

Cigarette Tax Scorecard, 3rd Edition: Spotlight on Countries Participating in the South Asia Tobacco Control Leadership Programme

Key Messages

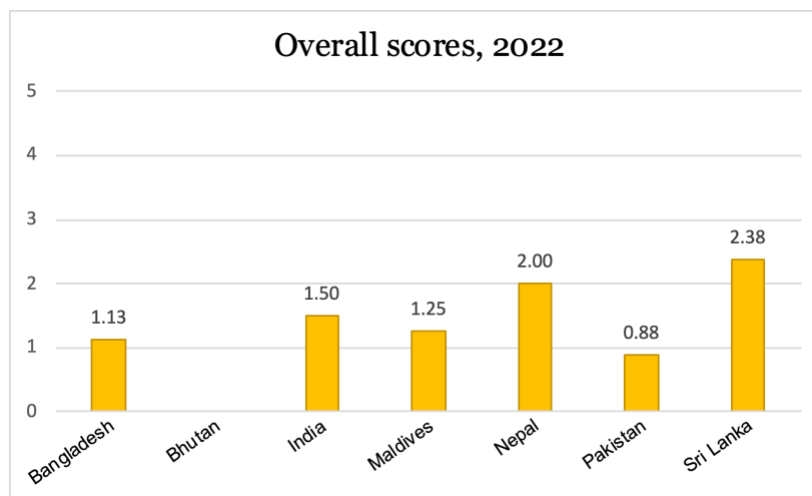
- In the third edition of the Tobacconomics Cigarette Tax Scorecard, overall scores for the South Asia countries ranged from 0.88 to 2.38 points out of 5, with Sri Lanka scoring the best. Their overall average scores were below the regional and global averages, indicating ample room for improvement across all countries.
- Except for Nepal, all countries scored 0 points out of 5 in the affordability component and 2 points or below in the tax structure component, indicating that most countries are not following the best practice of utilizing uniform specific taxes that at least keep pace with inflation and income growth. Furthermore, most countries continue to employ complex tiered structures that allow for very inexpensive cigarettes.
- No countries in South Asia met the WHO-recommended level of 75% tax share of retail price in 2022.
- Since 2014, 4 out of 7 countries in South Asia have seen a modest improvement in their overall scores. All countries have vast potential for improvement in all components, especially in the change in affordability, tax structure and tax share. Governments should seize this opportunity to improve population health outcomes and reap the fiscal benefits of increased excise tax revenues.

Introduction

The Tobacconomics (now 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 data 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.

Regional Findings

Sri Lanka led with an overall average score of 2.38, followed by Nepal with 2.00 points and India with 1.50 points. The overall average score of the region was 1.52 points, which was lower than the global average (1.99) and the WHO's South East Asia Region average (1.64). These findings suggest that there is a significant need for improvement in tobacco taxation policies throughout the region.



Note: There are insufficient data for Bhutan in 2022

Key Component Findings

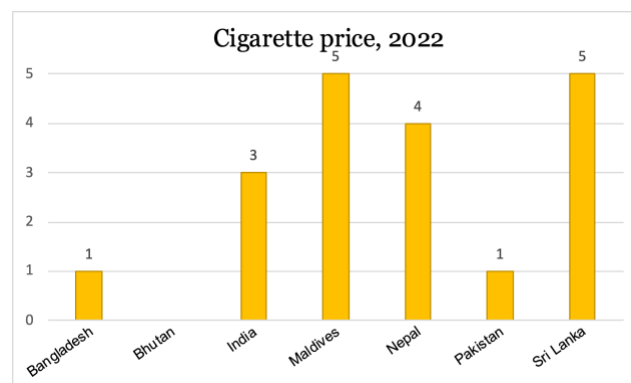
Cigarette Price

Price is a key determinant of cigarette use—as the price increases, demand decreases.

In 2022, Sri Lankan and Maldives performed the best in the component, scoring maximum 5 points with cigarette prices of 18.55 Int\$ PPP and 11.51 Int\$ PPP respectively. In contrast, Bangladesh and Pakistan scored 1 point each with much cheaper prices of 2.70 Int\$ PPP and 2.16 Int\$ PPP, respectively.

Such price variation across the region can also sometimes undermine the

effectiveness of high prices in neighboring countries by creating opportunities for cheaper illicit products.

