



The link between tax measures and tobacco consumption and illicit trade

Presentation to members of Parliament of Suriname

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The University of Cape Town



FCTC
WHO FRAMEWORK CONVENTION
ON TOBACCO CONTROL
SECRETARIAT-KNOWLEDGE HUB

X REEP
Research Unit on the Economics
of Excisable Products

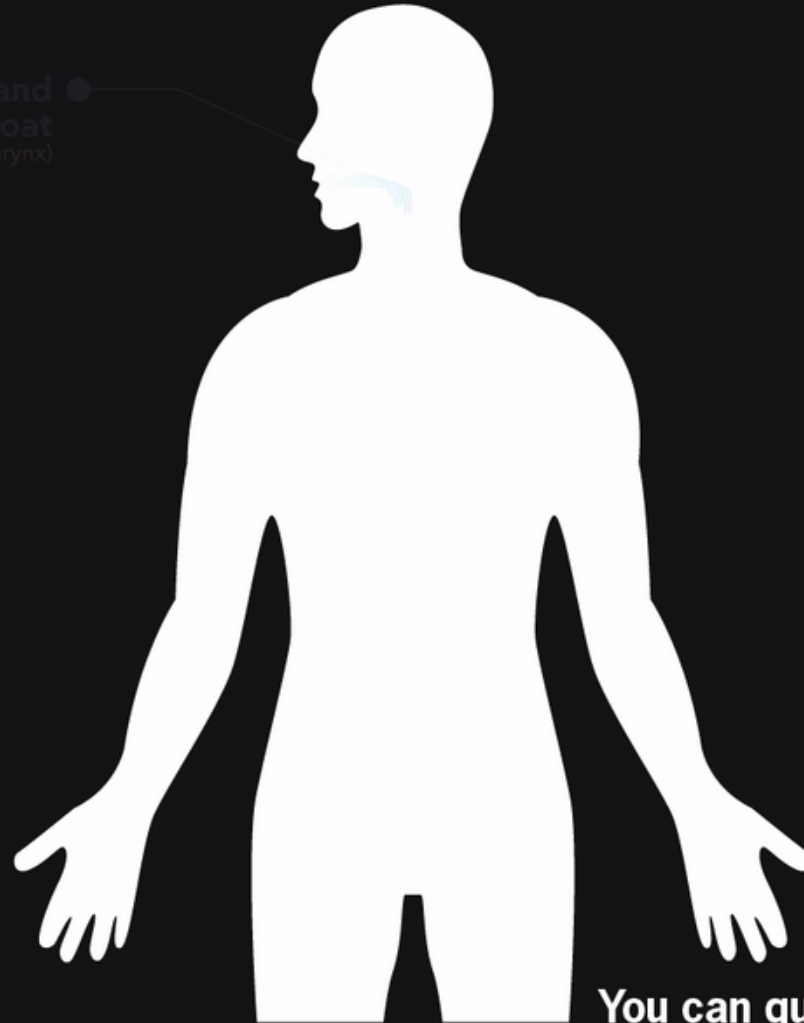


Knowledge Hub workshop on tobacco taxation modelling

17 August 2021

Smoking can cause cancer almost anywhere in your body.

mouth and throat
(oral cavity and pharynx)

