WINNING APPROACHES TO TOBACCO TAXATION:

Lessons from the implementation of Article 6 of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC)

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1. Introduction

Countries that have adopted policies to raise tobacco taxes substantially, and keep pushing them higher, have been rewarded with higher revenues and spectacular health gains, a review of experience from a number of low- and middle-income countries shows[1].

This result is in line with the Article 6 'guiding principles and recommendations'[2], adopted at the fifth session of the Conference of the Parties (COP5) of the WHO Framework Convention on Tobacco Control (FCTC). They note that effectively raising the price of tobacco products through tobacco taxes reduces tobacco use and contributes significantly to states' budgets.

Moreover, reforms to tobacco tax structures and tax administration systems, while they may take some years to complete, can fix significant flaws in tax systems, increase tax collection, reduce tax evasion and avoidance, and help combat illicit trade in tobacco products. Consistent monitoring of sales, prices and effective tax rates has also demonstrated its utility.

The examples of Brazil, Philippines, Turkey, Chile and Uganda, discussed in this report, show that boldness and sustained effort on tobacco taxation can help governments to achieve their priorities, for example helping to pay for universal health coverage, educational reform or re-building infrastructure after devastating earthquakes.

These examples also suggest that Parties to the FCTC could all benefit from making their long-term tax policy explicit <u>and</u> setting a numerical target – an approach recommended by the FCTC Conference of the Parties, as we will see.

1 This report does not provide an exhaustive list of all countries that successfully adopted polices to raise tobacco taxes.

2 Link to the set of guiding principles and recommendations for the implementation of Article 6 of the WHO FCTC: http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5%287%29-en.pdf

2. Why Parties should implement a long-term tax policy

The fifth session of the FCTC Conference of the Parties (COP5) held 12-17 November 2012 in Seoul, Republic of Korea, unanimously adopted a 'set of guiding principles and recommendations for implementation of Article 6 of the WHO Framework Convention on Tobacco Control' (WHO FCTC)[3]. It also decided to establish an open-ended, inter-sessional drafting group to continue the work of elaborating a complete set of guidelines for implementation of Article 6 of the FCTC. The drafting group, which met twice in 2013, is scheduled to present a complete set of draft guidelines for consideration and adoption by the sixth session of the FCTC Conference of the Parties (COP6), 13-18 October 2014 in Moscow.

The guiding principles and recommendations adopted by COP5 recommend that:

> ***"Parties should establish coherent long-term policies on their tobacco taxation structure and monitor on a regular basis including targets for their tax rates, in order to achieve their public health and fiscal objectives within a certain period of time."***

It further recommends that:

> ***"Tax rates should be monitored, increased or adjusted on a regular basis, potentially annually, taking into account inflation and income growth developments in order to reduce consumption of tobacco products."***

As noted in the guiding principles and recommendations, tobacco tax policies "are widely recognized to be one of the most effective means of influencing the demand for and thus the consumption of tobacco products".

Higher tobacco prices encourage cessation by existing tobacco users, and prevent and reduce tobacco use among younger and poorer populations. A 70 percent increase in the price of tobacco could prevent up to one-quarter of all deaths caused by smoking worldwide[4].

Higher tobacco prices, achieved through a coherent long-term tax policy, will also raise tax revenue for governments. Every nation and sub-national entity with an efficient tax system that has significantly increased its cigarette tax has enjoyed substantial increases in revenue, even while smoking has declined.

Hence, higher tobacco taxes that lead to higher tobacco prices are a "win-win" solution for the public and the government. Ignoring the benefits of an effective tobacco tax policy would be a lost opportunity, costing millions of lives and loss of tax revenue every year.

Two important tobacco control principles should be considered when developing a long-term tobacco tax policy. A tobacco tax policy will be more effective, in health terms, if it is part of a comprehensive tobacco control strategy taking into account key articles of the WHO FCTC.

Also, any tobacco tax policy should be protected from commercial and other vested interests of the tobacco industry. In fact, many countries have experienced strong opposition to tobacco tax reform from the tobacco industry, which uses refutable and inaccurate arguments to undermine the reform process in order to protect their profits.

3 See FN 2 above.

4 Chaloupka F, Hu T, Warner KE, Jacobs R, Yurekli A. The taxation of tobacco products. In: Jha P, Chaloupka F, editors. Tobacco control in developing countries. New York: Oxford University Press, Inc.; 2000.

Countries have, as proposed in the Article 6 guiding principles and recommendations, adopted long-term tax policies with respect to tobacco tax structures, monitored the effects of those policies, and made adjustments where necessary.

Examples of such success stories include Turkey, the Philippines, Brazil, Chile and Uganda.

Turkey[5]

Turkey has a long history of using tobacco tax reform to reduce tobacco use and increase government revenue.

