Economics For Health

Revenue Potential of Tobacco Tax in Suriname

Tobacco use costs Suriname an estimated SRD524 million annually, through healthcare cost, lost productivity absenteeism, and premature deaths. The cost extends far beyond health: it is a significant economic burden.

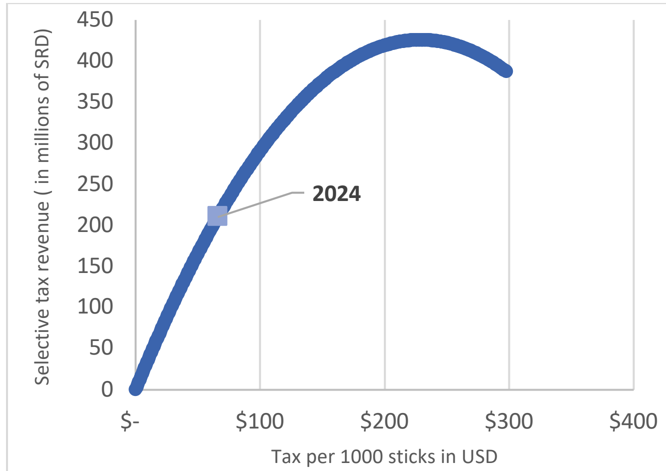
Tobacco tax increases are the most cost-effective policy to reduce tobacco use, while simultaneously lowering long-term healthcare costs and raising government revenue. However, realizing this potential requires: (1) smart tax design; and (2) effective administration and enforcement of the tobacco value chain.

Leveling up

International best practices indicate that Suriname has substantial space to improve tax rate levels. For example, the World Health Organization (WHO) recommends that taxes account for at least 75% of the retail price of cigarettes; while in Suriname taxes only account for 31.8% of the retail price.

A recently country-specific model that quantifies the revenue and health returns from integrated reforms indicates that **Suriname can more than triple the Selective tax (from the current 66 USD to more than 200 USD per 1000 sticks) and still see increases on revenues**.

However, to fully reap the revenue and health potential, tobacco taxes need to be accompanied by strong tax administration and enforcement.



Note: Own estimations based on Minister of Finance and Planning data

Cracking down

A new study conducted by Suriname's Medical Research Institute indicates that a large share of cigarettes currently circulating in Suriname lack required health labels and tax stamps, suggesting major revenue leakage and compliance gaps. The study indicates that about three of every four cigarette packs are illicit. Suriname currently collects taxes on only one in four cigarettes sold. The other three are invisible to the treasury.

Moreover, estimates indicate that at 2026 prices, **full compliance could unlock between 740 million and 1 billion additional revenues annually.**

Taxation and illicit trade control are two sides of the same coin: stronger taxes without stronger administration risk potential revenues; strong administration reduces evasion and illicit trade, increasing tax revenue.