

# Cigarette Tax Scorecard, 3<sup>rd</sup> Edition:

## Spotlight on Countries Participating in the Conference on Health Tax Reforms – Challenges & Lessons Learnt

### Vienna, Austria – June 24-25, 2024

## Key Messages

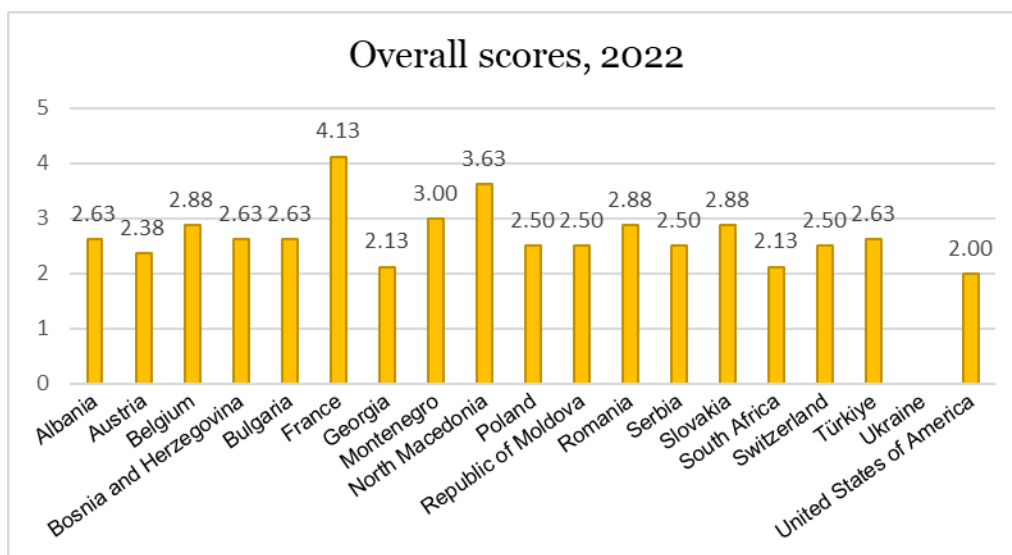
- In the third edition of the Tobacconomics Cigarette Tax Scorecard, the overall scores in the selected countries ranged from 2 to 4.13 points out of 5. France performed the best with an average score of 4.13 points. Although their average scores are higher than the global average, there is significant room for improvement in almost all countries.
- All countries scored at least 3 points out of 5 in the tax structure component. Still, the tax structure in half of the countries was far from the optimal uniform specific excise tax.
- These countries would benefit most from reducing the affordability of cigarettes over time. Many countries scored 0 in this component indicating that most countries are not following the best practice of utilizing specific taxes that at least account for inflation and income growth.
- Since 2014, only 4 countries out of 19 selected countries saw a modest improvement in their overall score. Most countries have vast room for improvement in their cigarette tax policies. Governments should seize this opportunity to improve population health and reap the fiscal benefits of increased excise tax revenues.

## 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 and other data sources 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.

## Regional Findings

There was significant variation in the overall scores among the selected countries. France scored the highest with 4.13 points out of 5, followed by North Macedonia with 3.63 points. Half of the countries received equal or less than 2.50 points. Georgia and South Africa both received the lowest score with 2.13 points (the US score 2 points). These findings suggest that there is significant room for improvement in tobacco taxation policies in almost all countries in the region.



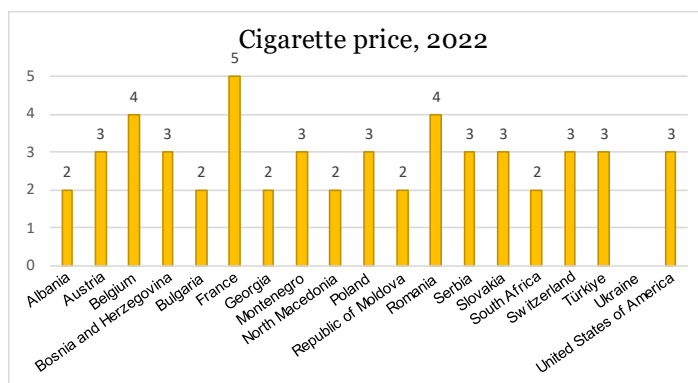
## Key Component Findings

### Cigarette Price

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

In 2022, France performed the best in the price component, receiving all 5 points with prices of 12.56 Int\$ PPP. In contrast, Albania, Bulgaria, Georgia, North Macedonia, Moldova and South Africa scored 2 points with relatively cheaper prices ranging from 5.10 to 5.69 Int\$ PPP.

