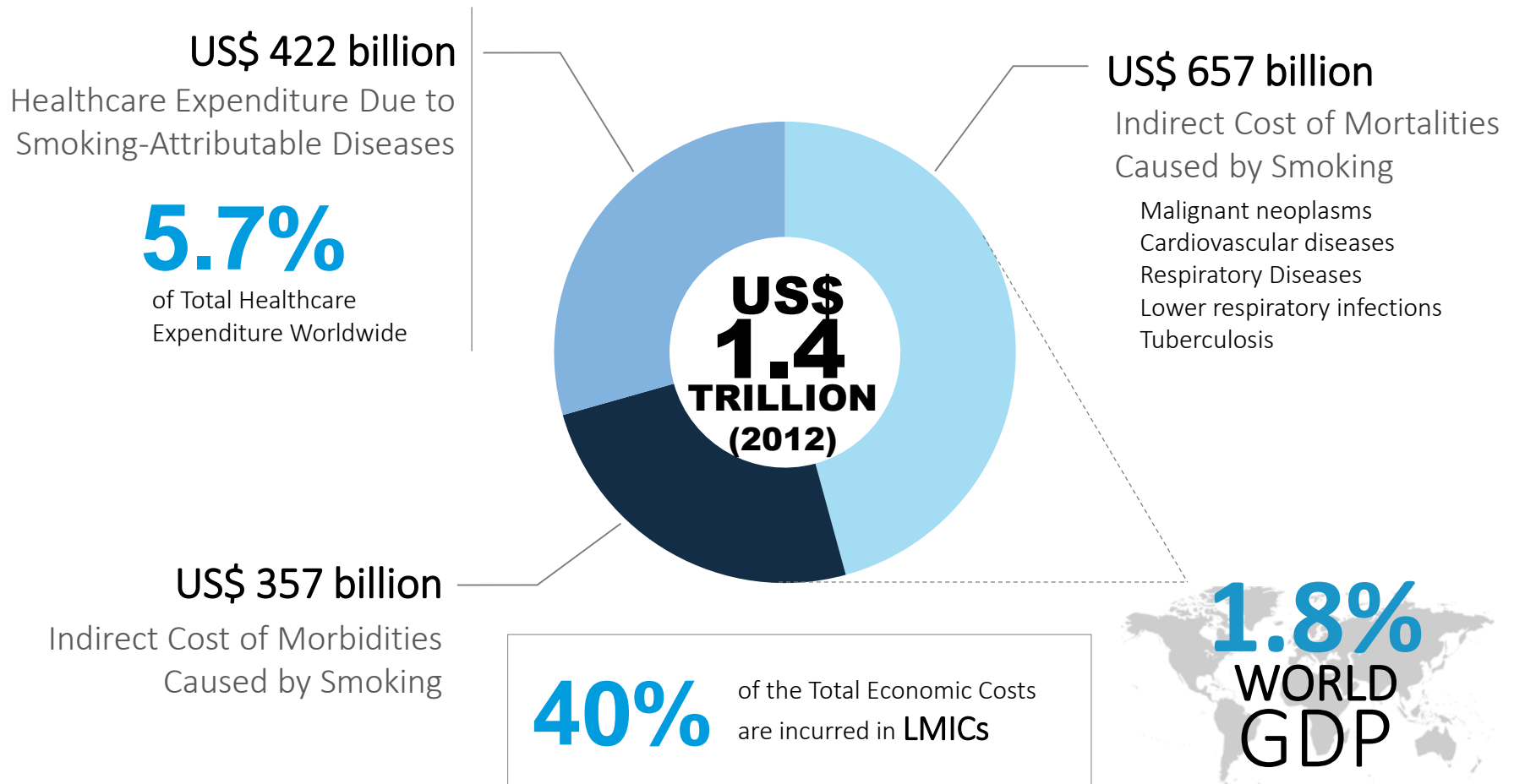
- I. Why is tobacco taxation important?
- II. What ASEAN needs to address?
- III. What can ASEAN Tax Forum do?
- IV. Concluding Remarks

Tobacco Use Is Not Only Deadly ..



- Smoking causes more than **7 million** deaths per year globally
- It is a **major risk factor** for the main non-communicable diseases (**NCDs**) which are: cancer, cardiovascular disease, diabetes, and chronic lung disease
- **NCDs** account for **70% of all deaths**, and this is likely to increase further
- Over three-quarters of NCD deaths occurred in LMICs, most of them prematurely (before the age of 70)
- Decreased tobacco consumption can significantly reduce premature mortality from NCDs

... It Also Comes with Enormous Economic Costs



Source: Goodchild M, Nargis N, Tursan d'Espaignet E. Global economic cost of smoking-attributable diseases. *Tobacco Control* Published Online First: 30 January 2017. doi: 10.1136/tobaccocontrol-2016-053305

Tobacco taxation is important in attaining the SDGs

Increasing tobacco taxes will help meet goals stated in the 2030 Agenda for Sustainable Development (SDGs)



SDG 3.4
By 2030, reduce by one-third premature mortality from non-communicable diseases

SDG 3.a
Strengthen the implementation of the WHO Framework Convention on Tobacco Control

Tobacco taxation is a key demand reduction measure in WHO FCTC



- The WHO Framework Convention on Tobacco Control (FCTC) is the first negotiated global public health treaty
- Entered into force in 25 February 2005, and currently has 181 Parties to the Convention
- Evidence-based global response to the tobacco epidemic, reaffirming the right of all people to the highest standard of health
- Objective: To protect present and future generations from the devastating health, social, environmental, and economic consequences of tobacco consumption and exposure to tobacco smoke



Tobacco Taxes are Crucial to Financing Development



Addis Ababa Action Agenda – Financing for Development



**FINANCING FOR
DEVELOPMENT**
13-16 JULY 2015 • ADDIS ABABA • ETHIOPIA
TIME FOR GLOBAL ACTION

*“price and tax measures on tobacco can be an effective and important means to reduce tobacco consumption and health care costs, and **represent a revenue stream for financing development in many countries**”*

Tobacco taxation is most cost-effective measure for NCD prevention and control



Best buys: Effective interventions with cost effectiveness analysis \leq I\$ 100 per DALY averted in LMICs

TOBACCO

1. Increase tobacco taxes and prices
2. Smoke-free policies
3. Graphic health warnings / plain packaging
4. Advertising, promotion & sponsorship bans
5. Mass media campaigns

ALCOHOL

6. Increase taxes
7. Restrictions on advertising
8. Regulations on availability and physical access

DIET & PHYSICAL INACTIVITY

9. Reduce salt content through reformulation of food products
10. Providing supportive environments
11. Behavioural change communication and mass media campaigns
12. Front-of-pack labelling
13. Awareness campaign for physical activity

CANCER / CVD / DIABETES

14. Drug therapy and counselling for high-risk persons
15. HPV vaccination for girls
16. Cervical cancer screening

Recommended Health Taxes (Taxing unhealthy products)

- Tobacco
- Alcohol
- Sugar-sweetened beverages (SSBs)



Good buys: Effective interventions with cost effectiveness analysis \geq I\$ 100 per DALY averted in LMICs

1. Reduce sugar consumption through effective taxation on sugar-sweetened beverages

The Global NCD Disease Burden



40 Million

Die each year from NCDs



80%

in
LMICs



15 Million

Premature Deaths between
the ages 30-70

Economic Burden of NCDs

- NCDs such as CVD, Cancer, Diabetes, Chronic Lung Disease and Mental Health will cause a cumulative loss of **US\$ 47 trillion** by 2030
- Middle-income countries are expected to assume an increasing share of the burden as their economies and populations grow
- **Huge cost of inaction:** we need to accelerate gains and **TAKE ACTION NOW**

