

Tobacco Duty for ESSCALAND

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ESSCA

SCHOOL OF MANAGEMENT

SINGAPORE

- Tobacco tax: **60%** on a typical box of 20 cigarettes E.g a packet of 20 Marlboro White cigarettes costs \$14.10 (9.05 EUR)
- Currently imposes the highest tax burden in Southeast Asia
- Adjusts tobacco tax rates according to price elasticity, income and inflation
- Tobacco tax **revenue**: Slightly above \$1 billion (0.64 billion EUR) every year
- **Social costs**:
 - 6 Singaporeans dying prematurely from smoking every day
 - \$600 million (385 million EUR) in healthcare costs and lost productivity

SINGAPORE

- No change in affordability in Singapore between 2008 and 2016
- Singapore has one of the lowest adult smoking prevalence rate at 13%

Year	Prevalence of adult smoking in Singapore (%)
2001	13.8
2004	12.6
2007	13.6
2010	14.3
2013	13.3

CHINA

- Chinese tobacco tax rate: around **60%**, 17% VAT + consumption tax 30% to 56%
 - 2017: tobacco tax **revenue** is 1,114,510m CNY(150,609 million EUR)
- 2017: tobacco tax revenue increase by 3.24%
- **Social cost** of tobacco in China is 2,681,860m CNY (362,413m EUR) → 1.54% of GDP
- Tobacco is growing in poor Chinese area → the revenue helps to build highway, schools...
- iQOS

CHINA

- In China, there are more than 300 million male smokers
- Analysis showed that 50% increase in tobacco price through excise tax → 231 million years of life gained over 50 years + gain of 703 billion EUR (616–781 billion EUR) of additional tax revenues
- It also provides financial risk protection worth 1.8 billion EUR, mainly concentrated (74%) in the lowest income quintile
- Increased tobacco taxation can be a pro-poor policy instrument that brings substantial health and financial benefits to households in China

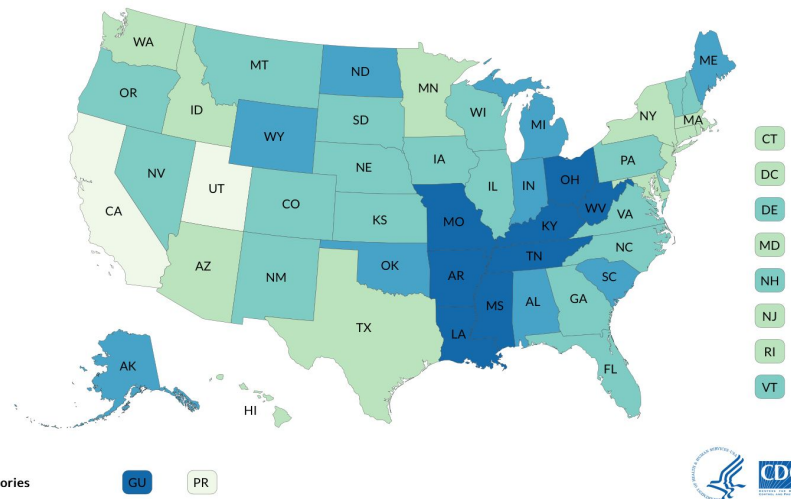
USA

- **Revenue** from tobacco tax: \$13.8 billion (11.9 billion EUR).
- **Cost** to the U.S. government on medical bills relating to tobacco usage: \$300 million (259 million EUR).

USA

- The U.S. federal government has specific tax, the states have their own tax, and local governments have their own tax as well which added together creates a total tax.
- The combined federal, state, county, and local tax on a pack of twenty cigarettes in the city of Chicago, in Cook County, Illinois, is **\$7.42** (6.28 EUR), the highest in the entire country.
- The lowest rate in the nation is in Missouri, at **17 cents** (0.15 EUR), where the state's electorate voted to keep it that way in 2002, 2006, and 2012.
- Tobacco consumption in the U.S. decreases as the taxes in a state increase.

