



Do Higher Tobacco Taxes Lead to Illicit Cigarettes Trade?

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4-Country Project to Study Impact of Tax Increases on Illicit Cigarette Trade

- The tobacco industry fights tobacco control policies by using the threat of cigarette smuggling.
- Studies have shown a negative association between cigarette prices and the size of illicit cigarette markets.
- Limited evidence on the impact of tax increases on changes in the illicit cigarette market.
- Cancer Research UK funded a 4-country study to empirically study the relationship between tobacco tax increases and the size of illicit cigarette markets.

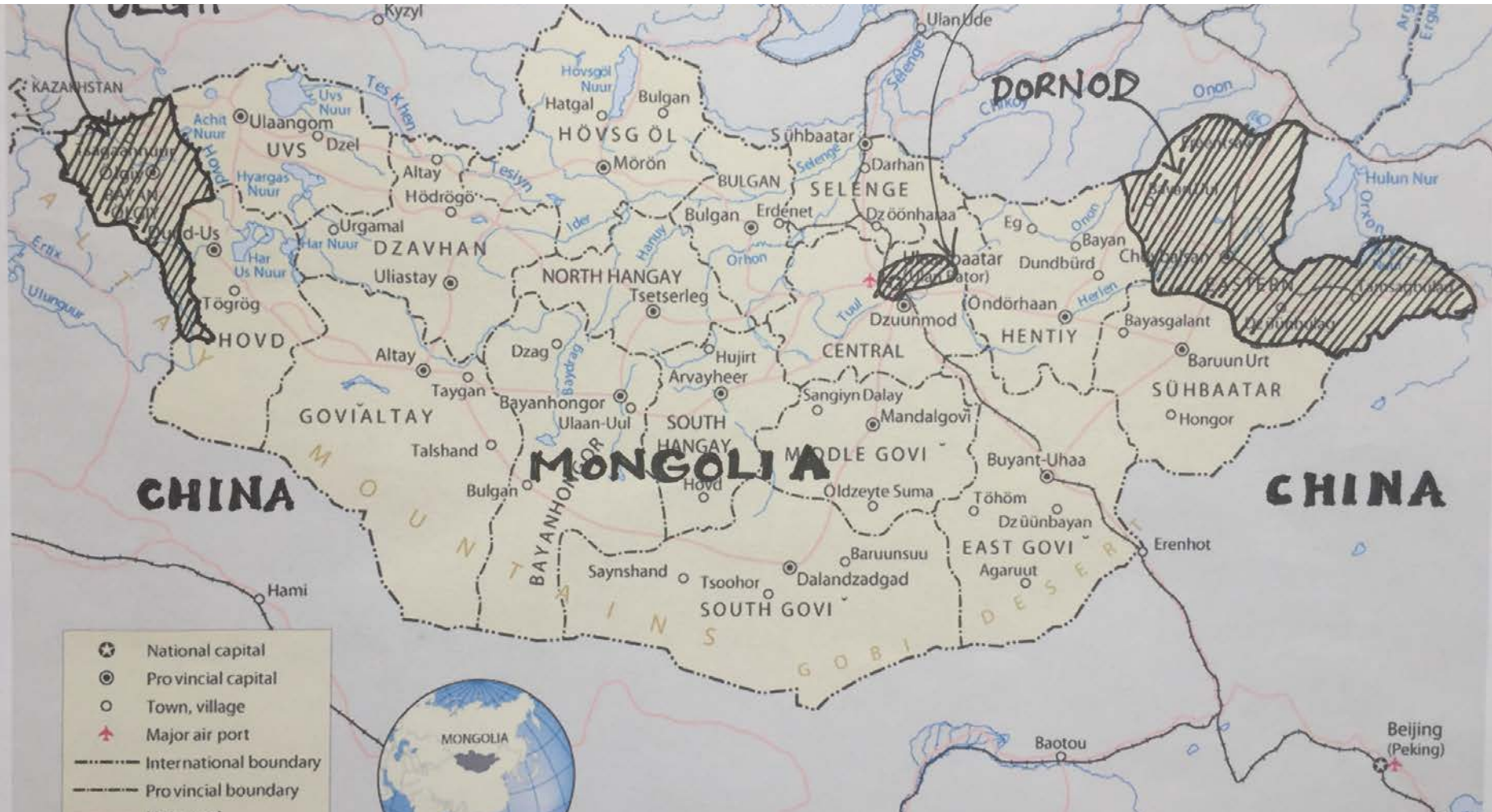


Collecting Packs in Mongolia





Collecting Side in Mongolia





Tax Stamp Mongolia



Authenticity can be verified by a smart phone app.



