



PERÚ

Ministerio
de Economía y Finanzas

Achievements of Peru in Tobacco Taxation

Panamá City

February, 2024



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1. WHO Framework Convention on Tobacco Control

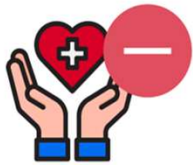
Article 6° indicates that measures related to pricing and taxes are an effective and important means for various population sectors, particularly the youth, to reduce their tobacco consumption. Therefore, considering their national health objectives regarding tobacco control, each country will adopt or maintain, as appropriate, tax policy measures such as:

- ✓ Applying tax and, if appropriate, price policies to tobacco products to contribute to achieving health objectives aimed at reducing tobacco consumption; and
- ✓ Prohibiting or restricting, as appropriate, the sale and/or importation of tax-free and duty-free tobacco products by international travelers.

2. Excise tax in Peru (ISC)

Goods taxed with excise tax

Aquellos con **efectos negativos sobre la salud y/o el medio ambiente**



ISC Específico
(S/ por unidad)

Requieren
actualización por
efecto de la
inflación



ISC al valor
%al valor de venta
o importación

Su actualización es
automática

Who declares and pays excise tax?



Al productor



Al importador

El productor o el importador tiene la facultad de transferir total o parcialmente el ISC al usuario final.

Important: the rates and/or fixed amounts of the ISC can be modified and/or updated by the Executive Power.

3. Evolution of the excise tax on tobacco products

As a % of sales or import value and in S/ per unit.

	1988	1989	1990	1993	1999	2001	2003	2004	2010	2016	2018	2019	2020	2021	2022	2024
Cigarrillos de tabaco negro	100%	70%			0,025											
Cigarrillos de tabaco rubio																
<i>Estándar</i>	150%	70% (nacional) 90% (importado)	50%	25%		125%	37%	30%	0,07	0,18	0,27	0,27	0,32	0,35	0,36	0,37
<i>Premium</i>					0,10											
Cigarros (puros) y cigarritos que contengan tabaco						100%	100%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Otros productos de tabaco (tabaco para mascar)						100%	100%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Productos de tabaco calentado											0,27	0,27	0,27	0,30	0,30	0,31

- ISC on cigarettes has been under the specific system since 2010.
- As of 2016, the fixed amount has been increased in order not to lose representativeness of the tax in the Price.
- The fixed amounts of cigarettes and Heated Tobacco Products, as of 2020, correspond to the updates by Resolutions of the Ministry of Economy and Finance.

