

In line with the Convention Secretariat's [Global Strategy to Accelerate Tobacco Control 2025](#) and [UNDP's Strategic Plan 2022-2025](#) and [HIV, Health and Development Strategy \(2022-2025\)](#), these briefs emphasise the importance of a coordinated, multisectoral whole-of-government approach to tobacco control, empowering Parties to work across sectors to achieve policy coherence.

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Tobacco Control

What Ministries of Finance Need to Know

Key Points

- 1 Tobacco use drains government budgets, prevents economic development and contributes to significant loss of human life.
- 2 Tobacco taxes are a powerful health and development tool.
- 3 Ministries of finance can maximize the benefits of tobacco taxation.
- 4 Ministries of finance can take important first steps to advance tobacco control.

Sustainable Development Goal 3 (SDG 3) aims ‘to ensure healthy lives and promote well-being for all at all ages’.¹ One of the means of achieving this goal is to strengthen implementation of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC) in all countries, as appropriate (Target 3.a). Tobacco control supports economic growth and improved health outcomes. Sustainable Development Agenda 2030 and its call for a New Global Partnership for sustainable development, as well as the need to build back better from COVID-19, are opportunities for greater coherence between finance and health.

The WHO FCTC is a legally binding treaty that reaffirms the right to health.² It was developed in response to the tobacco epidemic and currently has 183 Parties, covering more than 90 percent of the global population.³

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1. Tobacco use drains government budgets, prevents economic development and contributes to significant loss of human life.

Tobacco use leads to enormous economic losses. The economic burden of smoking alone is equivalent to 1.8 percent of global annual gross domestic product (GDP), with almost 40 percent of the burden occurring in low- and middle-income countries (LMICs).⁴ Smoking-attributable diseases cost the global economy over a trillion US dollars annually, due to medical expenses and lost productivity.⁵

Tobacco use is one of the leading causes of premature deaths, and a common risk factor for the main non-communicable diseases (NCDs). Globally, tobacco use causes more than 8 million deaths per year: more than 7 million are from direct use and about 1.2 million deaths are due to exposure to secondhand smoke.⁶ Without adequate investment in tobacco control it is estimated that up to 1 billion people could die from tobacco-related disease during this century alone.

Tobacco Taxes: A Win-Win for Fiscal Space and Health

In South Africa, an increase in taxes on cigarettes from 32 to 52 percent of retail price between 1993 and 2009 led to a 40 percent drop in per capita consumption of cigarettes.²

Increasing taxes in Suriname would cost only 2.5 percent of Suriname's annual tobacco burden.³

For every 1 Myanmar kyat (MMK) invested in tobacco taxation now, Myanmar would receive MMK 1,057 in economic benefits over 15 years, a 1:1,057 return on investment.⁴

In Eswatini, almost half of all deaths averted during the first year of the tax increase modeled in the WHO FCTC investment case are expected to occur among the poorest 40 percent of the population.⁵

2. Tobacco taxes are a powerful health and development tool.

Tobacco taxes improve health. According to the WHO, if all countries increased excise taxes on cigarette packs by one international dollar, cigarette consumption would decrease by 18 percent and there would be 66 million fewer smokers. This would avert around 15 million smoking-attributable deaths. Moreover, the impact of tobacco tax increases on mortality would be greatest among LMICs.⁷

Tobacco taxes are inexpensive to implement. Increasing tobacco taxes is recognized as the single most cost-effective public health measure to reduce tobacco-related diseases. The mean annual cost of tobacco taxation is just US\$0.05 per capita in low-income countries and US\$0.15 in upper-middle-income countries.⁸

Tobacco taxes are revenue generating. In 2018, excise taxes on cigarettes generated around US\$ 361 billion in revenue worldwide, with 45 percent of total revenue produced among LMICs.⁹ The International Monetary Fund recognizes that tobacco excise receipts have proved to be a significant and stable source of revenue for many countries.¹⁰

Tobacco taxes reduce health inequities. Tobacco taxes benefit lower-income groups the most, by averting most deaths among lower income quintiles. This is because low-income tobacco users are more responsive to price changes than high-income tobacco users.¹¹ According to the World Bank, the distributional impact of raising taxes on cigarettes is generally progressive: across countries, lower-income households capture the largest relative health benefits.¹²

3. Ministries of finance can maximize the benefits of tobacco taxation.

Ministries of finance, working closely with tax administration and/or customs authorities as well as ministries of health and other sectors – such as law, trade and interior – should consider a number of factors (listed below) when seeking to maximize the multidimensional benefits of tobacco taxation.

Tax rate. Total tobacco taxes representing at least 75 percent of the retail price is considered a high level of achievement in the WHO Report on the Global Tobacco Epidemic.¹³

Tax structure. The WHO Technical Manual on Tobacco Tax Administration's best practice is to use a specific excise or a mixed excise that relies most on the specific component of taxes. The manual also includes recommendations for governments to employ an excise tax that represents at least 70 percent of the retail price.¹⁴ Additionally, it is recommended that tax levels be tied to nominal wages or other broad measures of income growth and inflation to ensure that tobacco products become less affordable over time.¹⁵

Monitoring. Close monitoring and evaluation of market structure and tax rates are essential to analyze the impact of tobacco tax policies on prices and consumption, anticipate industry responses, prevent tobacco products from becoming more affordable over time and select the most appropriate type of tax structure and policies to achieve public health objectives.¹⁶

Administration. Effective and efficient tax administration is key to offset risks such as tax avoidance, tax evasion and forestalling. Tax systems should be administered in a way that ensures minimal costs of compliance and implementation, while enhancing revenue and health benefits.¹⁷ Track and trace systems are also effective means to monitor sales and combat illicit trade in tobacco products.¹⁸ In anticipation of tax increases, governments can impose anti-forestalling measures (e.g., restricting the volumes of tobacco products released prior

to a tax increase; levying a new tax on goods produced but not yet on the market).¹⁹

Strong governance framework. Strengthened multisectoral planning and coordination for tobacco control, in line with WHO FCTC Article 5, empowers governments to coordinate the complexities of tobacco control, including optimal taxation approaches, for cross-sectoral benefits.²⁰ Becoming a Party to the Protocol to Eliminate Illicit Trade in Tobacco Products is also an effective means to strengthen tax administration and eliminate illicit trade in tobacco products.²¹

Complementary tobacco control measures. Tobacco taxation works best when implemented alongside other WHO FCTC measures. To capture the full benefits of tobacco taxes, governments should implement the WHO FCTC in full.²²

4. Ministries of finance can take important first steps to advance tobacco control.

Ministries of finance can advance the right to health as a fundamental responsibility of government by supporting WHO FCTC implementation. In the first instance, ministries of finance should:

- Regularly increase taxes to reduce the affordability of tobacco products over time and effectively reduce tobacco use. Consider implementing an excise tax on tobacco products in accordance with the recommendations in the WHO Technical Manual on Tobacco Tax Policy and Administration.
- Promote cooperation with national stakeholders (including ministry of trade, ministry of health, and local governments) to strengthen efforts to effectively implement tobacco taxes, eliminate illicit trade in tobacco products (including by becoming a Party to the Protocol to Eliminate Illicit Trade in Tobacco Products), and protect against tobacco industry interference.
- Work with other parts of government to protect public health policies with respect to tobacco control from tobacco industry interference, in line with WHO FCTC Article 5.3 and its guidelines for implementation.
- Consider dedicating revenue from tobacco taxes to tobacco control programmes, health promotion, and disease prevention, in line with Article 26.2 of the WHO FCTC, and wider sustainable development in line with the Addis Ababa Agenda.