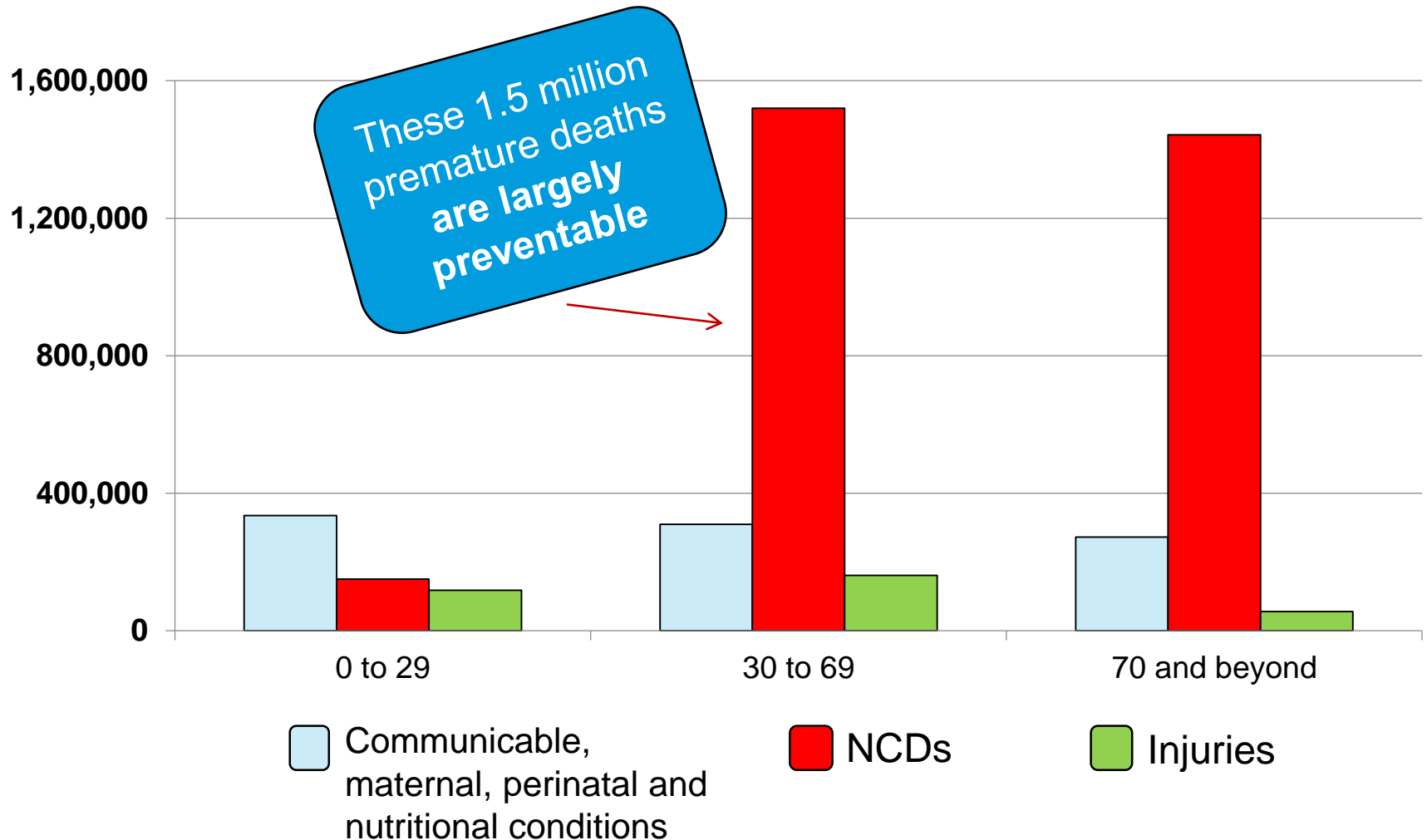


What ASEAN Needs to Address?



- High NCD burden – 71% of deaths in the ASEAN are now due to NCDs → projected to increase further
- Persistently high (and in some cases, increasing) smoking prevalence
- “Eroding” value of excise taxes due to high economic and income growth in the region
- Cigarettes and tobacco remain to be **very affordable** in almost all ASEAN countries
- Significant price differential of cigarettes across countries may provide incentives for illicit trade

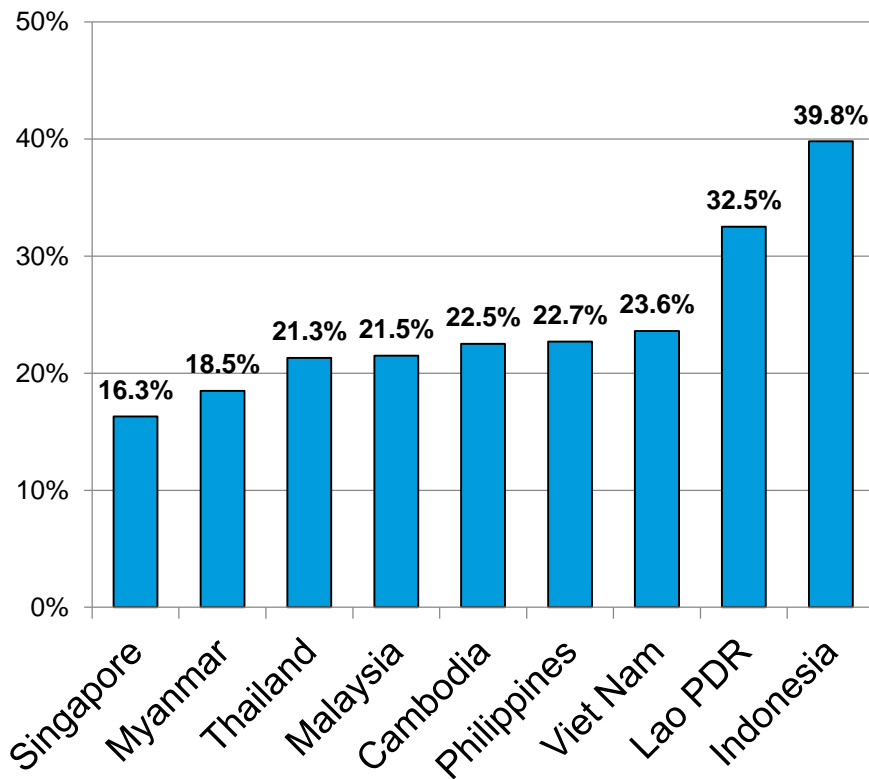
NCD Disease Burden in the ASEAN: 1.5 Million Premature Deaths



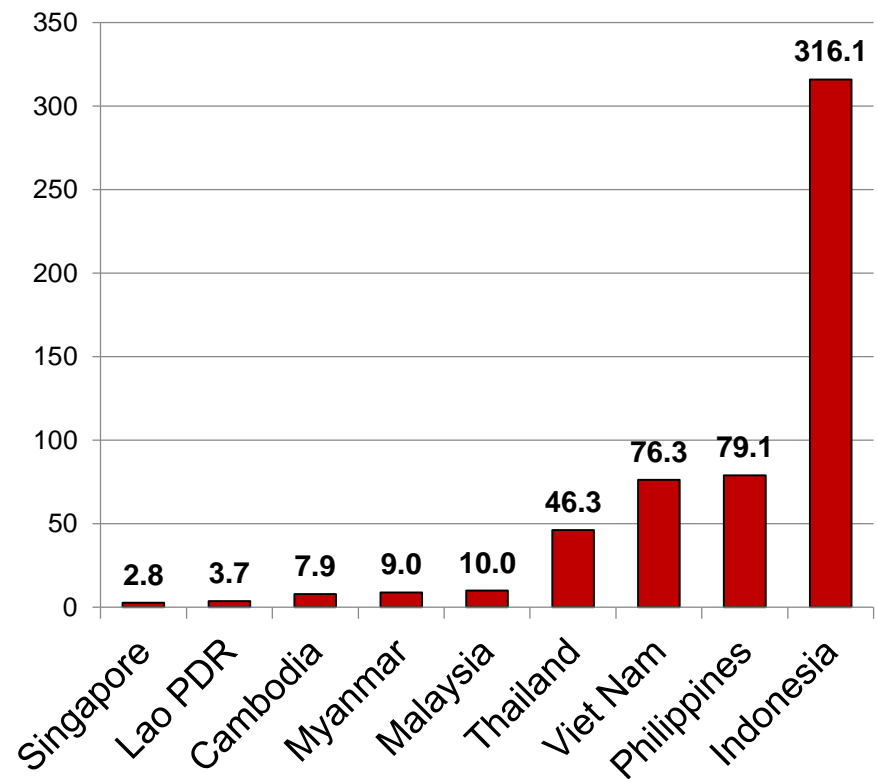
ASEAN: Need to Reduce Smoking Prevalence