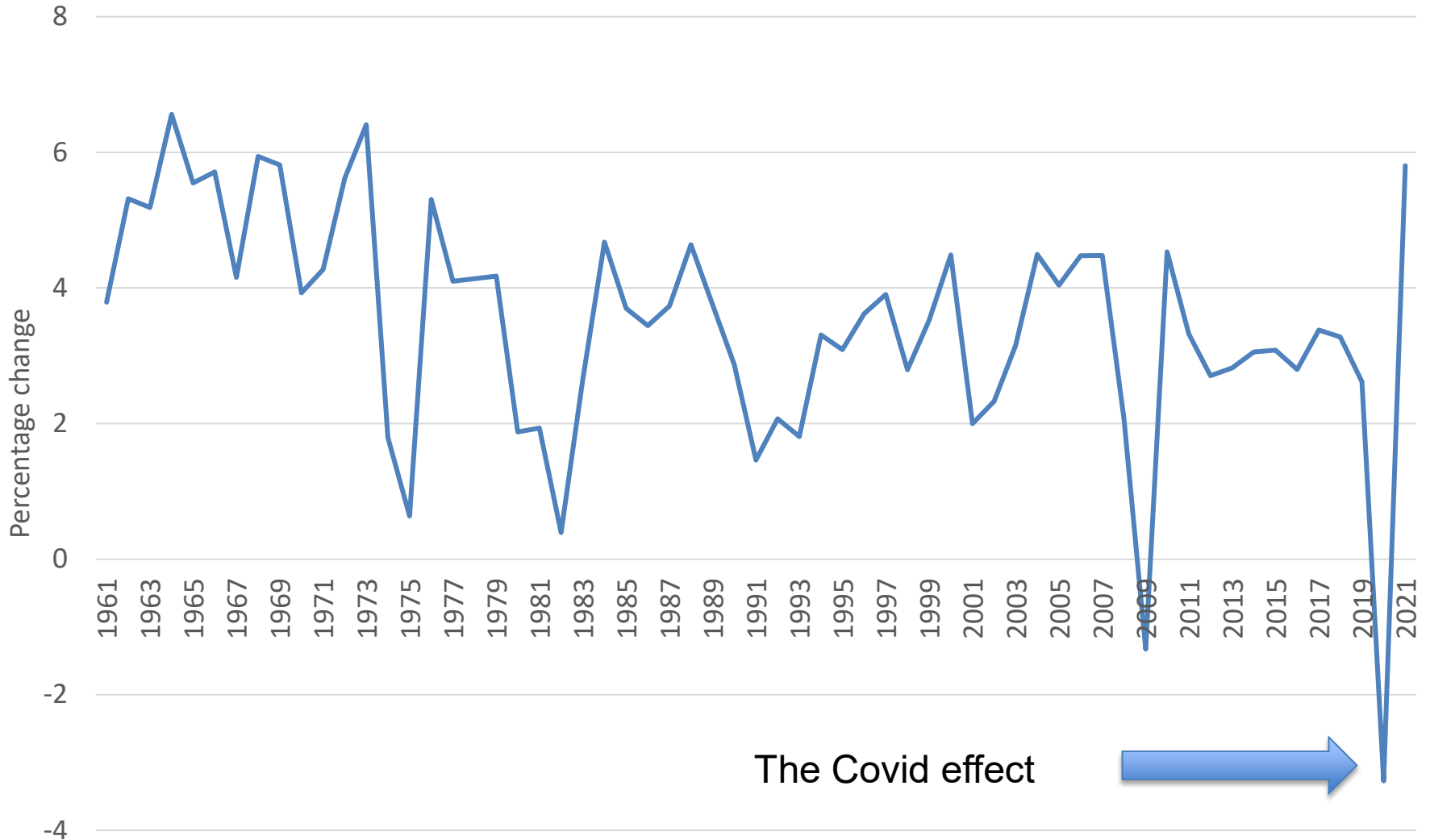


You can quit.
For free help: 1-800-QUIT-NOW.



