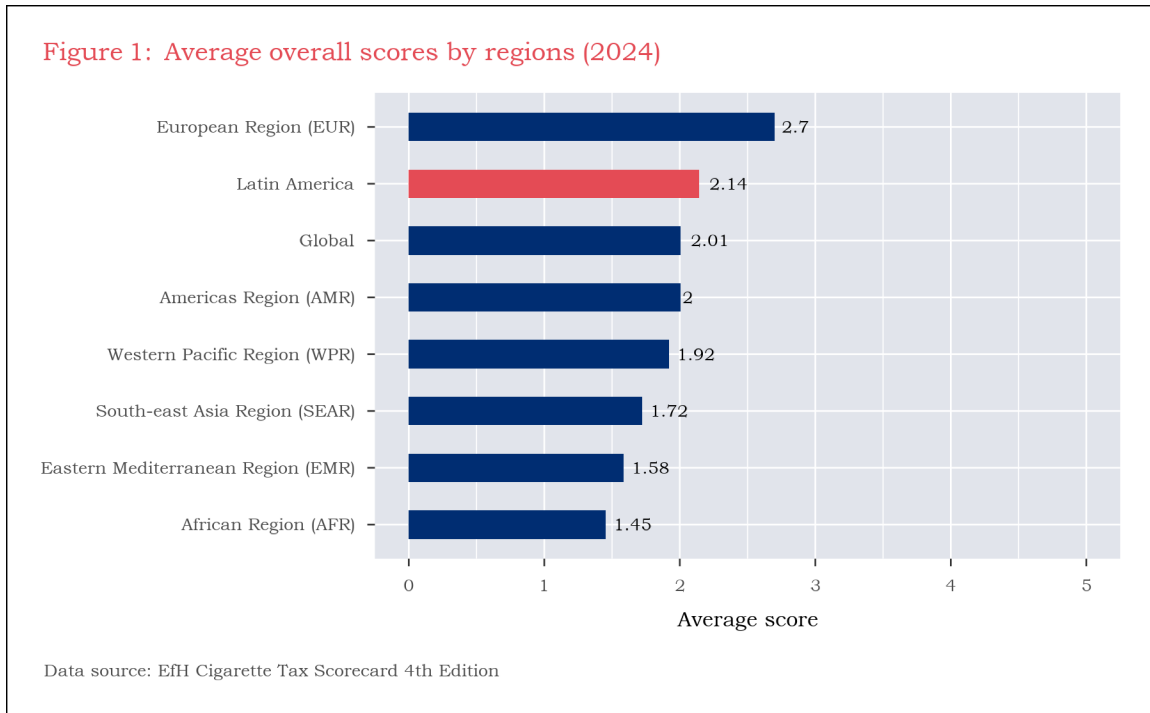


Cigarette Tax Scorecard: Spotlight on Latin America



Key Messages

1. In the fourth edition of the Economics for Health Cigarette Tax Scorecard, the average overall score in 2024 in Latin America is 2.14 out of 5 points. Although this is higher than other regions except Europe, Latin America scored marginally two points out of a possible 5 points on average—thus, there is plenty of room for improvement.
2. Among the four components used to calculate the overall score in the Scorecard, Latin American countries performed best on tax structure, with an average score of 3.35 points. This suggests that tax structures in the region are somewhat effective, but there still remains room for improvement in many countries.
3. Higher excise tax rates would help to reduce the affordability of cigarettes— the average score in the affordability change component is only 0.83 points out of 5. Cigarette prices have not increased at the same pace as income and inflation. This underscores the importance of introducing income and inflation adjustments to make sure affordability is reduced.
4. Out of the countries in the region, Ecuador is the highest performer, with an overall score of 3.25 points, while Bolivia lags behind the regional average with only 0.63 points out of 5.

Introduction

The Economics for Health Cigarette Tax Scorecard evaluates countries’ cigarette tax systems based on a five-point rating system that incorporates international guidance and best practices in tobacco taxation. The five-point index uses data from the World Health Organization and other sources to score countries on the following four components: cigarette price, changes in the affordability of cigarettes over time, the share of taxes in retail cigarette prices, and the structure of cigarette taxes. The total score reflects an average of the four component scores.

On average, the Latin America region scored barely over 2 out of 5 in 2024. Improving

cigarette tax policies would decrease smoking prevalence, while raising additional tax revenues for governments.

