



2020

5TH ANNUAL HEALTH FINANCING FORUM

Health Taxes During the COVID-19 Pandemic: Is this the Right Time?

December 8th, 2020

Health Financing Resilience during a Prolonged Pandemic
November 12 - December 10, 2020

Co-hosted by:



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AHFF on Twitter



#InvestinginHealth
#AHFF2020
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Making the Most of Our Zoom Space

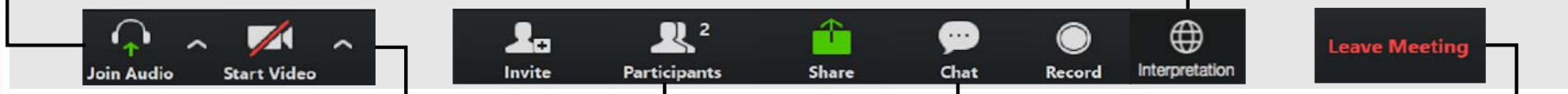
Navigating the main panel

Navigation du panneau principal

Navegación del panel principal

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Para participar en la sesión, seleccione si quiere unirse por teléfono o por su computadora.

Interpretation: Click here to select your language channel.
Interprétation: Cliquez ici pour sélectionner votre canal linguistique.
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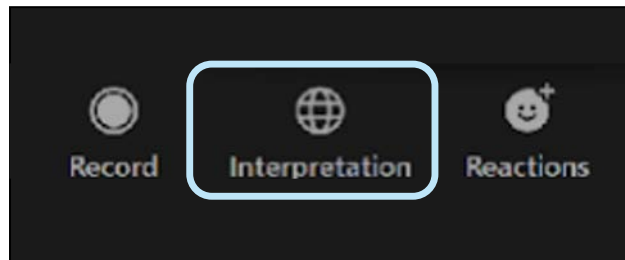
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Interpretation - Interprétation- Interpretación

1. Click interpretation globe at the bottom of screen

Cliquez sur globe d'interprétation en bas de l'écran

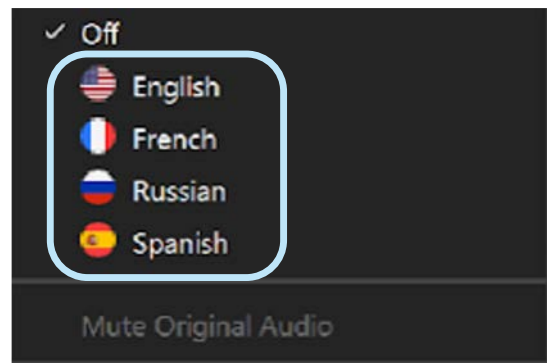
Haga clic en el globo de interpretación en la parte inferior de la pantalla



2. Select your language channel

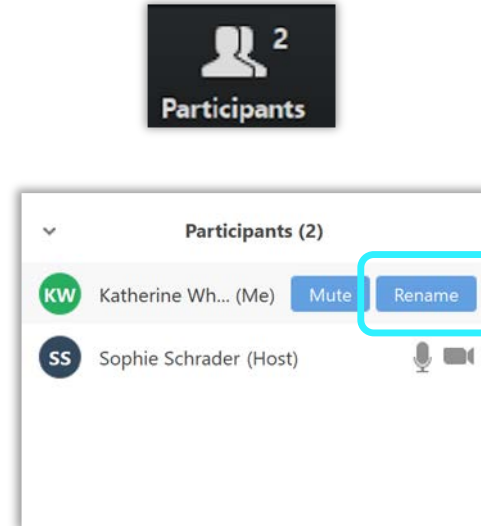
Choisissez votre langue

Seleccione su idioma



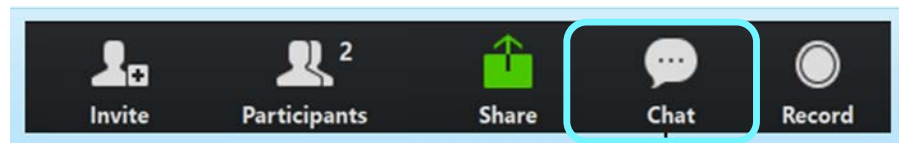
Changing your name - Modifier votre nom - Modifique su nombre

- 1. Click on the Participants tab**
Cliquer sur l'icône Participants
Haga clic en la el ícono de Participants
- 2. Click on your name then click the Rename button**
Cliquer sur votre nom et cliquer sur le bouton "Rename"
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Incluya su país en su nombre



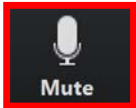
Using the Chat Box

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Jakub Kakietek

Economist
World Bank

Session Objectives

- Provide multi-disciplinary perspectives; and, weigh the short- and long-term pros and cons of introducing, increasing and modifying health taxes during the crisis
- Feature insights from 3 country cases that have recently changed or considered changing their health tax regimes
- Engage in a roundtable discussion with experts to dive deeper into the implications of the COVID-19 pandemic context on health taxes as public health interventions and revenue rising methods

Session Agenda

8:05-8:10	Introduction	Dr. Jakub Kakietek , Economist, World Bank
8:10-9:10	<i>Country Experiences</i>	Ms. Pande Putu Oka Kusumawardani , Acting Director, Center for State Revenue Policy, Ministry of Finance, Republic of Indonesia Dr. Miriam Alvarado , Postdoctoral Research Fellow, Centre for Diet and Activity Research, University of Cambridge Dr. Ajay Shah , Independent Scholar, India
9:10-9:50	<i>Moderated Round Table</i>	MS Ceren Ozer , Senior Governance Specialist, World Bank Dr. Alan Fuchs , Senior Economist, World Bank Dr. Frank Chaloupka , Research Professor, University of Illinois at Chicago and Director of the UIC Health Policy Center MS Rosa Sandoval , Regional Advisor, Tobacco Control, PAHO
9:55-10:00	Concluding remarks	Marcello Estevão , Global Director of the Macroeconomics, Trade and Investment Global Practice, World Bank

Country Experiences



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Ms. Pande Putu Oka Kusumawardani

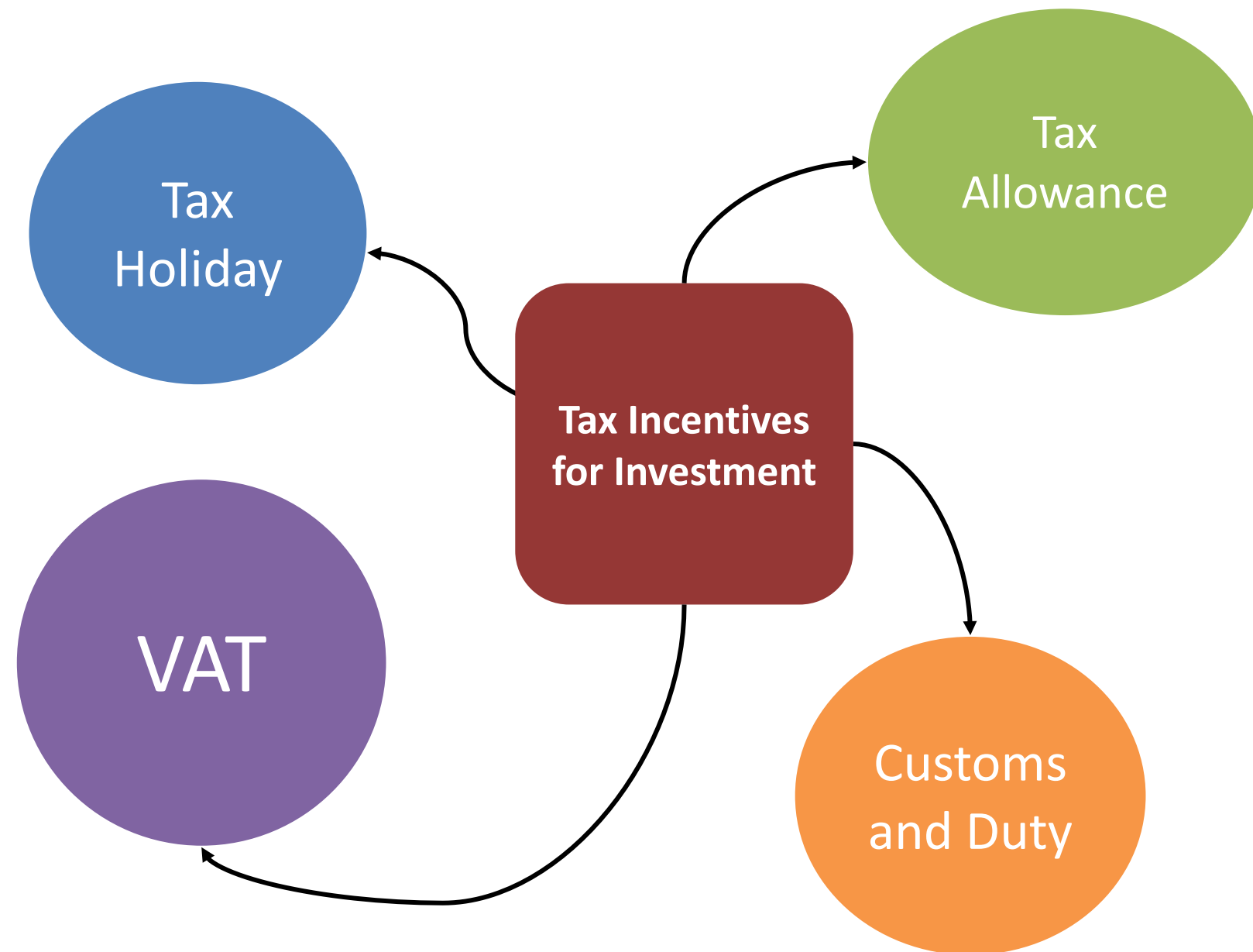
Acting Director, Center for State
Revenue Policy, Ministry of Finance,
Republic of Indonesia

World Bank Annual Health
Financing Forum, December 8th 2020

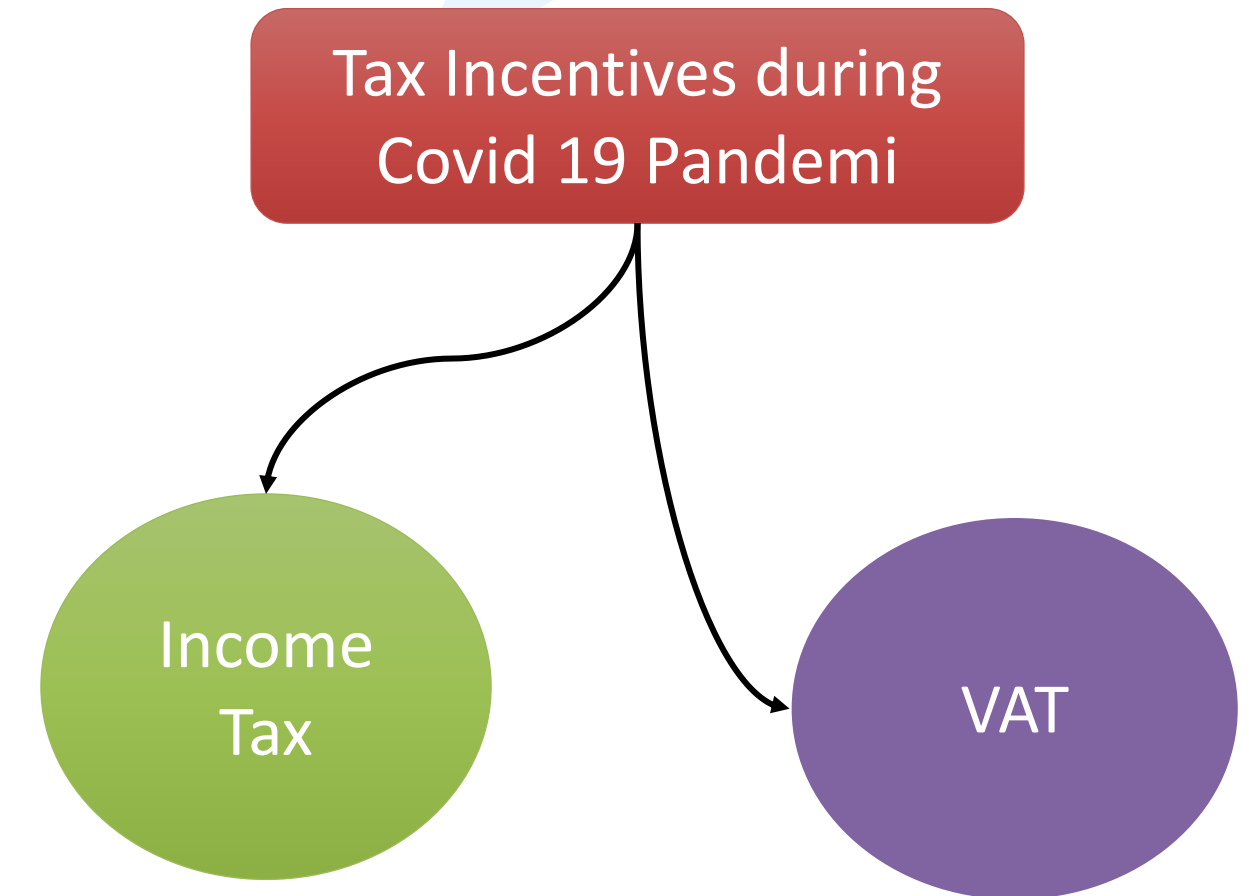
HEALTH TAXES: EXPERIENCE FROM INDONESIA

Fiscal Policy Agency – Ministry Of Finance

Tax Incentives for Health Sectors



The incentives aims to encourage new investment in health sectors



The incentive is released as a response for supporting business during covid-19 pandemi

Tax Holiday

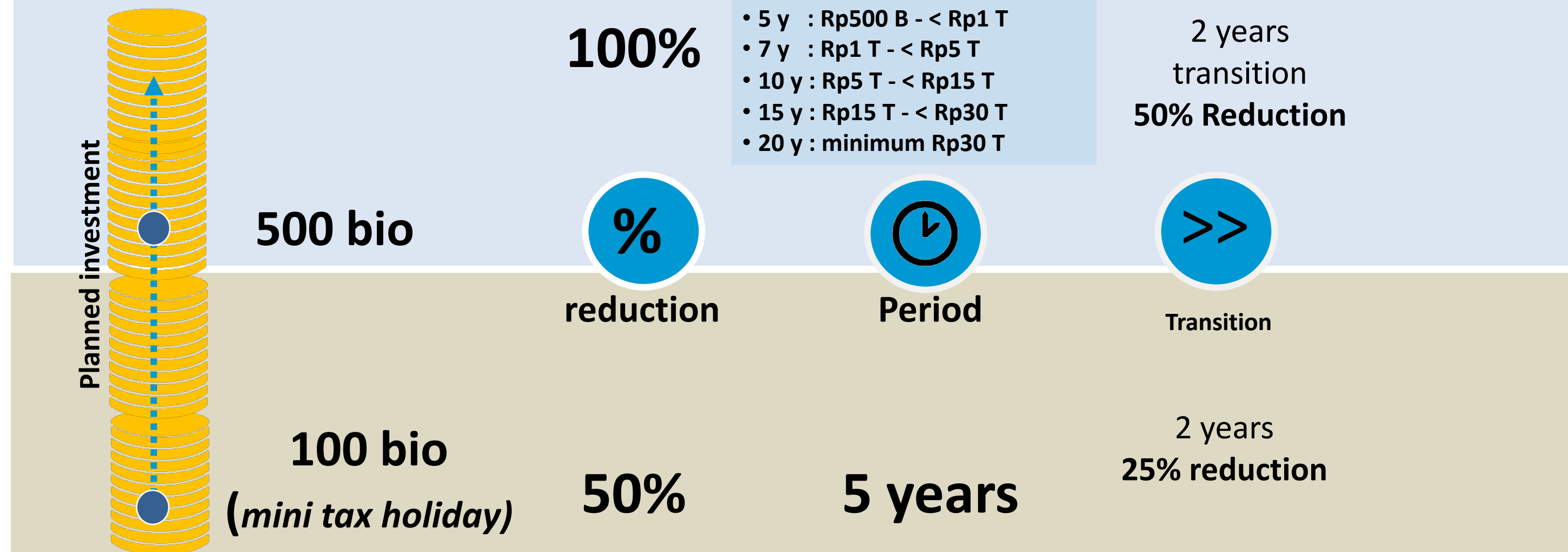
PMK 130/2020

Incentive for pioneer industry:

- ❖ Have wide linkages;
- ❖ Have high added value and externality;
- ❖ Introducing new technology; and
- ❖ Have strategic value for national economy

The Scheme

Tax Holiday





Tax Incentives for Health Sector

MoF.R 143/PMK.03/2020

Tax Facilities on Goods and Services Needed for the Purpose of Handling Covid-19 Pandemic & extension of tax facilities in Gov.R 29/2020