[CDC.gov/quit](https://www.cdc.gov/quit)

World economic growth



Source: World Bank



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ON TOBACCO CONTROL





Smoking prevalence in Suriname



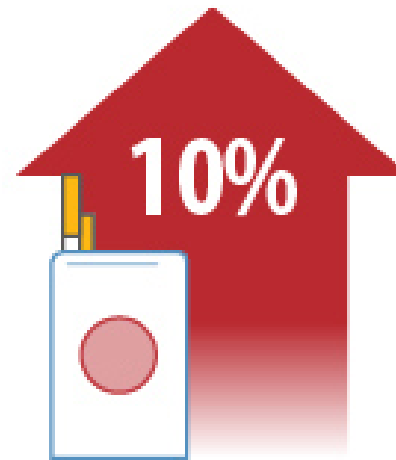
Survey	Year	Male	Female
STEPS (adults)	2013	34.0%	6.5%
Global Youth Tobacco Survey (age 13-15)	2009	20.7%	16.6%
Global Youth Tobacco Survey (age 13-15)	2016	17.1%	7.3%

RAISE
TOBACCO TAX



LOWER
DEATH AND DISEASE

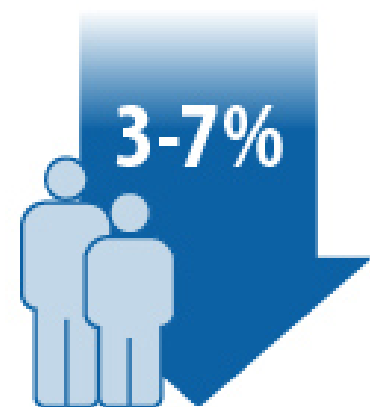
Raising Cigarette Taxes Lowers Consumption, Especially Among Younger People



Increase in
price per pack
results in...



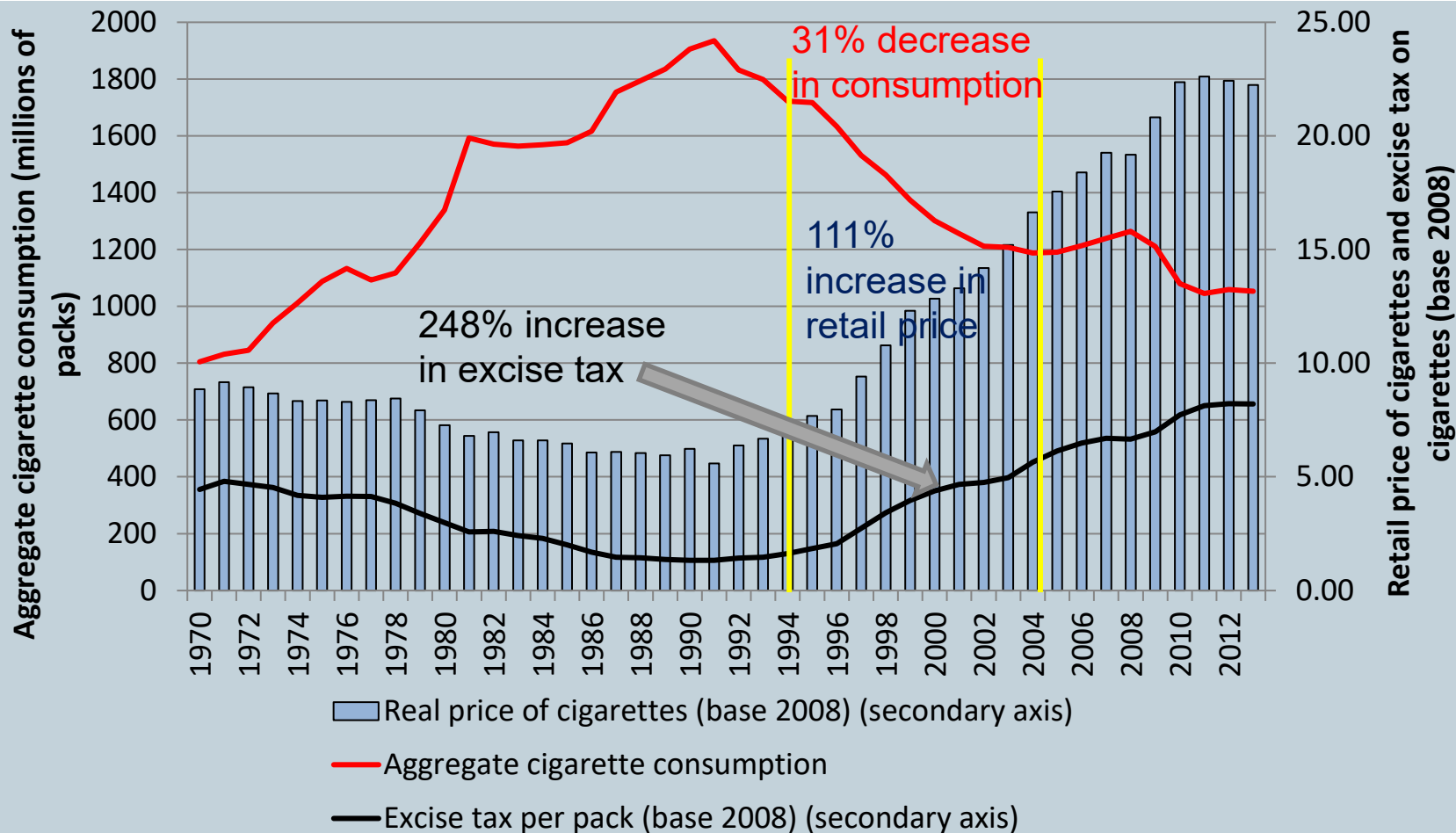
Decrease in smoking
among people
under age 18