Mongolia Timeline

Timeline of tax increases and data collections

May 2017

Import taxes increased
from 5% of CIF to 30% of
CIF

1 January 2018
10% increase in
excise tax

April 2017

W1 data collection

August/Sept 2017

W2 data collection

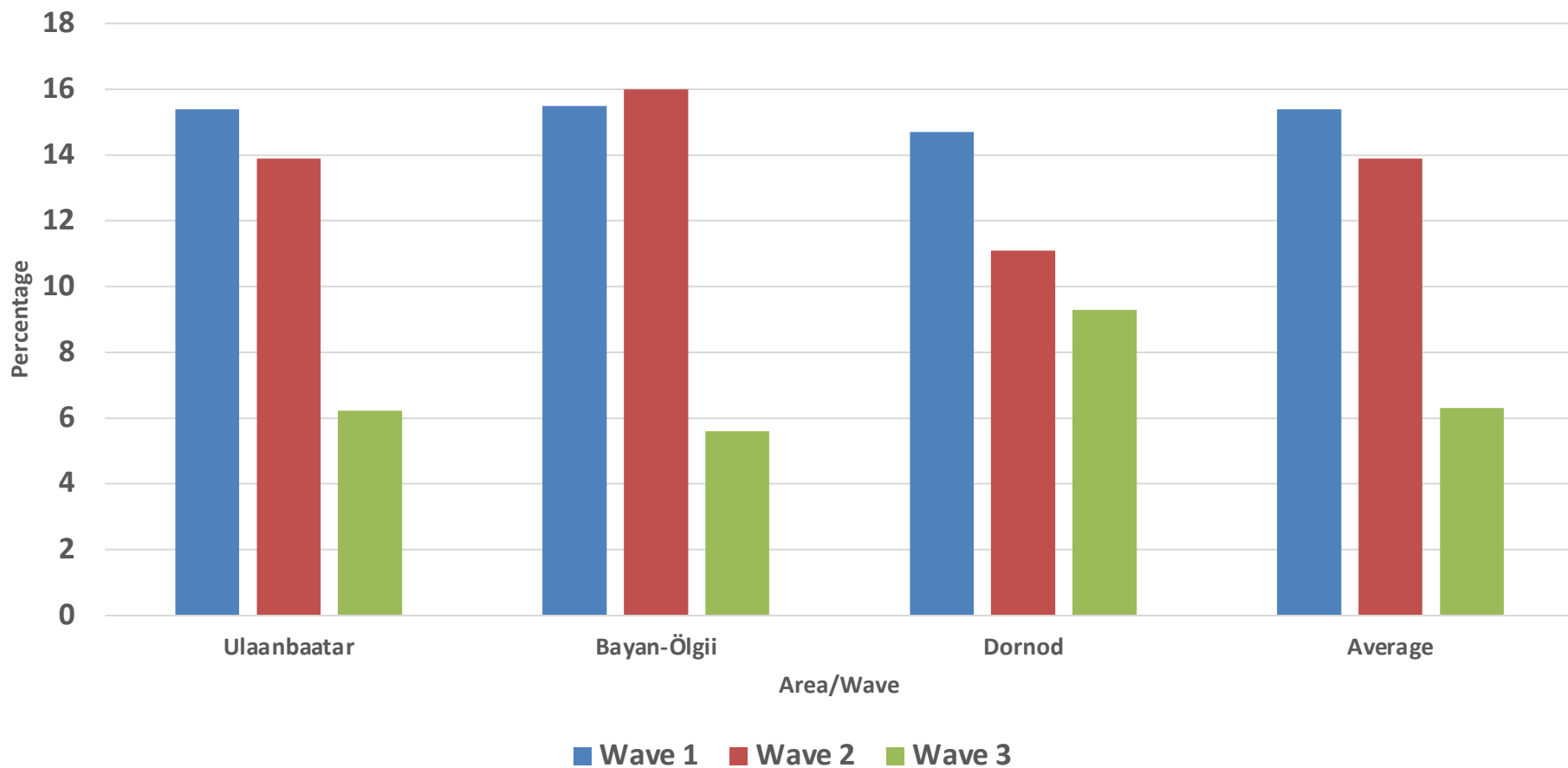
May/June 2018

W3 data collection



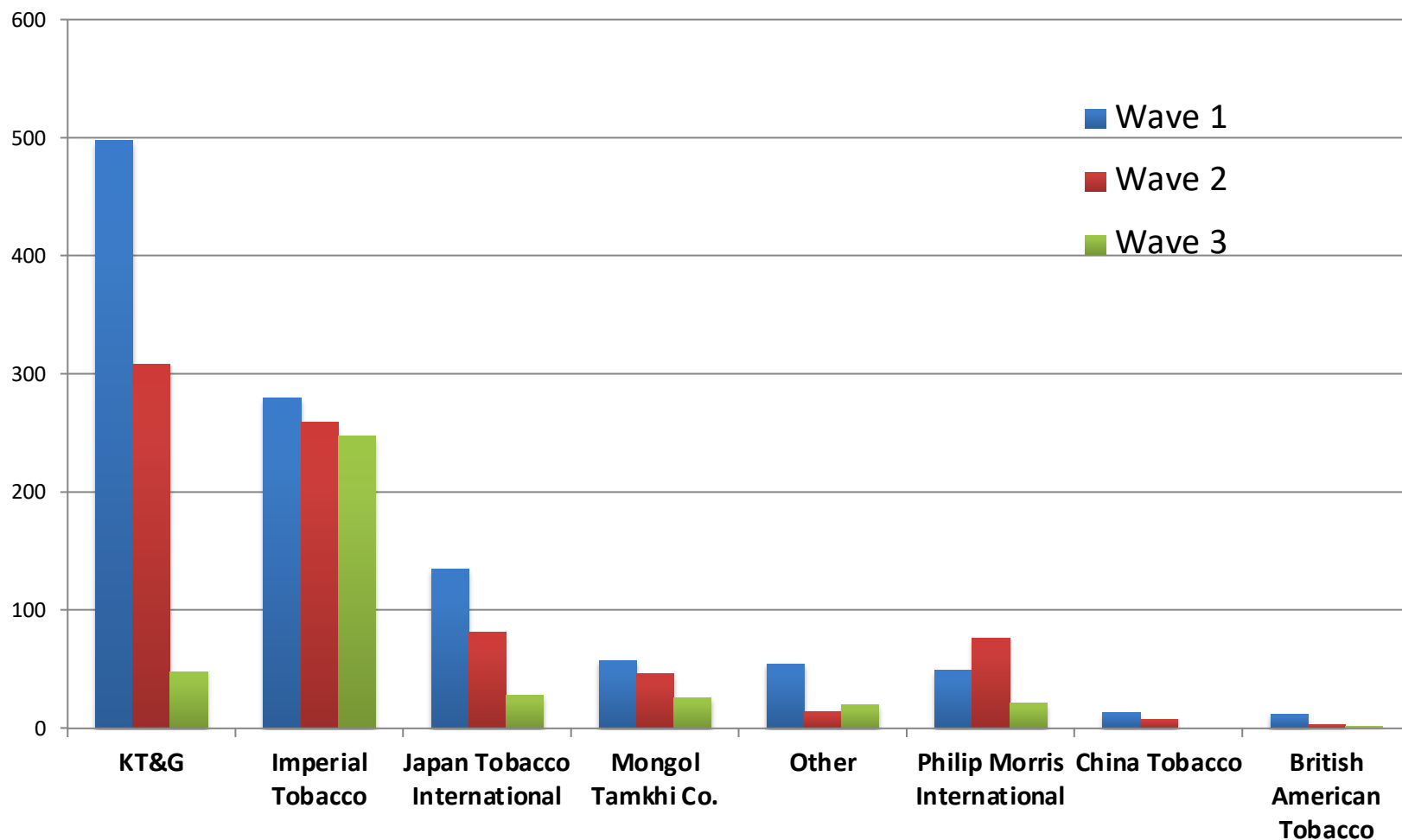
Mongolia Results (1)