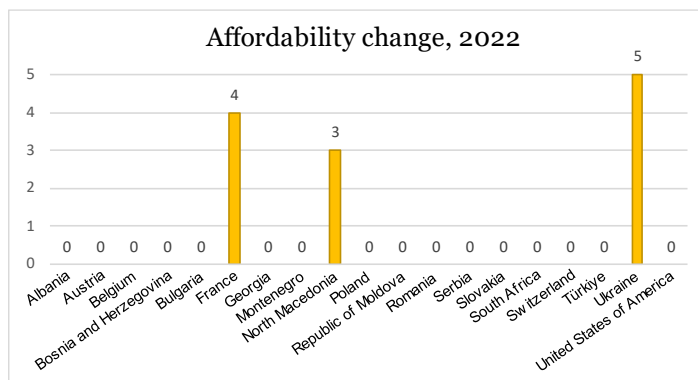
Such price variation across the region can sometimes undermine the effectiveness of high prices in neighboring countries by creating opportunities for cheaper illicit products.



## 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 taxes must be updated for inflation and income growth. Preferably, tax increases outpace inflation and income growth each year.

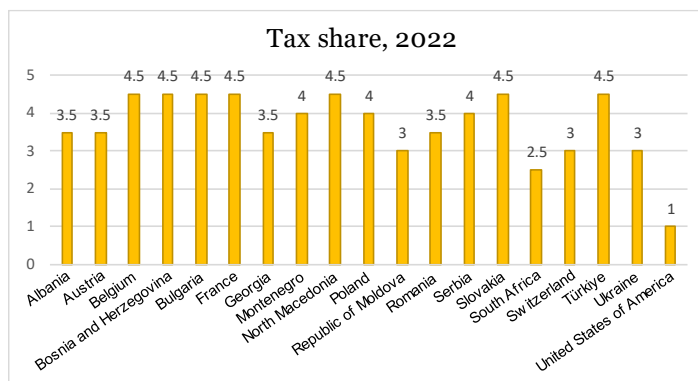
This component of the score requires the most significant improvement, given that 16 out of 19 countries scored 0 points. In contrast, Ukraine received all 5 points, which means it had at least a 7.5% annual change in the 2016-22 period. It was followed by France with 4 points and North Macedonia with 3 points. Governments should look to these countries to replicate their 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.

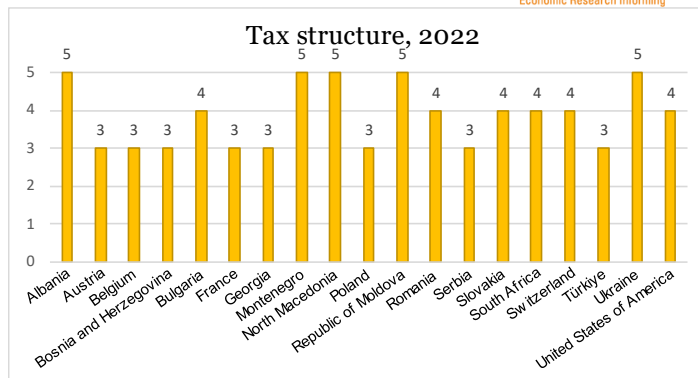
In this component, there is significant variation among countries. The tax share of price is high in Belgium, Bosnia and Herzegovina, Bulgaria, France, North Macedonia, Serbia and Türkiye at 4.50 points out of 5. On the other hand, the US received only 1 point and South Africa received only 2.5 points, 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.

Similar to the tax share component, there is variation in the effectiveness of tax structures among countries. Albania, Montenegro, North Macedonia, Moldova and Türkiye all received 5 points. Several of the countries scored 3 points because they did not incorporate a greater reliance on the specific tax in their mixed (i.e., specific and ad valorem) excise tax structures.