Decrease in smoking
among adults

Source: Congressional Budget Office

South Africa



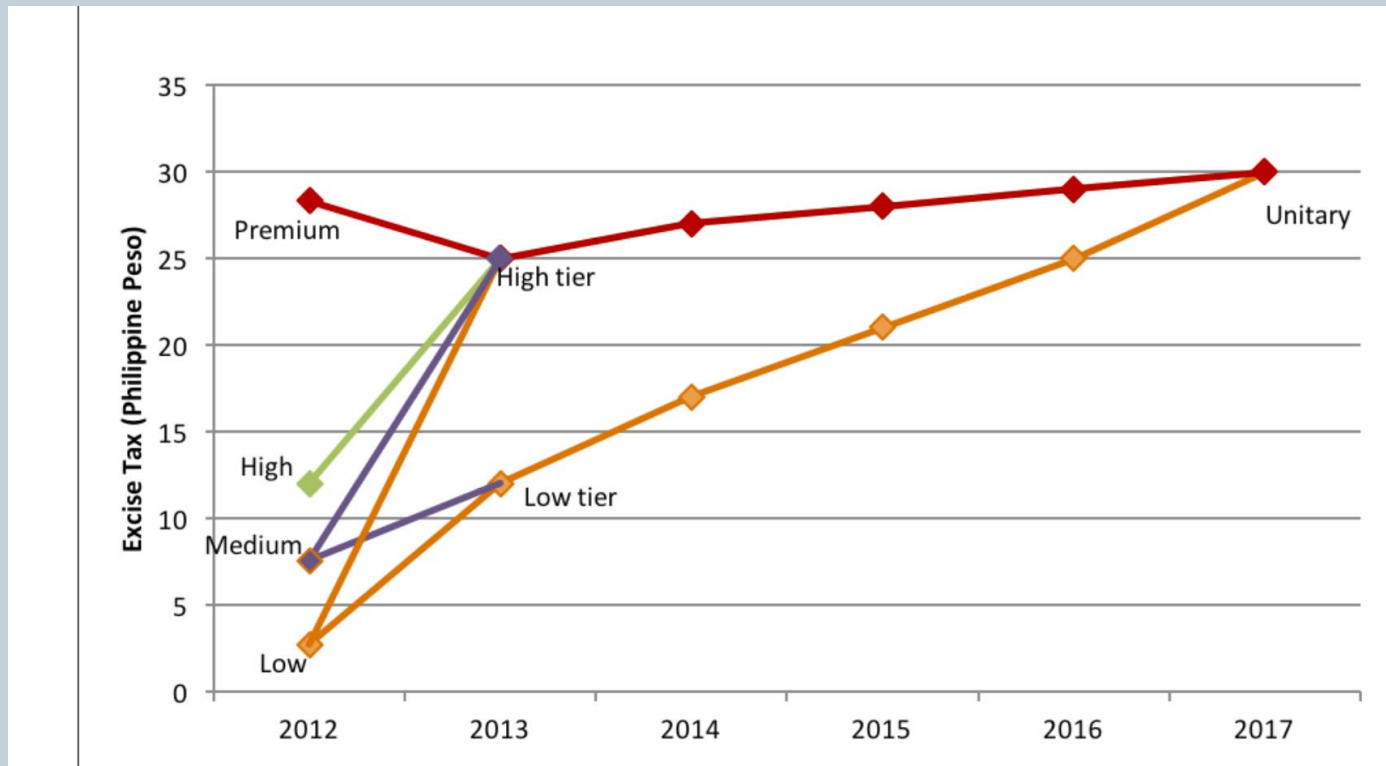
Source: Van Walbeek, 2016

Tobacco excise tax systems

- Ranked from most efficient to least efficient
 - Uniform specific tax
 - Ad valorem (or mixed) tax system with minimum specific floor
 - Mixed tax system
 - Pure ad valorem tax
 - Tiered tax systems (“gelaagde belastingstelsel”)
 - No excise tax system

Tax reform in the Philippines

Moving from an inefficient four-tier system to a uniform specific tax

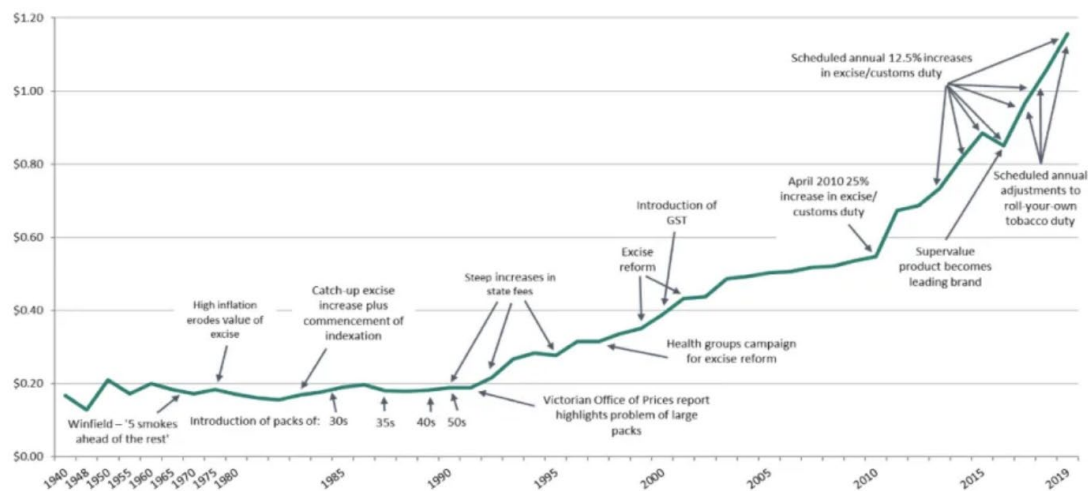


Tax increases in Australia

This is the tobacco excise increase schedule:

Year	Increase
April 2010	25 per cent (one off)
December 2013	12.5 per cent
September 2014	12.5 per cent
September 2015	12.5 per cent
September 2016	12.5 per cent
September 2017	12.5 per cent
September 2018	12.5 per cent
September 2019	12.5 per cent
September 2020	12.5 per cent

Recommended retail price of Australia's most popular cigarettes



Recommended retail price of the most popular cigarettes in Australia, 1940–2019 Sources: NSW Retail Traders' Association. Price lists—Cigarettes.



