

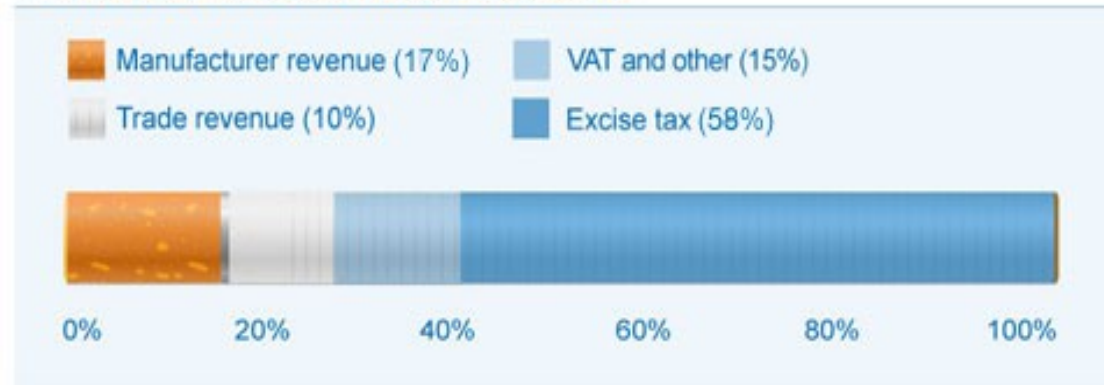
Tobacco taxation in Esscaland

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Introduction

- ▶ Most taxed product in the world
- ▶ Three types of taxes : VAT. Excise dutv. Custom dutv
- ▶ OECD Average :

% TAX APPLIED TO CIGARETTES - OECD AVERAGE



SOURCE: PMI ESTIMATES FOR OECD COUNTRIES EXCLUDING US

Agenda

- ▶ **Different taxation according to different policies**

- a. Poland system
- b. Australia system

- ▶ **Escalated taxation system on tobacco**

- a. Our policy
- b. Our taxation system



Poland Taxation System

Statistics and Facts

- ▶ Tobacco use continues to be a major cause of mortality in Poland. The Global Adult Tobacco Survey (2009) revealed that 36.9% of men and 24.4% of women are current tobacco smokers in Poland

Tobacco smoking is the leading cause of premature death among the adult population in Poland. The burden of disease and earlier mortality borne by smokers is compounded by the effects of second hand smoke on non-smokers