Smoking Prevalence, 2015



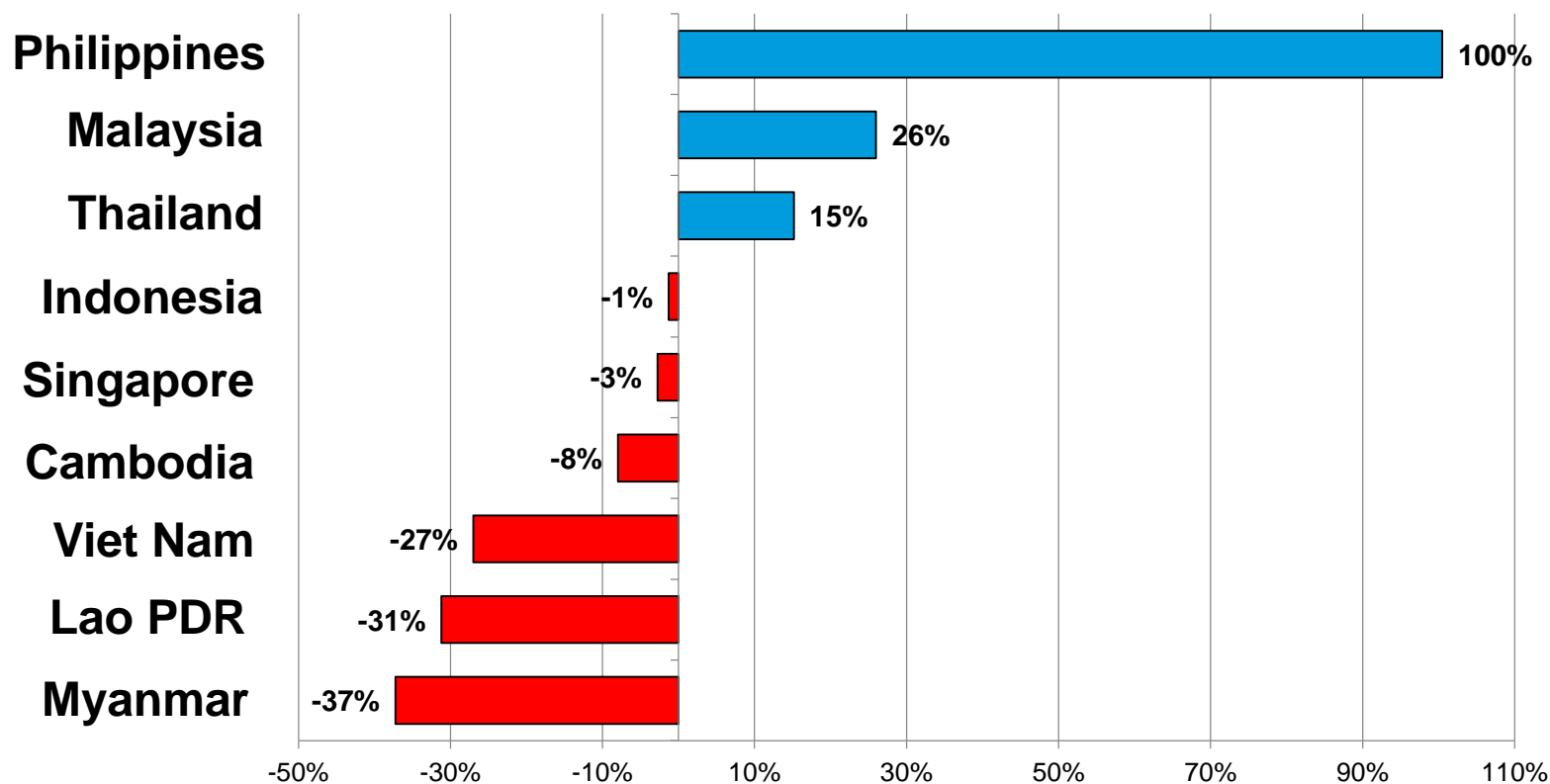
Market Size for Cigarettes: Retail Volume in Billions of Sticks, 2016



Address affordability as cigarettes have become more affordable in a number of ASEAN countries

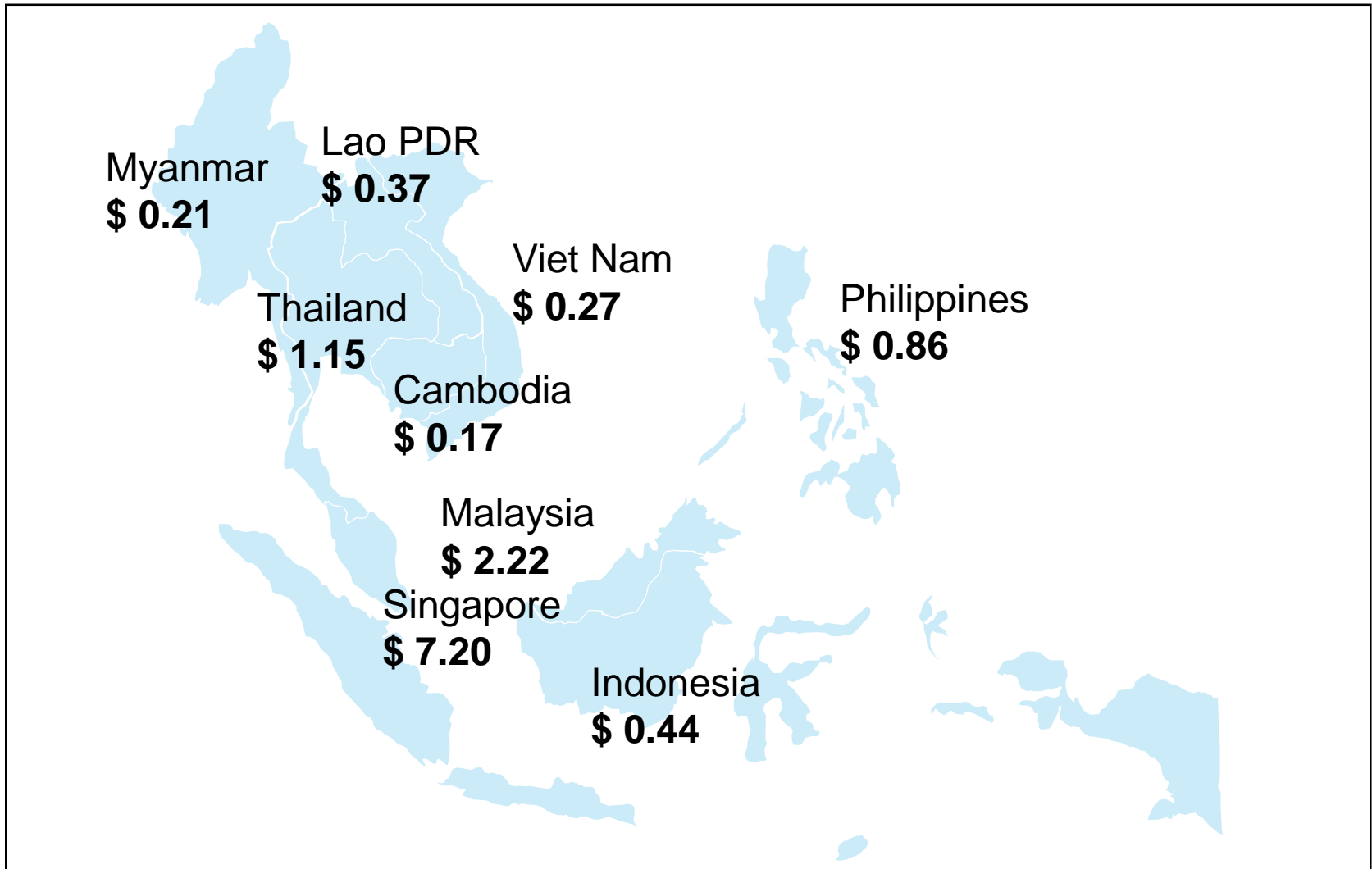


Percentage Change in the Share of GDP per capita needed to purchase 100 cigarette packs between 2010 and 2016 in the ASEAN