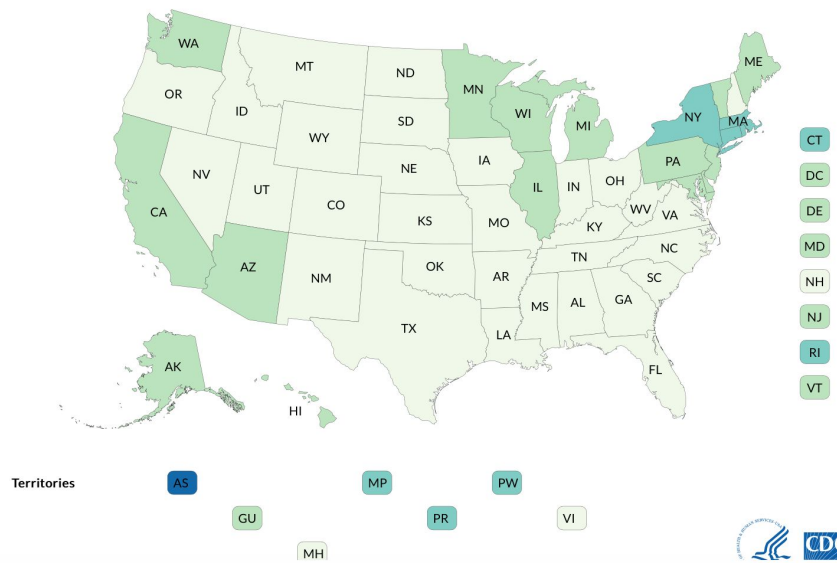
Current Cigarette Use Among Adults (Behavior Risk Factor Surveillance System) 2016



About This Map

- 8.8% - <12.1%
- 12.1% - <15.3%
- 15.3% - <18.6%
- 18.6% - <21.8%
- 21.8% - 25.1%

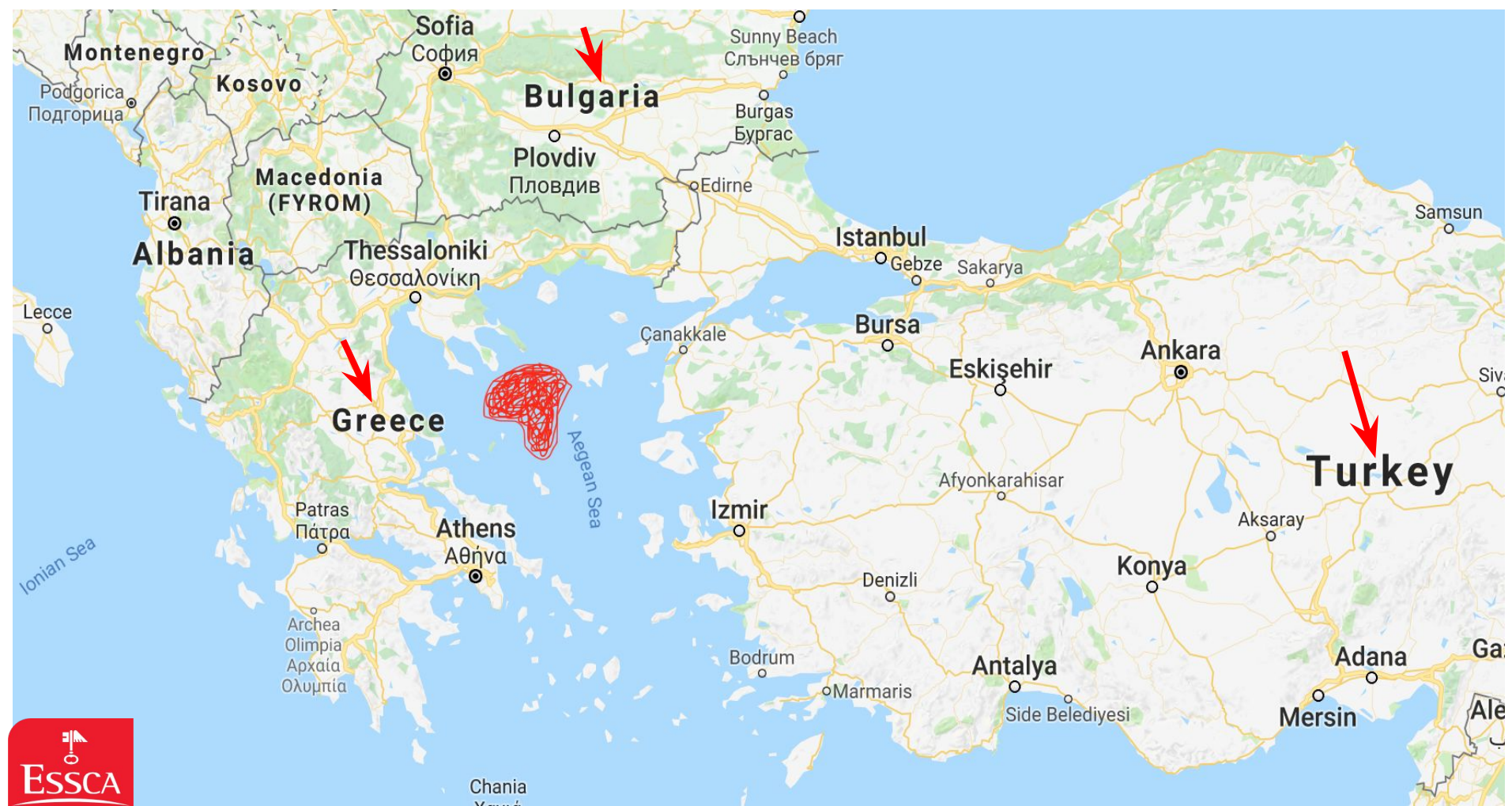
Excise Tax Rates on Cigarettes (CDC STATE System Tobacco Legislation - Tax) (In effect as of March 31, 2018)