3. Increase the tax burden, revenue, and reduce affordability

1) 2016: DS N°112-2016-EF: Increase from S/0.07 to S/0.18 per cigarette

2) 2018: DS N°092-2018-EF: Increase from S/0.18 to S/0.27 per cigarette

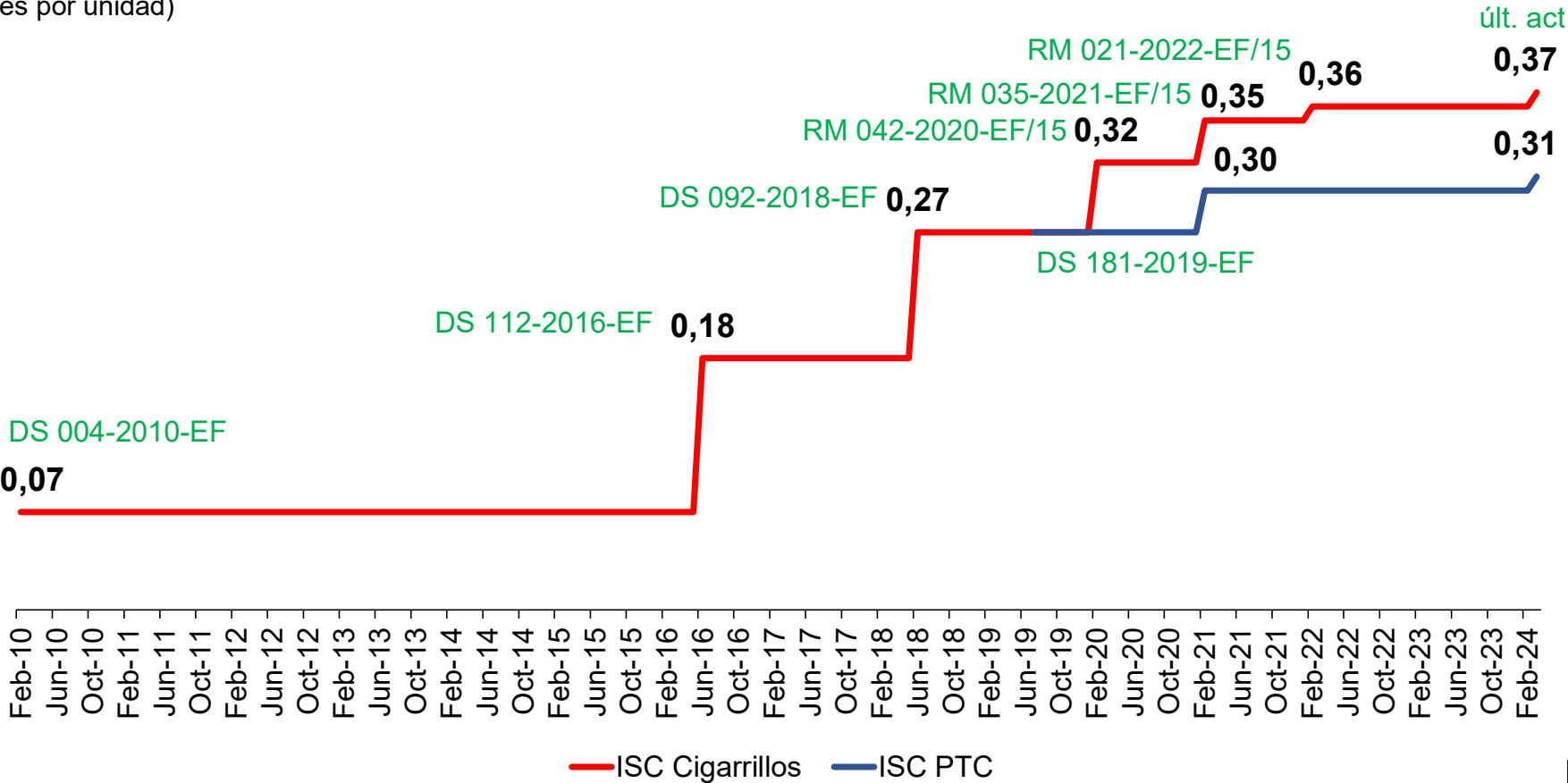
Objectives:

1. Comply with the WHO Framework Convention.
2. Progressively increase the tax burden.
3. Reduce consumption in the medium term.



4. Maintaining the tax burden - Evolution of cigarettes excise tax and heated tobacco products

(en soles por unidad)



4. Maintaining the tax burden - Update Methodology

Si $\Delta\text{CPI} \geq 1\% \rightarrow \text{ISC updated} = \text{Current ISC} \times \text{update factor}$

The updating factor varies according to the regulation that approved the fixed amounts of ISC to be updated:

Modified by
Supreme
Decree

Si $\Delta\text{CPI}_{\text{cigarrillos}} \geq 1\% \rightarrow \text{ISC updated} = \text{Current ISC}_{\text{DS}} \times \text{update factor}$

Donde:

Update factor = $\text{CPI}_{\text{dic}} / \text{CPI}_{\text{T}+1}$

✓ $\text{CPI}_{\text{T}+1}$ es el CPI of the month following the month in which the current fixed amounts become effective

✓ Use of $\text{CPI}_{\text{T}+1}$ avoids taking effect of ISC_{T} , increase, which is reflected in CPI_{T} .