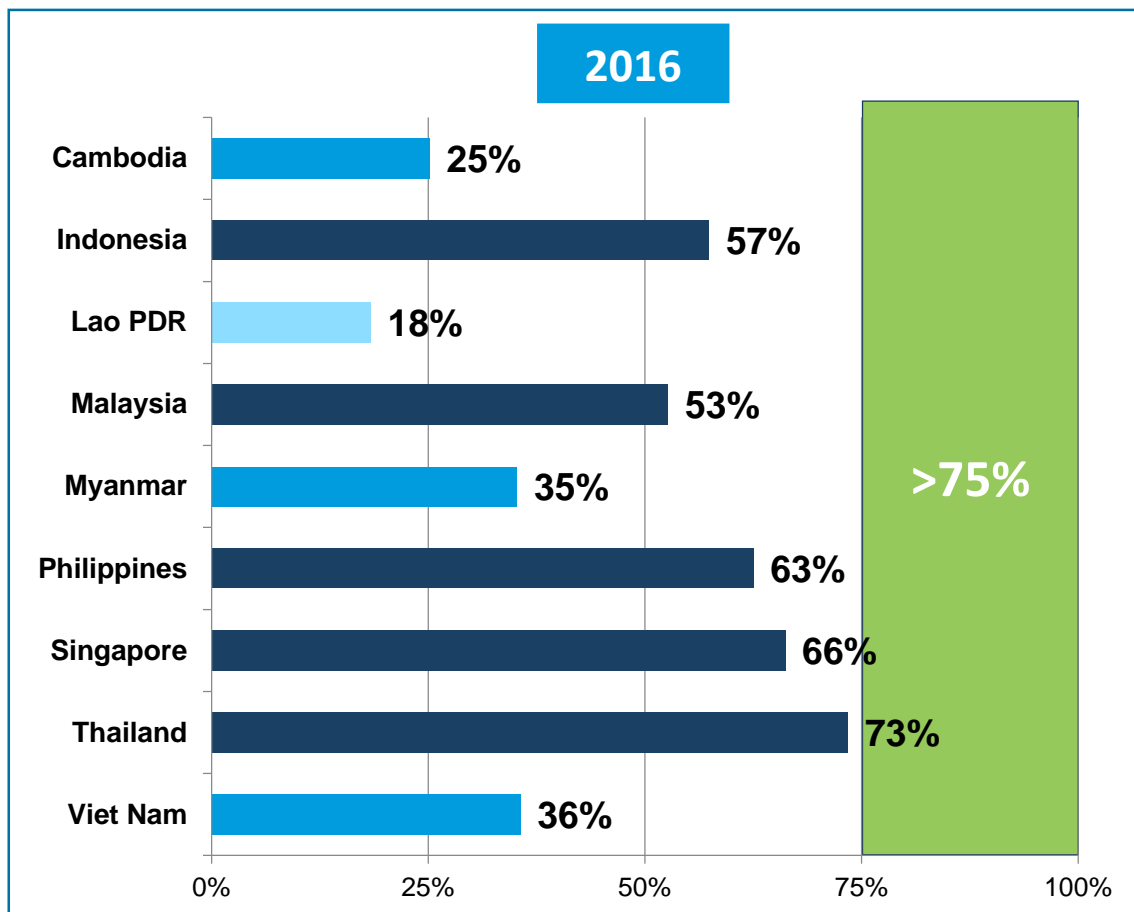


Reduce Price Differentials

Cheapest Reported Cigarette Prices in the ASEAN



Share of Total Taxes in the Retail Price of the Most Sold Brand of Cigarettes in the ASEAN



	2010	2012	2014
Cambodia	17%	17%	22%
Indonesia	54%	51%	53%
Lao PDR	14%	20%	17%
Malaysia	52%	57%	55%
Myanmar	25%	50%	50%
Philippines	28%	29%	74%
Singapore	67%	66%	66%
Thailand	69%	70%	73%
Viet Nam	32%	32%	32%

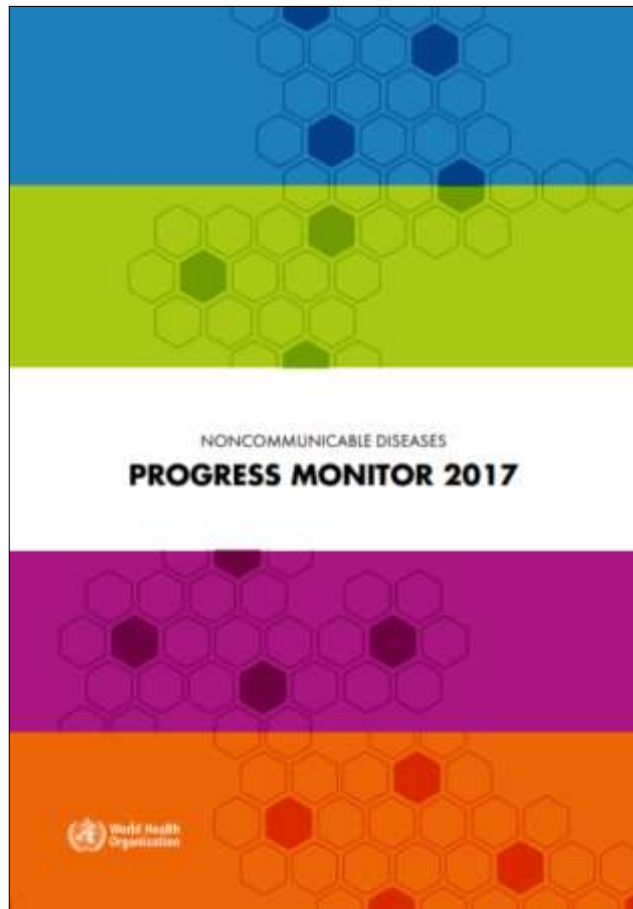
■ < 25% of retail price is tax
 ■ 25-50% of retail price is tax
 ■ 51-75% of retail price is tax

What Can ASEAN Tax Forum Do?



- Engage ASEAN Health Officials under a whole of ASEAN approach to address the looming fiscal burden of NCDs.
- Raise tobacco taxes and prices further to impact affordability.
 - Each country is responsible for doing its share in increasing tobacco taxes and prices within their jurisdiction
 - Explore having a minimum excise tax for tobacco products in the ASEAN
- Strengthen regional cooperation to address the risk of illicit trade on tobacco products or consider individual country action to join the Protocol to Eliminate the Illicit Trade in Tobacco Products.

The WHO NCD Progress Monitor



- Monitors the progress of each Member State on their efforts to implement **best-buys and other interventions**
- A total of **19 indicators** tackling surveillance, national strategy, demand-reduction measures, and management, of NCDs
- Updated every two years – recent update in 2017

ASEAN Progress On Selected Indicators



Tobacco demand-reduction measures

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Increased excise taxes and prices

Smoke-free policies

Large graphic health warnings / plain packaging

Bans on advertising, promotion, sponsorship

Mass media campaigns

	Not Achieved	Partially Achieved	Fully Achieved
Increased excise taxes and prices	4	5	0
Smoke-free policies	1	5	4
Large graphic health warnings / plain packaging	0	2	8
Bans on advertising, promotion, sponsorship	1	9	0
Mass media campaigns	2	0	7

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Harmful use of alcohol reduction measures

Restrictions on physical availability

Advertising bans or comprehensive restrictions

Increased excise taxes

Restrictions on physical availability	1	6	3
Advertising bans or comprehensive restrictions	4	2	4
Increased excise taxes	2	6	2

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Unhealthy diet reduction measures

Salt/sodium policies

Saturated fatty acids & trans-fats policies

Marketing to children restrictions

Marketing of breast-milk substitutes restrictions

Salt/sodium policies	6	0	3
Saturated fatty acids & trans-fats policies	8	0	2
Marketing to children restrictions	8	0	2
Marketing of breast-milk substitutes restrictions	4	4	2