Applied on April to Dec 2020

Incentives:

- VAT borne by Gov
- Not collected import VAT
- Exemption from Income Tax 22
- Exemption from Import Income Tax 22
- Exemption from Income Tax 23
- Exemption from Income Tax 21

For providing:

- Goods/services & vaccines to combat Covid-19

MoF.R 83/PMK.04/2020

Provision of Customs and/or Excise Facilities as well as Taxation on the Import of Goods for the Purpose of Handling Covid-19 Pandemic
Applied on July 7, 2020
until the end of Covid-19 pandemic

Incentives:

- Not collected VAT & Luxury tax
- Exemption from Import Tax 22
- Exemption of import duty
- Exemption of excise

For providing goods:

- Test kit and reagent laboratory
- Virus transfer media
- Medicines and vitamins
- Medical tools
- Medical protective equipment

MoF.R 188/PMK.04/2020

Provision of Customs and/or Excise Facilities and also Taxation on Imports of Vaccines in the Context of Handling the 2019 Corona Virus Disease Pandemic

Applied on November 26, 2020

Incentives:

Provision of import duty, excise, VAT/VAT & LuxTax, Import Income Tax facilities for **import vaccine**

Gov.R 29/2020

Income tax incentive for Handling Covid-19
Applied on 1 March to 30 Sept
extended to Dec 2020 (MoF.R 143/2020)

Incentives:

- Donation as additional deductible expense
- Exempted (0%) final income tax on assets' rent by government institution
- Exempted (0%) final income tax of medical personals' salary
- Public companies with minimum 40% public share get lower corporate income tax rate:
 - 19% for 2020 and 2021
 - 17% for 2022Including companies buying back their shares with the approval from government
- Additional tax-deductible expenses of 30% on certain medic equipment

MEDIUM-TERM FRAMEWORK RELATED TO HEALTH TAXES

RPJMN 2020-2024 (Perpres 18/2020), MOF Strategic Plan 2020-2024 (PMK 77/2020)

National Priority	Economic Resilience Strengthening the Pillars of Economic Growth and Competitiveness	High Quality Human Resources Improving Healthcare Services to Achieve Universal Health Coverage
Strategy	Fiscal Reform <ul style="list-style-type: none">• Excise tax Increase• Excise tax structure simplification• Excise tax base extensification: Introduction of new excise tax on unhealthy foods (i.e. with high sugar, salt and fat content)	Improving healthy living through Germas (Gerakan Masyarakat Sehat)
Indicator & Target	Tax Ratio Increase 10,7% - 12,3% in 2024	Reduction of Children Smoking Prevalence (age 10-18) 8,7% in 2024

Fiscal policy strategy should also address the impacts on tobacco farmers and tobacco industry workers

EXCISE TAX IS ONE OF MEASURES TO IMPROVE THE QUALITY OF HUMAN RESOURCES



CONSUMPTION CONTROL

Reducing smoking prevalence especially in children to improve the quality of human development.

2024 target: 8,7%



STATE REVENUE

Supporting national development program through state revenue.

Tobacco excise is an important source of revenue:
96% of total excise
10,7% of total tax revenue



WORKFORCE SUSTAINABILITY

Mitigating the impact of tobacco tax policy on workers and farmers

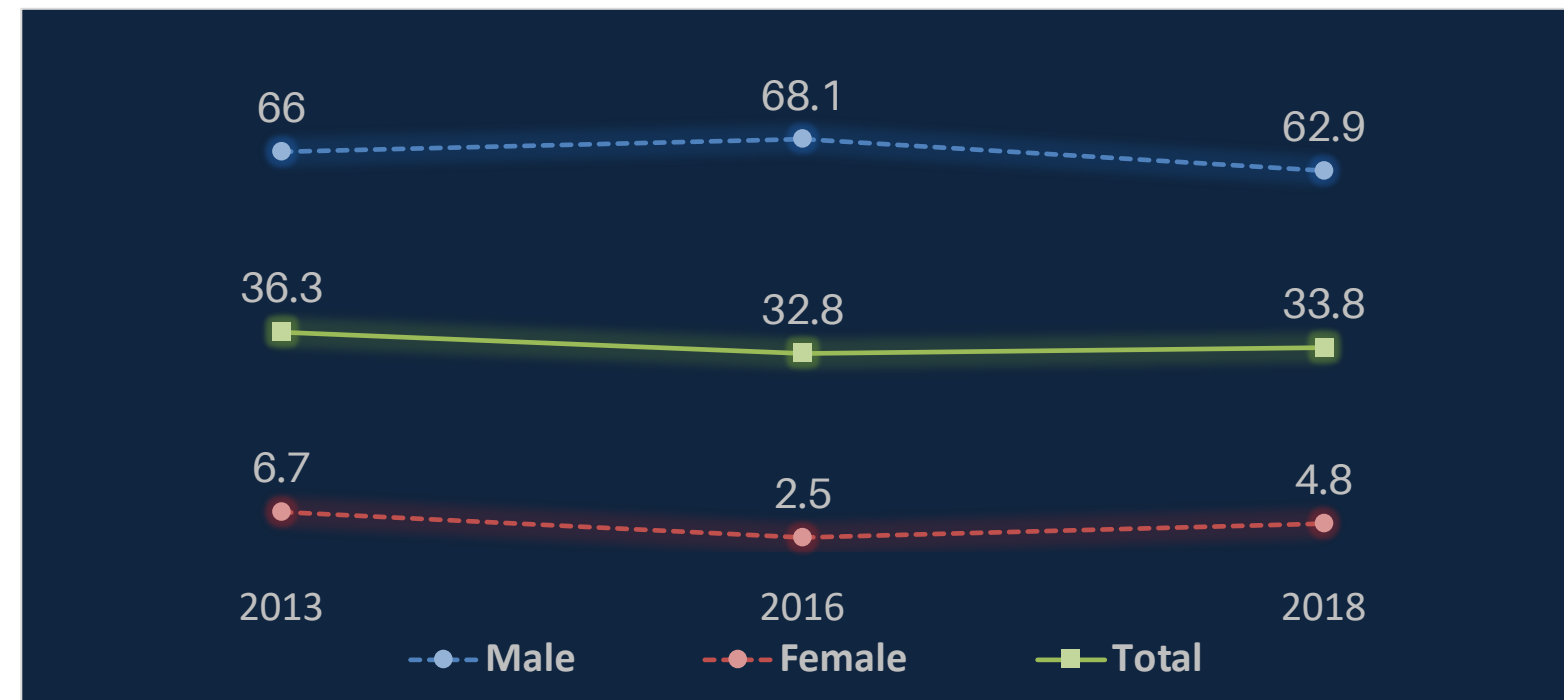


ILLICIT TRADE

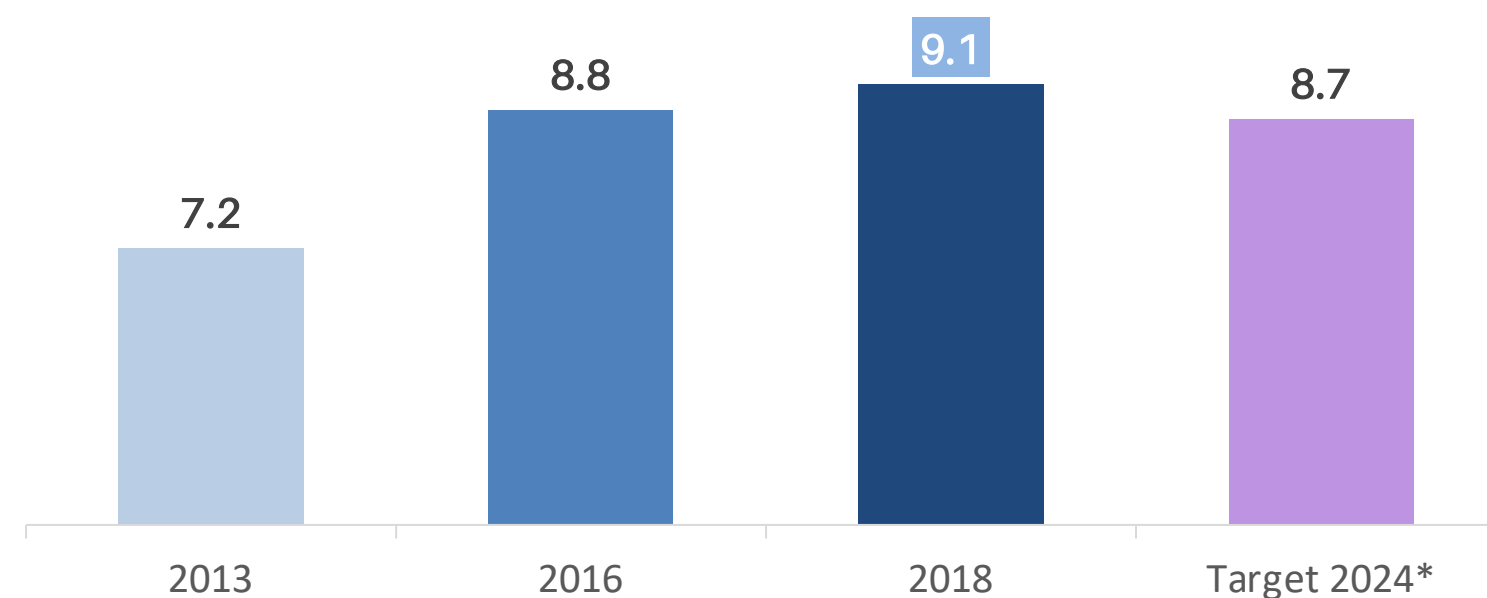
Curbing illegal cigarette circulation that harm both public finance and public health

EXCISE TAX POLICY SEEKS TO REDUCE SMOKING INCIDENCE ESPECIALLY IN CHILDREN AND TEENAGER GROUP

Smoking prevalence, Age >15 yo (%)



Smoking prevalence, Age 10-18 yo (%)



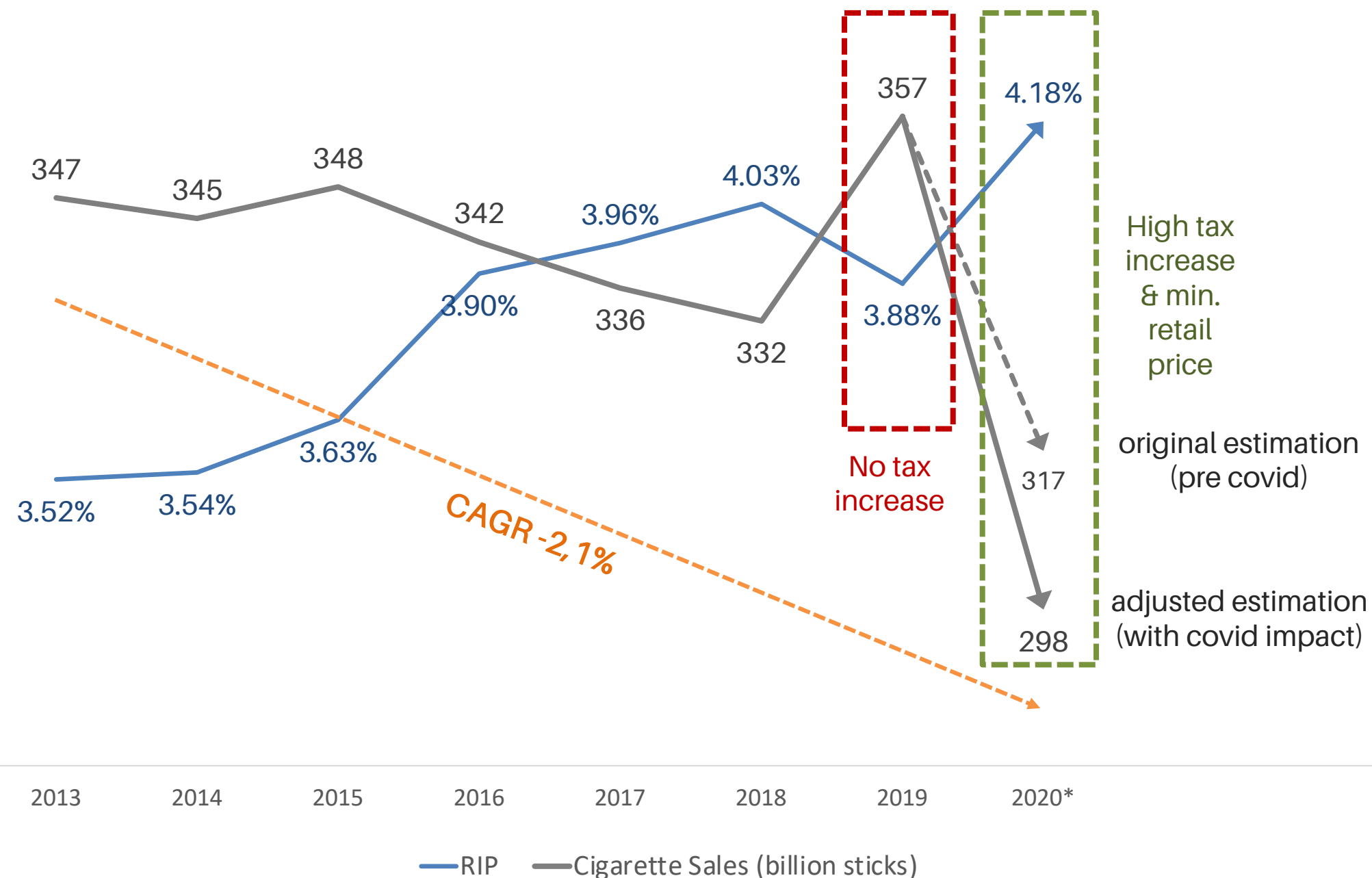
*) Target RPJMN 2020-2024

Source : Riskesdas (2013, 2018), Sirkesnas (2016), Balitbangkes Kemenkes

1. During period of 2007-2018:
 - Smoking incidence in adult male 2018: 62,9%
 - Adult female smokers increase from 2,5% in 2016 to 4,8% in 2018
 - **Children smoking rise**, from 7,2% to 9,1% RPJMN 2020-2024 targets children smoking prevalence to decrease to 8,7% in 2024
2. Excise tax increase the product price to make it less affordable to consumers (deterrent effect)
3. Other non-fiscal measures: education, regulation on commercials and sponsorship.