There is significant variation across the region for overall scores in 2024. Ecuador scored the highest with 3.25 points out of 5, followed by Chile, which scored 2.88 points. Bolivia had the lowest score of 0.63, and Paraguay followed with a score of 1.25. Most countries in the region received less than half of the possible points. These findings suggest that there is significant room for improvement in tobacco taxation policies throughout the region.



Key Component Findings

Cigarette Price

Price is a key determinant of cigarette use— as the price increases, demand decreases. In 2024, the average score in Latin America in this component is 2.62 out of 5 points. The Dominican Republic, Ecuador, and Panama perform the best in this component, each scoring 5 points. In contrast, Paraguay scores 0 points. Such price variation across the region can threaten the effectiveness of high prices in countries.

Change in Cigarette Affordability

To reduce demand, cigarettes must become less affordable. As cigarettes become less affordable, consumers buy fewer and many will stop smoking. As part of this effort, at a minimum, cigarette prices must outpace inflation and income growth.

This component requires the most significant improvement in Latin America. The regional average score is only 0.31 points out of 5. Apart from Honduras which scores 2 points, all countries score zero points for this component in 2024.

Tax Share

High tax share of price is essential to raise government tax revenues from cigarettes and is typically a good indicator of tax performance.

The average for this component of the score in Latin America is 2.25 points with large variation among countries. Argentina and Chile receive 4.5 points out of 5, followed by Mexico with 3.5 points. and seven countries score between 2.0 and 3.0 points. On the other end spectrum, Paraguay receives zero points and Bolivia, Dominican Republic, and Honduras receive only 0.5 points, indicating that these

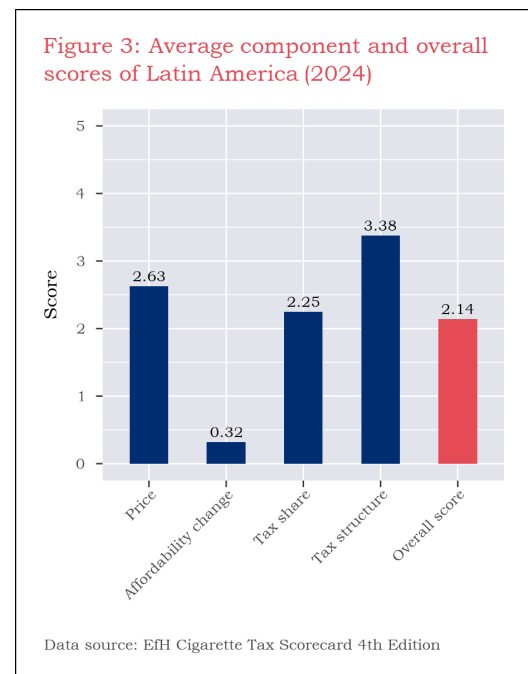
governments could be reaping significantly more revenues from cigarette taxes.

Note that if prices are low, tax shares can still be high without meaningfully reducing consumption. So it is best to view these two component scores together.

Tax Structure

Tax structures vary in their effectiveness when it comes to reducing tobacco use and collecting tax revenue. Uniform specific excise tax systems that are adjusted upward regularly are generally the most effective and easiest to administer.

The average score in Latin America for this component is 3.38 out of 5 in 2024. Ecuador, Honduras, and Peru receive all 5 points in this component. Bolivia scores the lowest in the region, with only 1 point out of 5.



Score Over Time

There is significant variation in progress on cigarette tax policies in the Latin American region. Since 2020, the regional average has declined steadily, from 2.41 to 2.14 points in 2024. Most countries saw their score decreasing in 2024, apart from Brazil and Paraguay, which increased slightly.

Each country in Latin America should seize the opportunity to improve their cigarette tax policies going forward. Not only will this improve the population's health, but governments will reap significant fiscal benefits as well.

Table 1: Trend of average component and overall scores in Latin America, 2014-2024

Component	2014	2016	2018	2020	2022	2024
Price	2.06	2.25	2.50	2.50	2.08	2.63
Affordability change	1.06	0.83	0.82	1.38	0.57	0.32
Tax share	2.09	2.31	2.44	2.38	2.31	2.25
Tax structure	3.27	3.44	3.25	3.38	3.38	3.38
Overall score	2.23	2.22	2.25	2.41	2.23	2.14

Annex 1: Trends of component and overall scores by countries in Latin America (2014-2024)