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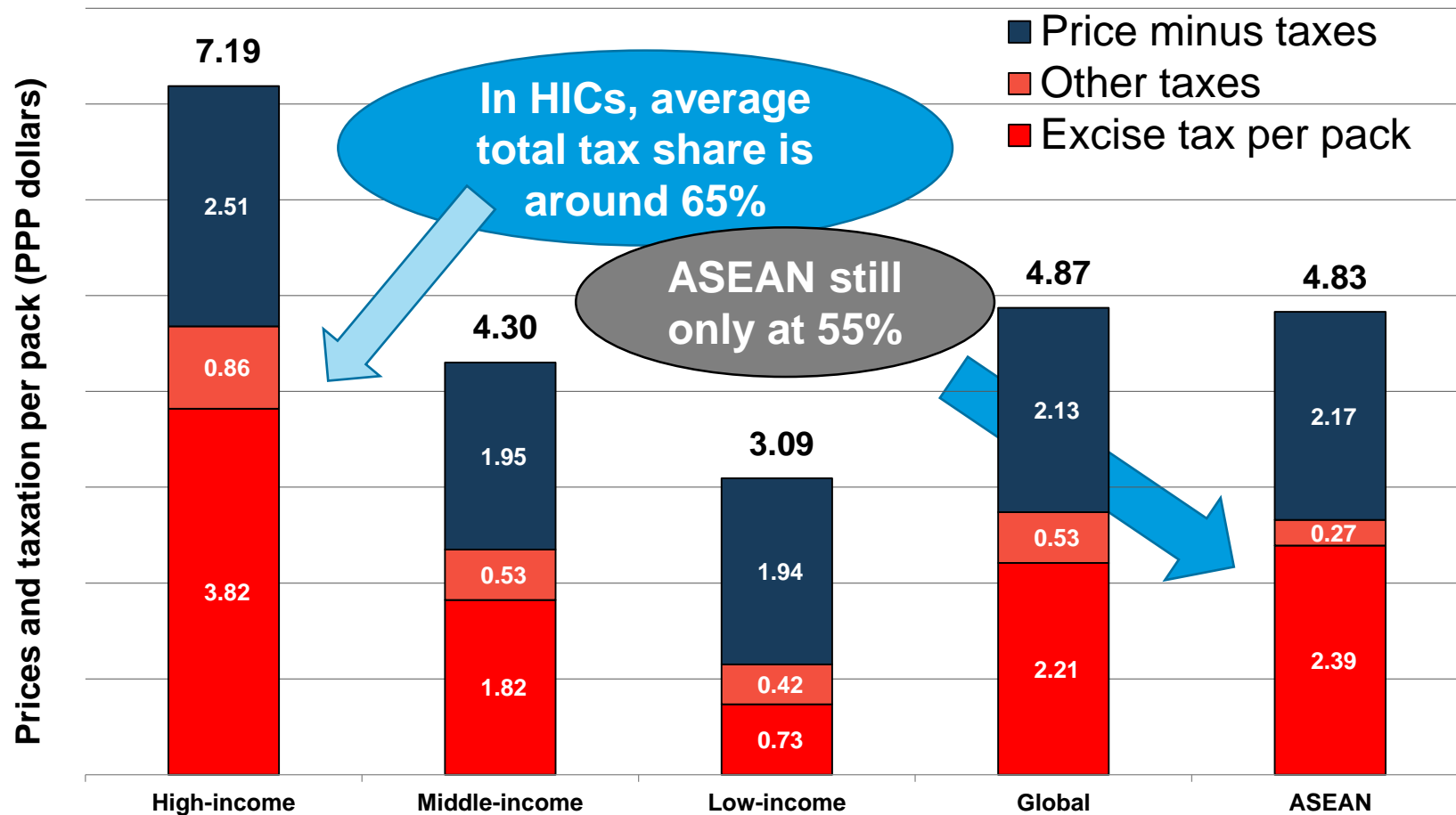
Public awareness on diet/physical activity

Public awareness on diet/physical activity	3	0	7
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Note: Figures represent the number of ASEAN countries that have either fully achieved, partially achieved, or not achieved the corresponding progress indicator to the level required.

Source: WHO NCD Progress Monitor 2017

Raise Tobacco Taxes and Prices: A Lot of Room to Increase Taxes



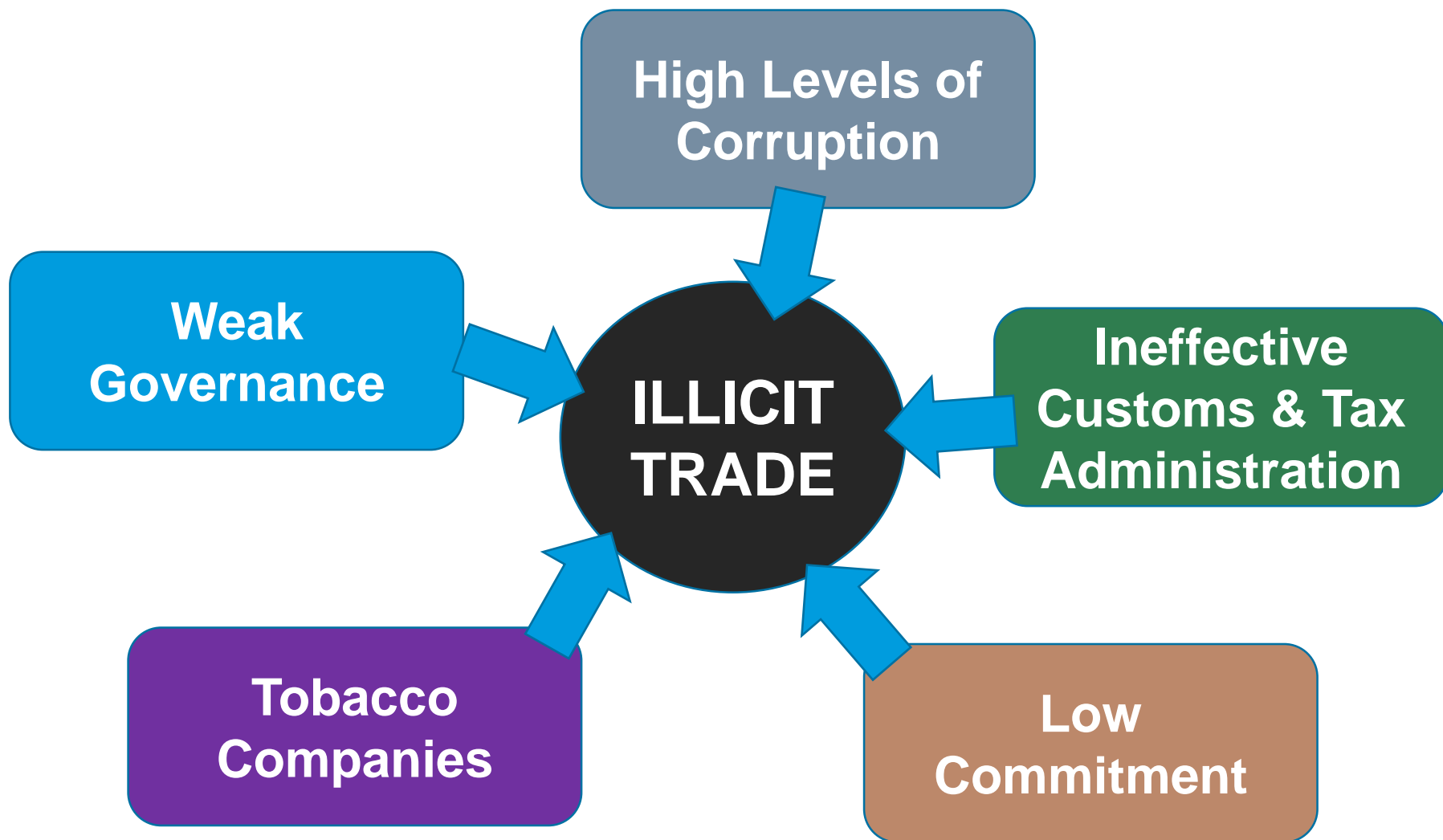
Note: Averages are weighted by WHO estimates of number of current cigarette smokers ages 15+ in each country in 2015. Prices are expressed in Purchasing Power Parity (PPP) adjusted dollars or international dollars to account for differences in the purchasing power across countries. Based on 53 high-income, 100 middle-income and 27 low-income countries with data on prices of most sold brand, excise and other taxes, and PPP conversion factors.