About This Map

- \$0.17 - <\$1.836
- \$1.836 - <\$3.502
- \$3.502 - <\$5.168
- \$5.168 - <\$6.834
- \$6.834 - \$8.5

ESSCALAND!!

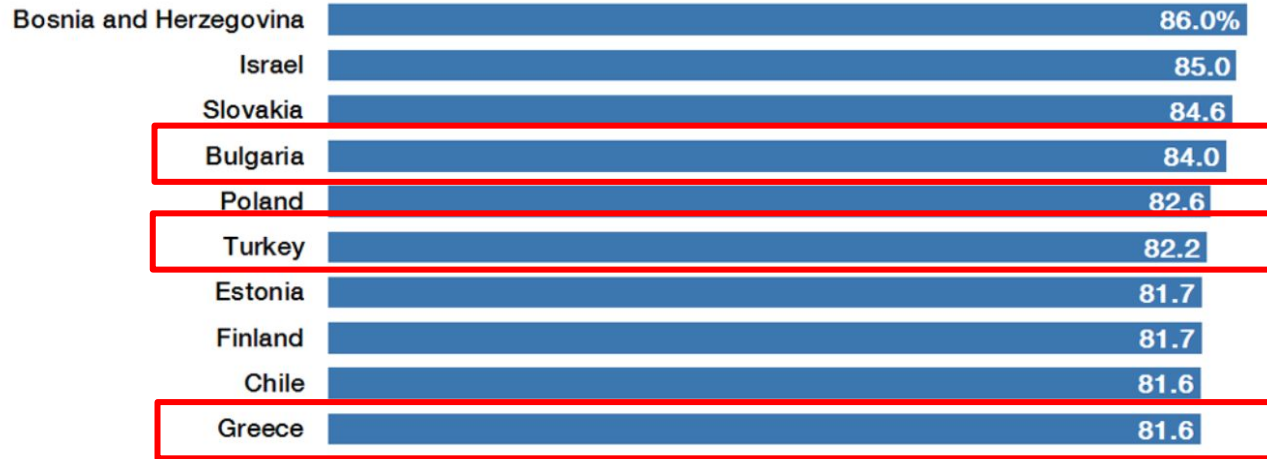


Bulgaria

Greece

Turkey

WHY?



Source: World Health Organisation

- ESSCALAND is located near the countries that have the heaviest tobacco tax
 - Discourage the citizens of ESSCALAND from purchasing tobacco in nearby countries
 - Encourage citizens from Bulgaria, Turkey and Greece to purchase tobacco from ESSCALAND

ESSCALAND's Tobacco tax

Assuming that the original price for a pack of cigarettes is 2.5EUR and the seller's margin is 15%, that was make the original price out to be 2.87EUR.

After our 80% tobacco duty tax, the price would increase to 5.17EUR.

After added VAT tax, the end price would be 6.72EUR.*

*Prices of tobacco products are subjected not to their type but to their weight.

Short-Term Policy

- Generally, tax heavily as there are high healthcare costs for tobacco consumption
- Tobacco tax should not be too high: Encourage bigger black market in tobacco + Target low income families
- Tobacco tax should not be too low: WHO states for every 10 per cent increase in the price of cigarettes, smoking drops by 4 to 8 per cent → WHO recommendation is minimum of 70%

Long Term Policy

- Floating taxation: When the country is doing well in terms of growth GDP, the tobacco taxes more but when the country is not doing so well, the tobacco taxes less.
- Money gained from tobacco tax revenue and the reduction in social costs →
 - Implementing rehabilitation programs for citizens willing to stop using tobacco products
 - Promoting the use of electronic cigarettes
 - Substitute nicotine sources (nicotine patches, nicotine gum etc.)