Prevalence of illicit cigarette packs before and after tax increases





Mongolia Results (2)





The Gambia



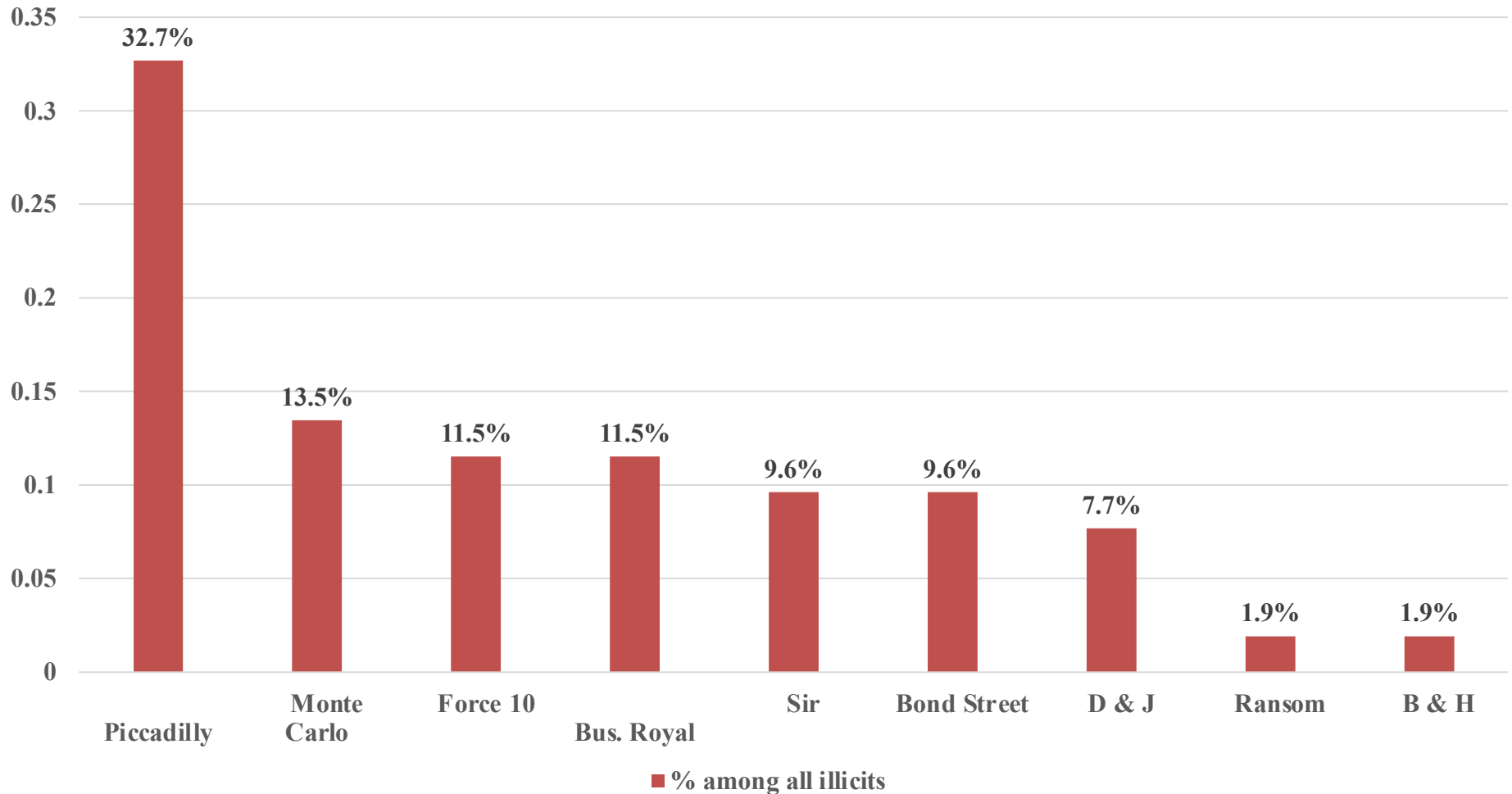


The Gambia - Results

Self-reported purchases	Number of packs	Weighted %
Proportions of total market based on price threshold		
Above price threshold	141 487	91.4
Below price threshold	13 265	8.6
Proportions based on cigarette pack features		
Examined packs	313	100
Legal cigarettes	310	99.1
Illicit cigarettes	3	0.9

