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Tobacco-sourced financing for tobacco control and beyond

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*** Disclaimer:** Views expressed in this presentation are mine alone and do not necessarily represent the views, decisions or policies of the WHO.

KEY MESSAGES

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- **Tobacco-sourced financing can strengthen WHO FCTC implementation but appropriate framing matters.** Raising tobacco taxes not only reduces tobacco use effectively, it can also boost government revenues. However, framing is important and one should also consider other alternatives that also makes the tobacco industry accountable, reduce tobacco use and raise public awareness of the multi-dimensional harms of tobacco use.
- **There is no better time to raise tobacco taxes and improve tax design and implementation.** Countries are under increasing pressure to raise revenues, address health inequities and spend wisely in a fiscally constrained environment. Reforming tobacco taxation is a low hanging fruit that can be a win for revenues, win for health and win for health equity., e.g. simplifying tax structures, raising tobacco taxes and/or strengthening tax administration
- **Seize the moment given heightened health awareness and global developments /opportunities more favourable to health issues.** Global discussions on pandemic preparedness and financing, universal health care and health systems strengthening, global warming and the environment, reducing health inequities etc. are opportunities to forward tobacco taxation and other tobacco-sourced financing.

Tobacco-sourced financing can strengthen WHO FCTC implementation

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Financing can come from any or all of the following possibilities:

✓Tax and price measures to reduce the demand for tobacco

✓Nontax measures and regulatory related fees

However, choosing the appropriate framing based on country context is important

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- ✓ Tobacco excise taxes as corrective taxes and to address negative externalities and internalities will remain a key source
- ✓ Health surcharges in addition to excise taxes to fund health promotion e.g. 2% surcharge on top of excise to fund health promotion awareness activities in ThaiHealth
- ✓ As regulatory fees, to cover the cost of regulation e.g. USA
- ✓ As environmental tax or levies to cover activities that harm the environment, e.g. environmental costs related to cigarette butts

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Introduce tobacco vendor license

- ✓ Many countries have imposed vendor license fees for alcohol sales – and the same can be applied for tobacco

- ✓ Vendor license fees is a mechanism whereby retailers selling tobacco products must comply with all relevant laws or risk losing the right to sell these products.

- ✓ Tobacco vendor licensing helps enforce tobacco taxes, point-of-sale laws such as sale to minors and advertising restrictions, and more.

Impose compensatory contribution for manufacturing and import of tobacco products

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- ✓ Governments should consider placing these costs on the tobacco industry and retailers as a form of compensation for potential harm suffered from tobacco product use, which can be reinvested in the health care system and tobacco control efforts.

- ✓ This may be based on the share of the tax (e.g. U.S. market share model) or based on the value of the sale (e.g. Kenya Solatium Fund)

- ✓ The fee could be:
  - A specified monetary amount **per company**, regardless of company size.
  - A fixed monetary amount **per unit sold**
  - Based on a total amount for all companies, and determined **on the basis of a company's market share**

Impose costs-Polluter pays principle

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- ✓In most countries, governments and local authorities are left with the clean-up and disposal cost of tobacco product waste, a cost which should be borne by the tobacco companies themselves.

- ✓Polluter pays principle ensures the industry pays for clean up costs and environmental damages
- ✓This will be increasingly imposed, such as in the EU directive, and it is important to get a share for tobacco control.

Improved enforcement or increased penalties for non-compliance with tax payments or tobacco control regulations

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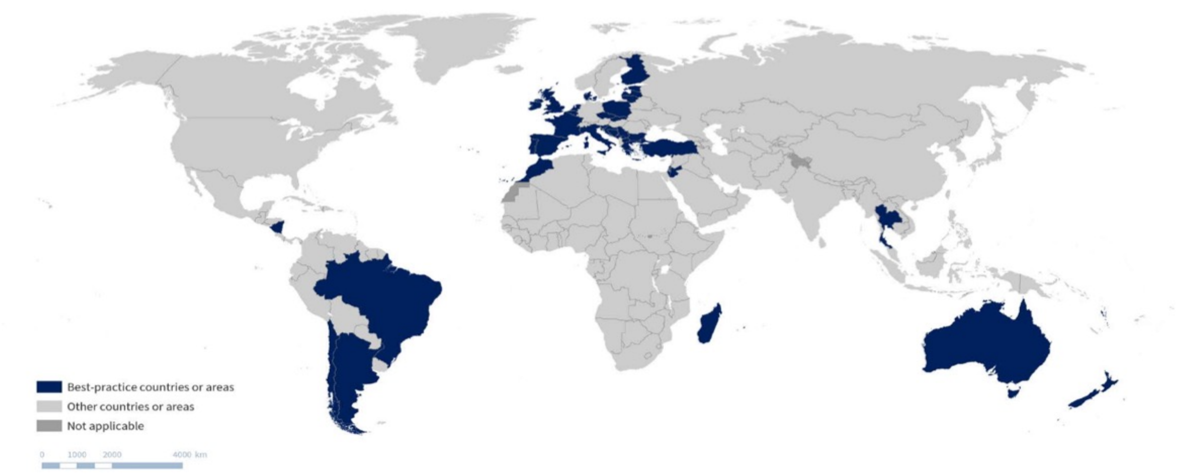
- ✓ Penalties for non-compliance can be applied as an incentive and/or source of funds.
  - Penalties for failure to enforce regulations (smoke-free areas, advertising, promotion and sponsorship, product regulation etc.)
  - Penalties for illicit trade activities (fines for possession of illegal products, etc.)