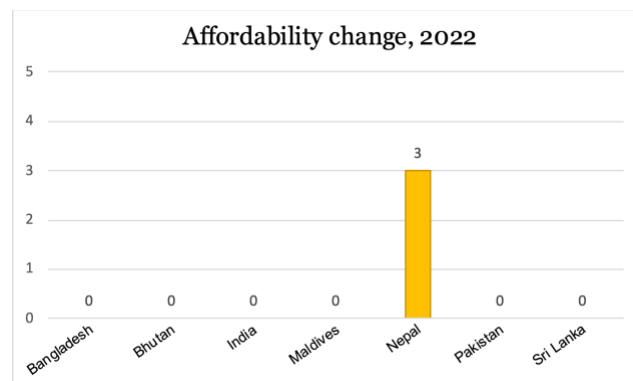


Changes in Cigarette Affordability

To reduce demand, cigarettes must become less affordable. As cigarettes become less affordable, consumers buy fewer and many stop buying them altogether. As part of this effort, at a minimum, cigarette taxes must be updated for inflation and income growth. Preferably, tax increases outpace inflation and income growth each year.

This component of the score requires the most significant improvement, given that 6 out of 7 countries in South Asia scored zero points, which means there was either an increase in affordability or no significant

reduction. In contrast, Nepal received 3 points, which means it had an average 3.44% annual change in the 2016-22 period.

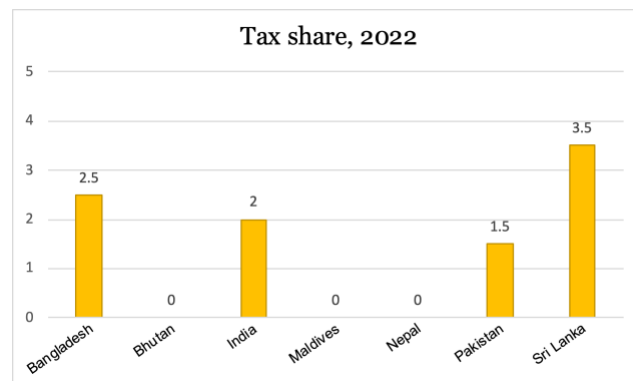


Tax Share

High tax share of price is a strong indicator of effective tobacco taxation and is essential to raise government tax revenues from cigarettes.

In this component, there is variation among countries. The highest score for tax share of price in the South Asia countries is Sri Lanka at 3.50 points out of 5, followed by Bangladesh (2.5 points), India (2 points) and Pakistan (1.5 points). On the other hand, Bhutan, Maldives and Nepal received 0 point with tax shares of 12.5%, 0% and 16.5% respectively. Given the low scores of

tax share in all countries, the region presents significant opportunities for increasing the tax share of cigarette prices.

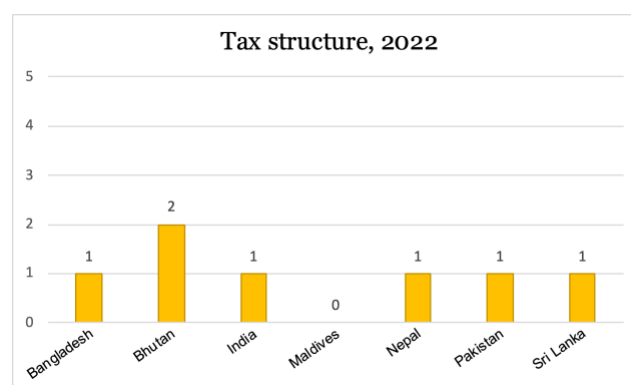


Tax Structure

Tax structures vary in their effectiveness when it comes to reducing tobacco use and collecting tax revenue. Uniform specific excise tax systems that adjust at least for inflation are generally the most effective and easiest to administer.

Most countries scored 1 point out of 5 in the tax structure component. Bhutan scored the highest with 2 points, while Maldives scored 0 points. Only Nepal, Pakistan, and Sri Lanka implemented specific excise taxes, but these are neither uniform nor adjusted annually for inflation. Bangladesh and Bhutan used ad valorem taxes without inflation adjustments, and India employed a mixed excise tax without greater reliance on the specific component. Maldives has not implemented any excise tax on cigarettes.

Except Bhutan and Maldives, countries in South Asia implemented problematic tiered tax structures which generally mean large price ranges that provide opportunities for smokers to switch to a cheaper cigarette when prices increase. Tiered structures also give tobacco companies more opportunities to avoid paying taxes.

