

TAXATION AND TOBACCO PRODUCTS

WHY INCREASE TAX ON TOBACCO?

Tobacco use is currently the single-biggest preventable cause of death and disease in Australia. National Preventative Health Taskforce 2009

Social costs of tobacco to the Australian community are approximately \$31 billion per year.

Collins & Lapsley 2009 at

www.cancerwa.asn.au/prevention/tobacco/policyresearch/

Tax increases on tobacco products are the single most effective way governments can reduce tobacco consumption and prevalence - and death and disease due to smoking.

Price increases:

- will prompt many to quit, and remaining smokers to smoke less, reducing smoking rates and consumption among young people and those on lower incomes; and
- are one of the few policy measures that will reduce tobacco use more in low than in high-income groups.

In a study what they would do if cigarette prices rose about 50%, almost ¾ of smokers said they would try to quit (74%, 75%, 70% of low, mid, high-SES smokers respectively).

PUBLIC SUPPORT

Overall, taxes on tobacco products are strongly supported by the majority of the Australian population – even more so if the extra revenue is directed towards health programs.

88% of Australian adults approved of a tax increase on cigarettes if most of the extra tax was used to fund health programs to help prevent diseases such as heart disease and cancer. Newspoll survey Sept 2008

WHAT NEEDS TO BE DONE?

Research shows price rises and social marketing have been the policies with the greatest impact on smoking rates in Australia over the last two decades.

Tobacco excise/customs duty in Australia should be increased, as recommended by the National Preventative Health Taskforce, so prices of tobacco products move as quickly as feasible to international best practice. This might involve:

- immediate excise rise of 7.5c / stick, taking the price of tobacco products to where they would have been had prices been raised by at least 5%/yr since 1999; then
- further increases over the next 3 years adding another 10c / stick, to ensure average price for a pack of 30 is no lower than \$20 (in 2008 \$ terms) by June 2012.

The increase in duty should be accompanied by:

- boosting social marketing campaigns to discourage smoking;
- funding and implementing further programs to support smokers to quit (especially targeting low-SES groups);
- measures to ensure all smokers for whom NRT is clinically appropriate are able to afford it; and
- a ban on the advertising of price discounting and the possible introduction of a minimum sale price.

Submission at

www.cancer.org.au/policy/submissionstogovernment/TaxReviewSubmission.htm

CURRENT PRICING OF CIGARETTES

In Australia, federal excise and GST make up around 2/3 of cigarette packet price. Tobacco excise has not increased in real terms since 2001; and there is evidence fewer people may be trying to quit in recent years than in the 1990s when prices increased frequently and substantially. **Tobacco products in Australia are substantially cheaper than in comparable English-speaking countries.**

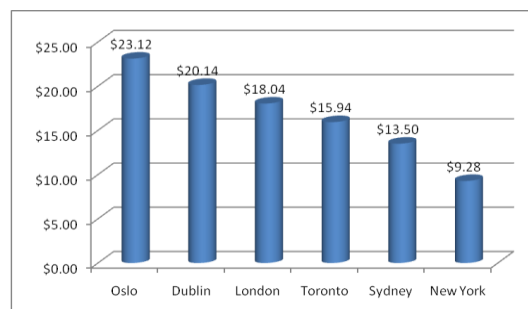


Fig. 2. Cost of typical packet of 30 cigarettes \$AUD, Sydney, Sept 2008 and average price of 30 cigarettes calculated from survey of moderate-priced outlets in largest cities in other English-speaking countries and Norway.

Source: Economist Intelligence Unit, August 2008 Tobacco prices, cigarettes medium level stores EIU City data, Last modified January 2008. <http://store.eiu.com/product/130000213.html?ref=Products>.

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Action on Smoking and Health



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CLOSING THE GAP FOR DISADVANTAGED COMMUNITIES

Tax increases are one of the few policy measures that will reduce tobacco use more in low than high-income groups. When prices rise, many smokers quit - higher proportions quitting among low than high-SES groups.

Costs from tobacco use are borne not only by the whole community but also by smokers themselves. Substantial poverty results from, and is perpetuated by, spending on tobacco products.

Reducing smoking in low-SES areas is a very practical measure that could help to prevent the perpetuation of poverty across the generations.

WHAT CAN WE EXPECT – THE IMPACT ON ADULT AND YOUTH SMOKING

At around \$20 for a packet of 30, prices in Australia would come into line with world's best practice - close to prices in Ireland, England and Scandinavia.

The following table sets out expected consequences of an increase in excise and customs duty to the level of 'best practice': around \$20 for a packet of 30 cigarettes based on international estimates of the effects of price increases on smoking behaviour.

	Current levels (most recent published estimates)	Best Practice/ Predicted
Cents per stick	25.45 cents	42.95 cents
Recommended retail price per pack of 30	\$13.50	\$20.15
Number of cigarettes consumed	25 billion approx	20 billion
Numbers of children smoking	140,000	57,000
Numbers of adults smoking	3 million approx	2.7 million*

Australian Retail Tobacconist, 2009; Australian Survey of Secondary School Students Smoking, 2005, ABS National Health Survey 2007

* This figure takes into account only reduction expected from price increase, not from existing trends or other measures

Analysing studies to 2001, Gallet & List found younger people more responsive to price rises than older people. Based on this data, for every 10% price rise, the amount smoked by teens would fall by 14% - mostly from young people not experimenting or moving on to regular smoking, rather than declines in the amount of tobacco smoked.

COUNTERING INDUSTRY MYTHS

Philip Morris website www.notaxhike.com.au complains "A further tax grab is unfair and excessive" and "will hit working families hardest." The industry's lobbying campaign is co-ordinating protest letters to MPs.

Some major tobacco industry objections to a tobacco tax increase, and the facts:

Australian tobacco tax is already too high...

Not as high as in other comparable OECD countries; not high enough to cover the costs of tobacco.

Higher tobacco tax will hurt the economy...

A major report counters the industry myth that tobacco "pays for itself" – in fact total social costs **exceed \$31 billion** - while tobacco tax revenue is only \$5.8 billion. *Collins & Lapsley, 2009*

It will cost jobs...

Net employment effect of shifting consumption away from tobacco is likely to be positive, producing more jobs in other sectors.

It will hurt the poor...

Tobacco industry promotion aggressively targets the poorest and most vulnerable. Those on lowest incomes spend largest proportion of income on tobacco and its health costs. Tax rise impact on quitting can lead to more money shifted to food, shelter, education and health care.

It will increase smuggling & "chop chop"...

Global experts recommend controlling the tobacco supply chain to reduce smuggling. Many countries have raised tobacco tax without any change in illicit trade. Revenue from a tax rise can help fund stronger enforcement.

We need instead a minimum tobacco price...

A minimum price will not produce anything like the same reduction in smoking that a tax rise will – that's why the tobacco industry is pushing it as an "alternative".

More at www.ashaust.org.au/lv3/myths.htm

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