In Turkey, cigarette excise tax is traditionally calculated on an ad-valorem basis with a specific tax floor[6]. In October 2010, the ad-valorem tax share increased from 58 percent to 63 percent of the retail price, and the specific tax floor was raised to TRY2.65 (US$1.13[7]). In 2011, the ad-valorem tax share averaged 65 percent, while total tax (including VAT) averaged 80.25 percent of the retail price.

In 2012, a specific tax was added on top of the ad-valorem rate. Both the specific tax and specific tax floor will be adjusted to inflation.

TOBACCO TAXES IN TURKEY

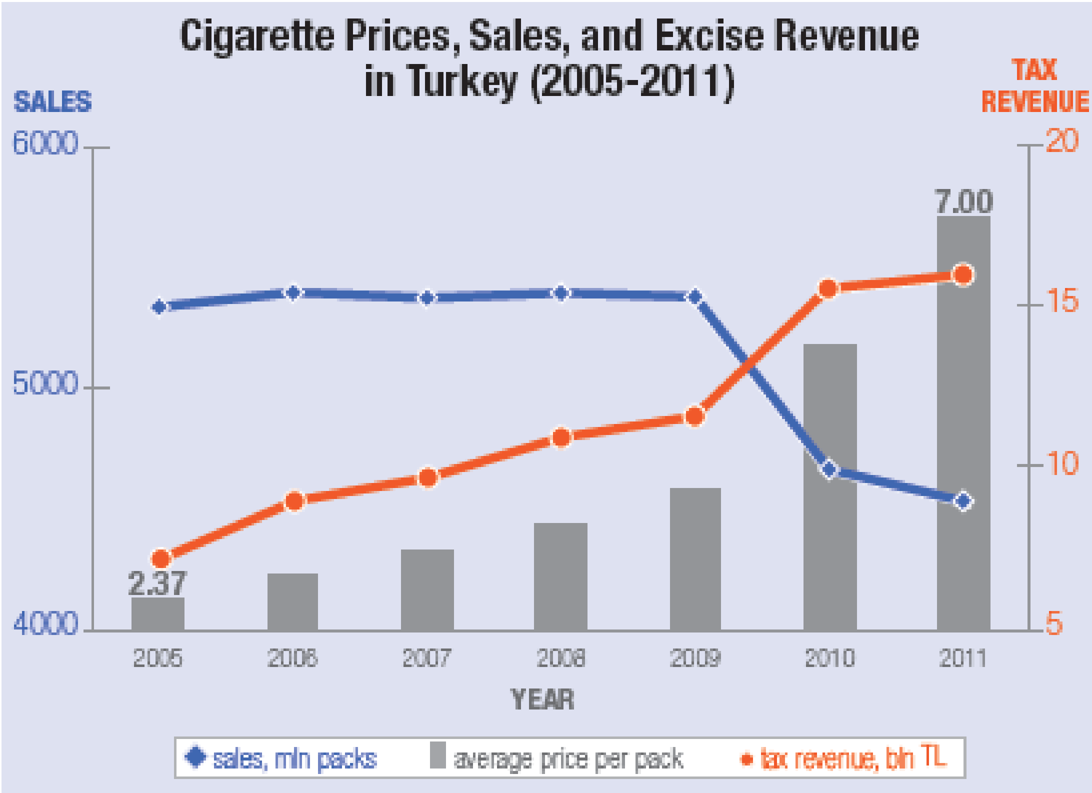
YEAR	AD VALOREM (%)	SPECIFIC TAX FLOOR
2005	58	1.20
2006	58	1.40
2007	58	1.50
2008	58	1.55
2009	58	2.05
2010	63	2.65
2011	65	2.90

As a result, between 2005 and 2011 government tobacco tax revenue increased steadily from TRY7.1 billion (US$3.1 billion) to TRY15.9 billion (US$7 billion), while cigarette sales declined from 106.7 billion sticks to 90.8 billion sticks. In the same period, retail prices of economy cigarettes increased threefold, while prices of luxury cigarettes rose 128 percent.

5 See: http://global.tobaccofreekids.org/files/pdfs/en/success_Turkey_en.pdf

6 Tobacco excise taxes can be either specific or ad-valorem – or a combination thereof. Specific taxes are a fixed amount per quantity of tobacco products (e.g. $1 per pack of 20). Ad-valorem taxes are a percentage mark-up on price (e.g. 30 percent, added to the retail price, 40 percent added to the manufacturers' price). For more information see: http://global.tobaccofreekids.org/files/pdfs/en/TAX_types_en.pdf

7 Currency conversions in US$ are at the rates of October 2014.



Turkey's production monitoring system allows the government to track the tobacco industry's response to tax increases and refute common industry claims on the impact of increased tax on sales and illicit trade of cigarettes.