Updated by
Ministerial
Resolution

Si $\Delta\text{CPI}_{\text{cigarrillos}} \geq 1\% \rightarrow \text{ISC updated} = \text{Current ISC}_{\text{RM}} \times \text{update factor}$

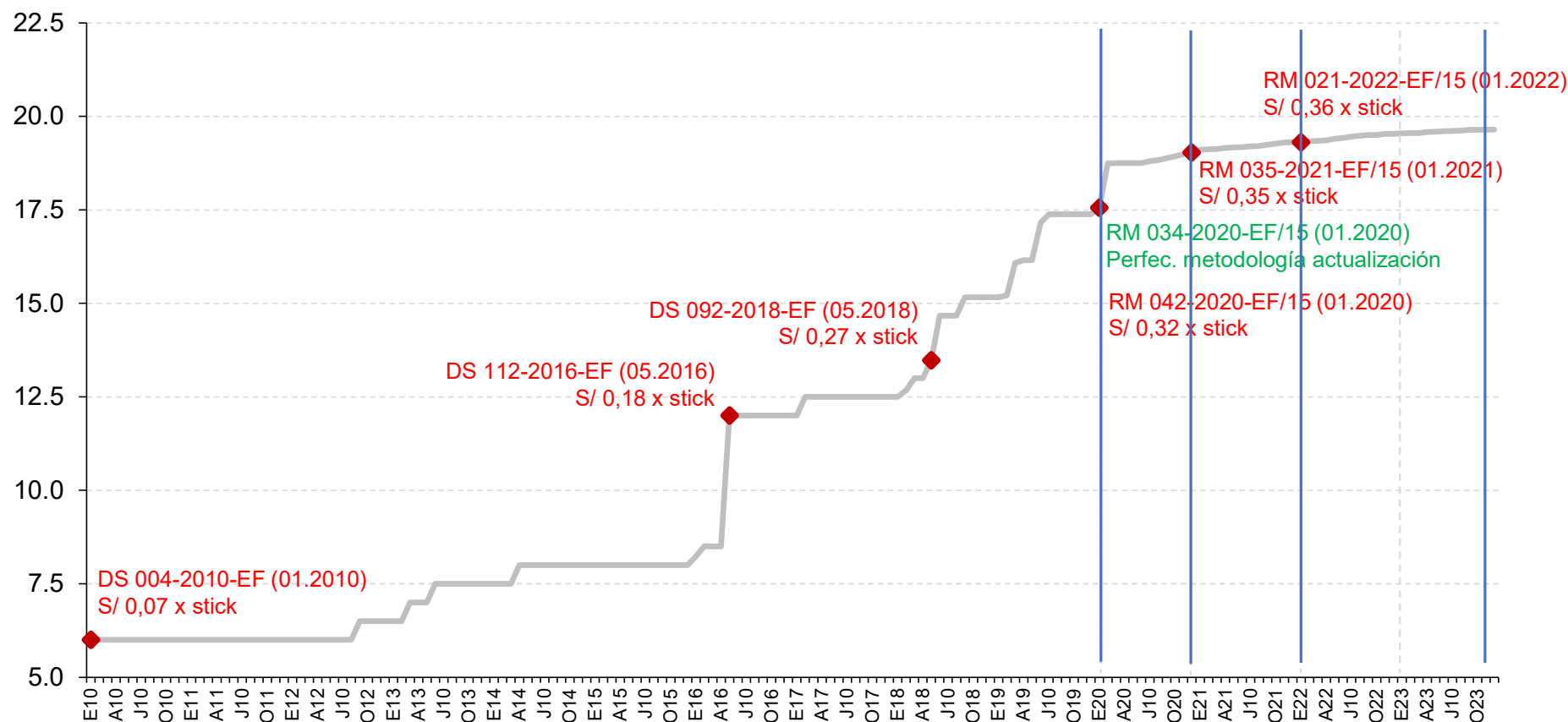
Donde:

Update factor = $\text{CPI}_{\text{dic}} / \text{CPI}_{\text{T}-1}$

✓ $\text{CPI}_{\text{T}-1}$ es el CPI of the month prior to the month in which the current fixed amounts become effective

✓ Use of $\text{CPI}_{\text{T}-1}$ incorporates the change in prices in period T, and gives continuity to the ISC update periods carried out according to the CPI.

5. The evolution of cigarette prices



Nota: corresponde a una cajetilla de 20 cigarrillos de Lucky Strike,
 Fuente: INEI, BAT, normas legales

6. Effects of the increase in the tax burden on tobacco

In prices

The producer or importer has the right to transfer all or part of the excise tax to the end user.