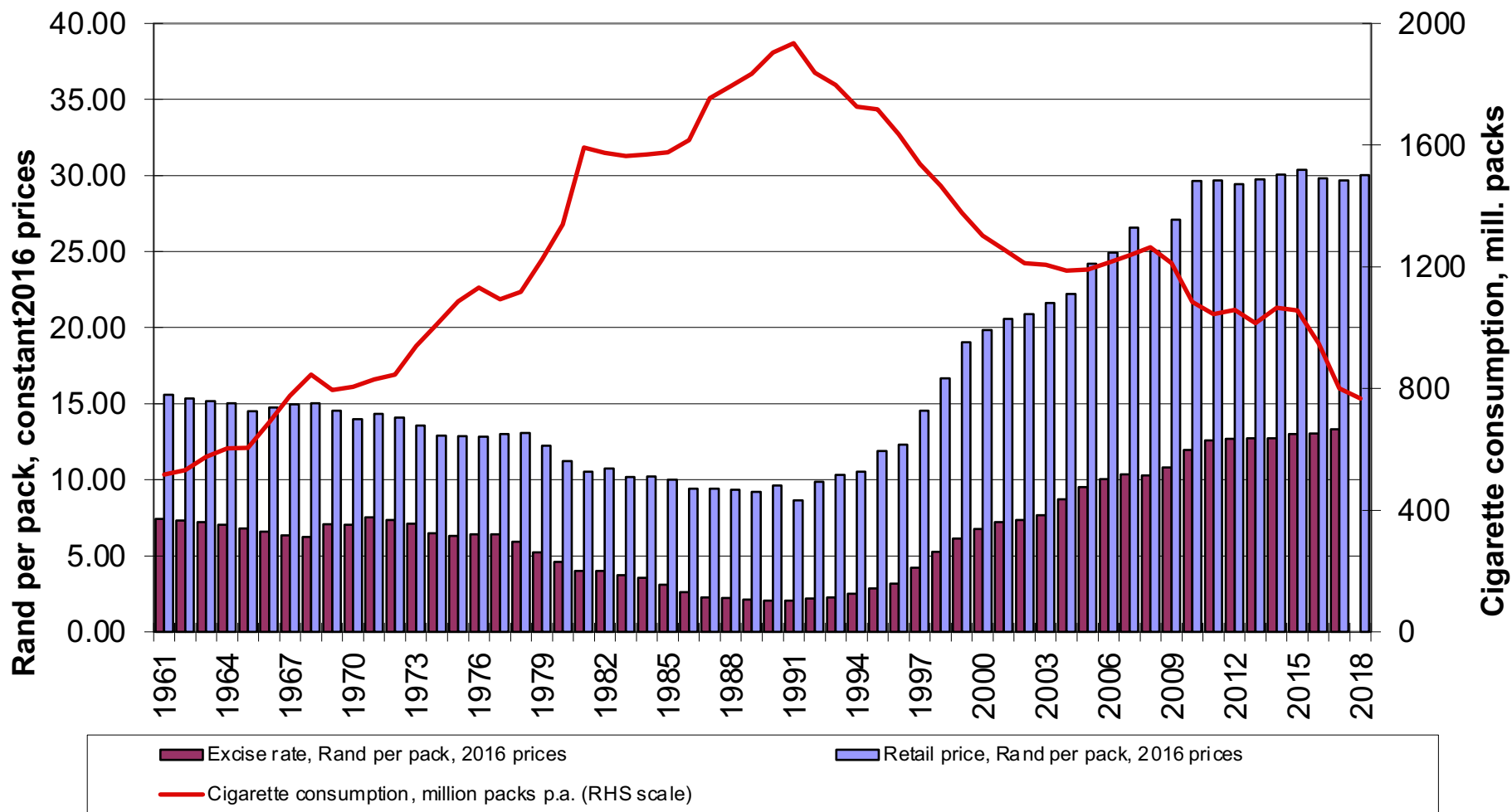


Illicit Brands in The Gambia



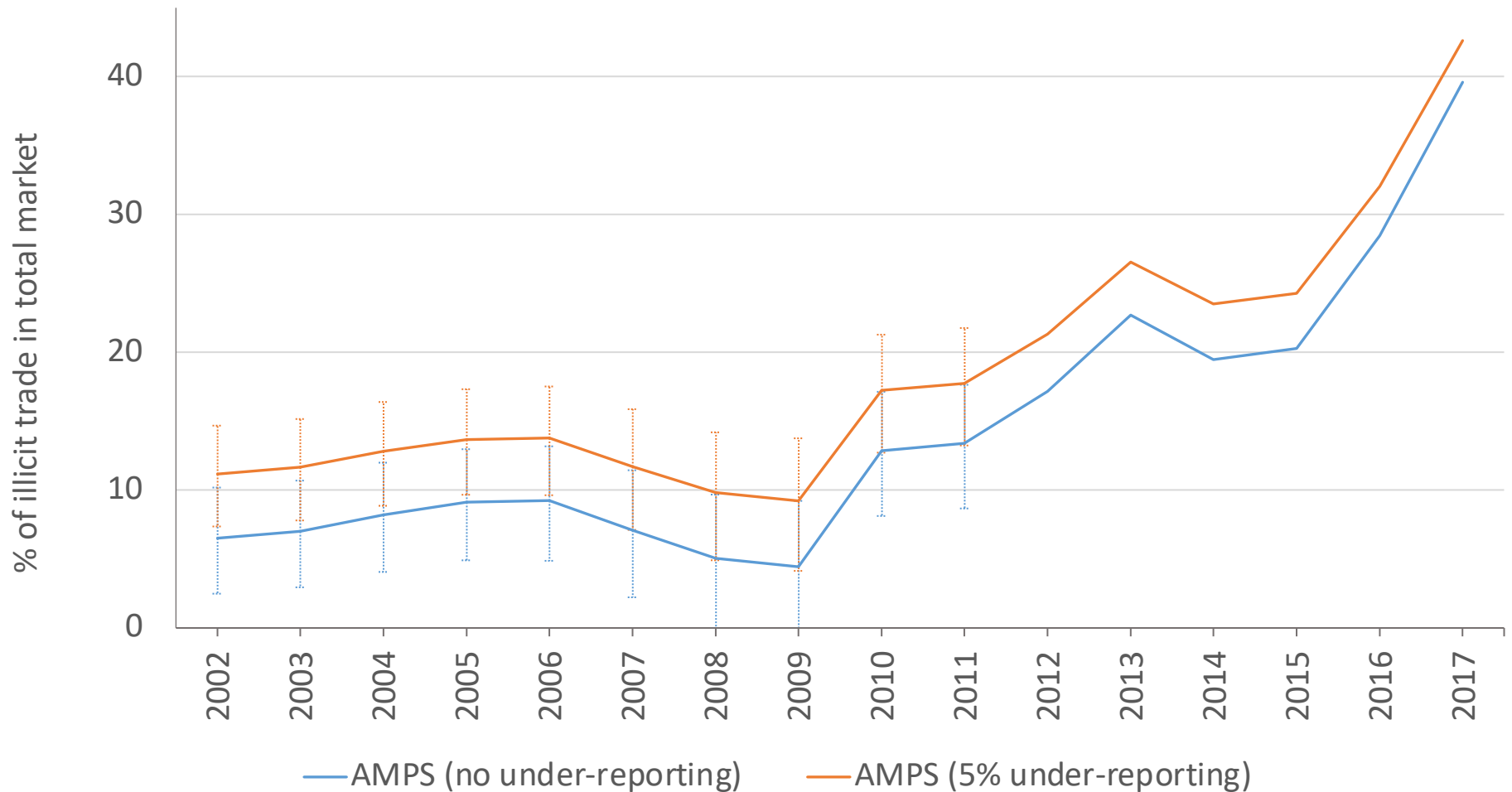


South Africa: Real Price & Tax & Consumption



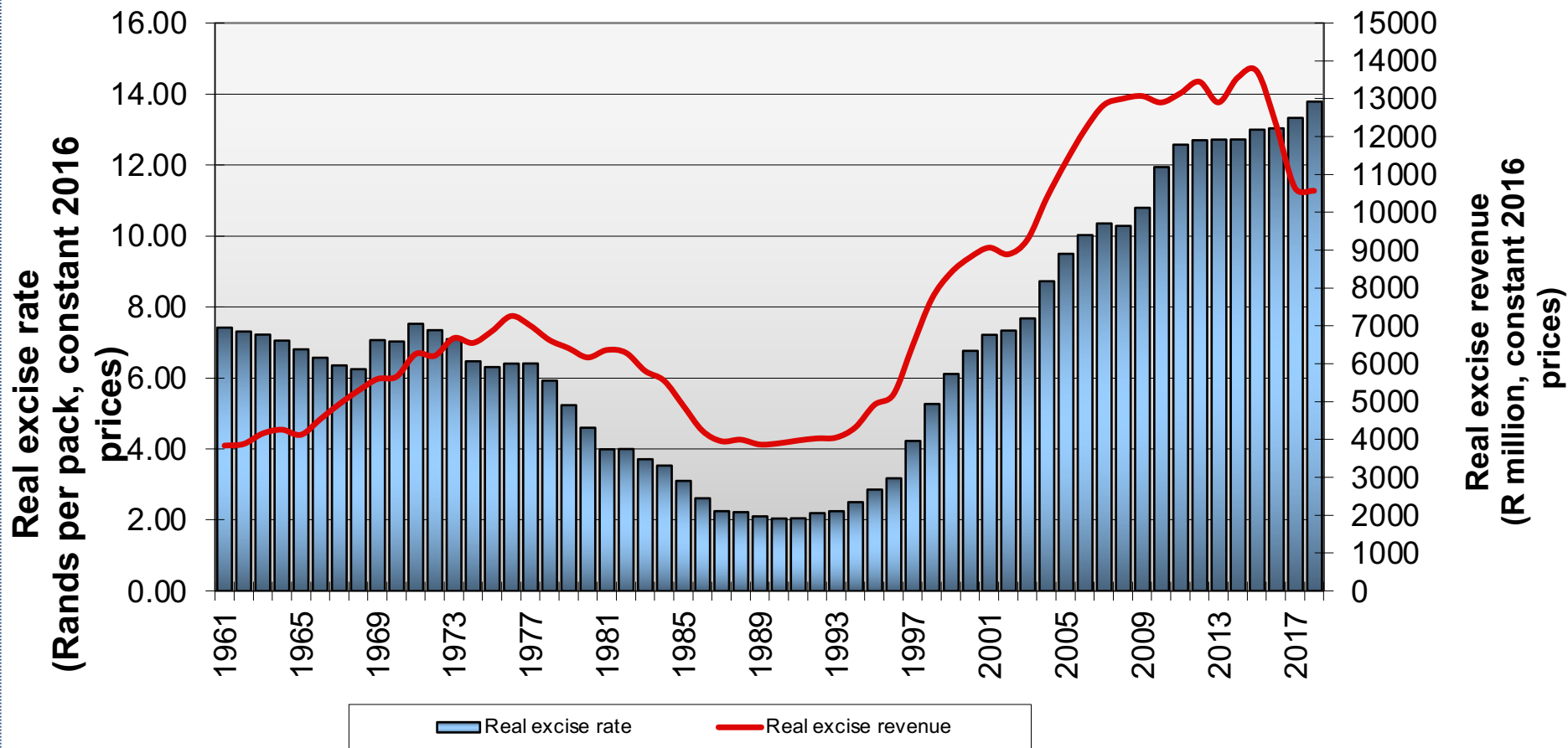


