Tobacco taxes: a triple win

Tobacco use is a major cause of illness, injury and death. Tobacco taxes are among the most effective tools to reduce harm and generate revenue. When well-designed and implemented, these taxes decrease consumption, save lives and reduce health care costs while contributing substantially to domestic revenue. Raising tobacco prices by at least 50% through taxation could prevent more than 27 million premature deaths globally over the next 50 years and generate an additional $1 trillion in government revenue over just five years, with the greatest benefits in low- and middle-income countries.

What works

- **A 10% price increase from taxation reduces consumption by 4-8%**, with larger reductions among youth and low-income populations.
- **WHO recommends specific excise taxes** (per cigarette stick or gram of loose tobacco), as opposed to *ad valorem*, that account for at least 70% of the retail price of tobacco products. Annual adjustment for inflation is necessary to maintain impact.
- **In South Africa, specific tobacco excise taxes that increased retail price by 50% generated approximately $466 million in domestic revenue in 2023.** Many countries have demonstrated that tax increases lead to reductions in smoking and increases in government revenue.

Health, revenue and equity

- Tobacco taxes reduce deaths from lung cancer, heart disease and respiratory health threats, and curb secondhand smoke exposure.
- Tobacco-related harm may cost 1-3% of GDP in many countries. Reducing consumption can decrease health care costs and increase productivity.
- **Tobacco taxes are progressive:** lower-income smokers reduce consumption the most and benefit the most.

What about illicit tobacco?

- Illicit tobacco sales correlate with enforcement capacity and not primarily with taxation levels. The WHO Framework Convention on Tobacco Control's Protocol to Eliminate Illicit Trade in Tobacco Products calls for strong enforcement through tax stamps, track-and-trace systems and border control, measures that can reduce illicit trade.
- Secure, independently administered tax stamps not influenced by industry **cost governments nothing** and can increase tax revenue by 30-50%.

Opportunity

A 70% tax share of retail price from specific excise taxes is a powerful, evidence-based benchmark recommended by WHO. **Countries that act now can save lives, reduce health care costs and raise revenue for health and development.**

Sources

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