EXCISE POLICIES HAVE MADE CIGARETTE LESS AFFORDABLE AND REDUCED CIGARETTE SALES

Affordability Index (RIP) & Cigarette Sales
Indonesia, 2013-2020



- Tobacco excise policy drove negative growth of cigarette sales in last 7 years
- During 2013-2018, the price of cigarettes became more expensive (affordability index increased), but in 2019, cigarette prices relatively cheaper (towards income) because there is no increase in excise rates
- Due to high tariff increase in 2020, as well as covid-19 impact, cigarette sales is estimated to contract by **16,30%**. (Initial estimation: 317,1 billion sticks sales → -11,1% sales growth)

Affordability index = $100 \times P / GDP \text{ percapita}$

P = Average transaction price of a pack of cigarette with 20 sticks

*) BKF's estimation

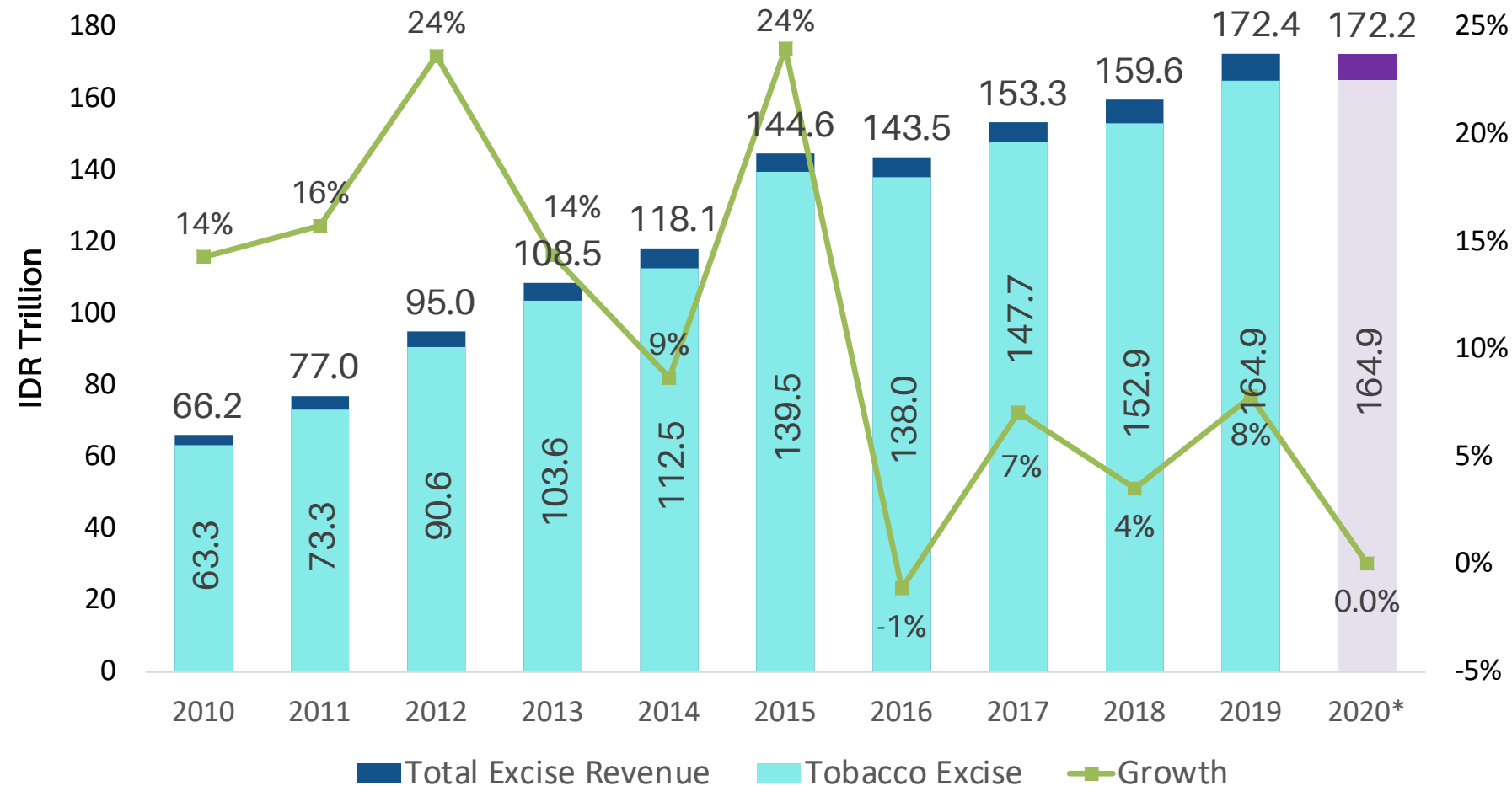
TOBACCO EXCISE REPRESENTS VAST MAJORITY OF GOVT REVENUE

The growth of excise revenue from tobacco slowed in last 5 years

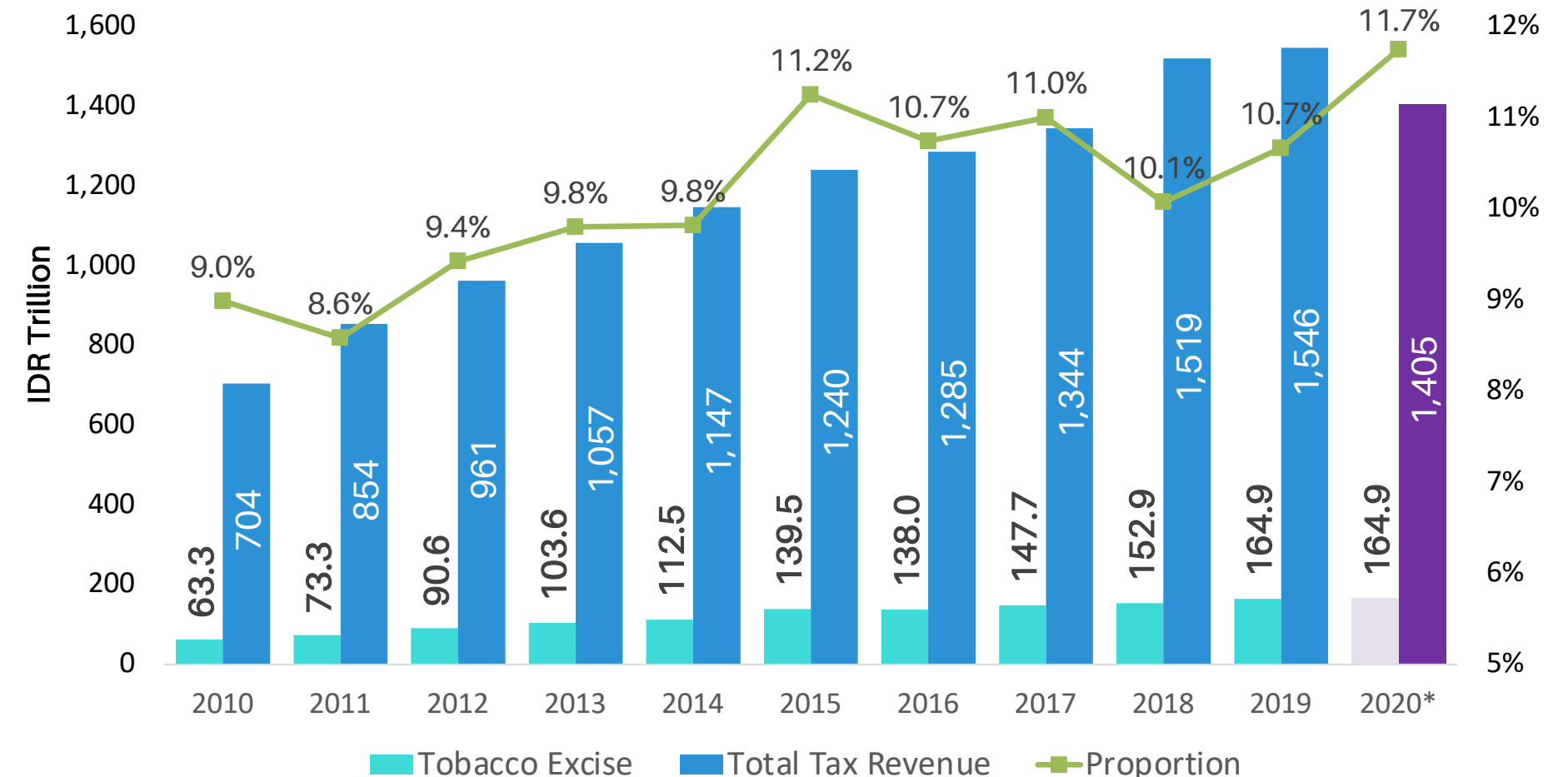
- The average growth of tobacco excise revenue is **10,7%** in ten years (2010-2020) and only **3%** during 2016-2020 → grew in slower pace, mainly due to reduction of cigarette sales.
- Excise revenue from tobacco product reaches **96% of total excise revenue** → a rational to introduce new excisable objects.

- Every year, tobacco product contributes at average **10,2%** to **total tax taxation** in last one decade.

Tobacco Excise & Total Excise Revenue 2010-2020



Tobacco Excise & Total Tax Revenue 2010-2020



MINISTRY OF FINANCE POLICY MIX

Consumption Control and State Revenue



Preferential tax treatment for labor-intensive segment to minimize impact on the workers and supporting export-oriented products

Allocation of revenue-sharing fund from tobacco excise revenue for healthcare service and impacted workers

Illicit Trade



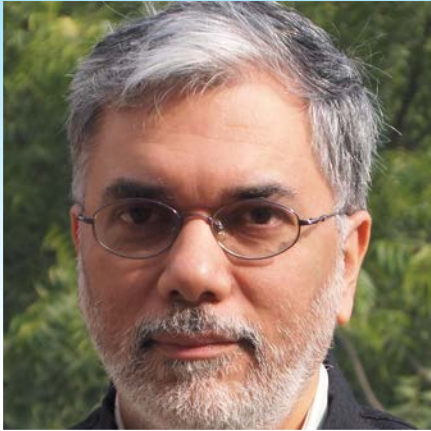
- Tax structure simplification and tax increase to :
- rise *Affordability index*, making cigarettes less affordable.
 - reduce smoking prevalence
 - rise revenue

Workforce Sustainability

More intensive law enforcement by DG Customs and other law enforcers and an increase the allocation for law enforcement activities to reduce the level of illegal cigarette circulation.

Excise Tax Policy

Revenue Sharing Fund Policy



Dr. Ajay Shah

Independent Scholar

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Sin taxes and COVID-19

Recent developments in India

Ajay Shah

8th December 2020

Sin taxes are based on three ideas:

- 1 Earmarking of resources for health;
- 2 A Pigouvian tax; and
- 3 Compensate public systems for increased burden owing to health care entitlements.

In India, the state tries to spend some money on an over-crowded / low-quality publicly funded health care system that works for citizens on a best-efforts basis.

Recent problems in inter-governmental fiscal relations

- The new Goods and Services Tax (GST) was brought in,
- Covid-19 adversely impacted on tax revenues (both GST and non-GST),
- States were promised a minimum 14% nominal growth of pre-GST indirect tax revenues,
- The union hinted that the 14% promise might not be upheld.
- This created fiscal fear in states.

What could state governments do to augment own tax revenues?

- Feasible levers that states had which didn't work well in the lockdowns:
 - Entertainment tax
 - Tax on vehicles
 - Tax on goods and passengers
 - Tax on petroleum.
- That left alcohol (but no cigarettes as this was in GST).

What could state governments do to augment own tax revenues?

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 - Entertainment tax
 - Tax on vehicles
 - Tax on goods and passengers
 - Tax on petroleum.
- That left alcohol (but no cigarettes as this was in GST).
- 22 states/UTs also hiked duties on petrol and diesel
- The problem was the lockdown context, fuel consumption had dropped.

Initial lockdown and alcohol

25th March:

- Nationwide lockdown announced, stoppage of:
 - Passenger transport (flights, railways)
 - Factory work
 - Non-essential shops, including alcohol shops. (Not at grocery stores).

⇒ *De facto ban on alcohol sale*

4th May:

- Phased easing, including opening of alcohol shops

Different approaches and mechanisms

Cess, sales tax, excise ... alcohol is a state subject

Delhi	Cess	70% on MRP for all liquor
Punjab	Cess	Various in INR e.g. INR 10 per 650 ml bottle of wine
Kerala	Cess	35% on liquor, 10% on beer
Rajasthan	Excise	Increased by 10%
Karnataka	Excise	Increased by 11%.
Meghalaya	Excise	Increased by 25%.
Andhra Pradesh	Sales tax	Increased by 75%
West Bengal	Sales tax	Introduced new 30%

Outcomes

- Sales declined by 25% and 15% respectively in May and June 2020 compared to the same months in 2019¹

Duty imposed (%)	Average decline in sales compared to 2019 (%)
> 50	59
15-50	34
< 15	16

- The policy goal was to raise revenue, not deter consumption for better health: States responded to reduced tax revenues by some policy reversals. E.g. Delhi, dropped the 70% cess, Odisha, J&K, etc.

¹ Source: Confederation of Indian Alcoholic Beverage Companies (CIABC)

Other developments on alcohol

- Scarcity of alcohol outlets led to long queues at outlets, might have been sites of Covid-19 transmission.
- Inter-state smuggling grew, from low tax states to high tax states, e.g. Haryana to Delhi (where Delhi had a 70% cess).
- Illegal alcohol production and distribution, some got poisoned, some increase in criminality.

To summarise

- Was there earmarking for health? No.
- Was it a Pigouvian tax, aimed at reducing consumption? No.
- The objective was to increase tax revenues in a certain special fiscal situation.
- Did it work for this objective? Not much.

Thank you.

Ajay Shah

<http://www.mayin.org/ajayshah>



Dr. Miriam Alvarado

Postdoctoral Research Fellow

Centre for Diet and Activity Research,
University of Cambridge

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SSB Taxation in Barbados

Lessons for tax design

Health Financing Resilience during a Prolonged Pandemic
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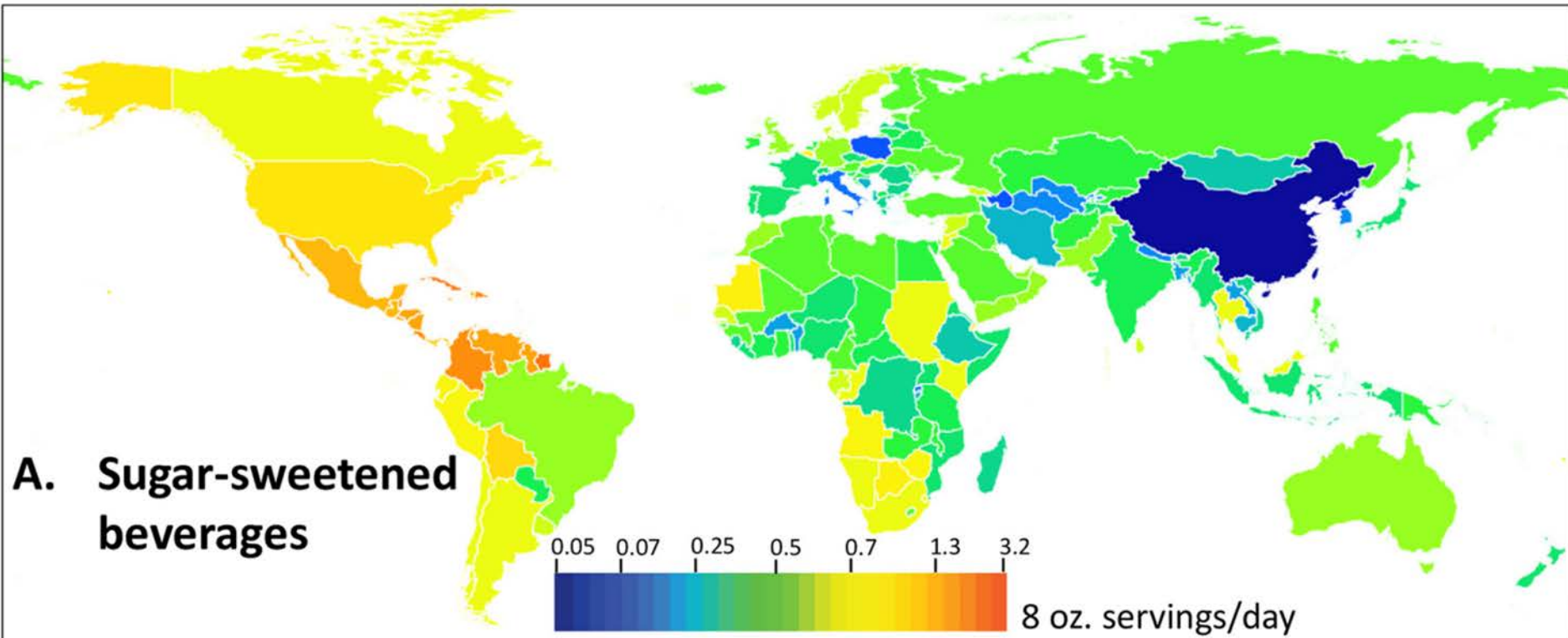


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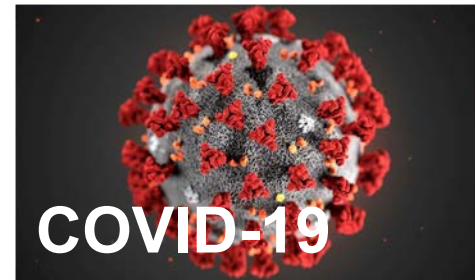


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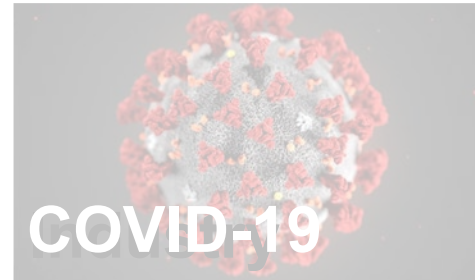
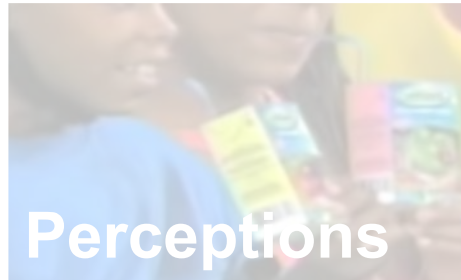
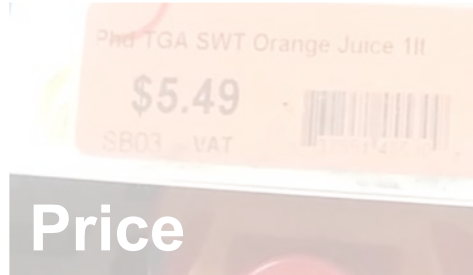
Global levels of SSB consumption



Overview



Overview





NEWS SUGAR INDUSTRY 3 JUL 2015

Barbados – 10% tax on sugary beverages from 1 August 2015 [Registered]