Gap Analysis SA: 2002 – 2017





South Africa: Tax Revenue





Illicit Cigarettes in South African townships





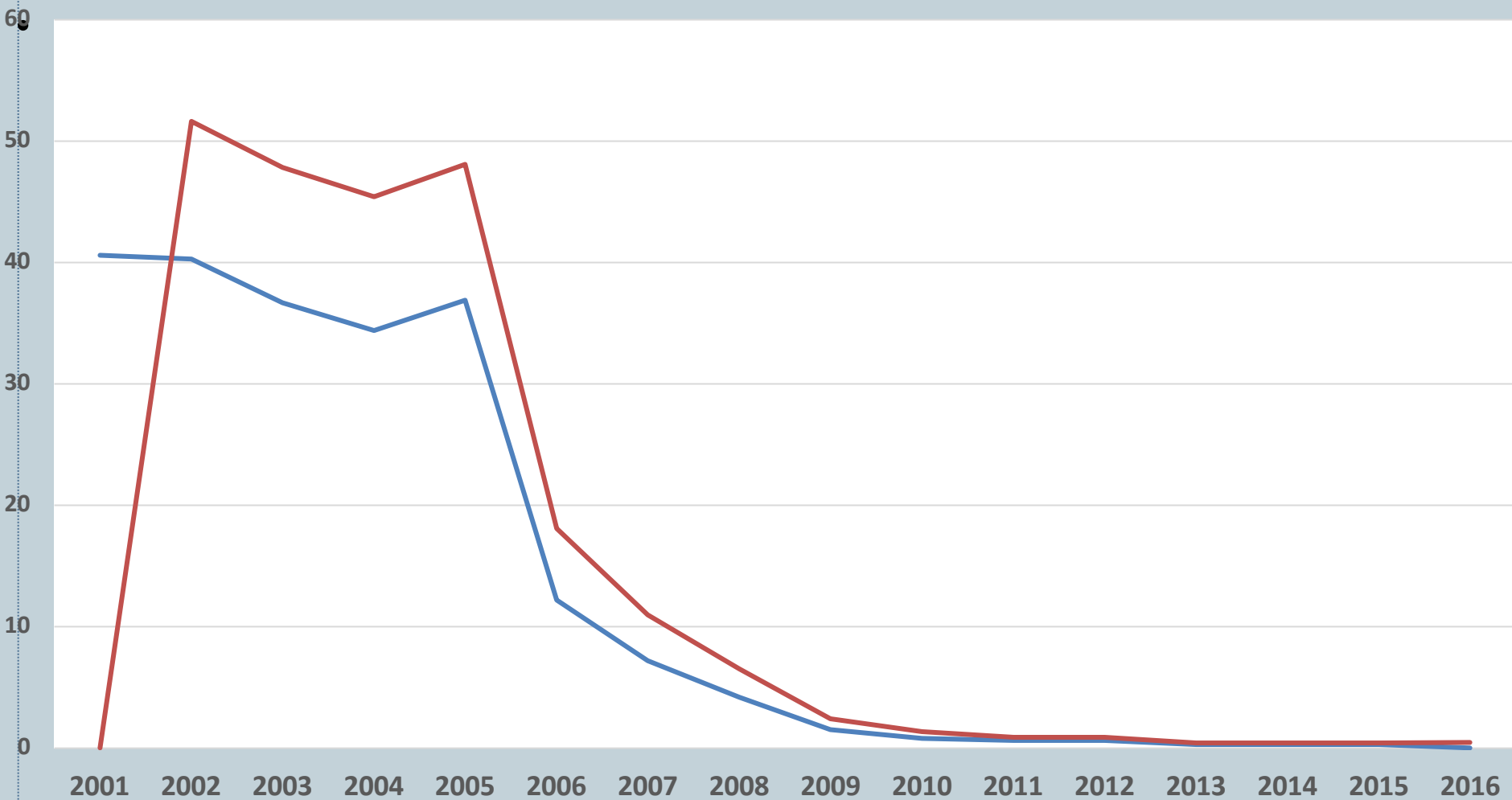
Proportion of cigarettes sold for R1 or less per stick