The example of Turkey shows how a coherent, well monitored tax policy can consistently increase tax revenue and simultaneously save lives. Smoking prevalence in Turkey decreased significantly, from 31.2 percent in 2008 to 27.1 percent in 2012.

However, this decline in smoking is the result not only of multiple tobacco tax increases but of the implementation of a comprehensive set of tobacco control policies by the Turkish government. These include a national smoke-free law banning smoking in workplaces, restaurants, cafes and bars; graphic health warning labels on the front and back of tobacco packages; and a comprehensive ban on tobacco advertising, sponsorship and promotion.

The Philippines[8]

The example of the Philippines also demonstrates how increasing tobacco taxes can produce a significant increase in government revenue while reducing tobacco use prevalence.

The Philippines levies a specific excise tax on tobacco products. Before 2013, the Philippines' excise tax system had 4 tiers, with some brands bearing a tax that was less than one-tenth of the tax per pack levied on other brands. A "price classification freeze" applied from 1996 to 2012 mandated that the tax rates of brands that existed prior to 1996 were based on their 1996 retail price.

In 2012, the Philippines passed the Sin Tax Reform Act, which removed the price classification freeze, introduced higher excise rates, started a move towards a unitary rate system (with a single excise rate to be attained by 2017), and indexed the tax rate to an inflation proxy of 4 percent annually after 2017.

PHILIPPINES SPECIFIC EXCISE TAX PER PACK FOR MACHINE-PACKED CIGARETTES BASED ON NET RETAIL PRICE (PHP)

<table>
<tr><th colspan="2">OLD SYSTEM</th><th colspan="7">RS 10351</th></tr>
<tr><th colspan="2">2012</th><th></th><th>2013</th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th></tr>
<tr><th>NRP</th><th>EXCISE TAX</th><th>NRP</th><th colspan="6">EXCISE TAX</th></tr>
<tr><td>below 5</td><td>2.72</td><td rowspan="2">11.5 and below</td><td rowspan="2">12</td><td rowspan="2">17</td><td rowspan="2">21</td><td rowspan="2">25</td><td rowspan="4">30</td><td rowspan="4">annual 4% increase</td></tr>
<tr><td>5-6.5</td><td>7.56</td></tr>
<tr><td>6.51-10</td><td>12</td><td rowspan="2">more than 11.5</td><td rowspan="2">25</td><td rowspan="2">27</td><td rowspan="2">28</td><td rowspan="2">29</td></tr>
<tr><td>more than 10</td><td>28.3</td></tr>
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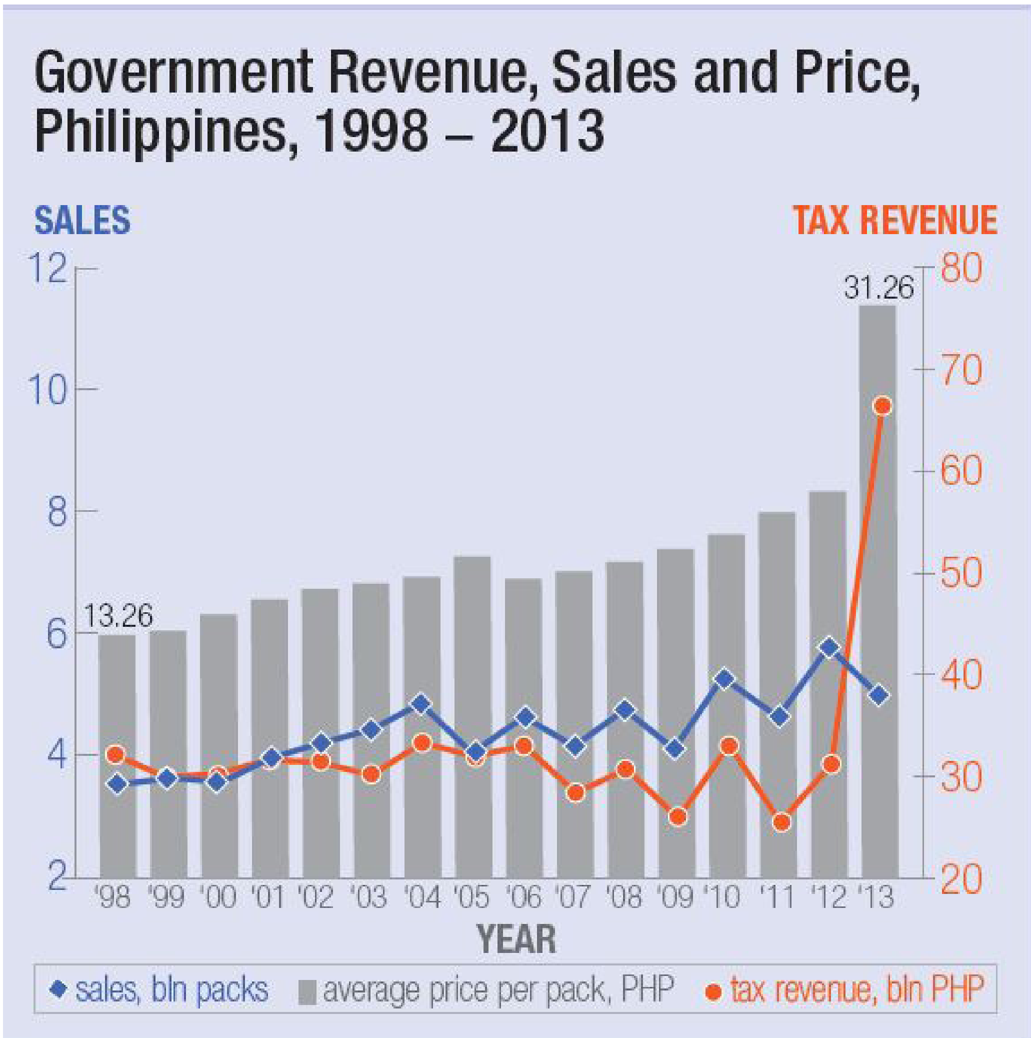
In the first year of the reform, the specific excise tax on tobacco increased from 2.72 PHP (US$0.06) to 12 PHP (US$0.27) on low- and medium-priced brands, and from 12 PHP (US$0.27) to 25 PHP (US$0.56) on high-priced and premium brands. The average price per pack rose approximately 10 PHP (US$0.22).