Making the announcement while delivering the national budget, Minister of Finance Chris Sinckler, also listed those “Beverages containing intrinsic sugars only, such as 100% natural fruit juice, coconut water, plain milk, evaporated milk [which] will not be subject to the excise

Tax Structure

September 2015:

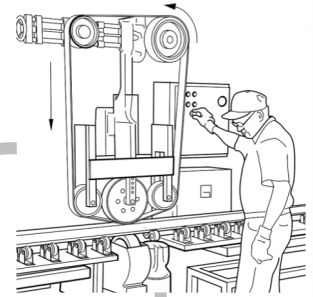
10% ad valorem tax on
producer price



10% of
pre-VAT CIF



Customs & Excise
Department



10% cost of
production



Barbados Revenue
Authority
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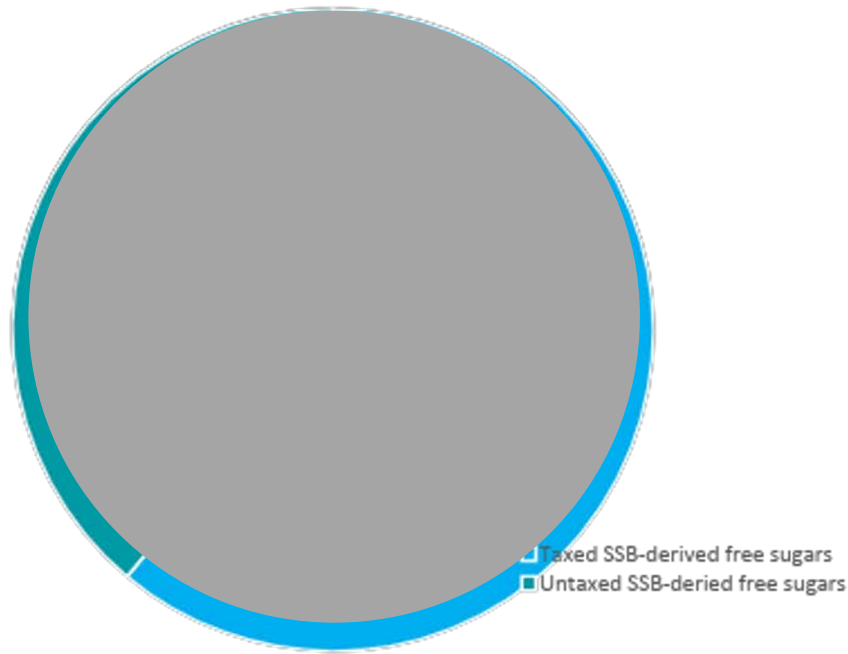
Taxed



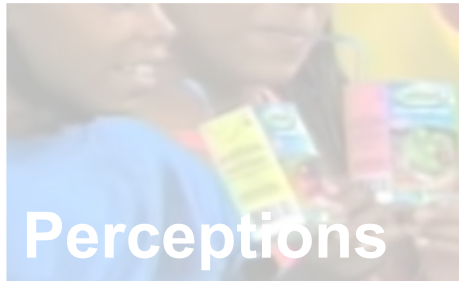
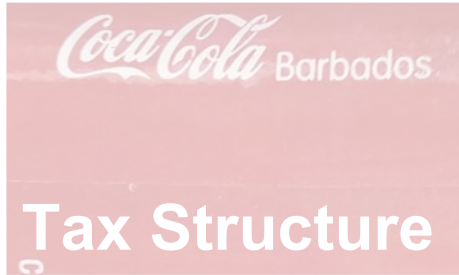
Untaxed



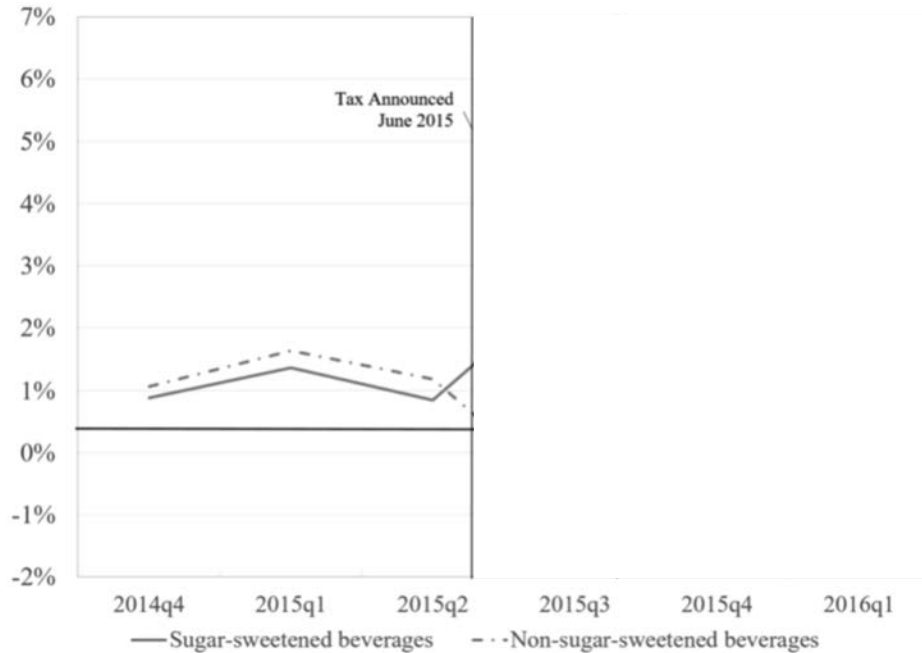
Does the tax capture all types of SSBs?



Overview



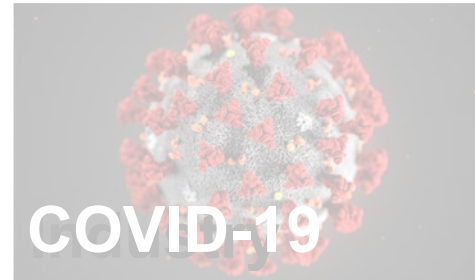
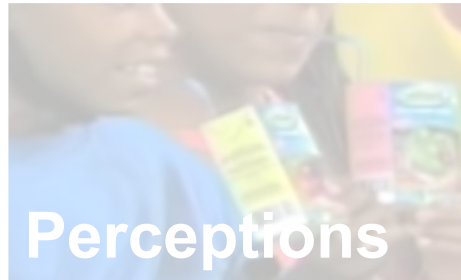
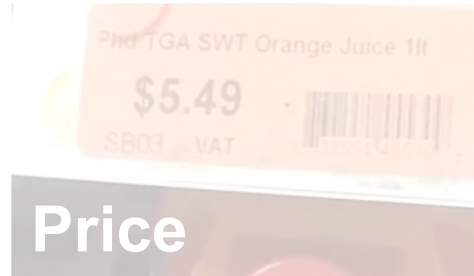
Price Change Results



SSB prices increased by average 5.9%

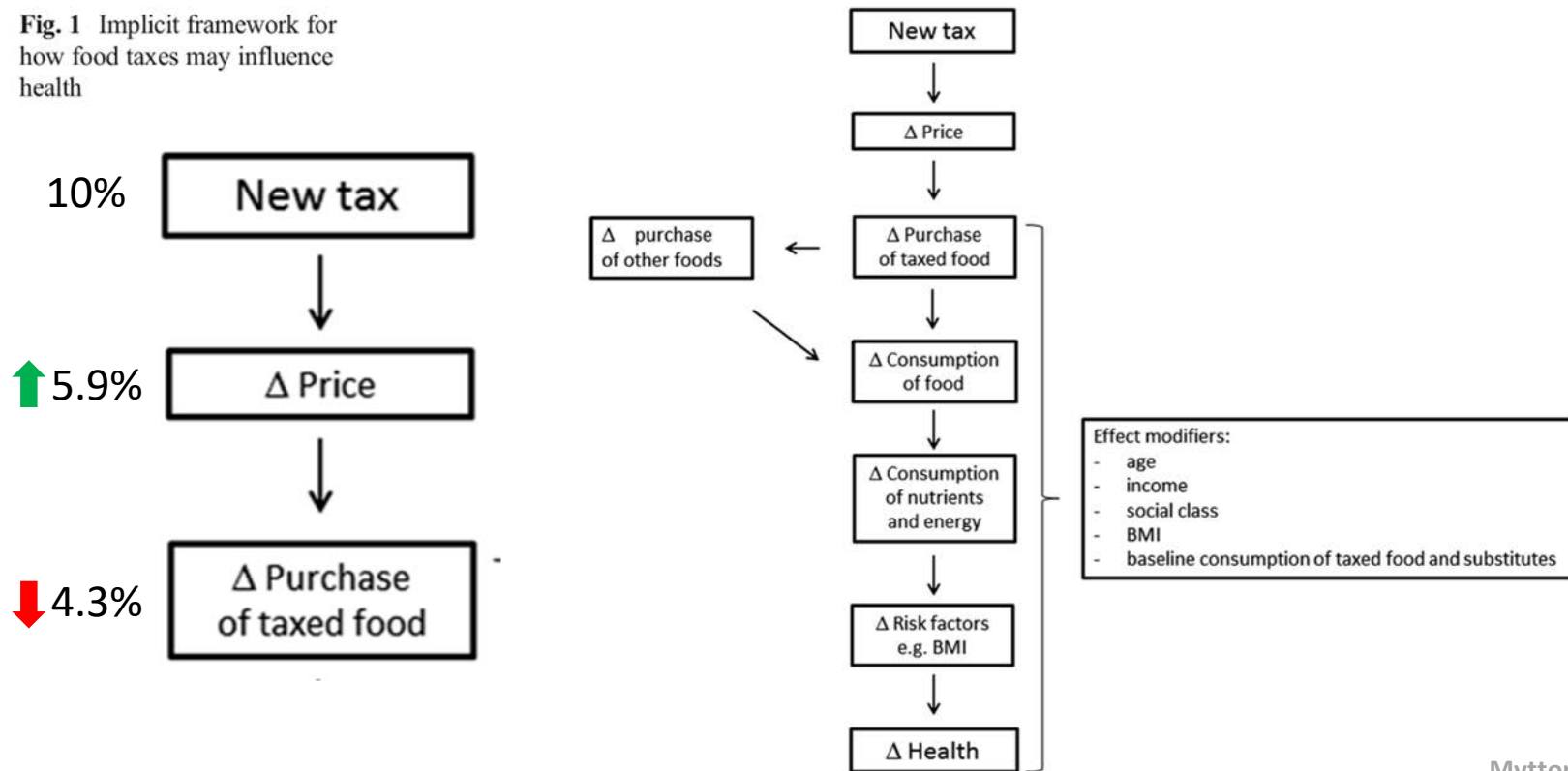


Overview



SSB Tax Theory

Fig. 1 Implicit framework for how food taxes may influence health



Evidence of brand down-switching?

(i.e. when consumers switch from a more expensive brand to a cheaper one)

1st

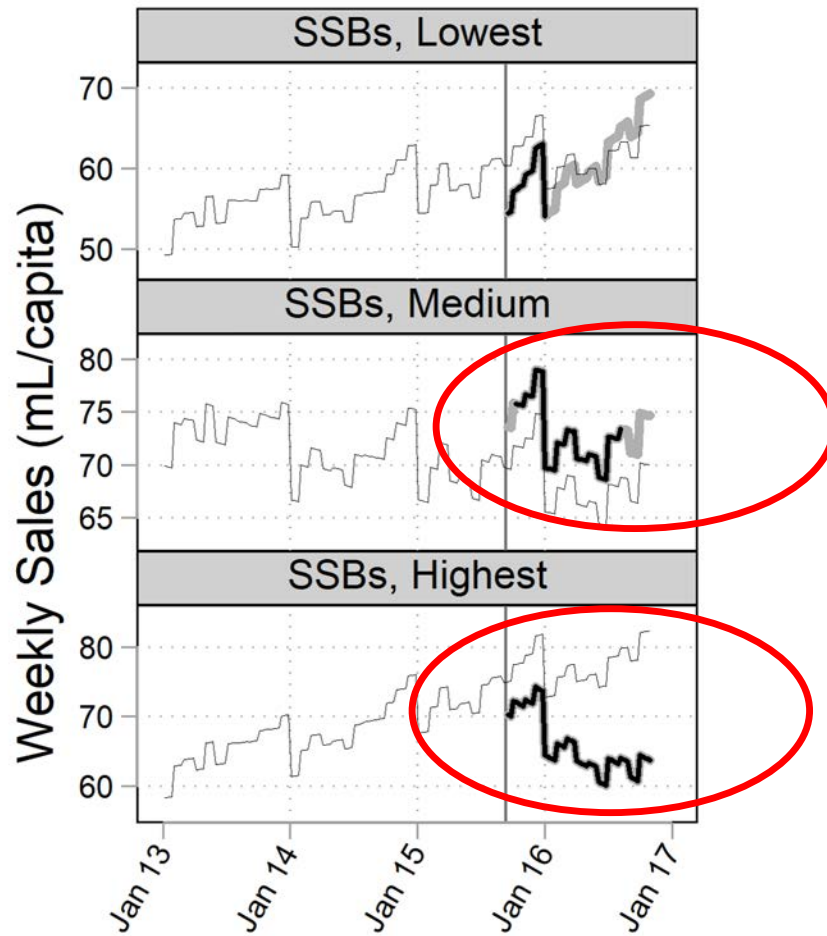


2nd

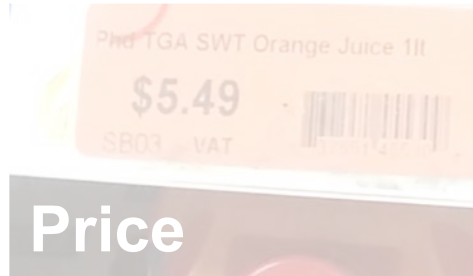


3rd

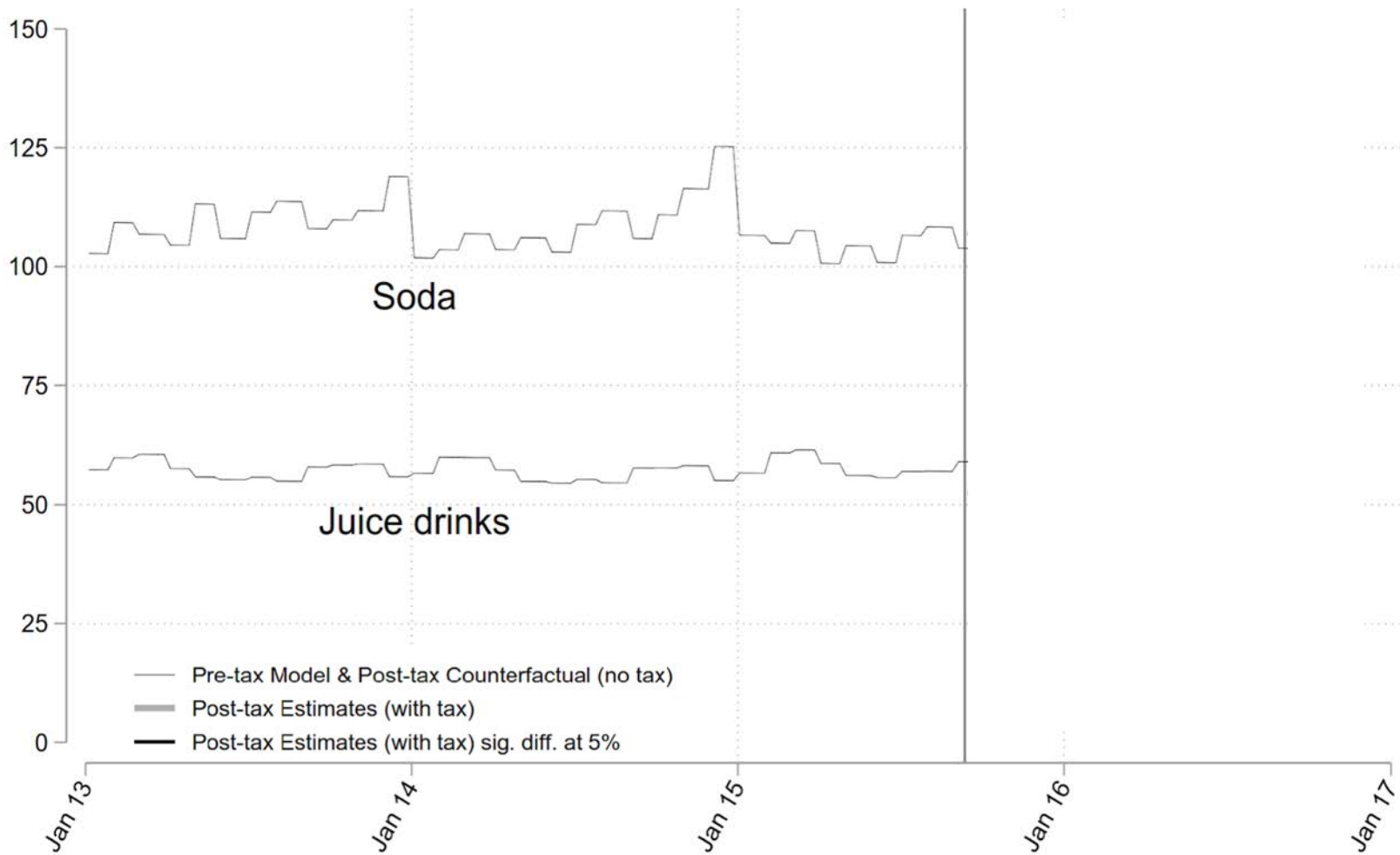




Overview



Weekly Sales (mL/capita)



Soda

Juice drinks

- Pre-tax Model & Post-tax Counterfactual (no tax)
- Post-tax Estimates (with tax)
- Post-tax Estimates (with tax) sig. diff. at 5%

The signaling effect of health taxes

**Government
officials**
introduce
an SSB tax

Almost everyone knew that the tax was applied to sodas.