		Round 1	Round 2
Overall (n)		34.6 (1234)	36.4 (1193)
Pack type (n)	Carton	55.6 (9)	72.7 (11)
	Pack	32.1 (408)	38.6 (485)
	Single	35.6 (817)	34.3 (697)

Real tax increase 4% between round 1 and round 2



Illicit Cigarette Market Share in Georgia



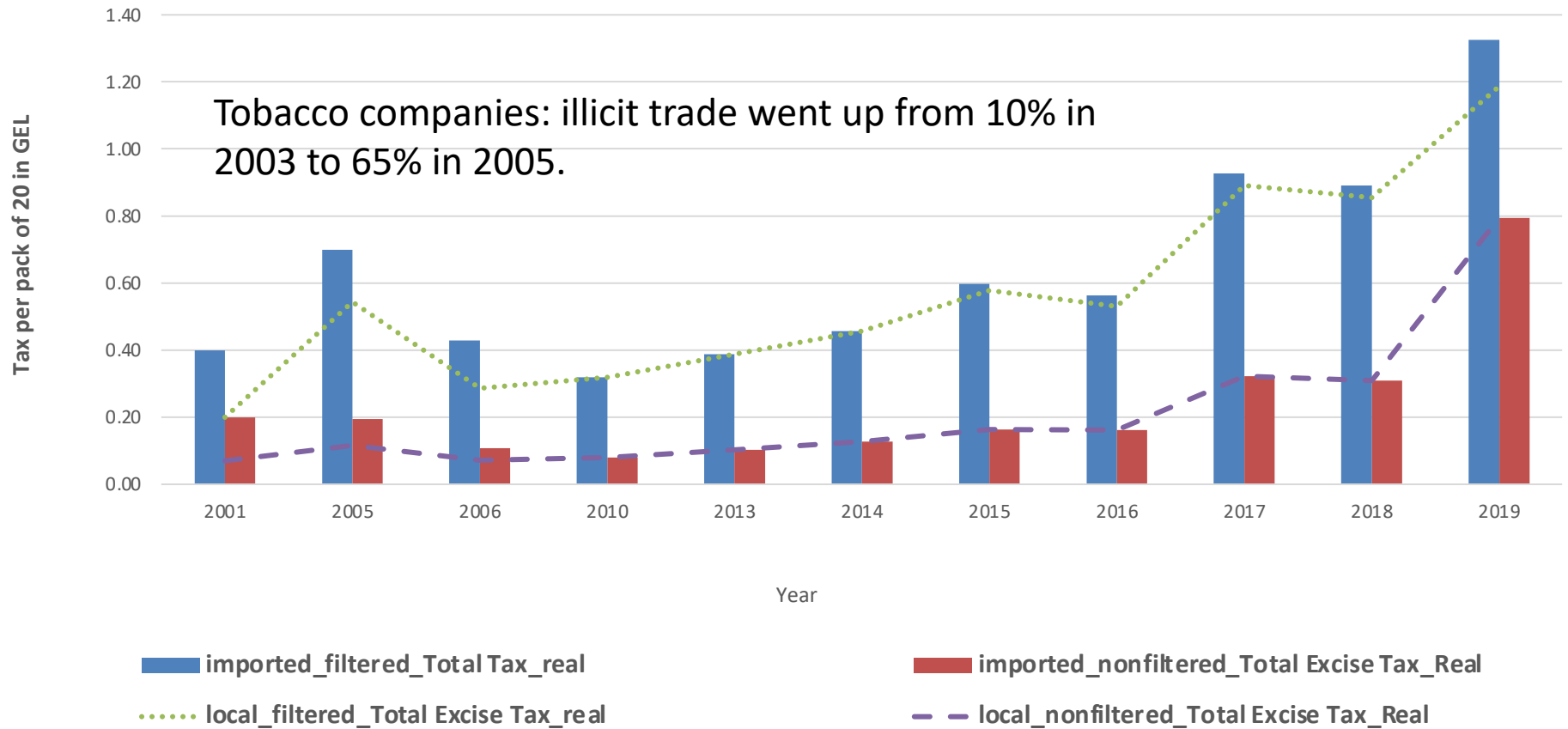
Source: Euromonitor 2016 & 2017

— Share of illicit % (2016) — Share of illicit % (2017)