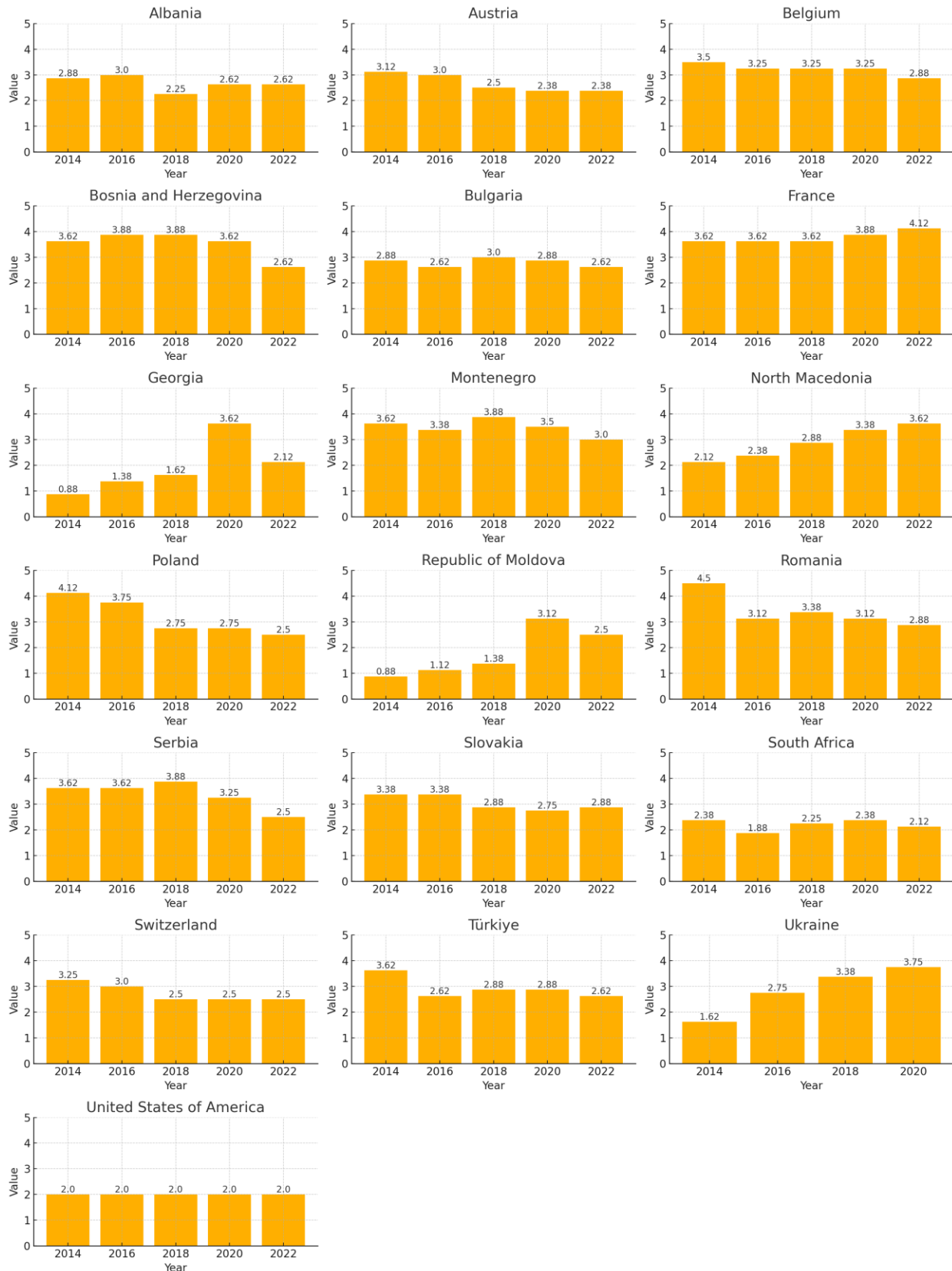


## Scores Over Time

There is significant variation in the effectiveness of cigarette tax policies in the selected countries and the change over time in them. In the 2014 to 2022 time period, only four countries showed improvement in their overall scores. The only country that experienced significant improvement was the Republic of Moldova, which saw a 1.63 point improvement. The US's score of 2 did not change between 2014 and 2022. The rest of the countries experienced an overall decrease in their scores in this time period with the largest drops in Poland (-1.63 points), Romania (-1.63 points) and Serbia (-1.12 points).

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

Overall Scores of the Countries, 2014-2022



Note: There are insufficient data for Ukraine in 2022.