Some progress in ASEAN but more needs to be done ...

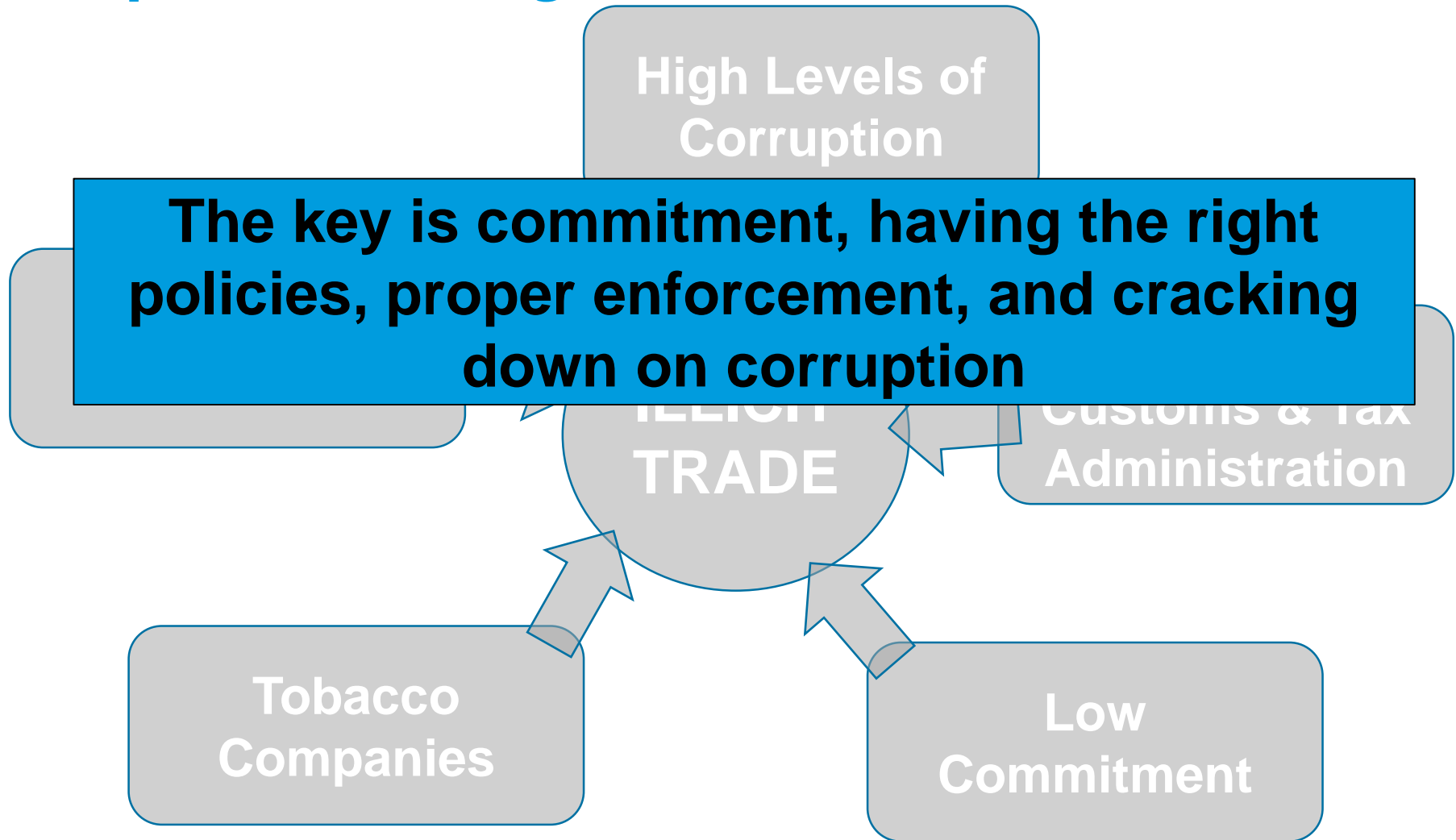


- **Singapore** – increased tobacco excise duty by 10%. Cigars, cheroots, and cigarillos that were previously taxed S\$388/kilo are now taxed at S\$427. Excise duties for cigarettes will now increase to almost 43 cents/gram of cigarettes.
- **Philippines** – increased tobacco taxes from Php 30.00 to Php 35.00 in 2018, with an increase of Php 2.50 every two years until 2022 when it is increased by 4% every year thereafter.
- **Indonesia** – adopted a roadmap to simplify tax structure by gradually reducing the number of tiers from 12 to 5 by 2021.
- **Laos, Myanmar, Cambodia, and Viet Nam** – currently exploring possible tobacco tax increases and/or changes to the tax structure in place

Reduce the risks of illicit trade through regional or global cooperation arrangements



Reduce the risks of illicit trade through regional or global cooperation arrangements



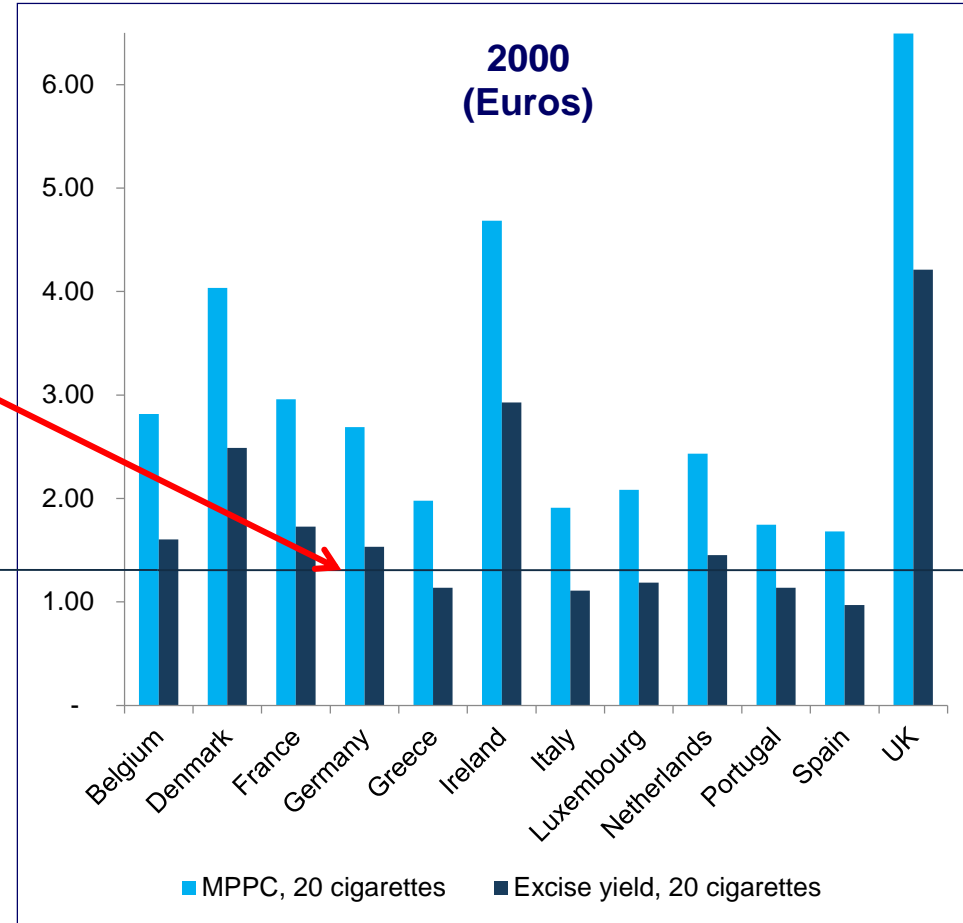
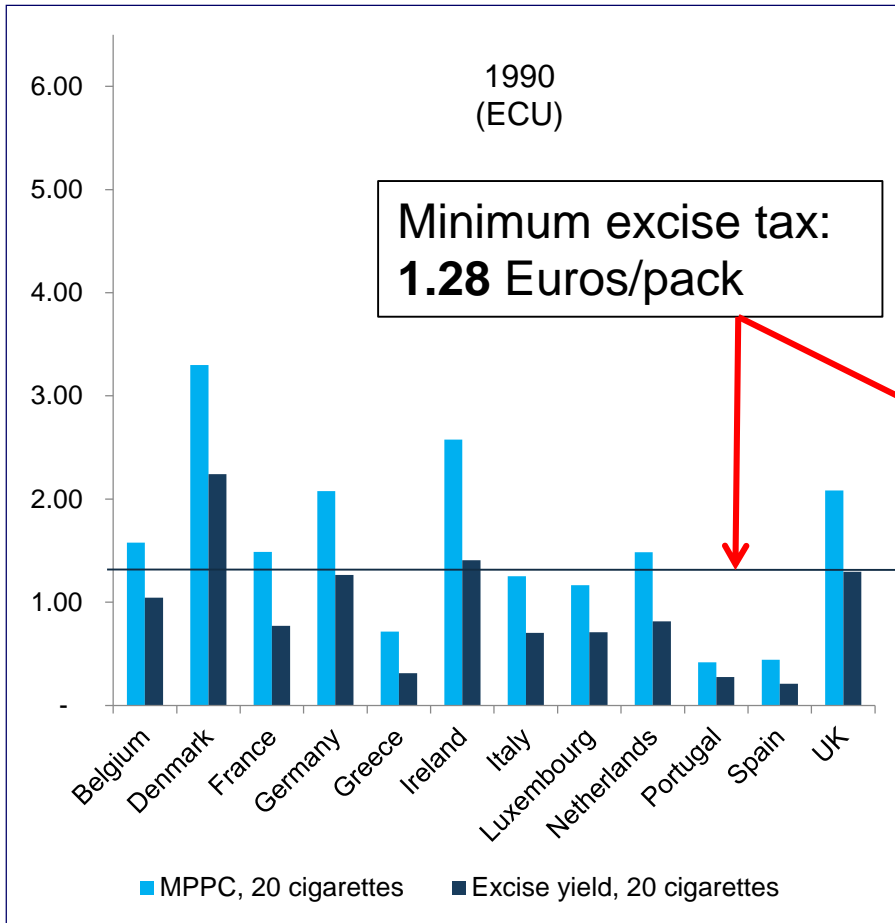
Accede to the WHO FCTC Protocol to Eliminate the Illicit Trade in Tobacco Products