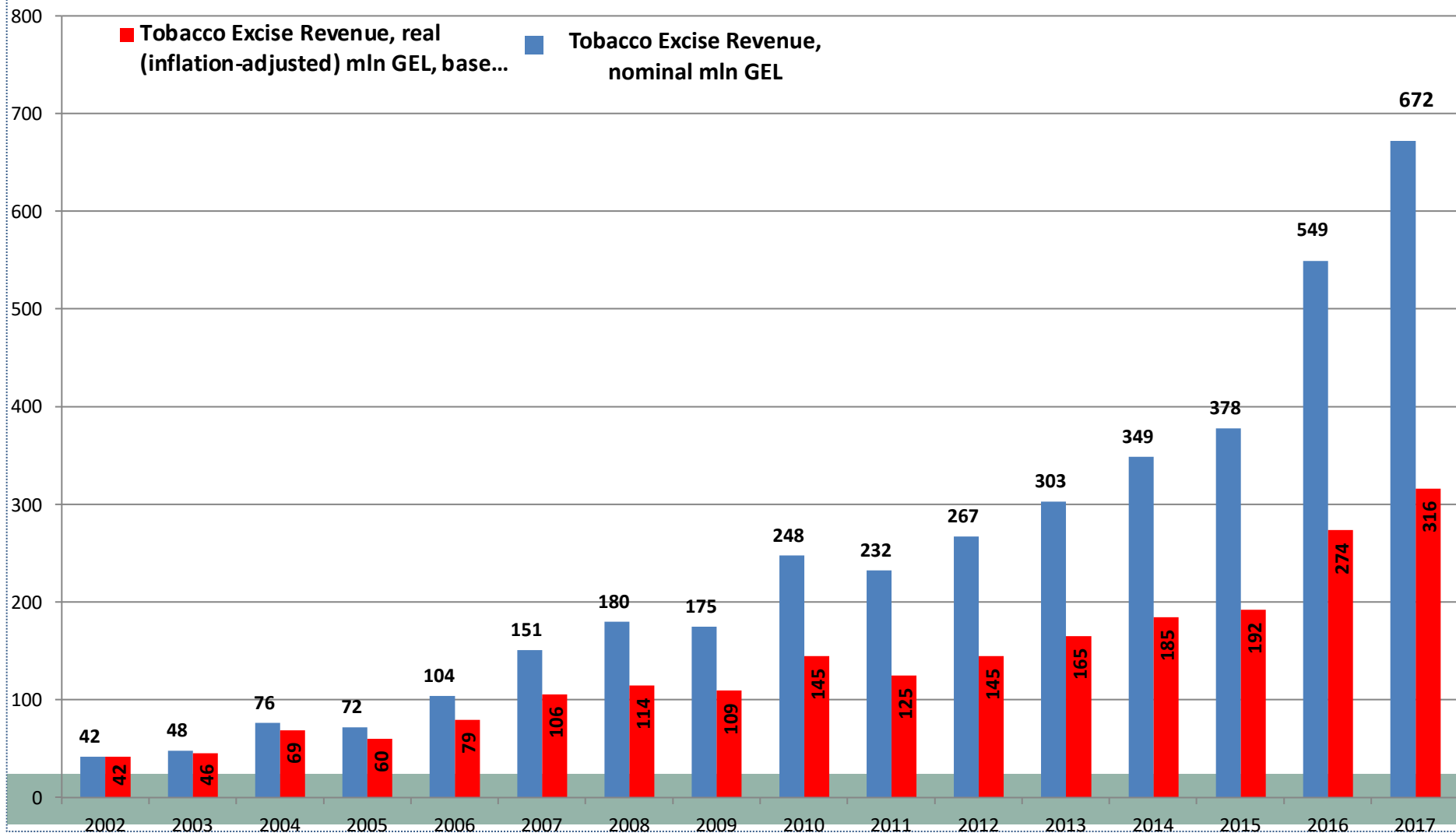
Real Cigarette Taxes in Georgia

Real Cigarette Tax (Base Year = 2001)





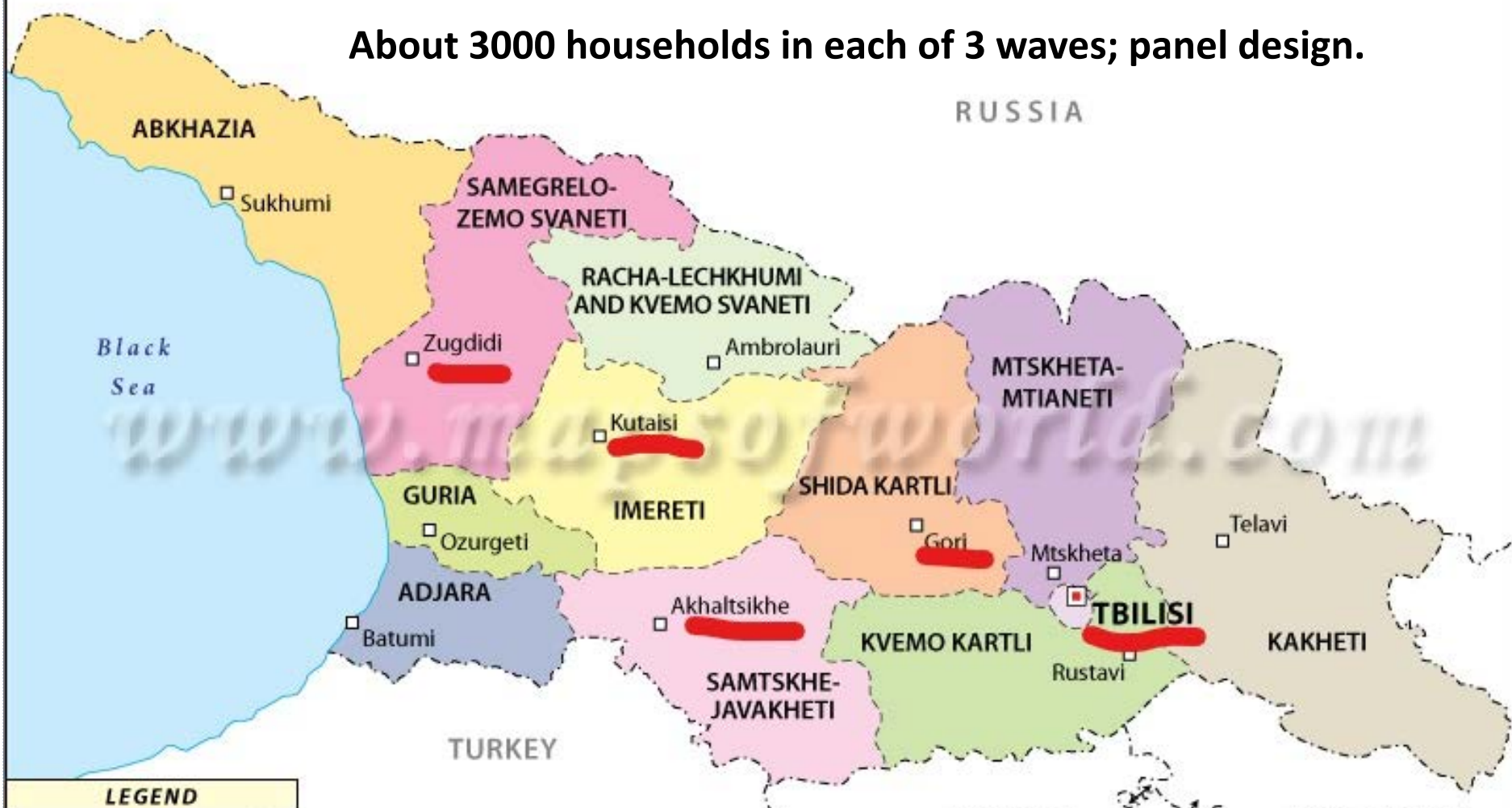
Tobacco Excise Revenue in Georgia 2002-2017, mln GEL