As a result, government tobacco tax revenue more than doubled, from 31.2 billion PHP (US$0.69 billion) in 2012 to 66.4 billion PHP (US$1.48 billion) in 2013, while reported domestic sales declined slightly. Those sales went from 5.76 billion packs in 2012 to 4.97 billion packs in 2013. Preliminary data shows a more substantial decrease in the prevalence of smoking among adult Filipinos, from 28.3 percent in 2009 to roughly 25.4 percent in 2013[9].

8 See: http://global.tobaccofreekids.org/files/pdfs/en/success_Philippines_en.pdf

9 Antonio L. Dans. Health Impact of the Sin Tax Law. For the National Nutrition and Health Survey, 2013.



The modest initial decline in reported sales is in part due to tobacco industry efforts to delay and cushion the impact of the tax increase. First, the tobacco industry deliberately increased their supply of low-priced cigarettes, reducing somewhat the 'sticker-shock' of the large tax increase to keep smokers buying (and to keep brands in the lower of the remaining two tax tiers). It also "front-loaded" cigarettes: encouraging retailers and wholesalers to build up large inventories – before the tax increase in 2013 and again before the 2014 increase – allowing consumers to continue to purchase lower-price cigarettes for the first few months that the tax increases were in effect.

In addition, the elimination of the price classification freeze enabled smaller companies to begin to compete with the large company that dominated the market (Philip Morris Fortune Tobacco Corp. or PMFTC), increasing their sales of cheap cigarette brands. The advantages of these tactics for the industry will change over time as the shift to a unitary high tax rate occurs.

Brazil[10]

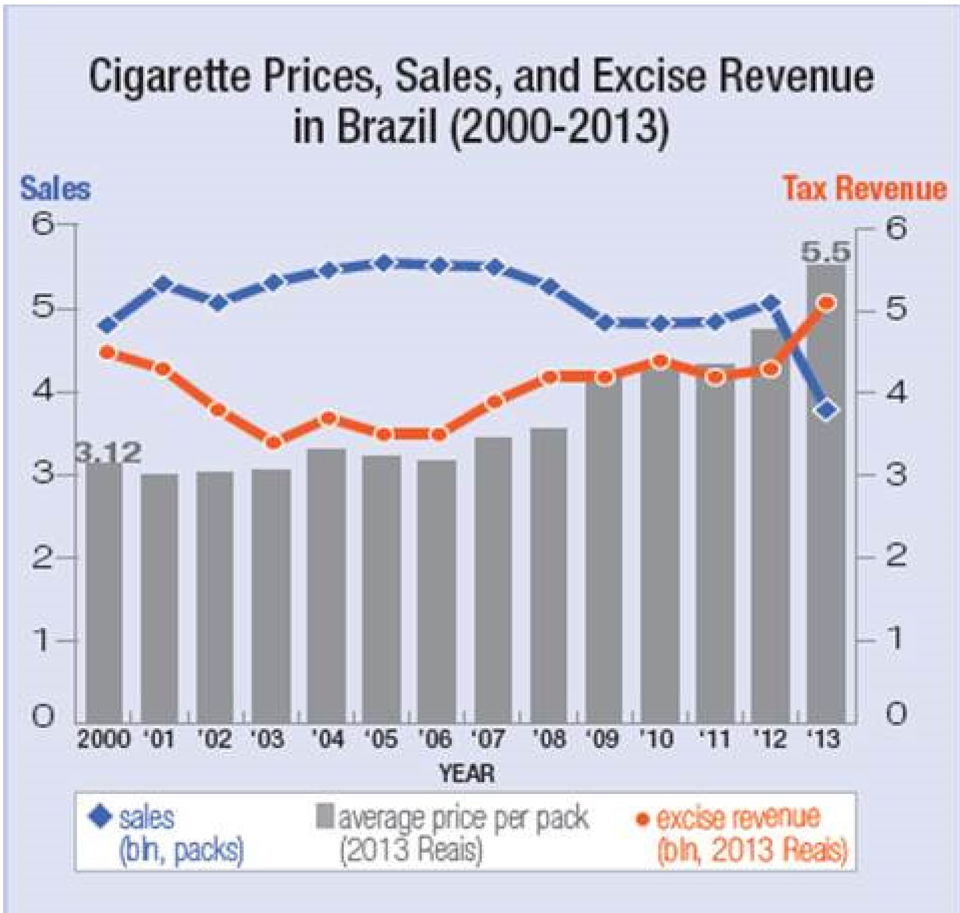
The example of Brazil also shows how consistent changes in tax policies can produce a significant rise in government revenue while reducing tobacco use prevalence.

