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TOBACCO DUTY

The background is a watercolor-style wash in shades of yellow, orange, and red, with a halftone dot pattern overlaid. The text is centered in white, bold, sans-serif font.

TOBACCO DUTY IN MEXICO

TOBACCO DUTY IN MEXICO

- Raising tobacco taxes is a win-win thing for Mexico.
- Total Revenue \$38 billion pesos in 2016
- Special Tax for Products and Services(STPS) and VAT
- In 2018, tobacco excise revenue in Mexico exceeded 41 billion pesos. The ad valorem of STPS on cigarettes is 160% at the price for the consumer.



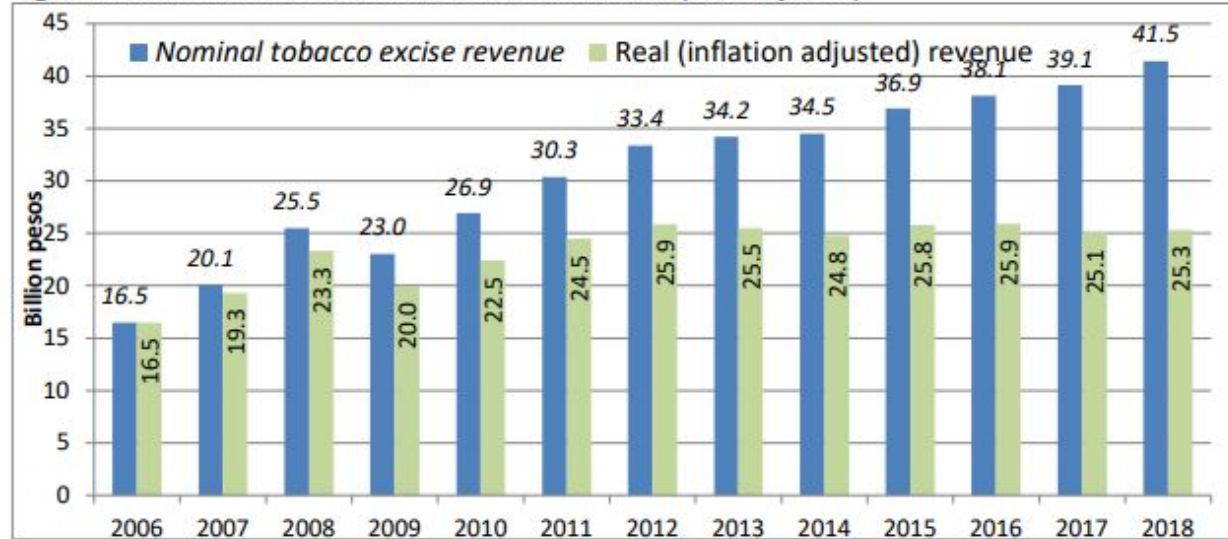
TOBACCO DUTY IN MEXICO

- The total price of the cigarette added 62.8% of the original price.
- Actual average price of tobacco is \$55 pesos(2.5 euros)
- Some advantages for adding specific taxes to cigarette products are:
 - Easier to manage
 - Reduce prices for competition
 - Licensing of all commercial stores
 - Tax revenue for health campaigns

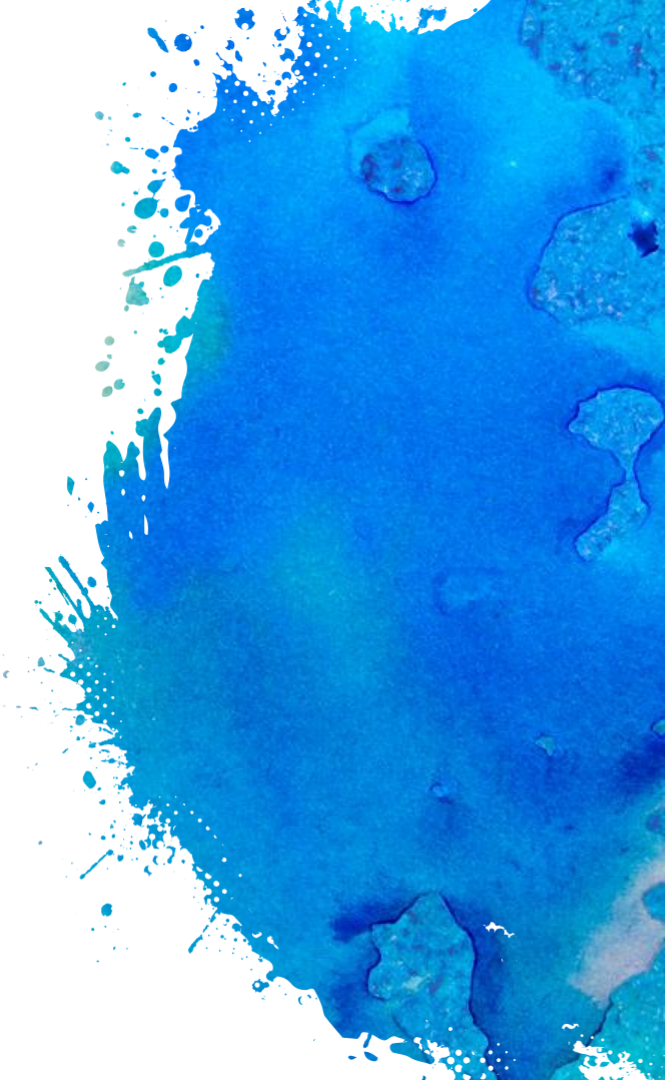


Mexico...

