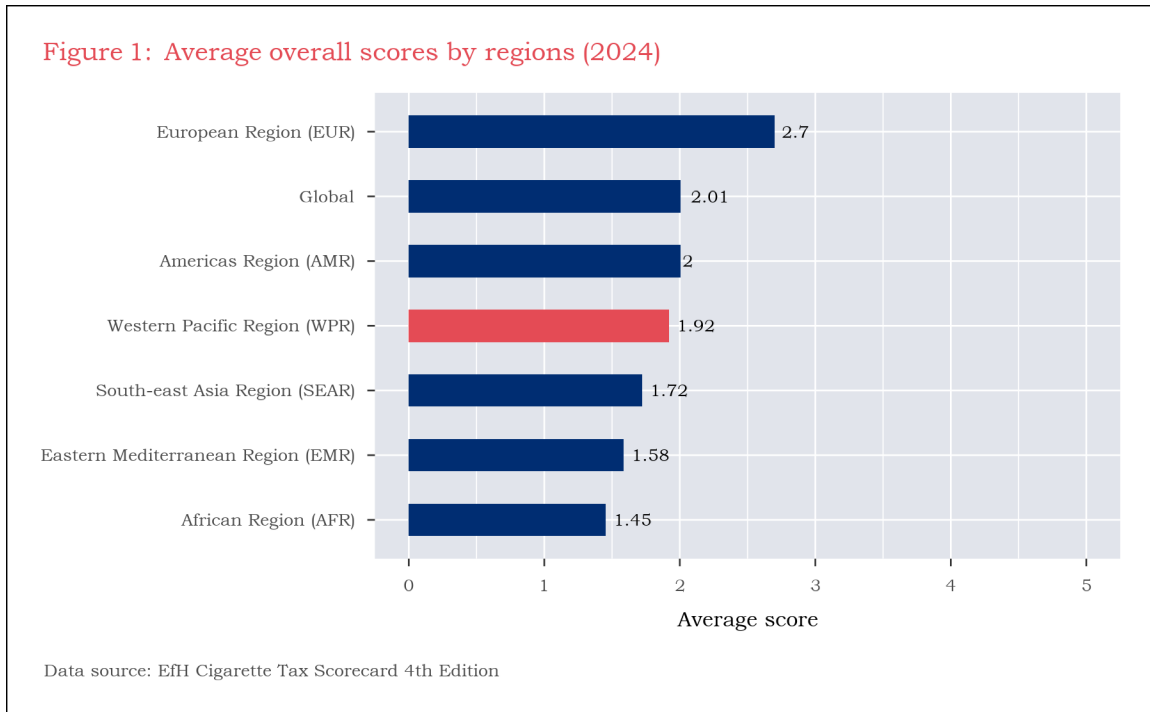


# Cigarette Tax Scorecard: Spotlight on the Western Pacific region



## Key Messages

1. In the fourth edition of the Economics for Health Cigarette Tax Scorecard, the average overall score in 2024 in the Western Pacific region is 1.92 out of 5 points. This score suggests that there is plenty of room for improvement.
2. Among the four components used to calculate the overall score in the Scorecard, countries in the Western Pacific region performed best on tax structure, with an average score of 2.87 points. This suggests that tax structures in the region are somewhat effective, but there are opportunities even here 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 0.34 points out of 5. Cigarette prices have not increased at the same pace as real income and inflation. This underscores the importance of introducing real income and inflation adjustments to make sure affordability is reduced.
4. Out of the countries in the region, the Philippines is the highest performer, with an overall score of 3.75 points, while the Marshall Islands lags the regional average with only 0.25 points out of 5.