- Aims to **eliminate all forms of illicit trade in tobacco products** by using a combination of national measures and international cooperation.
- 35 Parties (including EU) have ratified or acceded to the Protocol, with 6 more Parties needed for it to become international law

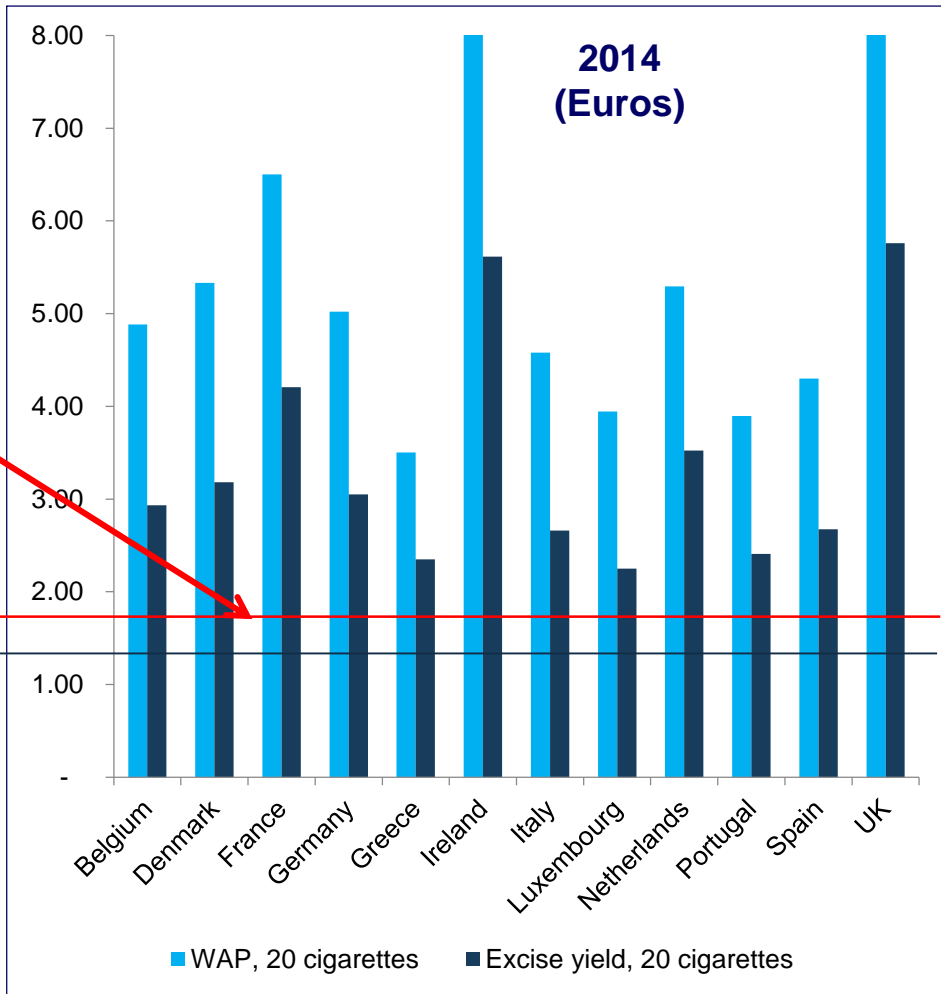
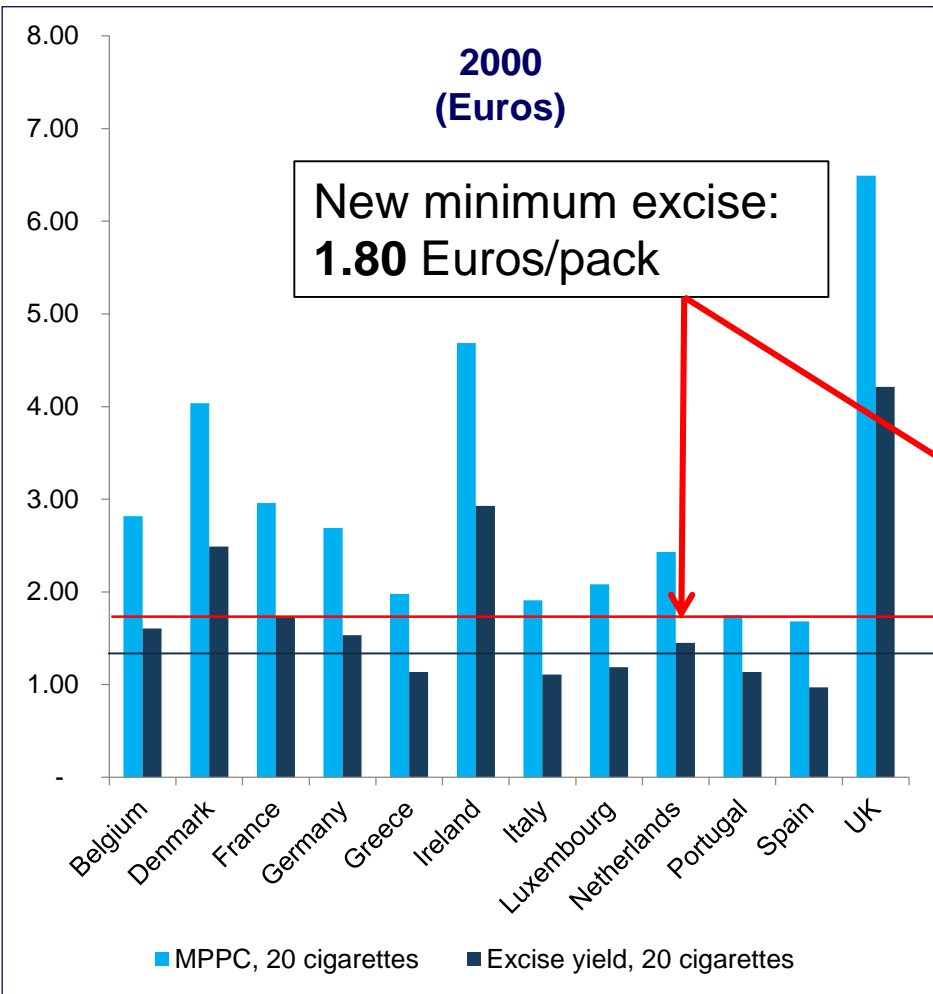