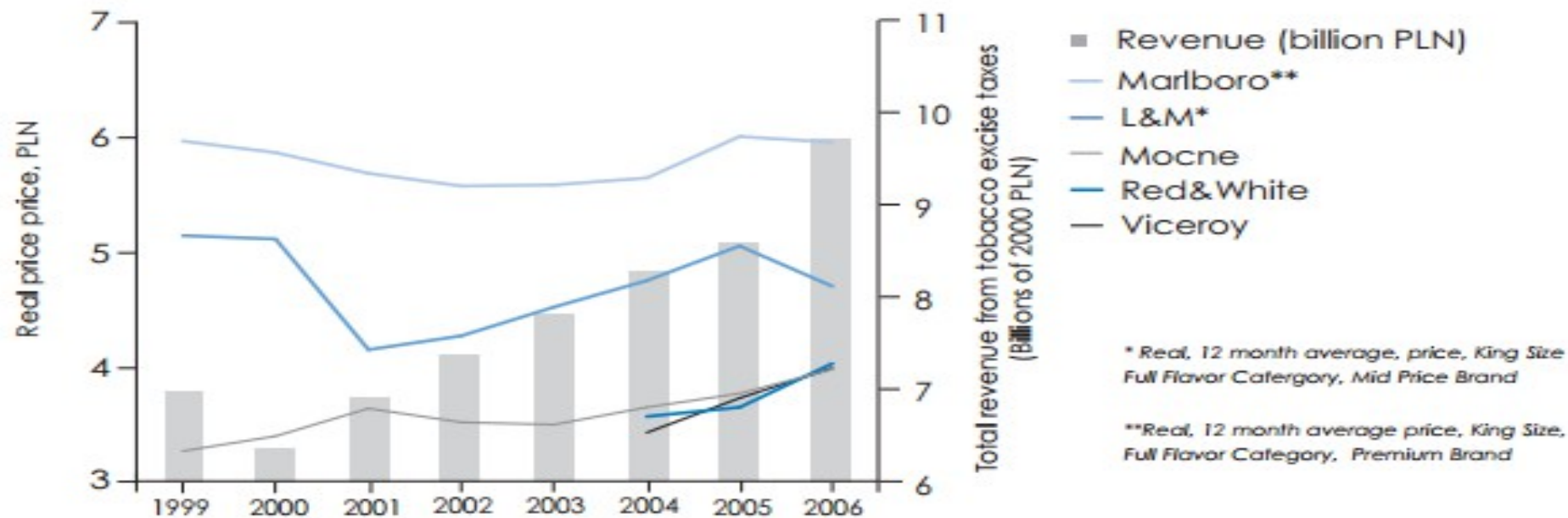


Tax Tobacco Revenues

- ▶ **Tobacco excise taxes are among the most effective fiscal tools as they garner revenues at relatively low cost.** 5 On the one hand, tobacco taxes are relatively easy to administer, particularly in Poland where the number of producers is small.
- ▶ At the same time, the level of revenues collected is significant given the relative inelasticity of demand for cigarettes.

Graph shows historical data on rising tobacco tax revenues in the context of rising real cigarette prices of top selling brands

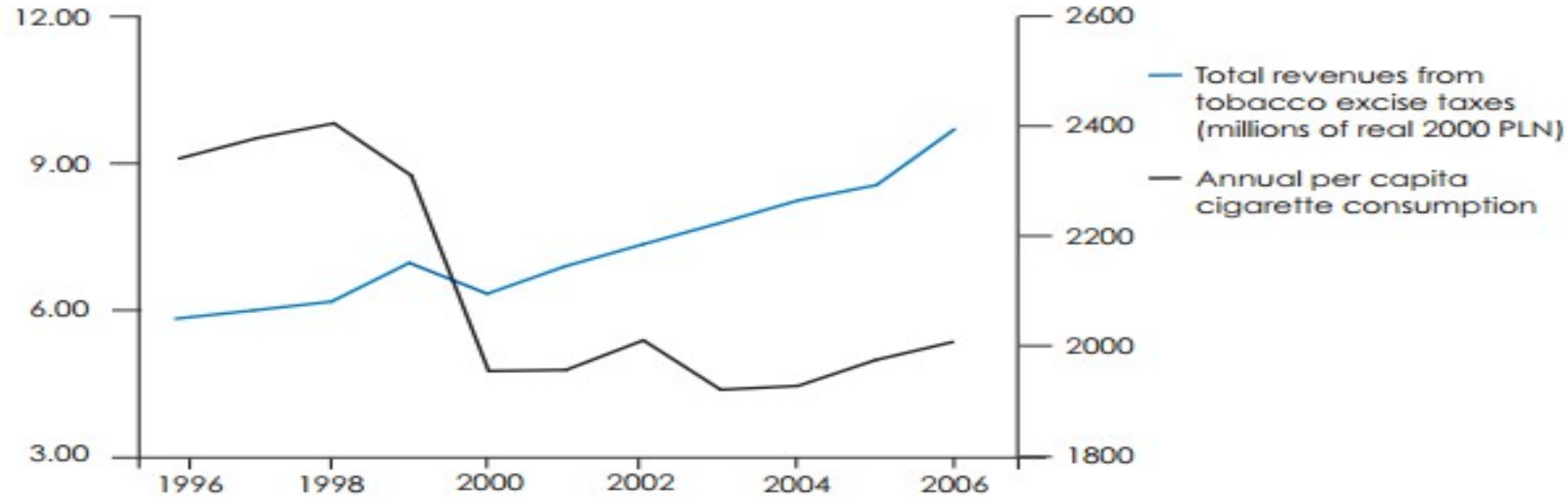
Graph 5.7: Tobacco Tax Revenues and Real Price of Top 5 Cigarette Brands, 2006