Figure 1. Annual tobacco excise revenue in Mexico (billion pesos)



TOBACCO DUTY IN PHILIPPINES



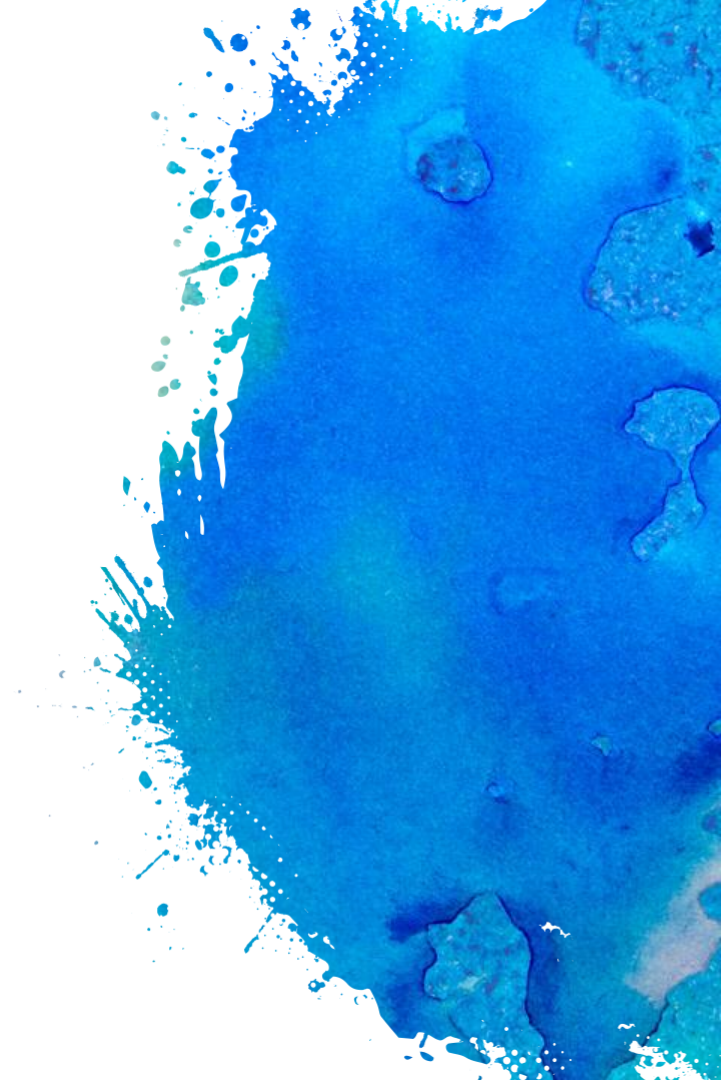
Let the numbers talk

- 87K per year or 240 per day
- 187K - 302K
 - lung cancer
 - cerebro-vascular
 - coronary artery
 - chronic obstruction
- Php 260B (US\$ 5B)
- Php 26.1 - 44.6B (US\$ 501 - 858M)
- Php 96M (US\$ 2M)
- 7% GDP



Date of Effectivity of Tax Rates	Products (per pack)	
	Cigarettes packed by hand	Cigarettes packed by machine
Effective on January 1, 2013	PhP12.00	PhP12.00- if net retail price is PhP11.50 and below per pack
		PhP25.00- if net retail price is more than PhP11.50 per pack
Effective on January 1, 2014	PhP15.00	PhP17.00- if net retail price is PhP11.50 and below per pack
		PhP27.00- if net retail price is more than PhP11.50 per pack
Effective on January 1, 2015	PhP18.00	PhP21.00- if net retail price is PhP11.50 and below per pack
		PhP28.00- if net retail price is more than PhP11.50 per pack
Effective on January 1, 2016	PhP21.00	PhP25.00- if net retail price is PhP11.50 and below per pack
		PhP29.00- if net retail price is more than PhP11.50 per pack
Effective on January 1, 2017	PhP30.00	PhP30.00
Effective on January 1, 2018, the rates of tax imposed shall be increased by four percent (4%) every year thereafter.		