Tobacco Tax Harmonization – The EU Experience



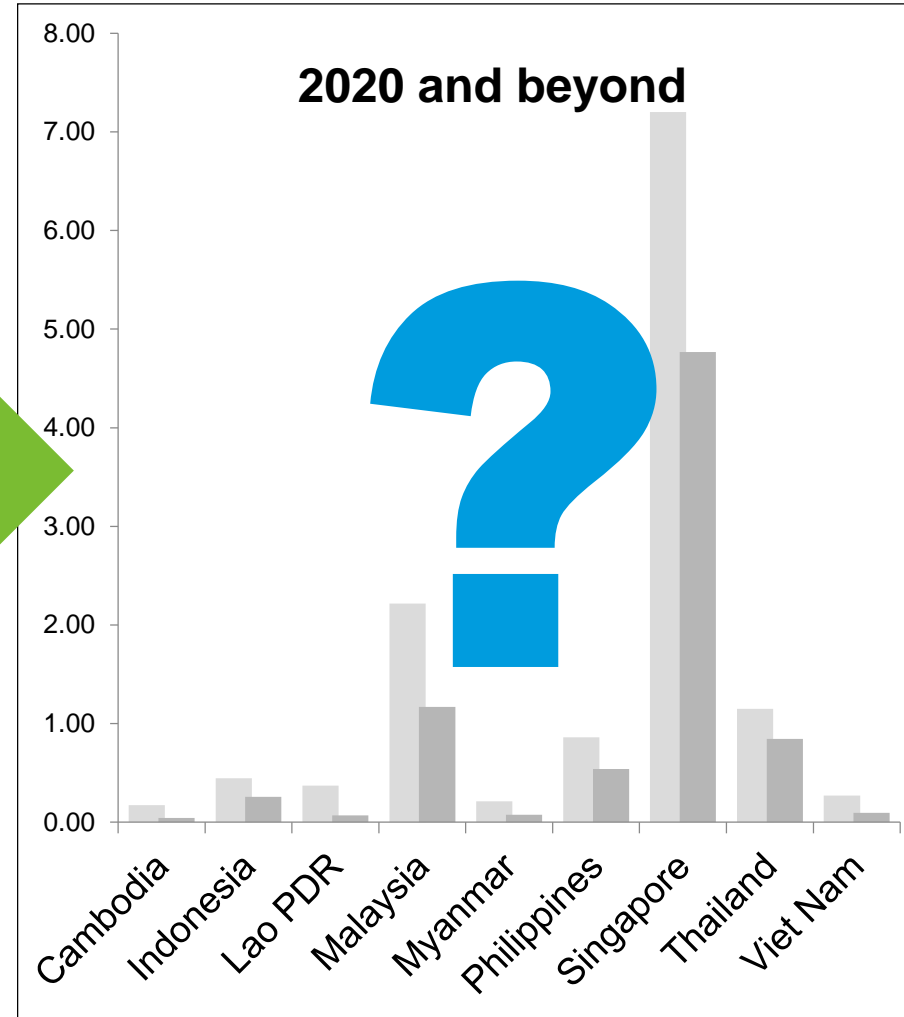
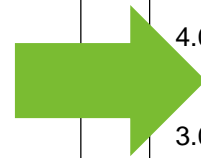
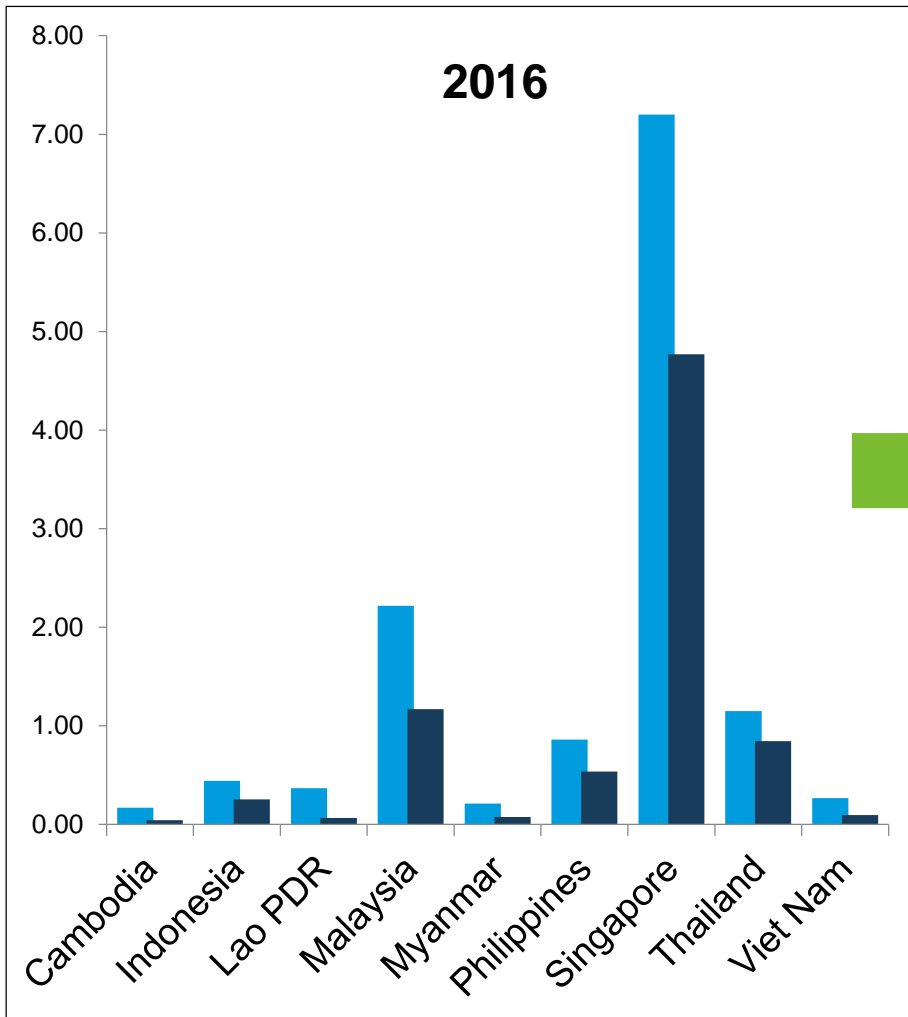
Note: MPPC: Most Popular Price Category, WAP: Weighted Average Price
Source: EU

Tobacco Tax Harmonization – The EU Experience



Note: MPPC: Most Popular Price Category, WAP: Weighted Average Price
Source: EU

Tobacco Tax Harmonization – Future Cooperation in the ASEAN?



Concluding Remarks



- ASEAN MOF and MOH officials need to work together under a whole of ASEAN approach to address the threat of NCDs which can jeopardize the growth and development prospects in ASEAN.
- Prevention is better than cure. Address the main risk factors of NCDs (e.g.. tobacco use) by raising tobacco taxes and prices. ASEAN still has much room to increase tobacco excise taxes to reduce its use and prevent premature deaths.
- ASEAN should explore avenues for collective action if it is serious about dealing with tobacco use and NCDs – some form of regional tax harmonization / minimum excise and/or acceding to the Protocol to Eliminate the Illicit Trade in Tobacco Products.

Thank you

www.who.int/tobacco/economics