Source: Ministry of Finance of the Republic of Poland; market databases

Graph 5.7 and Graph 5.8 show that over the last decade, tobacco tax revenues have continued to increase despite rising cigarette prices and falling per capita cigarette consumption in Poland.

Graph 5.8: Tobacco Tax Revenues versus per Capita Cigarette Consumption

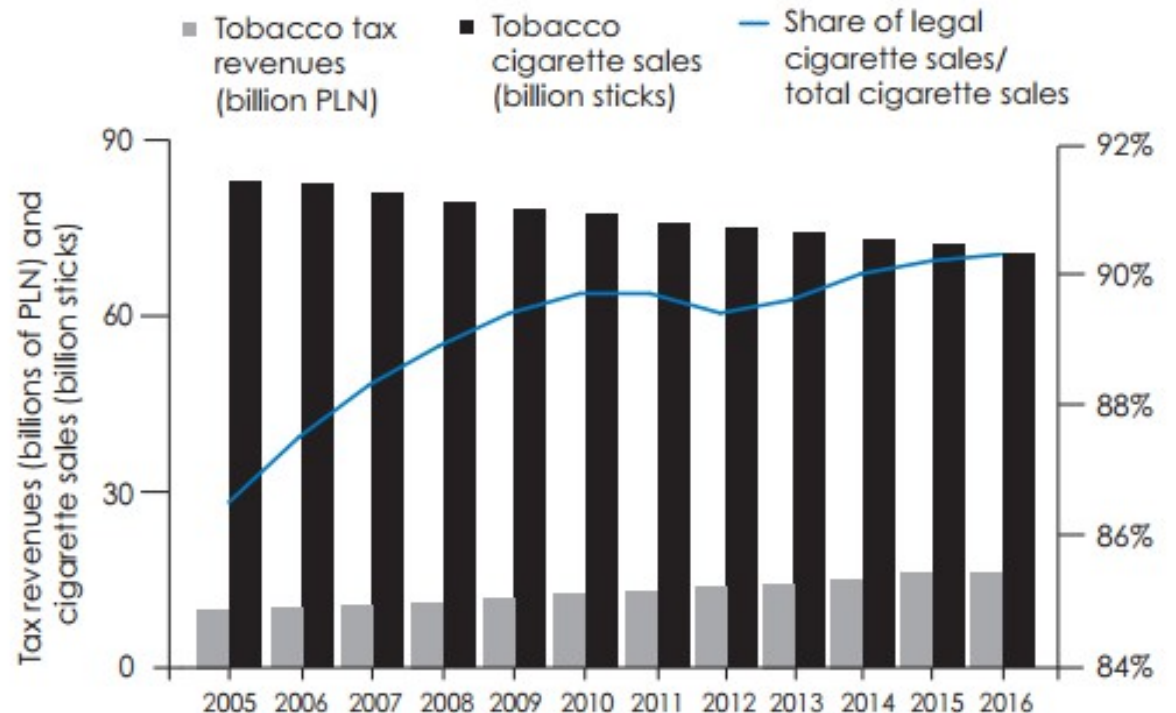


Source: Ministry of Finance of the Republic of Poland; Central Statistical Office

FORECAST

- ▶ Graph 5.9 is an example of projected revenues from excise tax increases in the future in Poland from the Gdańsk Institute for Market Economics.³⁰ The analysis assumes an annual 6.52% increase in tobacco excise taxes (along with a falling incidence rate of smuggled cigarettes)
- ▶ The simulation estimates a decrease in sales of approximately 1.3 cigarette packs per capita per year between 2005 and 2015

