

TOBACCO PRICES AND TAXES

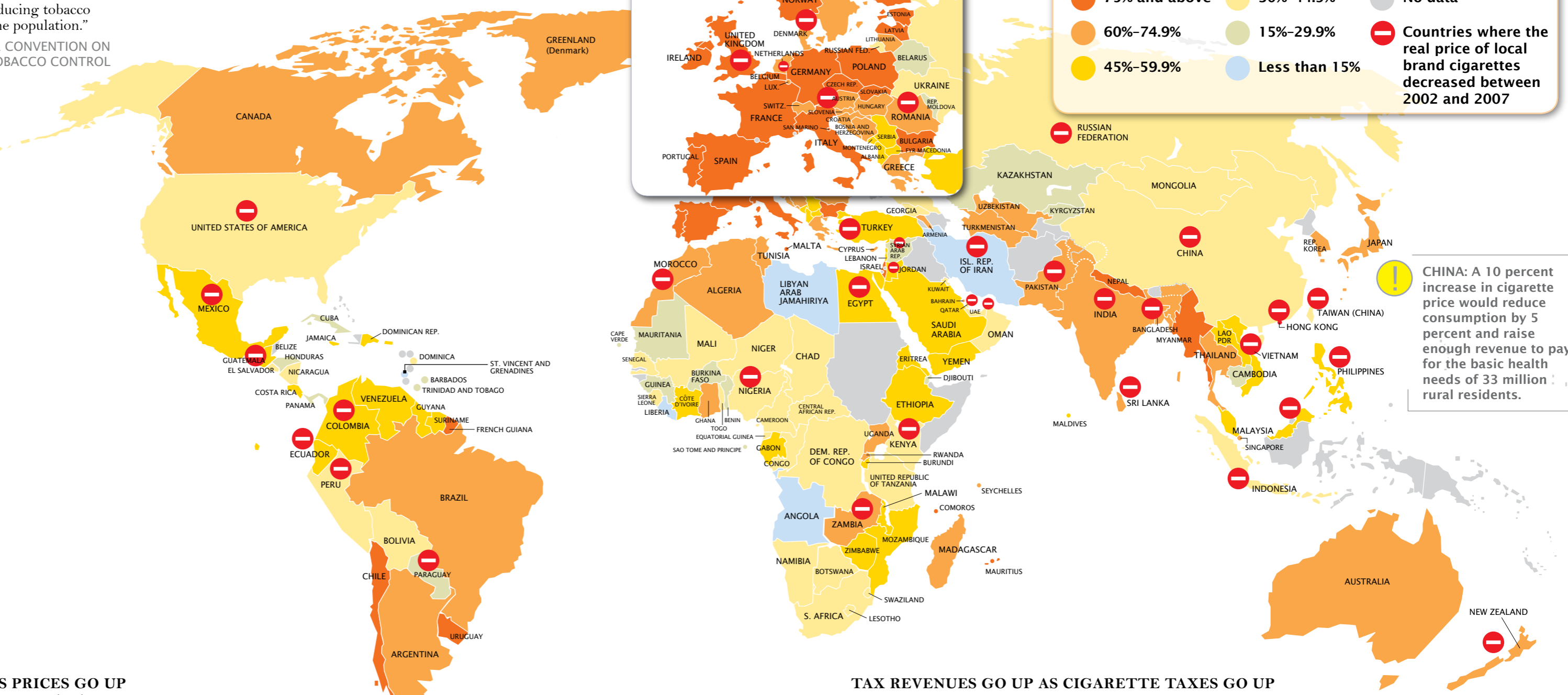
"The Parties recognize that price and tax measures are an effective and important means of reducing tobacco consumption by various segments of the population."

—ARTICLE 6, FRAMEWORK CONVENTION ON TOBACCO CONTROL

Higher tobacco taxes that lead to higher cigarette prices encourage smokers to quit, reduce the number of cigarettes smoked, and prevent initiation among potential new users. A 10 percent increase in cigarette prices reduces cigarette demand by 2.5 to 5 percent. 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 cigarette prices strongly influence smoking initiation in youth, price increases significantly reduce long-term trends in cigarette consumption.

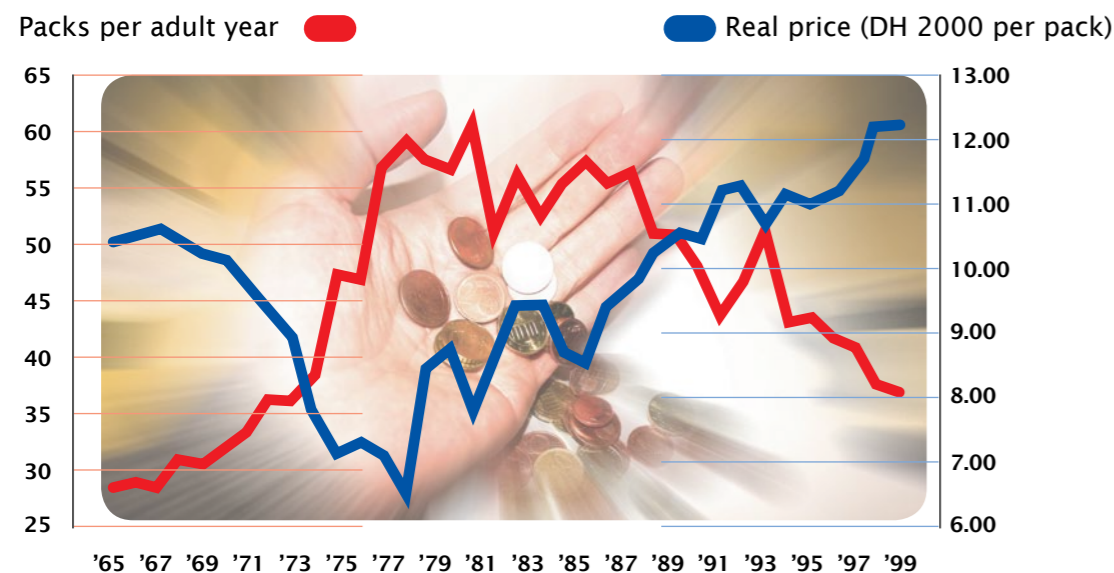
Tobacco tax increases are simple and effective tobacco control tools. In addition to reducing cigarette consumption, tobacco taxes typically generate higher tax revenues. These funds can be used to implement and enforce tobacco control policies and pay for related public health and social programs. This is good news for policy makers seeking to protect public health but wary about losing an important source of government revenue.

The World Health Organization's Framework Convention on Tobacco Control compels signatories to adopt tax and price policies that reduce tobacco consumption. The World Bank recommends that cigarette taxes (including value-added or sales taxes) account for two-thirds to four-fifths of the retail price of a pack of cigarettes. Cigarette tax increases significantly reduce cigarette consumption, improving both public health and national economic health.



SMOKING GOES DOWN AS PRICES GO UP

Inflation-adjusted cigarette prices and cigarette consumption in Morocco, 1965–2000



"With regard to taxation, it is clear that in the US, and in most countries in which we operate, tax is becoming a major threat to our existence."
—Philip Morris, 1985

TAX REVENUES GO UP AS CIGARETTE TAXES GO UP

Inflation-adjusted cigarette taxes and cigarette tax revenues, South Africa, 1982–2008