Values in soles (1 US\$ = S/ 3.80)		Type of cigarette			
		Premium		Low cost	
		S/	US\$	S/	US\$
Retail price (20 units)	a	18.5	4.9	12.6	3.3
Indirect taxes = VAT+ISC	b=c+d	10.0	2.6	9.1	2.4
VAT (= 18%*Retail price/1.18)	c	2.8	0.7	1.9	0.5
ISC (S/0.36 per unit) 1/	d	7.2	1.9	7.2	1.9
Indirect taxes / Retail price	e=b/a	54%		72%	
VAT / Retail price	f=c/a	15%		15%	
ISC / Retail price	g=d/a	39%		57%	
1/ ISC = S/0.37 starting March 1, 2024.					

In prevalence

- The excise tax has contributed to the reduction in the prevalence of daily cigarette consumption*.

	2014	2018	2021	2022
Hombre	4,0%	2,7%	2,0%	2,3%
Mujer	0,8%	0,7%	0,5%	0,5%
Total	2,3%	1,7%	1,2%	1,4%

* Prevalence of daily cigarette smoking among individuals aged 15 and older.



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¡Thank you!

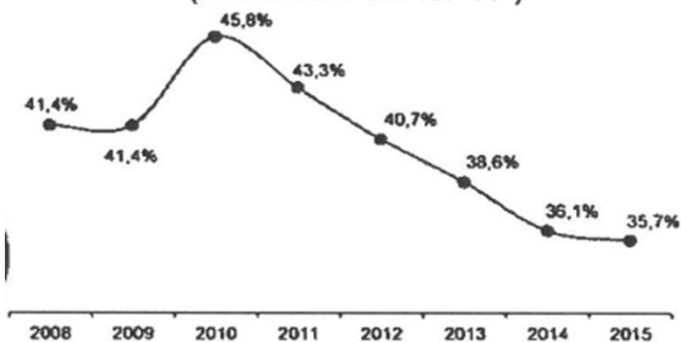
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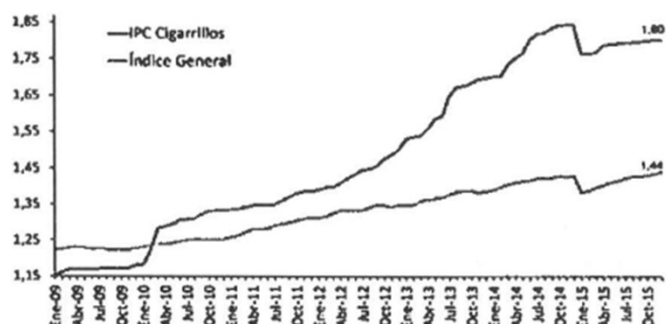
2016: DS N°112-2016-EF: Increase from S/0.07 to S/0.18 per cigarette

