Taxation 'most effective' way to reduce tobacco consumption

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Zsuzsanna Jakab argues that a 'coordinated effort' is required to reduce tobacco consumption and improve Europe's health.

Imagine that policymakers were made aware of a law or an action that in one fell swoop would save 11 million lives and dramatically decrease diseases like lung cancer, cancer of the mouth, throat, oesophagus, bladder, cervix, and pancreas, respiratory diseases and coronary heart disease. In addition, such an action would add €74bn in revenue to shrunken state coffers globally. Some may argue this is 'too good to be true', but this is nevertheless the case if a decision were made by all countries to increase tax on tobacco by 50 per cent.

Raising tobacco taxes costs 20 times less than other measures to obtain the same health benefit and has proved to be the most effective way to reduce consumption. The World Health Organisation (WHO) calculates that if all countries increased the amount of excise they charge on cigarette packs by 50 per cent, there would be 49 million fewer smokers (38 million fewer adult smokers and 11
million fewer young future smokers) and at least 11 million smoking-attributable deaths would be avoided. On average, raising tobacco taxes so prices increase 10 per cent would reduce tobacco use by four per cent in high-income countries and by around five per cent in low and middle income countries. Taxing tobacco saves lives and generates income that a member state can invest in public health; it's a 'win-win' solution. The taxman is not a popular figure and yet when it comes to saving lives through tobacco control, he could turn out to be our best friend. WHO recommends a minimum 75 per cent tax on the retail price of the most popular brand - this is implemented in 26 of our 53 European member states, the remaining 27 have yet to follow suit. Of these 26, 21 are member states of the EU.

"The WHO European region has the largest amount of adult smokers and the highest proportion of deaths attributable to tobacco compared to the rest of the world"

Cross-border trading becomes an issue when there are great differences in prices between neighbouring countries. Raising tobacco taxes and prices should be a coordinated effort and is a key point within the WHO framework convention on tobacco control (FCTC). The new protocol to 'eliminate illicit trade in tobacco products', open for ratifications, facilitates the cross-border cooperation in terms of effective control of borders. The protocol, signed by 15 EU member states and the European Union, will enable broad international cooperation among parties, enabling close cooperation with one another in the investigation of illicit trade, including by affording mutual legal assistance and extradition.

In addition, EU legislation has contributed significantly to the success of tax measures in the EU-28. The latest council directive, of 21 June 2011 on the structure and rates of excise duty applied to manufactured tobacco, binds EU countries to: a minimum excise duty of 57 per cent of the retail selling price of cigarettes, and a minimum excise duty of €90 per 1000 cigarettes, regardless of the retail selling price. Likewise, the price gap between the most sold brand and the cheapest brand should be as small as possible - large differences can compromise the effectiveness of tax and price increases as consumers move to cheaper products.

It is a fact that increasing tax leads to an increase in revenue (even though the tobacco industry sometimes claims otherwise). Concrete experiences testify to this. For example, in the United Kingdom where cigarette prices rose 28 per cent in real terms from 1998 to 2008, smoking prevalence decreased from 28 per cent to 21 per cent among adults and 13 per cent to six per cent among youth. At the same time, smuggling fell from 23 per cent to 13 per cent in the same time period. Likewise, in Ukraine, the global adult tobacco survey in 2010 revealed that only 1.5 per cent of smokers presented packs without Ukrainian health warnings, indicating a low volume of smuggling. Turkey and France have shown similar positive effects after introducing substantial price and tax increases.

The WHO European region has the largest amount of adult smokers and the highest proportion of deaths attributable to tobacco compared to the rest of the world - this is one 'first place' we should not be proud of. The fact that 28 per cent of adults smoke in the European region contrasts sharply with Africa's 15 per cent and the 19 per cent in the southeast Asia region. Tobacco use continues to spread death and disease and has economic consequences to the health sector which we would never accept if the product was developed and marketed today. Raising taxes on tobacco is the most effective single policy to reduce tobacco use and to save lives - this is an opportunity to exchange our shameful first place in tobacco consumption to a first place in reducing death by tobacco.

About the author
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