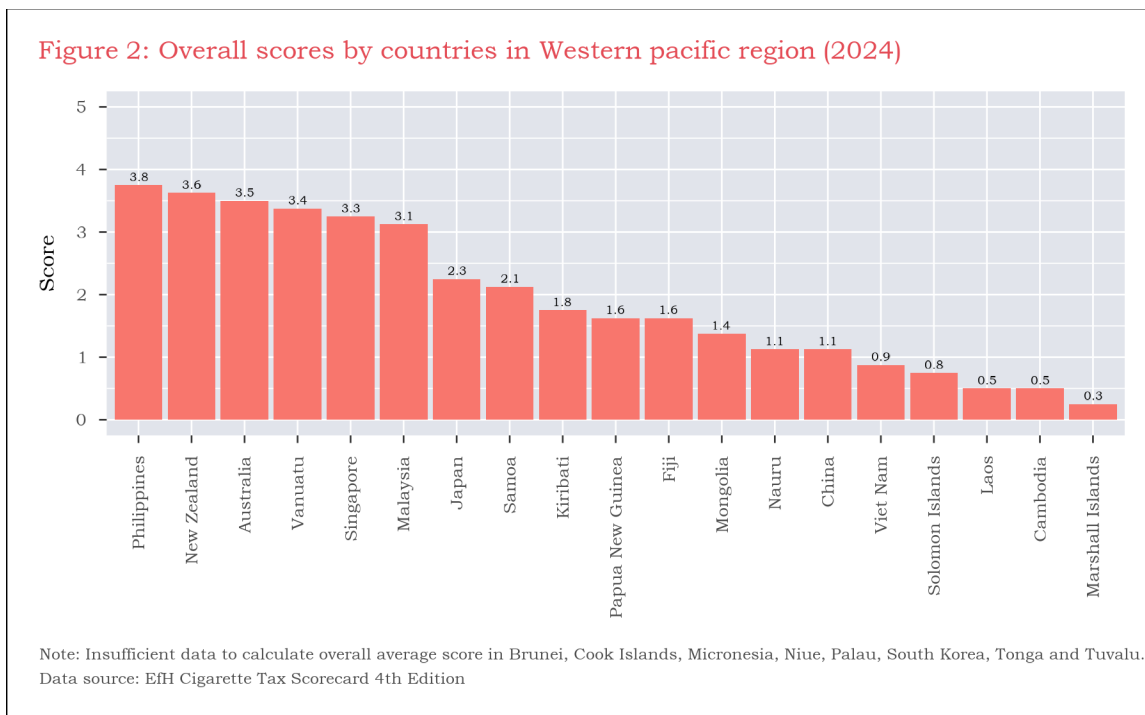
## Introduction

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 Western Pacific region scored 1.92 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. The Philippines scored the highest with 3.75 points out of 5, followed by New Zealand and Australia, which scored 3.63 and 3.50 points respectively. The Marshall Islands had the lowest score of 0.25, followed by Cambodia and Laos with a score of 0.50 points each. 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 the Western Pacific

region in this component is 2.63 out of 5 points. Australia, Fiji, Malaysia, New Zealand, and Singapore perform the best in this component, each scoring 5 points. In contrast, Cambodia,

Laos, and Mongolia each score 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 the Western Pacific region. The regional average score is only 0.34 points out of 5. Apart from Philippines and Vanuatu which score 5 points and 3 points respectively, all countries score zero points for this component in 2024.

### Tax Share

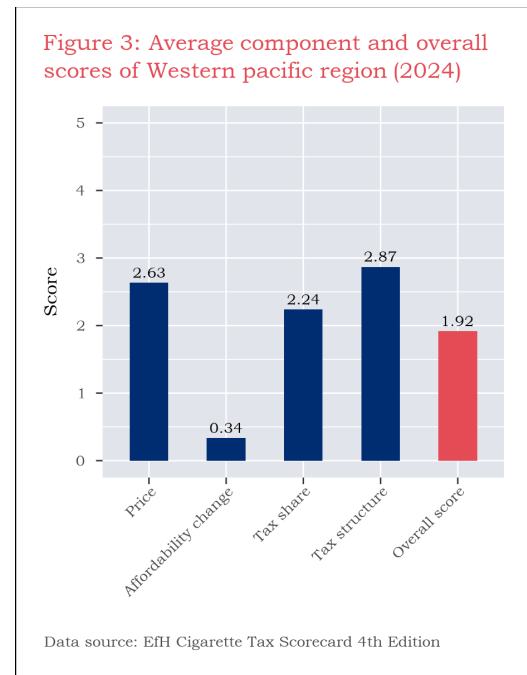
High tax share of price is essential to raise government tax revenues from cigarettes and is typically a good indicator of tax performance.

The average for this component of the score in the Western Pacific region is 2.24 points with large variation among countries. New Zealand and Palau receive 4.5 points out of 5. On the other end of the spectrum, Cambodia, Kiribati, Laos, and Marshall Islands receive zero points, followed by Fiji, Nauru, and Viet Nam which receive only 0.5 points. The findings indicate that these governments could be reaping significantly more revenue from cigarette taxes.

### Score Over Time

There is significant variation in progress on cigarette tax policies in the Western Pacific region. Since 2020, the regional average has declined steadily, from 2.16 to 1.92 points in 2024. Many countries saw their score

Note that if prices are low, tax shares can still be high. 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 the Western Pacific region for this component is 2.87 out of 5 in 2024. Australia, New Zealand, and the Philippines receive all 5 points in this component. The Marshall Islands and Nauru score the lowest in the region, with zero points out of 5.

decreasing in 2024. Fiji and Samoa experienced the highest decline since 2022 by 1.25 and 1.00 point, respectively.

Each country in the Western Pacific region 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 Western Pacific region, 2014-2024

<b>Component</b>	<b>2014</b>	<b>2016</b>	<b>2018</b>	<b>2020</b>	<b>2022</b>	<b>2024</b>
Price	2.09	2.54	2.50	2.61	2.58	2.63
Affordability change	0.73	0.84	1.21	1.25	0.96	0.34
Tax share	2.10	2.08	2.15	2.00	2.20	2.24
Tax structure	2.26	2.42	2.46	2.58	2.68	2.87
Overall score	1.73	1.96	2.07	2.16	2.07	1.92

## Annex 1: Trends of component and overall scores by countries in the Western Pacific region (2014-2024)