Everyone knew about the health risks of sodas:

Obviously because I got diabetes I shouldn't be drinking Coke period.
(Male early

40s)



Many were unsure if
juice drinks were taxed:

I'm not sure if they went on juices as well.

(Male, late teens)

Some thought juice drinks were untaxed.



Some thought that juice drinks were healthier than sodas:

...It would be more healthier on their bodies 'cause they more would go to box juice than more than they would go to a Coke [...] It would be better.

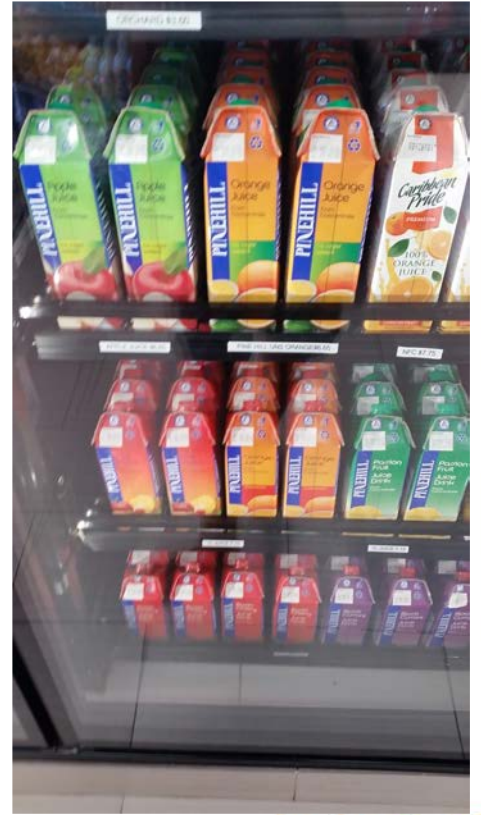
(Female early 40s)



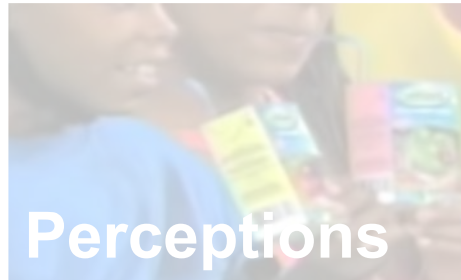
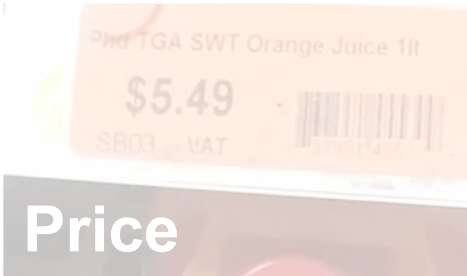


“...when you think of the tax, you’re going to think soft drink, but you’re not going to think of the Pine Hill Dairy juices that you’ve been buying your kids”

(Female, early 40s)



Overview



SSB Ads

Proportion of observed days per month

0
.1
.2
.3
.4

Jul, 14

Tax announced
Jul, 15
Tax implemented

Jul, 16

Jul, 17

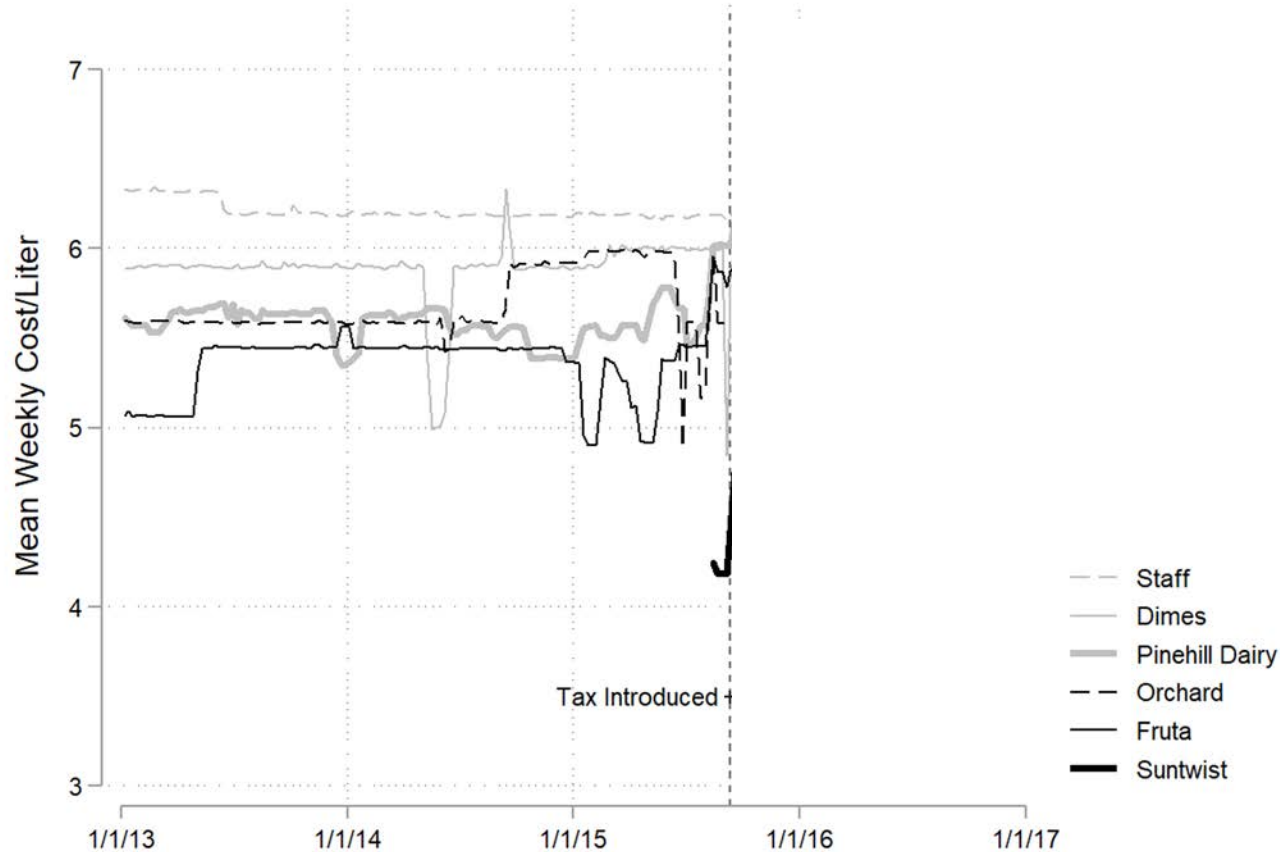
SSB TV advertisements



“Time for fun, bring out the sun, nutrition so delicious, way less sugar, way less sugar, no artificial sweeteners. Orchard your natural choice. Orchard with real juice [...] Orchard, a perfectly natural choice, Nestle good food, good life.”



Introducing new low-cost SSBs

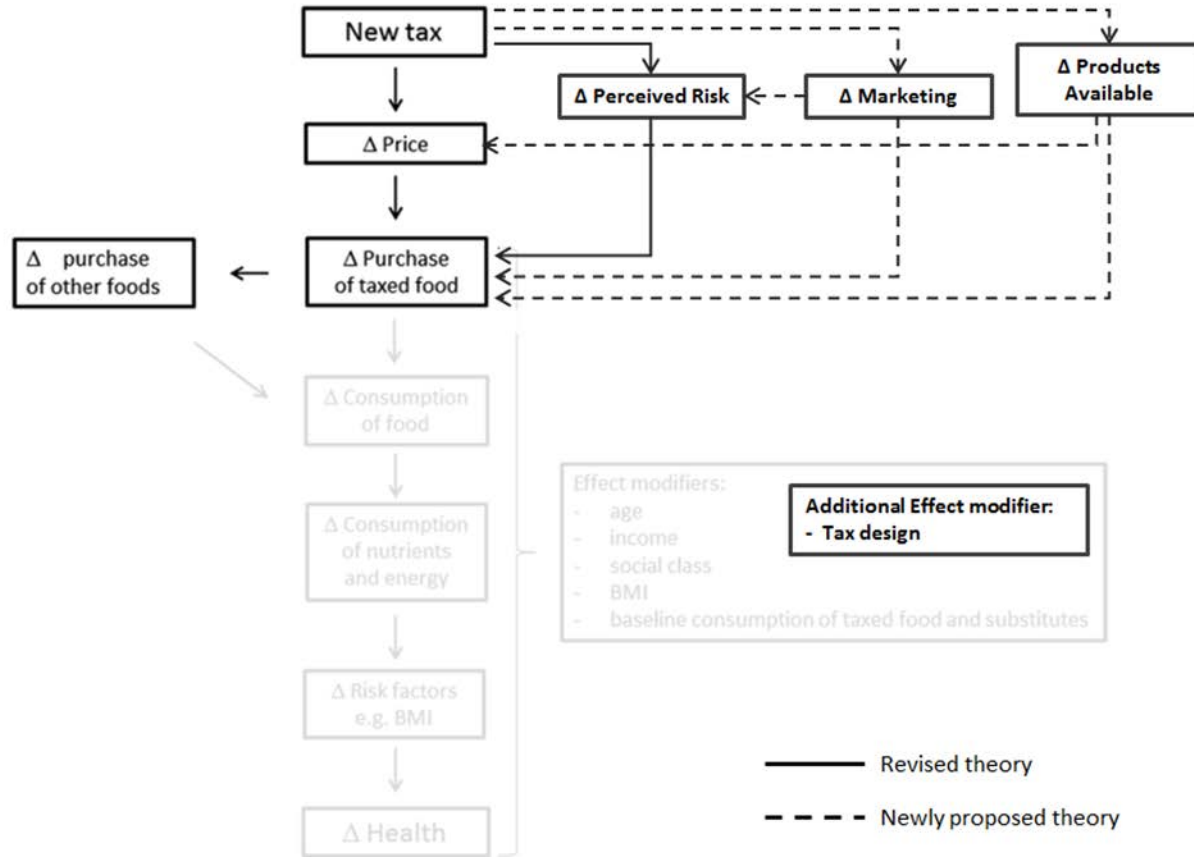


SUGARY DRINKS TAXES WORK

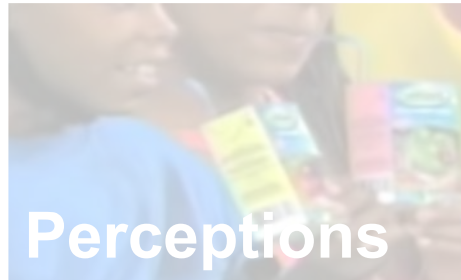
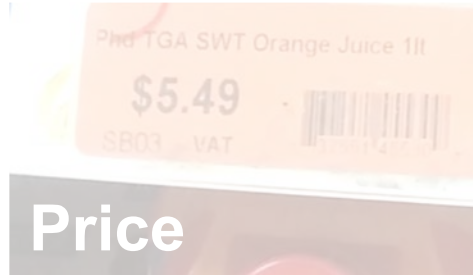


Barbados implemented a 10% SSB tax in 2015.
1 year later - 4.3% decline in sales of SSBs &
7.5% increase on sales of bottled water

...but it's more complicated than it seems!



Overview



Many, many thanks

- HSFB
- SSB Evaluation Steering Committee
- Ministry of Health and Ministry of Finance and Economic Affairs, Barbados, Barbados Statistical Service
- HCC
- Sir George Alleyne Chronic Disease Research Centre, University of the West Indies, Cavehill Campus
- Local grocery store partners
- PAHO (Rosa Sandoval and Economics of NCDs group, NMH/RF; Godfrey Xuereb, Anselm Hennis)
- Jean Adams and Nigel Unwin
- Tarra Penney
- IDRC, UWI, GACDRC, CEDAR, MRC Epi Unit, University of Cambridge, Gates Cambridge
- Photo Credits: Open access & Nation News

Email: miriamalva10@gmail.com

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Questions

Email: mra47@cam.ac.uk
Twitter: [@miriamralvarado](https://twitter.com/miriamralvarado)

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Ceren Ozer

Senior Governance Specialist
World Bank

Round Table



Frank Chaloupka

Research Professor, University of Illinois at Chicago
Director of the UIC Health Policy Center

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tobacconomics

Economic Research Informing
Tobacco Control Policy

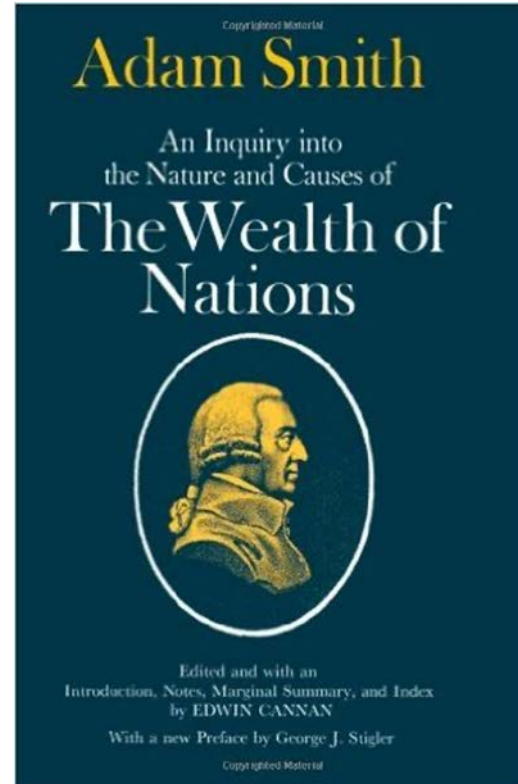
Global Overview of the Effectiveness of Health Taxes

Frank J. Chaloupka, University of Illinois at Chicago

Health Taxes During the COVID-19 Pandemic: Is Timing Everything?

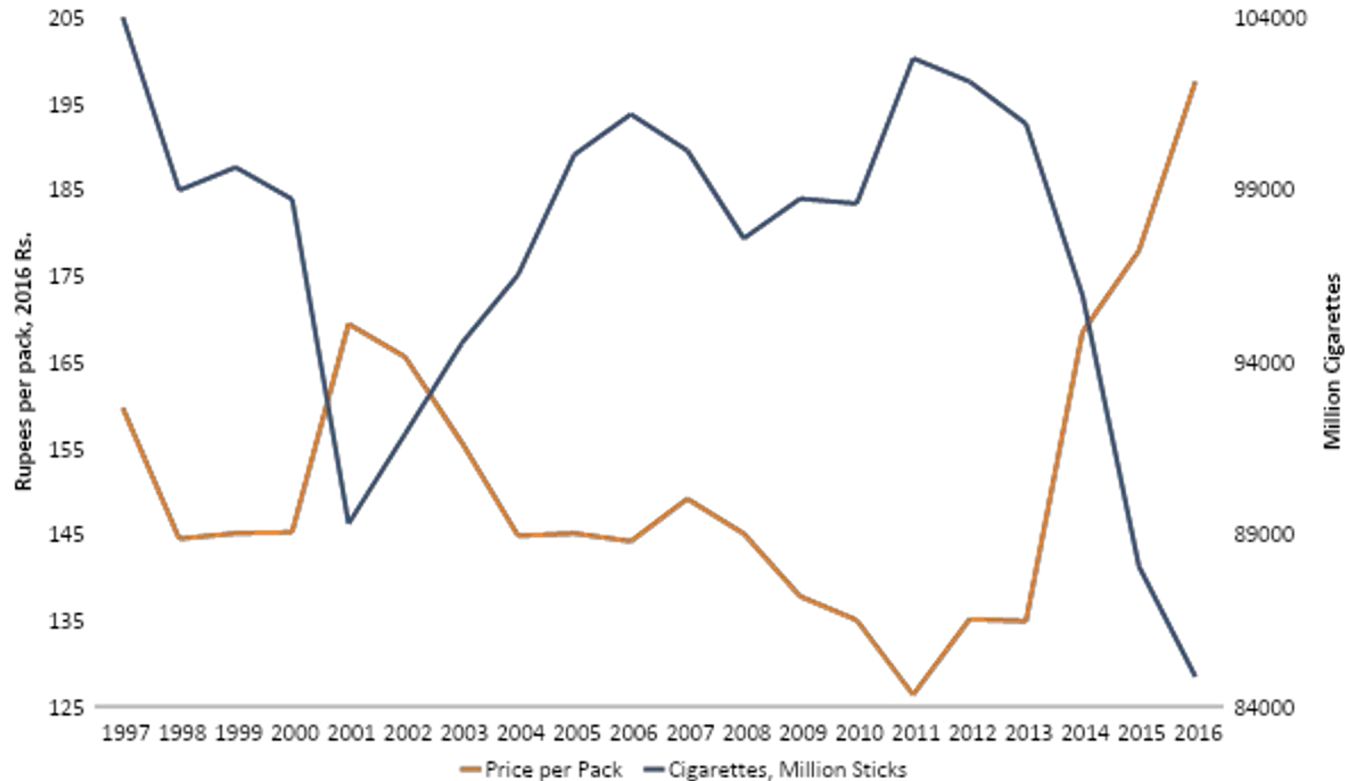
World Bank 5th Annual Health Financing Forum, December 8, 2020

“Sugar, rum, and tobacco, are commodities which are nowhere necessaries of life, which are become objects of almost universal consumption, and which are therefore extremely proper subjects of taxation.”