From 2000 to 2006, Brazil had a multi-tiered, specific, excise tax system, with the specific tax being subject to adjustments below inflation. However under this tax regime, tobacco tax revenue declined. This prompted more frequent adjustments from 2007 to 2011, with increases above inflation. As a result, government revenues increased.

In 2012, Brazil changed its tax policy to the current mixed, cigarette excise tax with two specific tax rates and one ad-valorem rate. By law, the specific taxes are adjusted annually to a rate above anticipated inflation.

In 2015, the specific tax rates will be combined into a single uniform specific rate. The ad-valorem rate increases each year.

As a result of Brazil's consistent tobacco tax work, between 2006 and 2013 revenue from tobacco excise taxes increased, in real terms, from 3.5 billion BRL (US$1.41 billion) to 5.1 billion BRL (US$2.06 billion). Revenue rose by 48 percent even as cigarette sales declined from 5.56 billion packs in 2006 to 3.8 billion packs in 2013. The number of smokers in Brazil dropped from 21.35 million in 2006 to 17.10 million in 2013.



After 2006, excise tax as a percent of retail price increased, reaching 24.4 percent in 2013. Other indirect taxes on tobacco are important in Brazil. Total taxes on tobacco as a percent of retail price rose from 55.6 percent in 2006 to 60.4 percent in 2013. The average price for a pack of 20 cigarettes

10 See: http://global.tobaccofreekids.org/files/pdfs/en/success_Brazil_en.pdf

went from 2.19 BRL (US$0.88) in 2006 to 5.50 BRL (US$2.22) in 2013, and the number of smokers in Brazil declined from 21.35 million in 2006 to 17.10 million in 2013.

The tobacco industry has consistently cited high rates of illicit trade of cigarettes as a reason to not raise tobacco taxes. It argues that raising taxes would increase the price difference between tax-paid and illicit cigarettes, and promote growth in illicit trade. However, the industry's pricing strategy has not been consistent with this alleged concern. During the early 2000s, when excises taxes fell in real terms, the industry did not allow cigarette prices to fall accordingly, but rather increased its profit margins and maintained the price differential with smuggled cigarettes. In 2009, when a second round of tax increases was implemented, the industry increased cigarette prices far more than the amount of the tax increases, showing little concern about increasing the price difference between legal and illegal cigarettes.

Chile

The example of Chile shows that boldness and sustained effort on tobacco taxation can help to achieve government priorities, in Chile's case helping to pay for recovery from an earthquake or education reform.

In 2010, to help finance recovery from an earthquake that struck earlier that year, the Chilean government increased tobacco taxes significantly: from an ad-valorem tax rate of 50.4 percent to 62.3 percent. An additional specific tax was introduced for the first time, but it was extremely low.

In 2012, as part of a comprehensive reform package, the ad-valorem tax rate was decreased to 60.5 percent, but a two-fold increase in the specific tax was implemented. However, even after that change, the specific tax for a package of 20 cigarettes was still very low, about US$0.20. As a result, despite a relatively high ad-valorem tax rate, the prices of cigarettes remained low.

In March 2013, a new proposal was sent to the Chilean Congress, aimed largely at increasing tax revenue in order to fund a national educational reform that will provide free, public, high-quality education. The proposed tax reform included a low (11 percent) hike in the specific tobacco tax, which, according to independent estimates, would have resulted in cigarette prices rising by only 2 percent.

In reaction, civil society – on the basis of recent studies, one on the cost of tobacco-related illnesses and the other on how prices influence if individuals from various socio-economic groups start smoking – launched an active tax campaign that led to a significant revision of the tax proposal.