Excise taxes in Suriname



- Cigarettes: 66 USD per 1000 sticks
- Cigars and cigarillos: 66 USD per 500 sticks
- Other tobacco: 66 USD per kilogram

NOTE:

The excise tax rates have remained unchanged since 2011



Baseline numbers for the TETSIM model



Inputs	Value
Retail prices	Premium: 111 SRD per pack Popular: 80 SRD per pack Economy: 73 SRD per pack
Market shares of legal brands	Premium: 52% Popular: 35% Economy: 13%
Illicit market share estimate	50% of total market
Specific excise tax	66 USD per 1000 cigarettes
VAT/ Sales tax	12%
Import duty	Mostly zero (CARICOM exemption)
Consumption of cigarettes (sticks)	103 million sticks
Total adult population (15+)	434 000
Total prevalence (Adult)	17%
Price elasticity of demand	-0.4 (premium) to -0.8 (economy)
Substitution to lower-priced cigarettes possible?	Yes, through cross-price elasticity
Industry response to change in excise tax	Full pass through



Summarised results



Variable	Baseline	After the tax change	Percentage change
Excise Tax	SRD 30,90 / pack	SRD 46,35 / pack	50%
Retail price (average)	SRD 78,50 / pack	SRD 95,97 / pack	22%
Total tax burden	44,9%	51,5%	6,6 percentage points
Consumption (legal, sticks)	103 million	90,6 million	-12%
Consumption (illicit, sticks)	103 million	105,8 million	3%
Consumption (total, sticks)	206 million	196,5 million	-5%
Excise tax revenue	SRD 159,1 million	SRD 210,1 million	32%
Total tobacco-related revenue	SRD 197,5 million	SRD 252,2 million	28%
Smoking prevalence	17%	16,61%	-0,39 percentage points
Number of premature deaths avoided		265	

Illicit trade





From the Tripartite Agreement



e) Tegenaan van smokkel door verscherping van de grenscontroles en bescherming van de bonafide bedrijven waarbij tabaksproducten, alcohol, en benzine bijzondere aandacht verdienen. Een model om dit tegen te gaan is middels de invoering van een gelaagd accijnzen stelsel voor de import van tabaksproducten, kan het zijn, per 1 juli 2022.