- ✓ Countries are encouraged to explore opportunities to use these funds for tobacco control rather than being subsumed under government budgets/funding.

Raising tobacco taxes remains underutilized and should be a key driver for reducing tobacco use while boosting government revenues

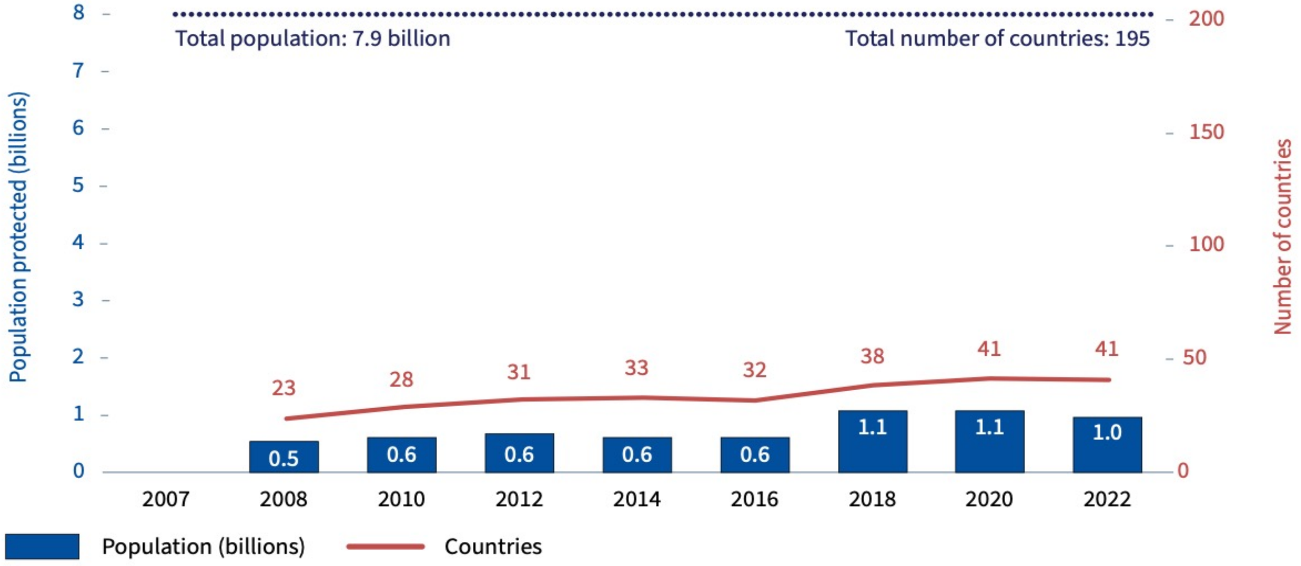
Fig. 37. Raising taxes on tobacco, best-practice countries and territory, 2022



Countries and territories with the highest level of achievement: Andorra, Argentina, Australia[a], Belgium, Bosnia and Herzegovina, Brazil, Bulgaria, Chile, Croatia, Czechia, Denmark, Estonia, Finland, France, Greece, Ireland, Israel, Italy, Jordan, Latvia, Lithuania[a], Madagascar, Malta, Mauritius, Montenegro, Morocco, Netherlands (Kingdom of the), New Zealand, Nicaragua[a], North Macedonia, occupied Palestinian territory, Poland, Portugal, Serbia, Slovakia, Slovenia, Spain, Thailand, Türkiye, the United Kingdom, Vanuatu[a]

[a]Country newly at the highest level since 2020

Progress in total tax on cigarettes ≥ 75% of retail price, 2008–2022



But population coverage is slightly reduced

Countries at highest level of achievement

- Lost between 2020 and 2022: Egypt, Georgia, Sri Lanka and Ukraine
- Gained between 2020 and 2022: Australia, Nicaragua, Lithuania, Vanuatu

Tobacco taxation has been identified as a financing source for many initiatives …

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Concluding Remarks

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- ✓ Tobacco-sourced financing can strengthen the implementation of the WHO FCTC but appropriate framing matters.
- ✓Tobacco taxes remains underutilized and remains a key driver for reducing tobacco use while boosting funds for health and for tobacco control. There is still room to increase tobacco taxes globally (as they are quite low).
- ✓Raising tobacco taxes is **SMART.** They **S**aves lives, **M**obilize resources, **A**ddresses health inequities, **R**educe health systems burdens and **T**arget tobacco use, a major NCD risk factor.

Thank you!

https://www.who.int/health-topics/health-taxes