With the amendment, the ad-valorem tax rate on tobacco products was reduced from 60.5 percent to 30 percent of retail price. This was more than counterbalanced by a 700-percent increase in the specific tax rate, which rose from about US$0.2 to US$1.5 for a pack of 20 cigarettes. The rate is automatically adjusted for inflation monthly. The amended proposal was passed and became part of the newly approved tax law, which came into effect on 26 September 2014.

Through this new tax law, it is estimated that the price of the cheapest cigarettes (which have about 50 percent of the market share) will increase by up to 40 percent. The price of the most-sold brand (Pall Mall) would increase by around 35 percent. The prices of luxury brands (which account for roughly 15 percent of market share) would not increase markedly.

According to estimates from the Ministry of Finance, the new tobacco tax structure will result in revenues rising by US$350 million per year.

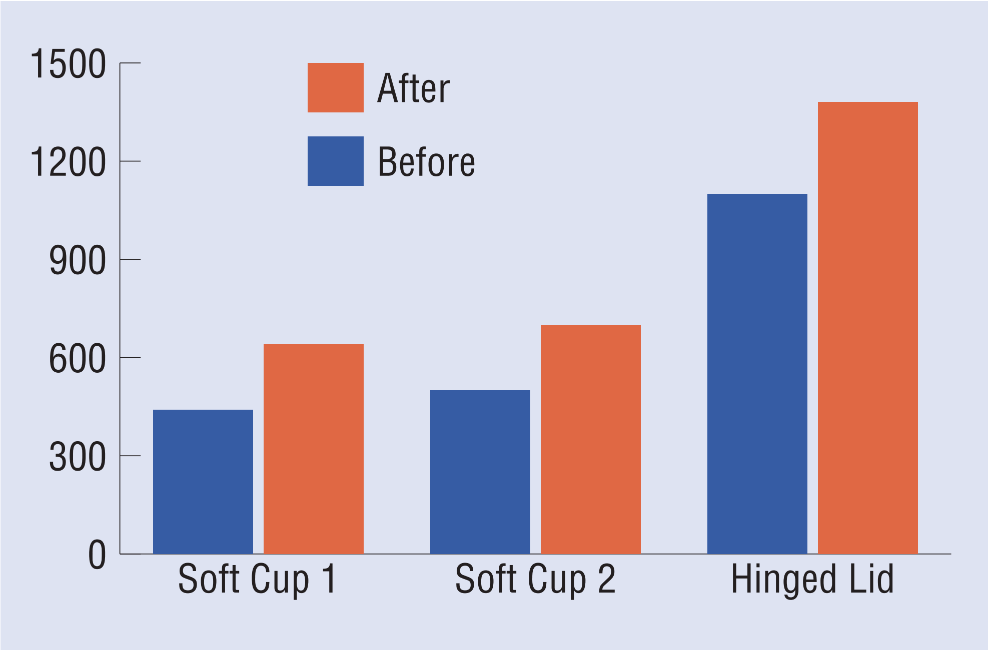
Uganda

Despite unrelenting tobacco industry interference, Uganda recently hiked its tobacco taxes significantly for the first time in five years.

Uganda has a tiered specific tax system, with three tiers based on product characteristics: Soft Cup 1, Soft Cup 2 and Hinged Lid. The most popular brands, Safari and Sportsman, are in the Soft Cup 1 and Soft Cup 2 categories, respectively. Hinged Lid cigarettes include premium foreign brands, and only account for roughly 5 percent of the total market. The differences in excise taxes between the categories are vast, with the Hinged Lid 150 percent higher than the Soft Cup 1, while the Soft Cup 2 is only 14 percent higher than Soft Cup 1.

On 1 July 2013, excise taxes on all three categories were increased, by 45 percent, 40 percent and 25 percent, respectively.

UGANDA'S TIERED SPECIFIC TAX BEFORE AND AFTER 1 JULY 2013



These major increases do three important things:

1. They are significant enough to result in an increase in prices, which will in turn result in lower consumption,
2. The increase in taxes will result in increased government revenue, and
3. Since the increase in taxes on the products in the lower-taxed tiers was significantly greater, in percentage terms, than the increase in taxes on the higher-taxed tiers, it will reduce the differences in taxes between tiers, and thus reduce the opportunities for down-trading.

The logical next step would be working toward a unified or uniform specific tax. The benefits would be easier administration, higher revenue and less ability for consumers who use tobacco products classified in the higher tiers to avoid tax increases by 'trading down'.

The tobacco industry aggressively lobbied against tax increases, arguing that they would harm tobacco farmers, resulting in job losses and an increase in illicit trade. In fact, British American Tobacco closed its cigarette manufacturing facility in Uganda several years before the tax increase, subsequently importing cigarettes from Kenya.