Survey Sites

About 3000 households in each of 3 waves; panel design.



- Respondents (smokers) were asked to show all cigarette packs currently available in the house.
- Given the tax stamps and health warnings in Georgian, it is easy to quickly identify an illicit pack.

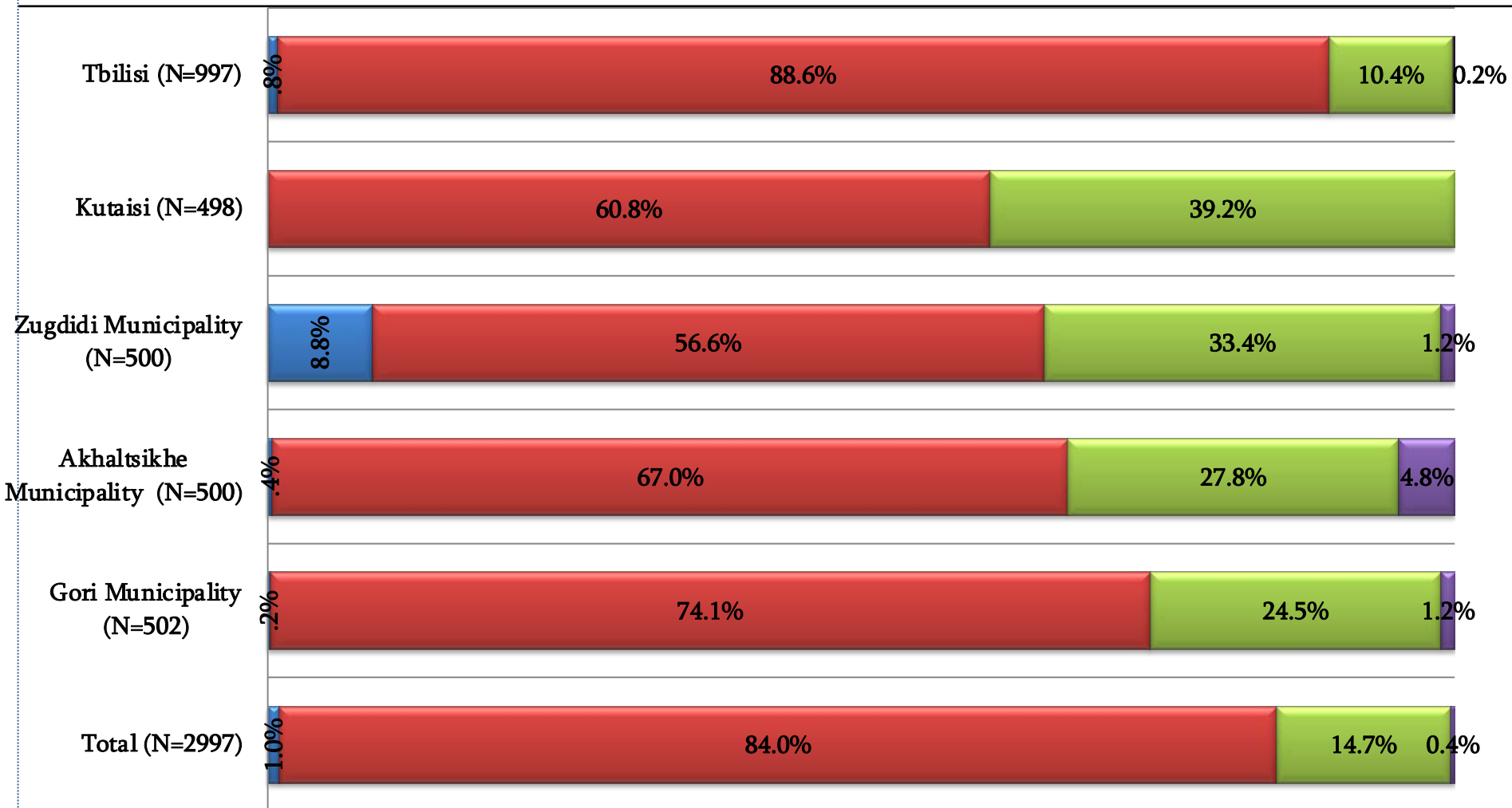




Results

- 0.2% (SE 0.1%) of the packs examined were missing both a Georgian tax stamp *and* a Georgian health warning.
- 1.5% (SE 0.2%) of the packs were missing *either* the Georgian tax stamp or the Georgian health warning or it was unclear.
- Regional variation: 6% of smokers in Zugdidi (close to Abkhazia) showed an illicit cigarette pack.

Are you aware of the sale of illicit/smuggled tobacco products in your area?



■ YES ■ NO ■ DON'T KNOW ■ REFUSE TO ANSWER



Limitations

- Only about 71% (SE 0.8%) of smokers agreed to show their packs.
- 28% (SE 0.8%) of smokers claimed that there was no pack available in the house and 1% (SE 0.2%) either refused to show a pack or said they did not know if there was one in the house.



Does Illicit Cigarette Market Matter?

Experiences in many countries show that governments can raise tobacco taxes and gain health and economic benefits from these higher taxes even in the presence of illicit trade.

Government efforts to improve tax administration and implementing and enforcing strong measures to control illicit will further increase the impact of higher taxes on health and revenue.



Thank you!



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