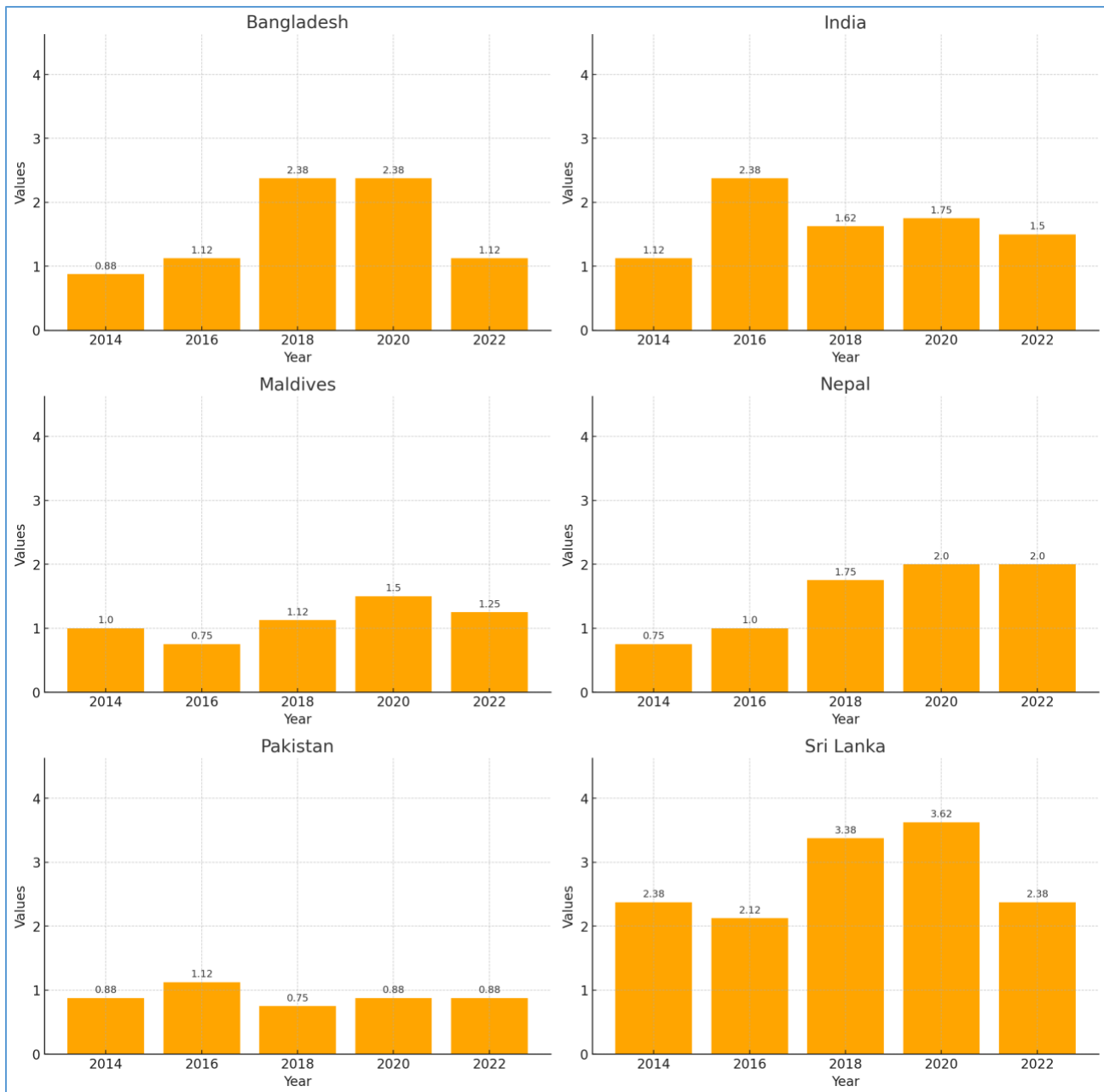


Conclusion

There is significant variation in the effectiveness of cigarette tax policies in the South Asia countries and the change over time in them. In the 2014 to 2022 period, only four countries showed improvement, but these were modest. The country with the greatest improvement was Nepal, with a 1.25 points increase. Pakistan and Sri Lanka did not show any improvement in

overall scores. Bhutan lacked sufficient data for overall scoring since 2014. The results indicate that all these countries have significant room for improvement in their cigarette tax policies. Governments should seize this opportunity to improve population health and reap the fiscal benefits from increased excise tax revenues.

Overall Scores of the Countries, 2014-2022



Note: There are insufficient data for Bhutan 2014-2022

About Economics for Health

Economics for Health (formerly Tobacconomics) is a collaboration of leading researchers who have been studying the economics of health policy for nearly 30 years with a focus on health taxes. The team is dedicated to helping researchers, advocates, and policymakers access the latest and best research about what's working—or not working—to improve public health and economic wellbeing globally. As a program of the Johns Hopkins University Bloomberg School of Public Health department of Health, Behavior & Society, Economics for Health is not affiliated with any tobacco manufacturer. Visit www.economicsforhealth.org or follow us on X www.x.com/econforhealth and add us on LinkedIn and Facebook.