TOBACCO DUTY IN THE UNITED STATES



Federal Rates

- × Three taxes
 - × Excise, sales, and ad valorem taxes
- × Federal excise tax on cigarettes was just under \$1.01 per pack
- × Revenue: \$12.8 billion (12.3 billion euros)
- × Cost: \$300 billion (264 billion euros)

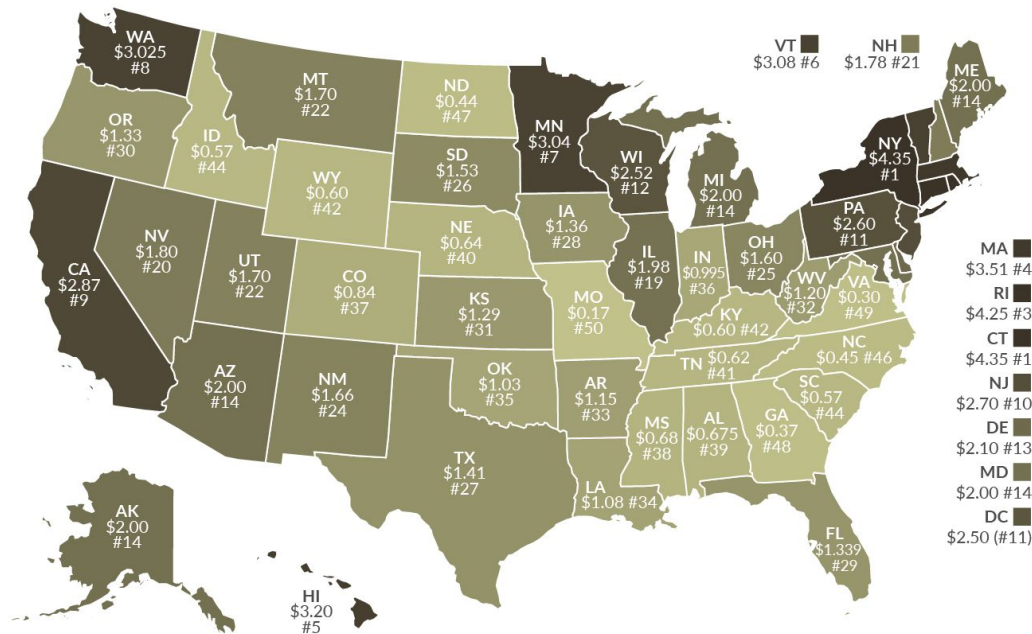


State Rates

- All 50 states tax tobacco
- The average state excise tax on cigarettes is \$1.75 per pack
- Some localities have an additional excise tax on top of the state tax
 - #1 New York (\$4.35) (3.81 euros)
 - #5 Hawai'i (\$3.20)(2.80 euros)
 - #19 Illinois (\$1.98) (1.73 euros)
 - #47 North Dakota (\$0.44) (.38 euros)
 - #50 Missouri (\$0.17) (.14 euros)

How High Are Cigarette Taxes in Your State?

State Cigarette Excise Tax Rates, 2018 (dollars per 20-pack)



Note: Local taxes are not included and can be substantial. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Source: Bloomberg BNA; state statutes.

State Cigarette Excise Tax Rates
(dollars per 20-pack)



Tax Drift

- When the price increases:
 - Many drive to another state to buy cigarettes at a cheaper price.
 - Or invest in a new product



Tax Competition

- The states is known to be “racing to the bottom”
 - A competition in which participants respond to each other’s movements in the same direction.
- Tax competition may lead to a decrease in the provision of local public goods.



Consequences of tobacco tax

Positive

- × Revenue comes back into the public
- × Only those who smoke get the tax directly
- × Deterrent to tobacco

Negative

- × Healthcare costs are extreme
- × Smaller companies will suffer
- × Users find other methods





ESSCALAND

The Future of Essscaland

Goal

- × Healthier citizens
 - × Less addiction
 - × Lower healthcare costs
 - × Stimulate the economy
- × When the price increased 20.46%
 - × Number of cigarettes smoked decreased by 32.62%
 - × Analysts discovered raising the cost of a cigarette pack by 50 per cent would lead to 67 million men quitting

Quick Facts

- × Average number of daily smokers: 20.43 million
- × Average price of pack of cigarettes: 4.36 euros



How so?

- × 8% duty on all tobacco products
 - × Cigarettes, cigars, chew, rolling, etc.
- × Slowly raise the price over time
 - × Raise by 50 cents every 6 months
 - × 1 euro each year
- × 5% duty on vapor products
- × 5% duty on other nicotine alternatives
- × Regulations
 - × Advertisements
 - × Anti-Tobacco Campaigns



Strategic Implementation

- × 70% Universal health coverage
- × 15% Health infrastructure projects
- × 15% Tobacco-growing districts
- × Civil society groups
- × Political will



Effects

- × Major deterrent for users
- × Encourages “safer” alternatives
- × Source of revenue for the government
- × Provides a market for small companies



References

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<https://www.dof.gov.ph/index.php/advocacies/sin-tax-reform/>

https://www.tobaccofreekids.org/assets/global/pdfs/en/Philippines_tobacco_taxes_report_en.pdf

Tax Competition: <https://www.frbsf.org/economic-research/files/wp08-03bk.pdf>

The Future of Esscaland: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5607587/>

The Future of Esscaland: <https://ourworldindata.org/smoking>

Strategic Implementation:

<https://www.globaltobaccocontrol.org/sites/default/files/The%20Political%20Economy%20of%20Tobacco%20Control%20in%20the%20Philippines%20-%20email%20version.pdf>