**Carga Tributaria Promedio
(ISC e IGV en %PVP)**

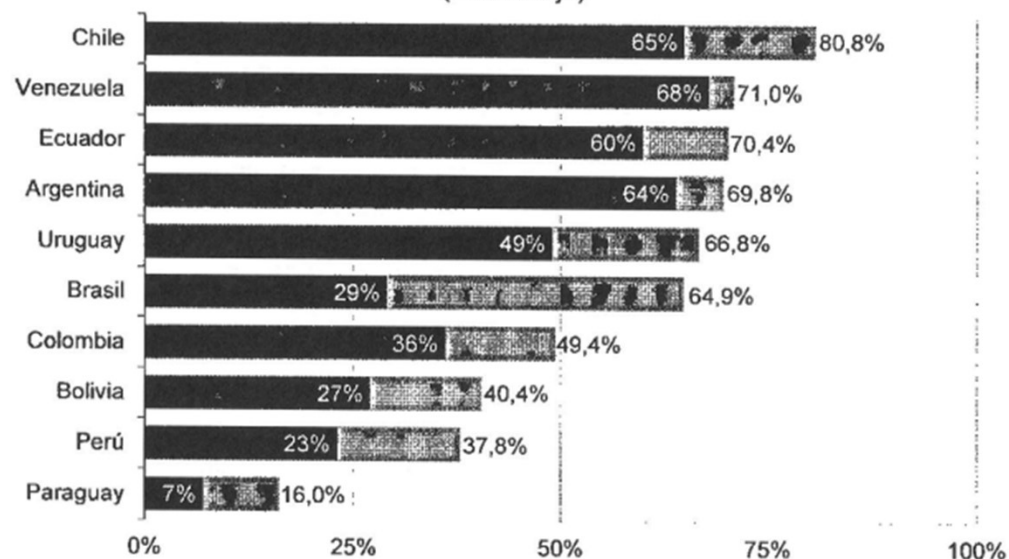


Fuente: SUNAT, INEI.
Elaboración: DIEOT – DGPIP

**IPC
(Base Diciembre 2009=100)**



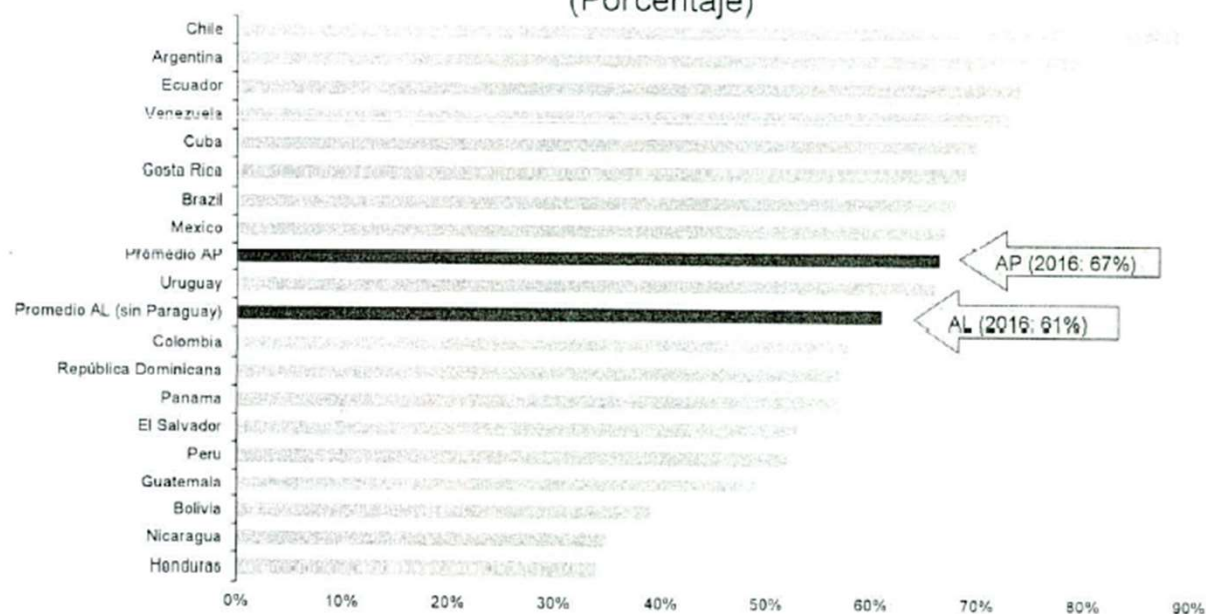
**Carga tributaria sobre el precio de venta de un paquete de la marca más vendida de cigarrillos, 2014
(Porcentaje)**



Fuente: Informe OMS sobre la epidemia mundial de tabaquismo, 2015

2018: DS N°092-2018-EF: Increase from S/0.18 to S/0.27 per cigarette

Carga tributaria sobre el precio de venta de un paquete de la marca más vendida de cigarrillos, 2016
(Porcentaje)



Nota: En el caso de Colombia, se efectuó el cálculo de la carga tributaria con información de precios del año 2018

Fuente: OMS, DANE Colombia

3. Increase the tax burden, revenue, and reduce affordability

1) 2016: DS N°112-2016-EF: Increase from S/0.07 to S/0.18 per cigarette

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Objectives:

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DS's arguments:

1. To comply with the Framework Convention for Tobacco Control (Article 6 of the FCTC) and with the guidelines of tax policy.
2. Tobacco consumption causes significant negative externalities (includes deaths, diseases, and high sanitary costs for society).
3. The revenue from tobacco ISC covers less than 15% of the direct expenses caused by its consumption.
4. The aim is to reduce the consumption of the lower-income population, especially the youth.
5. The lack of updating of the fixed amounts had reduced the tax burden.
6. Peru had a lower tax burden compared to other countries in the region.