Graph 5.9: Projected Tobacco Tax Revenues, Cigarette Sales and Share of Smuggled Cigarettes in Poland given annual 6.52% increase in excise taxes, 2005-2016



Current Taxes

- ▶ The excise yield on the weighted average price brand in January 2011 was 301.85 PLN (6.04 PLN a pack) or **€ 76.67 Euro per 1000 cigarettes (equivalent € 1.53 a pack)**.
- ▶ A 6.52% annual increase on this amount would imply reaching the EU minimum of € 90 as early as 2015, with accompanying gains in revenue

Table 5.5: Excise Tax Revenues from Manufactured Tobacco in Poland, 2007-2010*

Year	Excise Revenue, millions of PLN	Excise Revenue, millions of €
2007	13483.0	3521.6
2008	13460.1	3737.6
2009	16057.8	3846.5
2010	17436.3	4249.7

* The data include excise revenues (i.e. without VAT revenues) from cigarettes (the largest component), cigars, cigarillos and other smoking tobacco. Euro equivalents are at year-specific PLN-€ exchange rates used by the EU.

Source: European Union Excise Duty Tables, July 2011, (Tax receipts – Manufactured Tobacco)

Australia



Health stats

Before tax implementation

- ▶ Smoking-related diseases killed 14,900 Australians in the financial year 2004–05
- ▶ Most deaths occurred in people aged 65 years or more. However, around one in five deaths occurred in the 35–64

After tax implementation

- In 2013, over 22 per cent of Australians had quit smoking during their lifetime.
- By 2013, 61 per cent of people who had ever smoked had quit.

Tobacco excise progress

1. 1998, introduction of a 'per stick' tobacco excise system.
 - ▶ The excise applied to all cigarettes with a tobacco content up to and including 0.8 grams per cigarette.
 - ▶ **Consisted on a bi-annual indexation** based **on the Consumer Price Index (CPI)**. (in March and September)
2. April 29th, 2010, the tobacco excise increased by 25%
 - \$0.2622 to \$0.32775 per stick
 - \$327.77 to \$409.71 per kilogram
4. On November 6th, 2013, the Government announced that it would proceed with implementation of four 12.5% tobacco excise increases



Australian tobacco taxation

Tobacco, cigars, cigarettes and snuff

In stick form not exceeding in weight 0.8 grams per stick actual tobacco content

\$0.47008 per stick



Other

\$587.62 per kilogram of tobacco content

Four 12.5% tobacco excise increases.
1 December 2013
1 September 2014,
1 September 2015
1 September 2016, respectively

25%

Excise-equivalent
customs duty



Costs

Pack of Cigarettes (Malboro)	Prices AUD	Prices EUR
1 December 2013	17.50	12.38
1 September 2014	20.00	14.15
1 September 2015	22.50	15.92
1 September 2016	25.31	17.97

Range nowadays

18.00  25.00



Health system

Health system

- ▶ 2011-12, health expenditure in Australia was estimated at \$140.2 billion, or 9.5% of gross domestic product (GDP)
- ▶ 70% of total health expenditure was funded by governments
- ▶ 17% by patients
- ▶ 8% private health insurers

