SFP 2019 Policy Conference

TOBACCO TAXATION FOR A HEALTHIER EUROPE

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Tobacco tax policy from a public health perspective: why is this important to the health community?

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1) Smoking in the EU
Smoking in the EU

• More than one quarter of European adults smoke
  – 2006: 31.7%
    • (125.5 M. out of 396 M. people)
  – 2017: 26.15%
    • (117.8 M. out of 431.5 M. people)

Source: Eurobarometer 2006-2017
Smoking in the EU

- Cigarettes and RYO tobacco are the most frequently consumed products within combustible products.
Smoking in the EU

Cigarettes and RYO tobacco will be the main contributors morbi-mortality from tobacco use in the EU over the near future.
2) Prices of cigarettes and RYO tobacco in the EU
Prices

Netherlands
Prices of cigarettes and RYO tobacco, 2019

Weighted Average Price
At 0.7 grams of fine cut tobacco per stick
Sources: European Commission and Euromonitor
Prices

Netherlands and neighbouring countries

Prices of cigarettes, 2019

Weighted Average Price
At 0.7 grams of fine cut tobacco per stick
Sources: European Commission and Euromonitor
Prices

Czech Republic
Prices of cigarettes and RYO tobacco, 2019

Weighted Average Price
At 0.7 grams of fine cut tobacco per stick
Sources: European Commission and Euromonitor
Prices

Czech Republic and neighbouring countries
Prices of cigarettes, 2019

Weighted Average Price
At 0.7 grams of fine cut tobacco per stick
Sources: European Commission and Euromonitor
Prices

EU Member States
Prices of cigarettes and RYO tobacco, 2019

2019

Weighted Average Price
At 0.7 grams of fine cut tobacco per stick
RYO price not available for LU, MT and CY
Sources: European Commission and Euromonitor
RYO TOBACCO PROVIDES A CHEAP ALTERNATIVE TO CIGARETTES AND UNDERMINES THE PROTECTIVE EFFECT OF TAXES


Contents lists available at ScienceDirect

Drug and Alcohol Dependence

journal homepage: www.elsevier.com/locate/drugalcdep

Full length article

Keeping smoking affordable in higher tax environments via smoking thinner roll-your-own cigarettes: Findings from the International Tobacco Control Four Country Survey 2006–15

J. Robert Branston a,*, Ann McNeill b,c, Anna B. Gilmore b,d, Rosemary Hiscock b,d, Timea R. Partos b,c
CROSS BORDER PRICE DIFFERENTIALS UNDERMINE THE PROTECTIVE EFFECTS OF TAXES

Prices and cross-border cigarette purchases in the EU: evidence from demand modelling

Michal Stoklosa
3) How can tobacco tax policies help?

EU wide policies
Domestic policies
EU wide policies

• Revision of the EU Tobacco Tax Directive
  – The TTD is the framework on which domestic tax policies are articulated
  – It establishes minimum tax levels for tobacco products
Tobacco Tax for a Healthier Europe


Authors: This revised position paper was developed by Angel López Nicolas and Michal Stoklosa and reviewed by Deborah Arnott, Luk Joossens, Hana Ross and Anca Toma Friedlaender.

Adopted by the SFP Board on 30 August 2018.
Tax reform 1
Equalizing the minimum excise tax between one cigarette and 0.7 grams of RYO tobacco

Cigarettes: 90 € per 1000 units
RYO tobacco: 128.5 € per kilogram
Tax reform 2
Encourage the convergence of product prices across countries

Set minimum excise tax per unit of product at 60% of European Weighted Average Price (EWAP)
Effects of reforms advocated by SFP

Prices

Effects of tax reforms advocated by SFP
Prices of cigarettes and RYO tobacco

Weighted Average Price
At 0.7 grams of fine cut tobacco per stick
RYO price not available for LU, MT and CY
Effects of reforms advocated by SFP

Affordability

Effects of tax reforms advocated by SFP
Fraction of annual household disposable income* necessary to buy 100 packs of 20 sticks

Sources: European Commission and Eurostat
HR, MT and CY excluded due to missing data
*Adjusted by purchasing power
Effects of reforms advocated by SFP

Smoking prevalence

At a price elasticity of prevalence of -0.18 (Levy et al. 2018, JPHMP)
Effects of reforms in SFP position paper

Absolute number of smokers

Effects of tax reforms advocated by SFP
Projected change number of smokers over 5 years (%)

Total=1.72 million

At a price elasticity of prevalence of -0.18 (Levy et al. 2018, JPHMP)
Domestic policies

- The governments of Member States have a large degree of autonomy to set domestic tax rates
  - Equalize tax burden of RYO and cigarettes
  - Don’t let inflation erode the real value of the tax burden
  - Aim for coordination with neighbouring countries
Effects of additional domestic policies

Effects of additional domestic reforms:
Equalizing tax burden of cigarettes and RYO
Projected change in number of smokers over 5 years (%)

Total: 2.42 million
(that is, 0.7 million more than SFP proposals alone)

At a price elasticity of prevalence of -0.18 (Levy et al. 2018, JPHMP)
What can SFP partners do at the domestic level? (apart from supporting the SFP tax proposals)

• Keep detailed and updated information on prices, sales and taxes
• Engage local experts with knowledge of the functioning of taxes and the tobacco market
• Elevate evidence based proposals to finance officials
Conclusion

• Combustible tobacco still to generate most of the burden of disease over near future
• Updates of the taxation of cigarettes and RYO can generate substantial improvements in prevalence over a short period
• The revision of the EU TTD is a window of opportunity for some of these updates
• Domestic measures are necessary too