Cigarette Price & Sales, India

Inflation Adjusted, 1997-2016

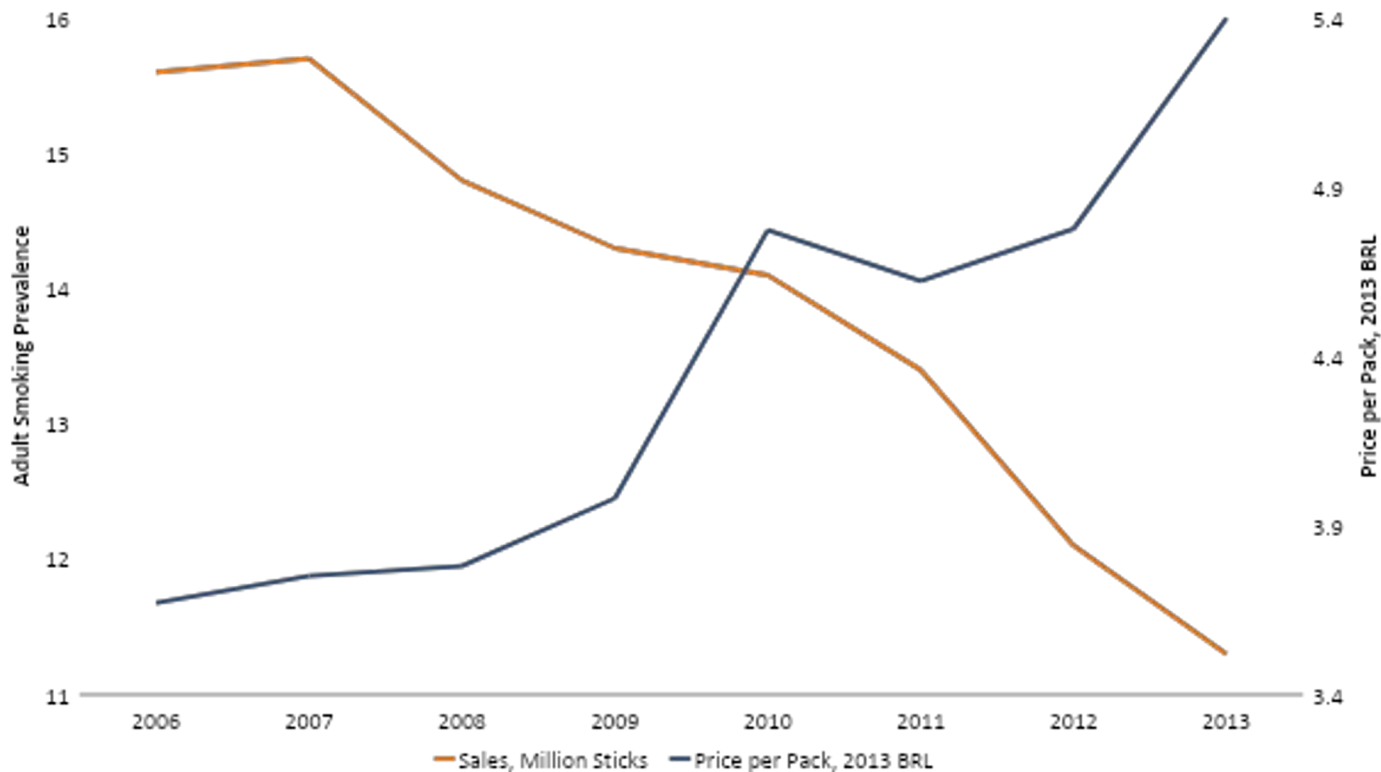


Sources: EIU, ERC, World Bank, and author's calculations



Adult Prevalence & Price, Brazil

Inflation Adjusted, 2006-2013

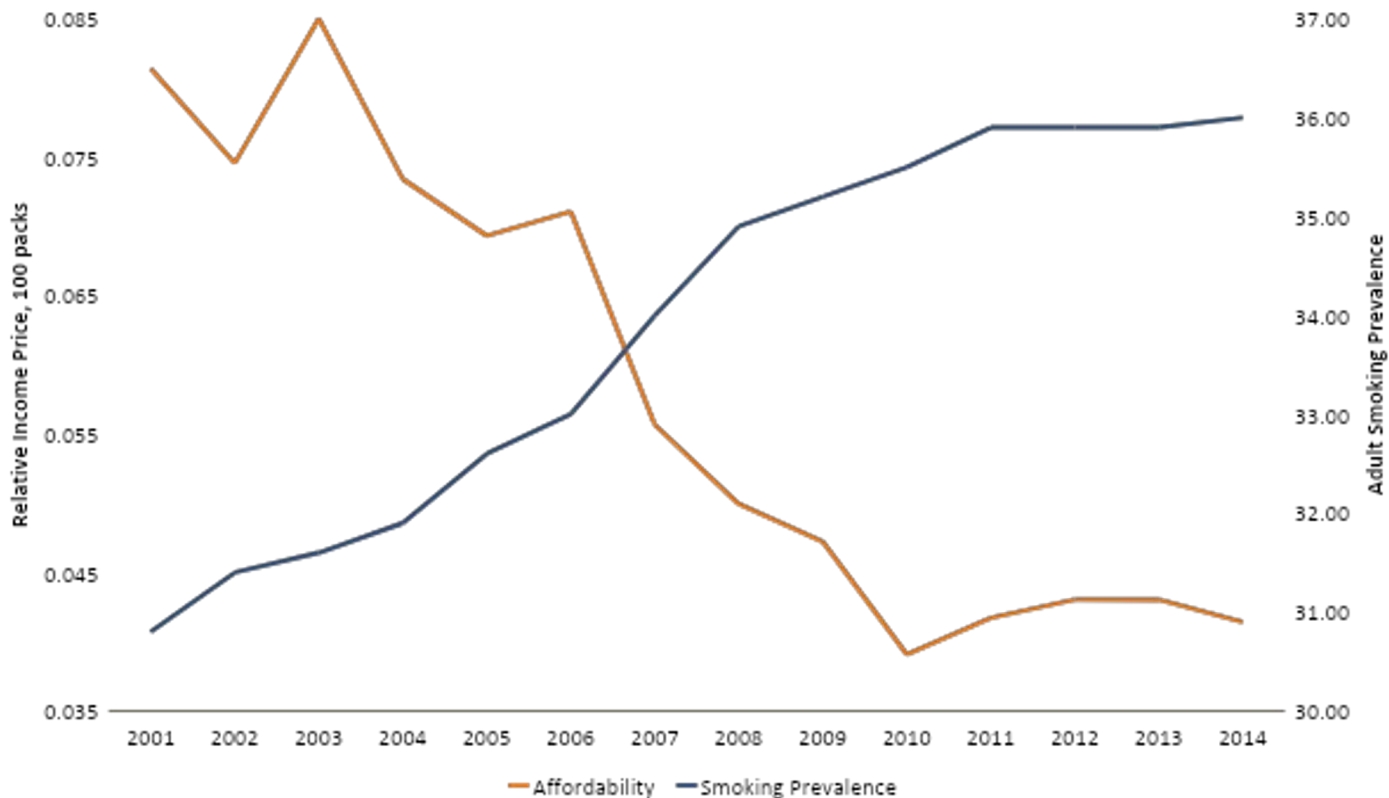


Sources: Ministry of Health, Brazil; EIU; World Bank



Affordability & Adult Prevalence, Indonesia

2001-2014



Sources: Euromonitor, EIU, World Bank



Cigarette Price & Youth Smoking Prevalence, Chile

2000-2015

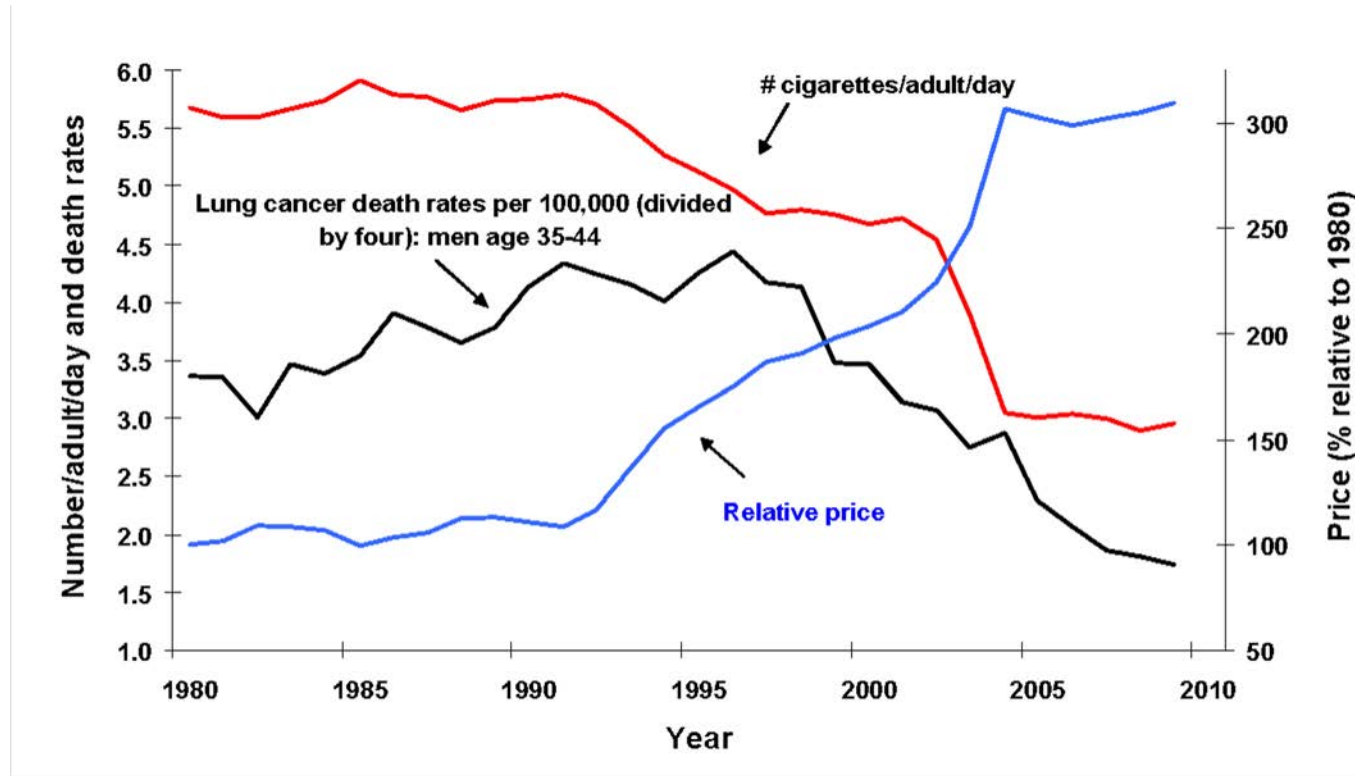


Source: Paraje, 2017



Cigarette Price, Consumption & Lung Cancer, France

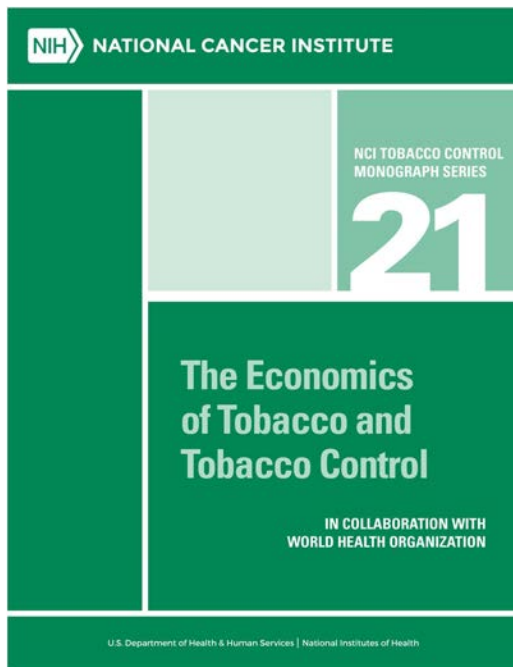
Inflation Adjusted, 1980-2010



Source: Jha & Hill, 2012



Effectiveness of Tobacco Taxes



Chapter 4, Conclusion 1:

A substantial body of research, which has accumulated over many decades and from many countries, shows that **significantly increasing the excise tax and price of tobacco products is the single most consistently effective tool for reducing tobacco use.**