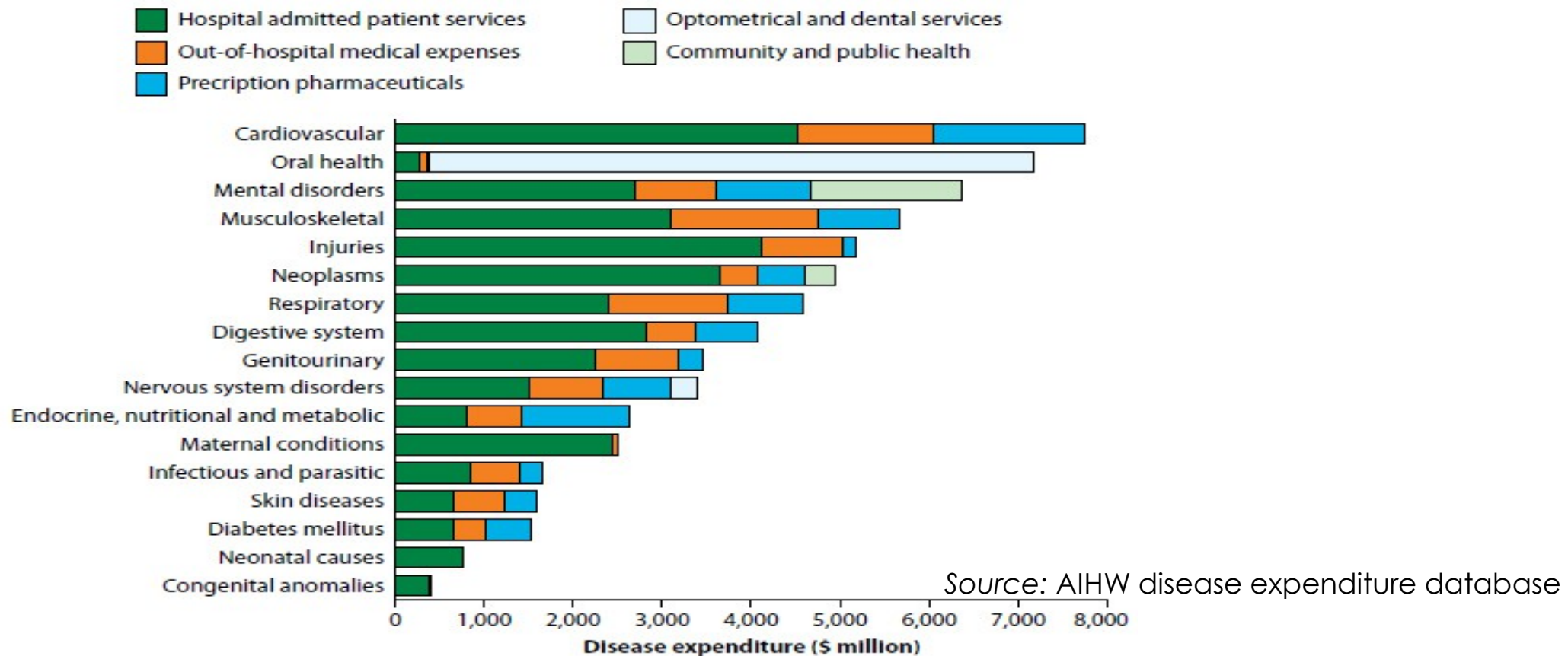


Health to GDP ratio

Health to GDP ratio (per cent)



Which diseases attract the most expenditure?



Source: AIHW disease expenditure database

ESSCALAND

- ▶ Esscaland
 - ▶ Developed country
 - ▶ With a healthcare system
 - ▶ Economic system similar to France
- ▶ Our Policy
 - ▶ Reduce the number of smokers
 - ▶ Reduce our healthcare spending

Our taxation system

- ▶ We are not going to act on VAT or customs duty, only on excise duty.
- ▶ Concerning the excise duty :
 - As Australia, we are going to set up a “per stick” tax of 0,35\$ per cigarette of 0,8g or more
 - We are not going to process to a progressive increase but just one big increase
- ▶ This increase would put to package to 25\$

Benefits:

- ▶ This additional revenue will, along with existing tobacco excise revenues, be invested in improving health and hospitals.
- ▶ Governments can take to reduce premature death and disease due to smoking.
- ▶ Increase attempts to quit and reduce smoking prevalence.
- ▶ effective ways to stop young people from starting smoking, due to the fact that young people are more price sensitive