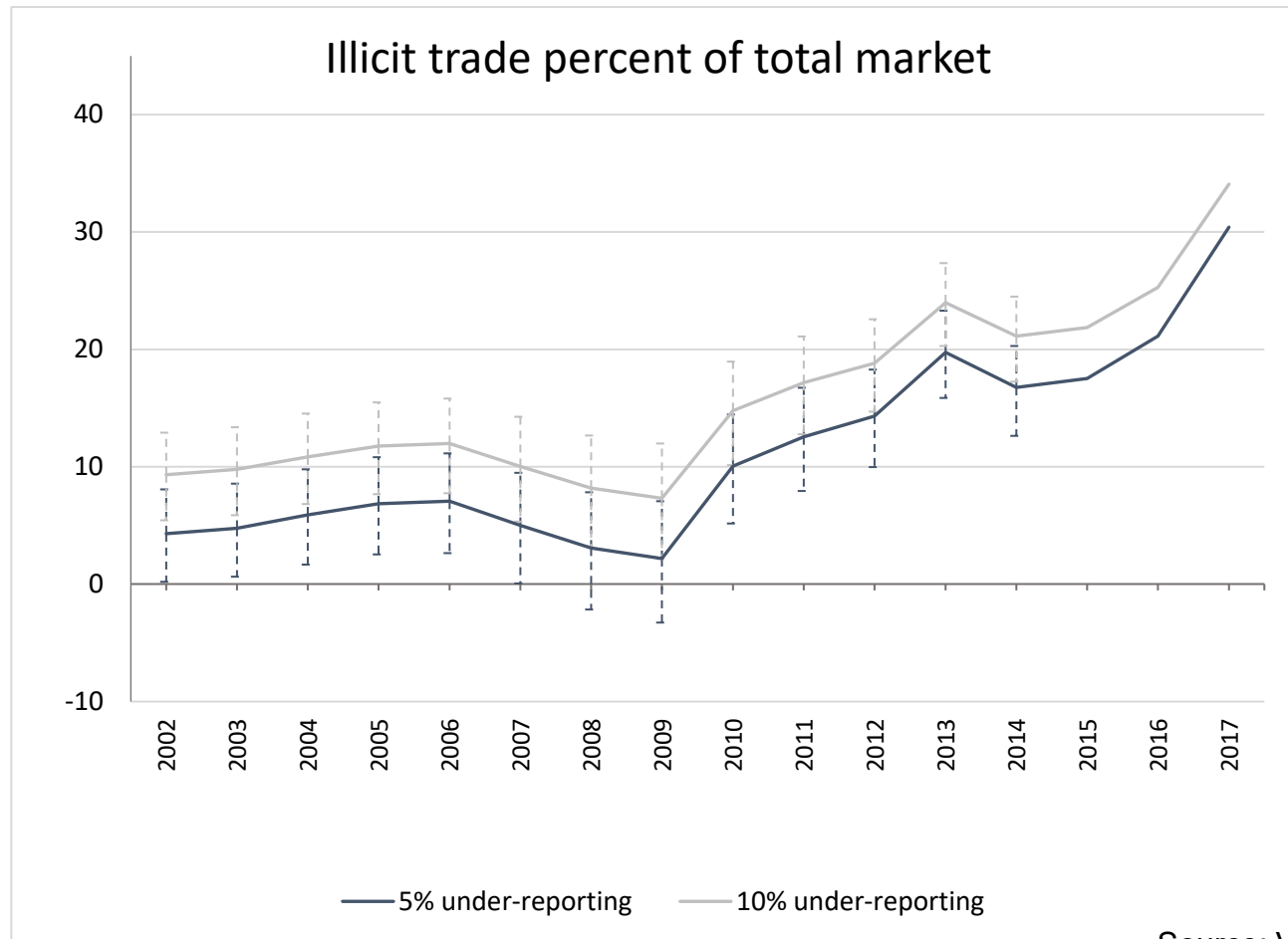


A very rough guesstimate of the size of the illicit market



Total adult population	434 000
x Smoking prevalence	17%
x Average number of cigarettes smoked per day	8
x Days in the year	365
Total (legal plus illicit) consumption	215 million
Total legal consumption (2020)	103 million
Total illicit consumption	112 million
Illicit market as percentage of the total market	52%

Illicit trade in South Africa



Source: Vellios, et al, 2020

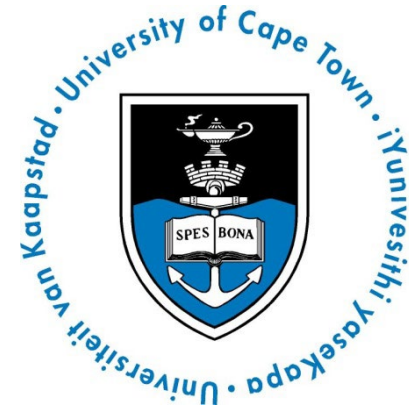
Protocol to Eliminate Illicit Trade in Tobacco Products

PROTOCOL

TO ELIMINATE ILLICIT TRADE
IN TOBACCO PRODUCTS

PART III: SUPPLY CHAIN CONTROL

Article 6	Licence, equivalent approval or control system	11
Article 7	Due diligence	13
Article 8	Tracking and tracing	15
Article 9	Record-keeping	17
Article 10	Security and preventive measures	19
Article 11	Sale by Internet, telecommunication or any other evolving technology	20
Article 12	Free zones and international transit	20
Article 13	Duty free sales	21



Thank you for your attention

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