The tax increase was discussed as part of an open and transparent process, so the tobacco industry was well aware that the increase would occur. Armed with that knowledge, the industry undermined the tax hike by stockpiling cigarette imports in the months preceding the increase. The industry then claimed that the tax increase had resulted in a decline in tax revenues.

For example, in June 2013 (the month before the tax increase came into effect), British American Tobacco imported approximately 370,000 Milles (370 million) of Sportsman cigarettes at the old tax rate. This was roughly equal to the volume that had been imported in the five months preceding the tax increase (January-May 2013). But in the four months following the increase (July-October 2013), no imports of Sportsman were recorded. Sportsman accounts for about half of all cigarettes smoked in Uganda.

The industry then claimed that the tax increase had resulted in a drop in tax revenues.

3. Why should governments establish a tax-rate target?

In many (but not all) countries, the notion of tax rate targets tied to health (and non-health) outcomes has largely been absent in the discussion and development of tobacco tax policies. However, there are several ways that FCTC Parties can benefit from establishing long(er) term tax targets.

Below is an example, from the Pacific Islands, of how tobacco tax policy can be used to attain other health targets:

Joint Forum Economic and Pacific Health Ministers Meeting
Outcomes Statement
Honiara, Solomon Islands
11 July 2014

Preamble

Pacific Island countries are in the midst of a Non-Communicable Disease (NCD) crisis. Pacific Leaders recognised this in September 2011. The statistics for the Pacific speak for themselves.

i. NCDs account for around 75% of all deaths in the Pacific.

...

iv. Three of the top ten worst rates of tobacco use in the world are in the Pacific region.

The Forum Economic Ministers Meeting in 2013 considered the economic costs of NCDs in the Pacific. Economic Ministers requested that the Secretariat of the Pacific Community (SPC) consult with Forum Members to develop a Roadmap for strengthening NCD prevention and control in the Pacific region, and present the finalised NCD Roadmap to Economic Ministers in 2014 outlining their specific role and contribution.

...

4. The Economic and Health Ministers expressed appreciation for the preparatory work spearheaded by the Pacific Islands Forum Secretariat and Secretariat of the Pacific Community, strongly supported by the World Bank, New Zealand Aid programme, Australian Department of Foreign Affairs and World Health Organization. The Economic and Health Ministers:

i. underscored the gravity of the NCD situation in the Pacific, with significant and long-term negative effects on both the health and the economies of our Pacific nations; and

ii. Agreed urgent action is needed to control and reverse the negative impacts of NCDs. This action needs to be based on evidence, tailored to each country's specific situation.

...

Agreed Actions

5. We, the Economic and Health Ministers, commit to these five actions to develop together country-specific roadmaps:

i. <u>Strengthening tobacco control by an incremental increase in excise duties to 70% of the retail price of cigarettes over the medium term;</u>

...

From the health perspective, what ultimately matters is whether prices of tobacco products go up in real terms. If prices don't even keep pace with general inflation, tobacco products will actually become cheaper relative to other products, and people will buy more of them. Moreover, if economic growth is strong and people have more and more disposable income, tobacco users will also tend to buy more tobacco products. So prices need to keep up with both income growth and inflation.

Perhaps the simplest approach to setting tobacco tax targets is a tax-level target: achieving a certain amount of tax per cigarette (or per pack) within a certain number of years. The target level could be based on the average tax level in neighbouring countries (if your country's tax is much lower). However, there are two possible pitfalls with this type of target. First, if inflation or average incomes are growing rapidly, even a large tax increase may be too small to have an impact on consumption. Second, if a country depends primarily on ad-valorem taxes, reaching a tax target will depend in part on the tobacco industry's pricing decisions.

Another approach, which addresses the first pitfall, is to set an *affordability* target, for example by making a commitment to increase tobacco taxes or prices up to the amount of average wages earned in a certain number of minutes or hours. One advantage of this approach is that even after the target level has been reached, further tax increases may still be necessary from year to year as wages go up – the target doesn't "expire" when it's reached.

Yet another approach is to look at the percentage of final retail price that is made up of tax – this is known as a tax share target. Tax share is frequently used for international comparisons (for example in the WHO Global Tobacco Control Reports). Price levels may be hard to compare between countries, because of currency fluctuations and different standards of living, but tax share provides a rough indicator of how a country is doing relative to other countries in implementing Article 6. WHO recommends setting tobacco excise taxes to be at least 70 percent of retail price and this can serve as a minimum goal.

Tax share targets are relatively easy to communicate to the general public, but they can sometimes be confused with the level of ad-valorem tax. They also do not guarantee high prices – there are several cases of countries with high tax share but low prices. For example, in Sri Lanka the total tax share of retail price is consistently above 70 percent (up to 83 percent in 2006). But the prices of cigarettes remain low because, with a virtual monopoly in the country, the industry can keep prices low but still generate substantial profit.