Distilled Spirits Prices & Sales, Ukraine

Inflation Adjusted, 2002-2016

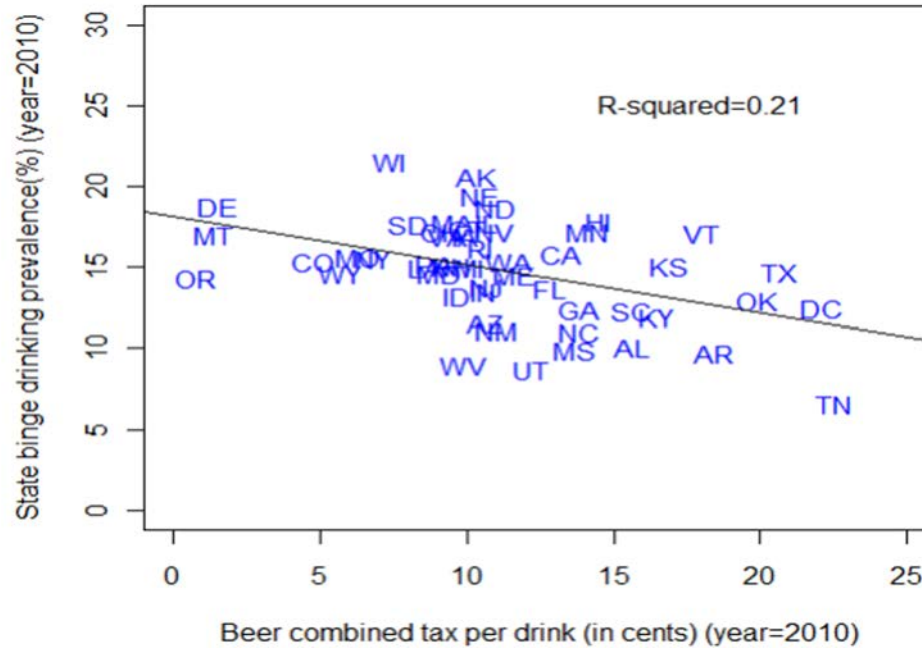


Source: Chaloupka et al., forthcoming



Beer Taxes & Binge Drinking Prevalence, USA

2010



Source: Xuan et al., 2013



Alcohol Taxes, Prices & Consequences

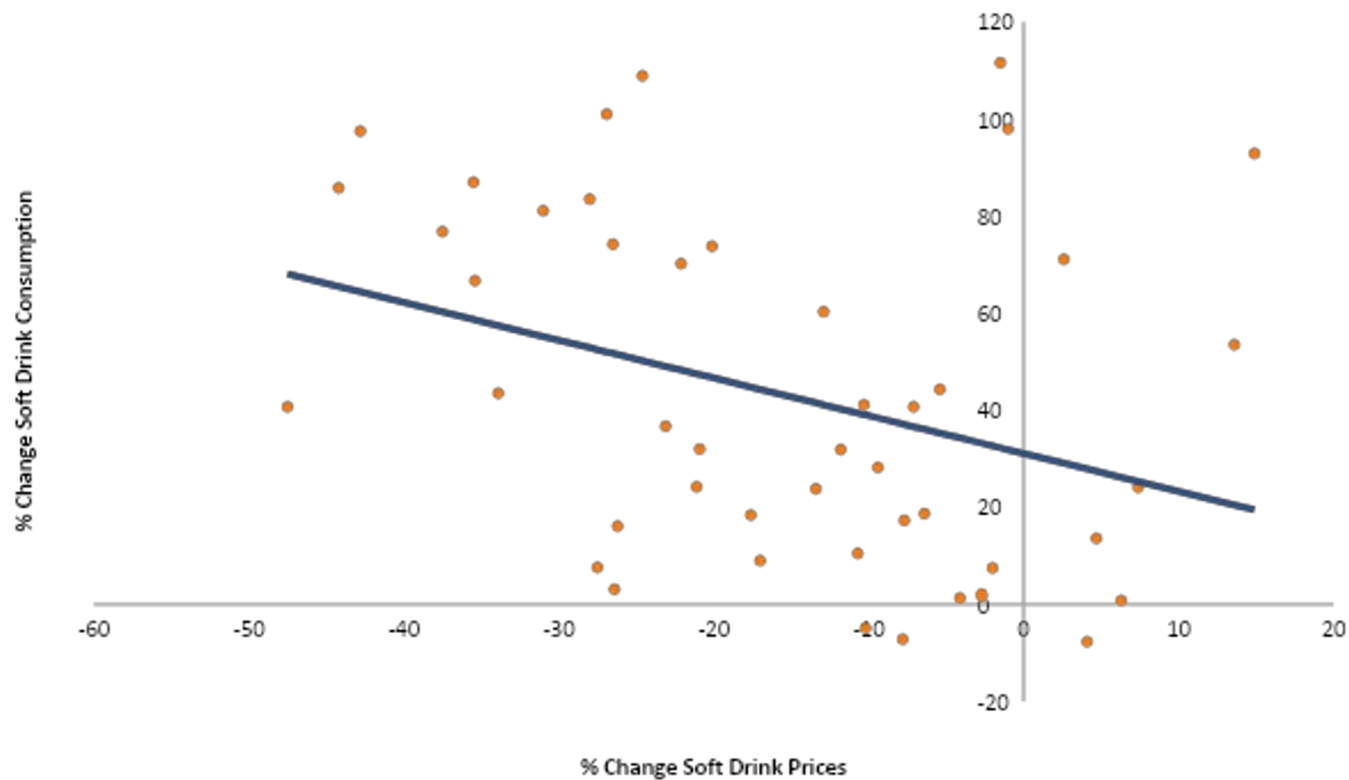
- Econometric and other research shows that higher prices for alcoholic beverages significantly reduce:
 - Drinking and driving, traffic crashes, and motor-vehicle accident fatalities
 - Deaths from liver cirrhosis, acute alcohol poisoning, alcohol-related cancers, cardiovascular diseases, and other health consequences of excessive drinking
 - Violence (including spouse abuse, child abuse, and suicide) and other crime
 - Other consequences of drinking, including work-place accidents, teenage pregnancy, and incidence of sexually transmitted diseases

Sources: Xin & Chaloupka, 2012; Wagenaar et al., 2010



Percentage Change in Soft Drink Prices & Consumption, Selected Countries

2000-2014

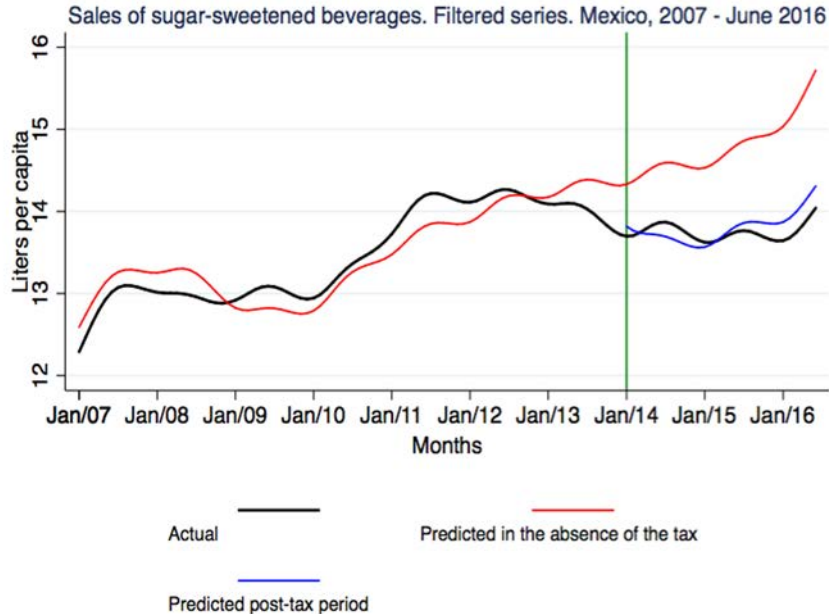


Sources: Euromonitor, 2015; author's calculations



Impact of SSB Tax on Sales, Mexico

2007-2016



OLS- Adjusted for seasonality, the global indicator of the economic activity

Sources: Colchero et al., 2016; <https://www.insp.mx/eppo/blog/4278-changes-sales-beverages.html>

Significant reductions in SSB sales:

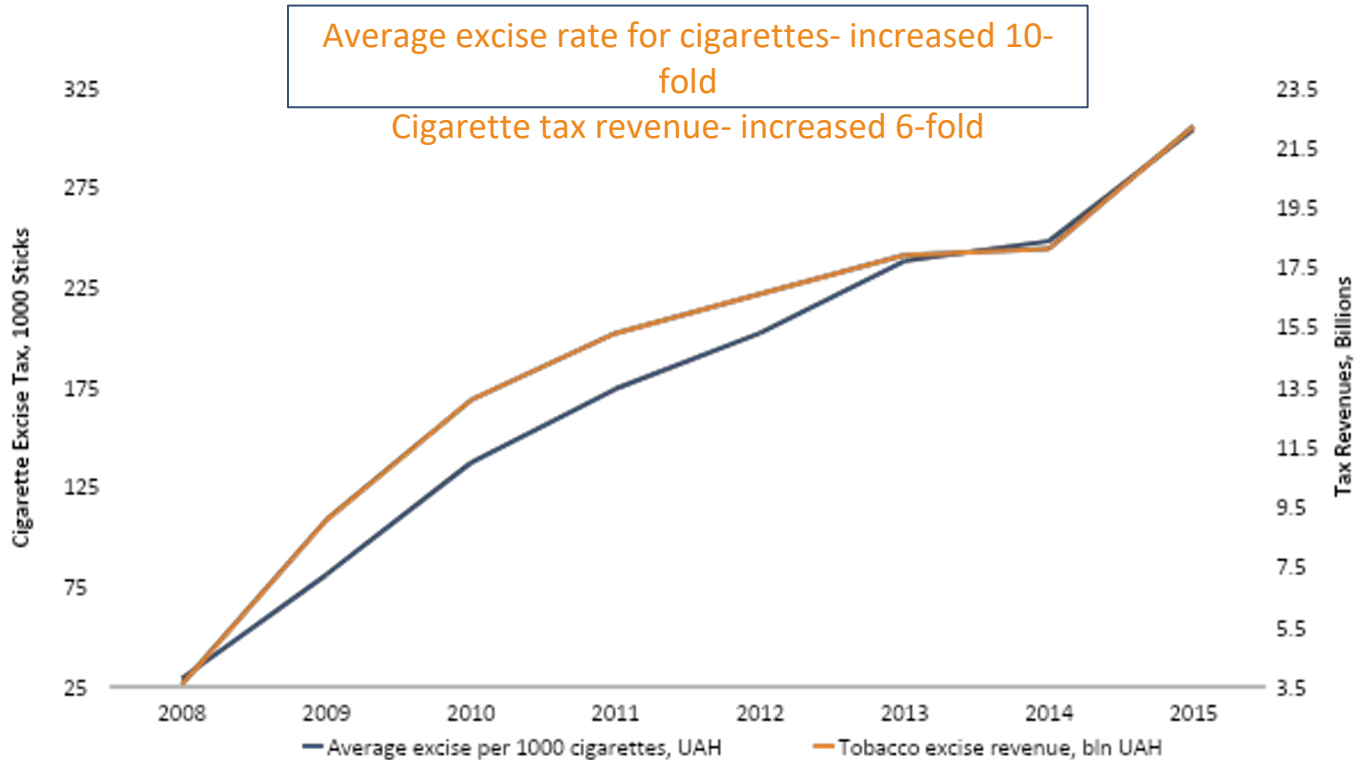
- 6% drop in 2014,
- 8% drop in 2015,
- 11% drop in first half of 2016.

5.2% increase in bottled water sales



Cigarette Tax & Revenues, Ukraine

2008-2015

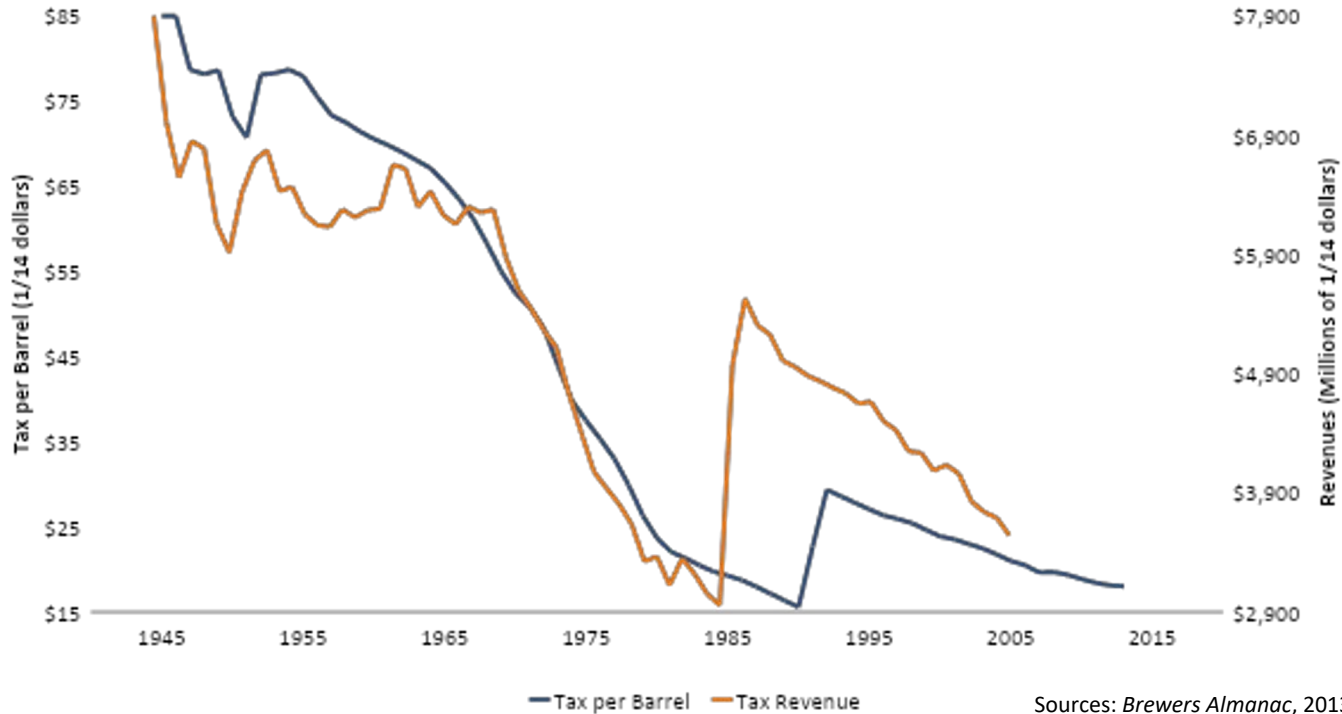


Source: Syvak & Krasovsky, 2017



Federal Beer Tax & Tax Revenues, USA

Inflation Adjusted, 1945-2013



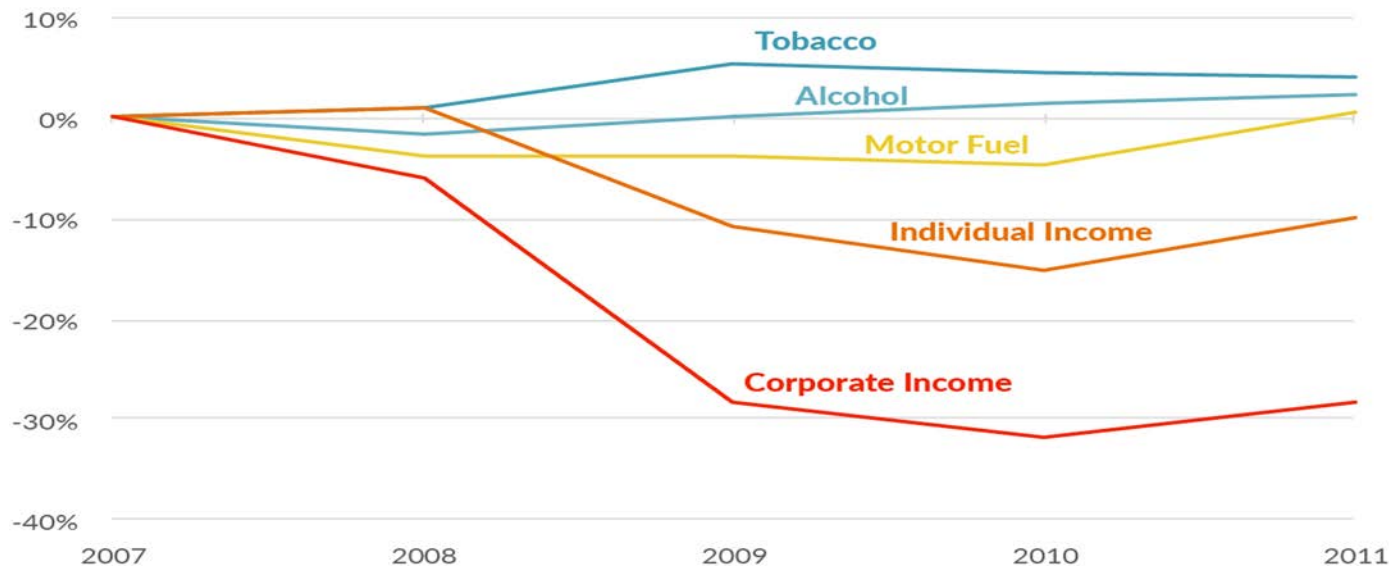
Sources: *Brewers Almanac*, 2013; ATTTB, 2014; and author's calculations



Stability of Health Tax Revenues

Volatility of State Tax Collections During the Great Recession

Total revenue changes relative to 2007, 2007-2011



Source: U.S. Census Bureau, "Annual Survey of State Government Finances," and Tax Foundation calculations.