Another variant worth a serious look is some form of health impact/consumption target. The public health rationale for increasing tobacco taxes is to reduce consumption, in particular by young people; why not tie tax policy directly to a health target, for example by committing to raising taxes enough so as to reduce youth smoking prevalence by half within five years? The public message is powerful and politically difficult to oppose.

Finally, targets do not necessarily have to be single numbers of any kind, to be reached after a certain number of years. A policy to increase tobacco taxes once per year, by a certain amount or percentage, may be just as effective as a five-year, 10-year or 20-year target.

As a general rule, an ideal tax-rate target (or policy rule) would look like this:

Increase tobacco taxes annually so that tobacco prices go up by [X] percent <u>more</u> than the sum of inflation and income growth, until smoking (or tobacco use prevalence) has declined by [X] percent.

Table 1 (see: Annex) lists several different types of targets, with some advantages and disadvantages of each. In all likelihood, you will want to select two or three options for targets that meet public health goals, as well as government revenue goals.

4. Conclusions

The examples of Turkey, the Philippines, Brazil, Chile and Uganda demonstrate that working on long-term policies – as recommended by Article 6 guiding principles and recommendations – to consistently raise tobacco taxes that lead to higher prices, results in higher revenues and spectacular health gains. It suggests that FCTC Parties could also benefit from making their long-term tax policy explicit by setting a numerical target.

In summary: sustained effort to improve tobacco tax policies can yield spectacular results, both for health and for the public treasury.

5. Annex

TABLE 1

TYPE OF TARGET	EXAMPLE	ADVANTAGES	CAUTIONS	PRECEDENTS
PRICE TARGET	› Within five years, increase average price of one pack of cigarettes to US$20, in 2012 dollars	› Predictable effect: Price increases directly affect consumption.	› Governments usually control tax levels; more politically difficult to control prices. › Revenue impact hard to predict – depends on share of price that goes to taxes. › To maximize impact, price target should look at price of LOWEST price brand, as well as average price across brands. › Can be undermined by inflation, income growth, if not adjusted for both	› Recent discussions in New Zealand about achieving a NZ$100 per pack price by 2025.
AFFORDABILITY TARGET	› Within five years, increase average price of one pack of cigarettes to equivalent of one hour of work at average wage. › Or: within five years, increase tax level on 100 packs of cigarettes to 2 percent of GDP per capita	› Automatically adjusts for inflation, income growth.	› Dependent in part on industry pricing decisions. › May need reliable and timely wage statistics (if tied to wages); alternative is to tie to GDP. › Revenue impact hard to predict.	› Several academic papers have been published on the topic, but no country has implemented
TAX-LEVEL TARGETS	› Within five years, taxes on one pack of cigarettes will reach US$5.	› Easy to implement, particularly for countries with specific excise taxes on tobacco (rather than ad valorem) › Predictable revenue impact	› Health impact can be undermined by inflation, income growth, if not adjusted for both	› European Union tobacco taxation directive includes a minimum taxation level
TAX SHARE TARGETS	› Within ten years, excise tax share on tobacco products will reach or surpass 70 percent (or, 70 percent of the retail price will be made up of tax.)	› Excellent for international comparisons (even when there are large differences in living standards, income category) › Likely to adjust for inflation › May adjust for income growth (depending on industry pricing)	› Revenue impact unpredictable › Does not always result in high prices (depending in part on type of taxes used)	› South Africa used a tax share benchmark of 53 percent. › The European Union tobacco taxation directive requires a minimum excise tax share level of 57 percent. › World Bank's 1999 report, Curbing the Epidemic, recommended total tax share of two-thirds to three-quarters. › WHO Technical Manual on Tobacco Tax Adminstration (2011) recommends 70 percent excise tax share
HEALTH/ CONSUMPTION IMPACT TARGETS	› Increase tobacco taxes so as to reduce youth prevalence by 50 percent within five years. › Increase tobacco taxes so as to reduce per capita consumption by 25 percent within five years.	› Direct tie to health is very appealing. › Emphasizes the critical role price plays in reducing (or not reducing) tobacco use.	› Revenue impact hard to predict › Governments may doubt achievability	› United States Healthy People 2020 strategy has targets for reduction of adult and youth tobacco use, for reduction of youth initiation, and for increases in smoking cessation attempts and successes
MIXED TARGETS WITH RECURRING ELEMENT	› Increase tobacco taxes every year by 5 percent over inflation, at least until reaching an excise tax share of 70 percent, as part of a national goal of halving prevalence within 15 years	› Annual increase requirement makes it easier to hold government accountable. › Longer-term target provides some protection against changes in political, economic conditions.	› Finance ministries may consider this type of rule limits their flexibility.	› United Kingdom had "inflation + 5 percent" rule in the 1990s, and continues to have some of the highest tobacco tax rates in the world – but without a long-term target.