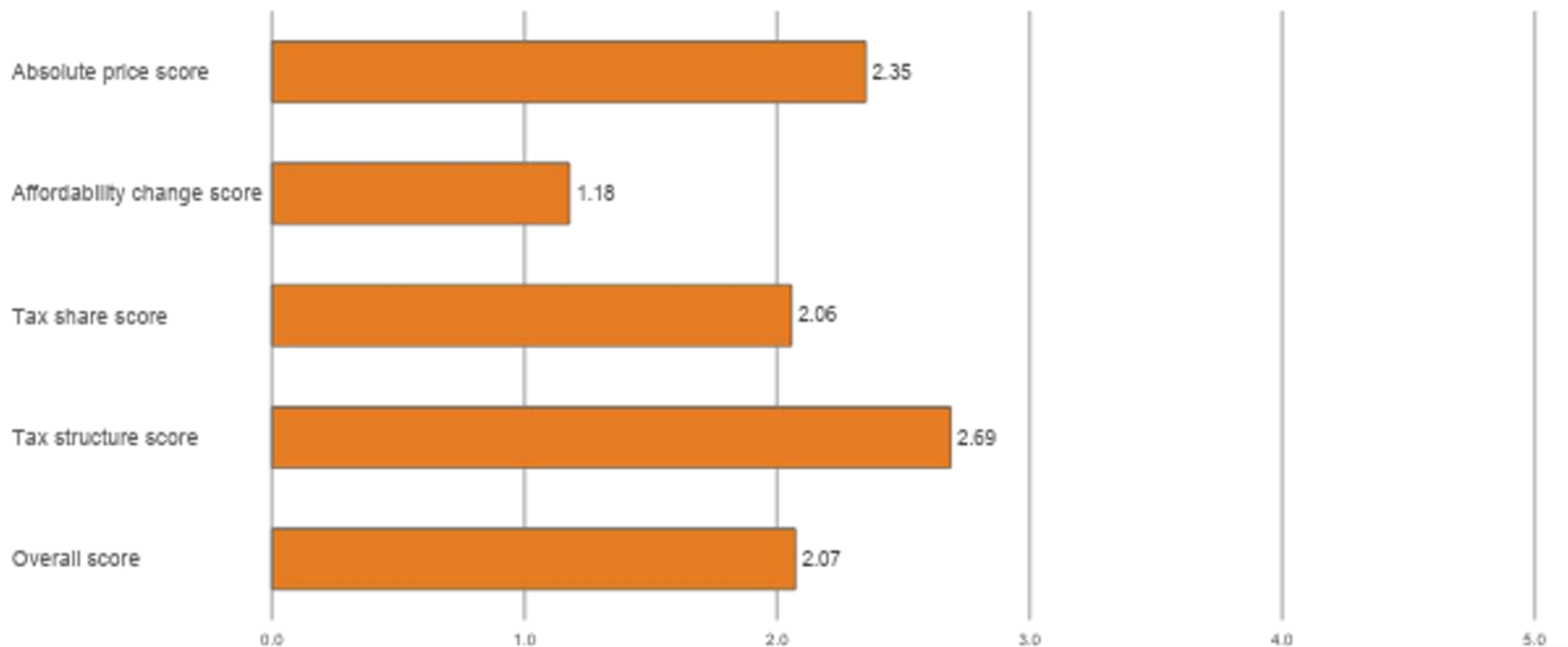
Cigarette Tax Scorecard

- New effort by Tobacconomics team to assess the strength of cigarette tax systems globally
- Focus on four key dimensions of cigarette tax systems
 - Tax structure
 - Tax shares
 - Absolute price
 - Changes in affordability over time

Source: Tobacconomics, forthcoming



Cigarette Tax Scorecard, 2018 Global Scores



Source: Tobacconomics, forthcoming





Oppositional Arguments

-

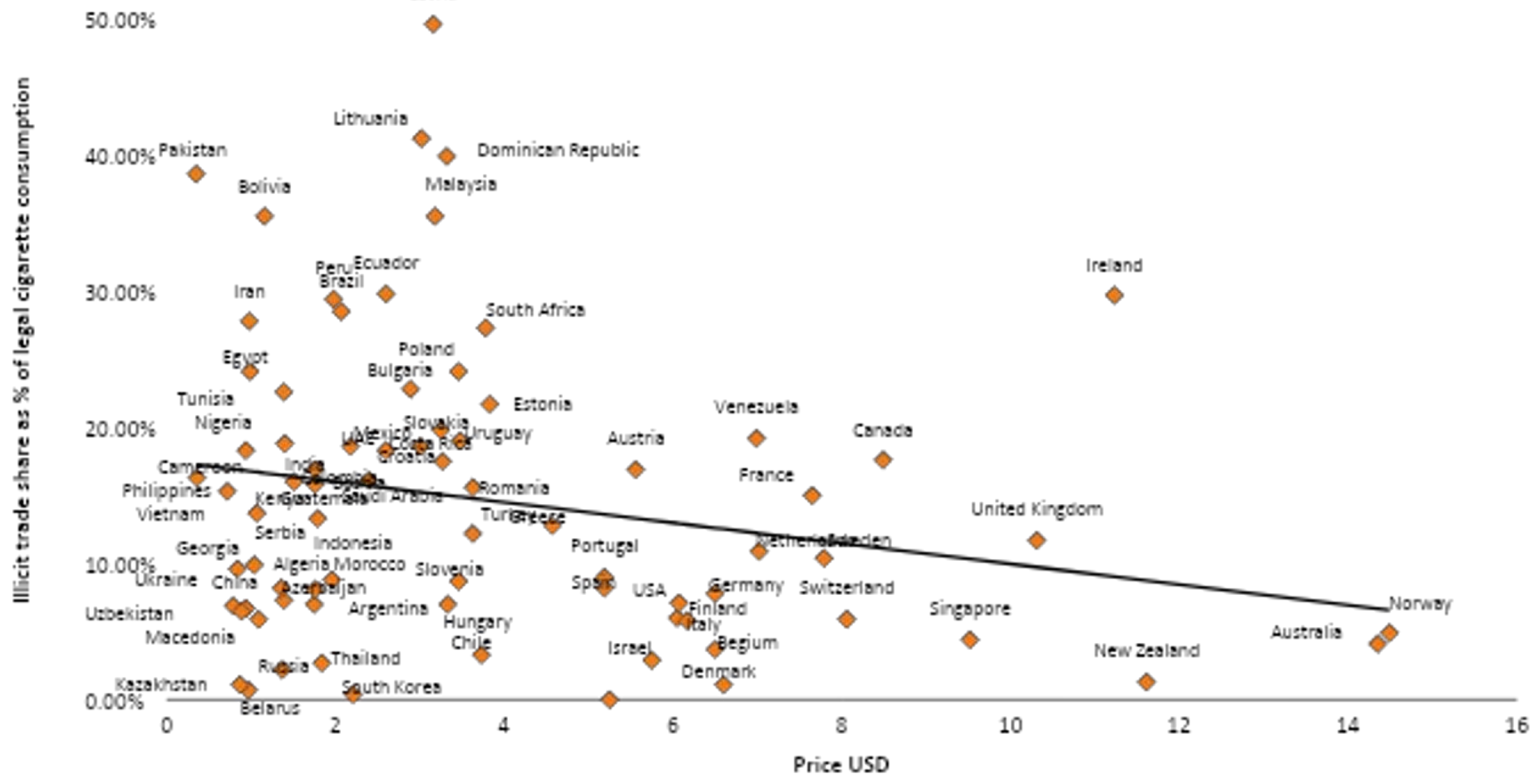
Myths & Facts

Excise Taxes and Jobs

- Industries argue tax increases/new taxes will result in massive job losses, economic harm
- Industries tell only part of story:
 - Focus on the gross impact:
 - New tax or tax increase will lead to decreased consumption of taxed product
 - Results in loss of some jobs dependent on production of taxed product
 - Ignore the net impact:
 - Money not spent on taxed product will be spent on other goods and services
 - New/increased tax revenues spent by government
 - *Offsetting job gains in other sectors*



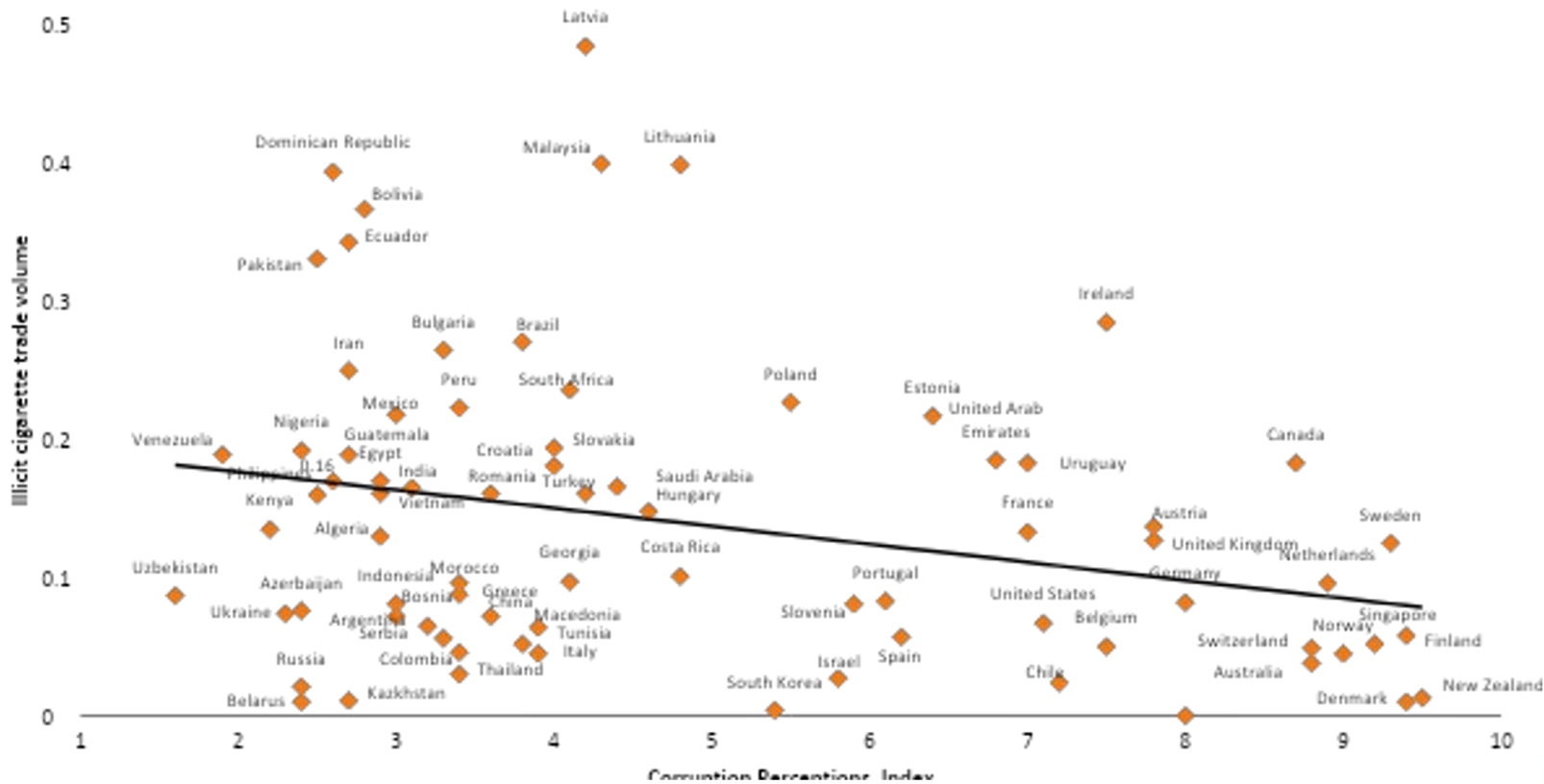
Illicit Cigarette Market Share & Cigarette Prices, 2012



Source: NCI & WHO, 2016



Illicit Cigarette Market Share & Corruption, 2011

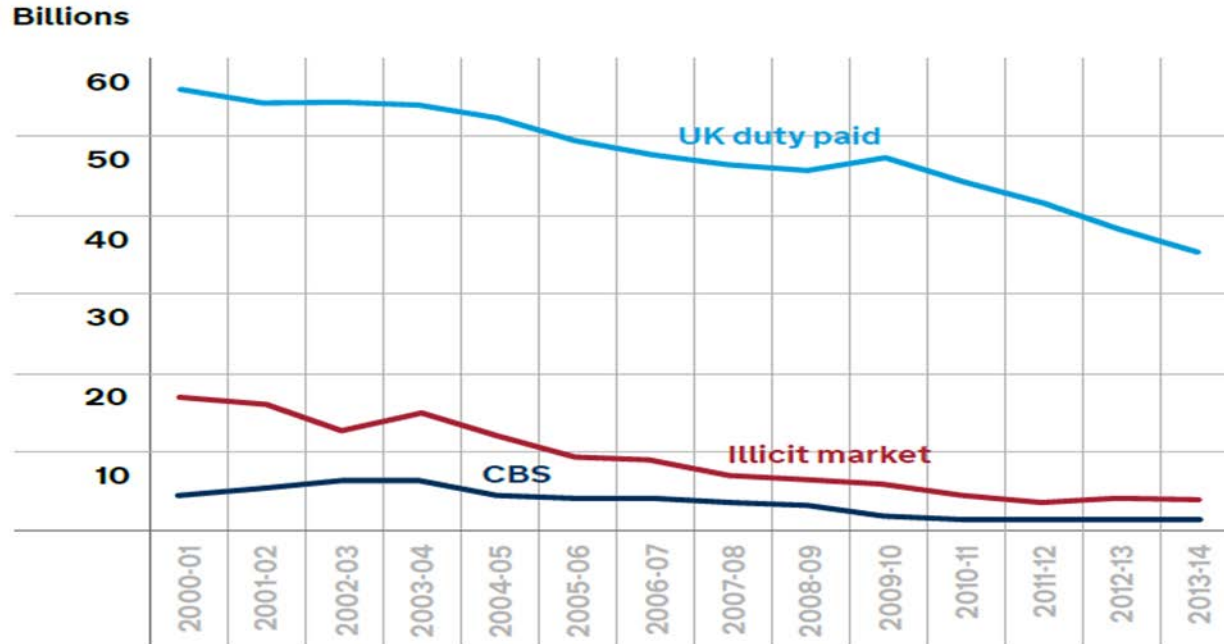


Source: NCI & WHO, 2016



Cigarette Consumption: Duty Paid, Illicit, and Cross-Border Shopping, United Kingdom

2000-01--2013-14



Source: HM Revenue & Customs, 2014





Conclusions

Conclusions

- Higher tobacco and alcohol taxes, and new sugary beverage taxes will significantly reduce consumption and raise revenues
- Reduced consumption will lead to fewer cases of cancer, cardiovascular disease, diabetes, and other non-communicable diseases
- Counterarguments about negative economic impact false or greatly overstated
- Health taxes particularly important during ongoing pandemic



THANK YOU!

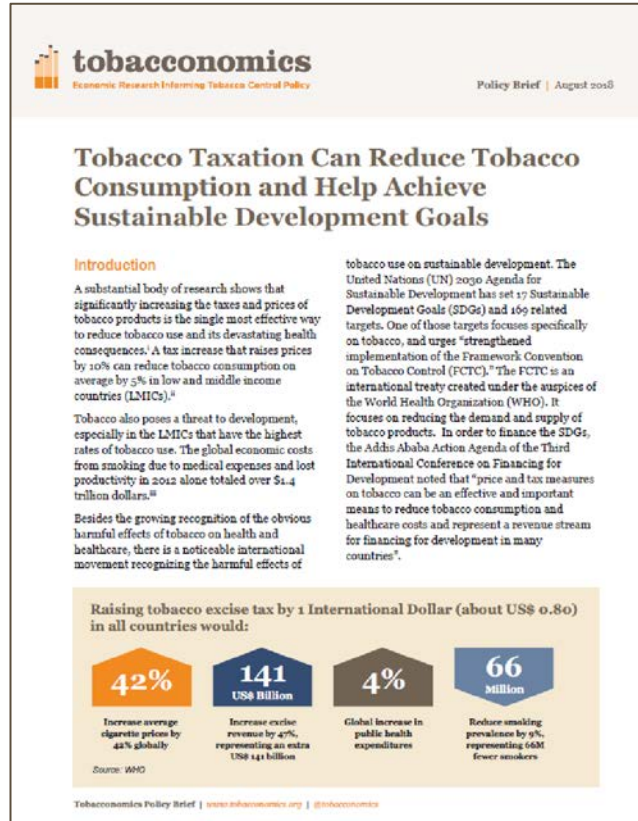
For more information:

Tobacconomics

<http://www.tobacconomics.org>

@Tobacconomics

fjc@uic.edu



tobacconomics
Economic Research Informing Tobacco Control Policy

Policy Brief | August 2018

Tobacco Taxation Can Reduce Tobacco Consumption and Help Achieve Sustainable Development Goals

Introduction

A substantial body of research shows that significantly increasing the taxes and prices of tobacco products is the single most effective way to reduce tobacco use and its devastating health consequences.¹ A tax increase that raises prices by 10% can reduce tobacco consumption on average by 5% in low and middle income countries (LMICs).²

Tobacco also poses a threat to development, especially in the LMICs that have the highest rates of tobacco use. The global economic costs from smoking due to medical expenses and lost productivity in 2012 alone totaled over \$1.4 trillion dollars.³

Besides the growing recognition of the obvious harmful effects of tobacco on health and healthcare, there is a noticeable international movement recognizing the harmful effects of tobacco use on sustainable development. The United Nations (UN) 2030 Agenda for Sustainable Development has set 17 Sustainable Development Goals (SDGs) and 169 related targets. One of those targets focuses specifically on tobacco, and urges "strengthened implementation of the Framework Convention on Tobacco Control (FCTC)."⁴ The FCTC is an international treaty created under the auspices of the World Health Organization (WHO). It focuses on reducing the demand and supply of tobacco products. In order to finance the SDGs, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development noted that "price and tax measures on tobacco can be an effective and important means to reduce tobacco consumption and healthcare costs and represent a revenue stream for financing for development in many countries".

Raising tobacco excise tax by 1 International Dollar (about US\$ 0.80) in all countries would:

42% Increase average cigarette prices by 42% globally	141 US\$ Billion Increase excise revenue by 47%, representing an extra US\$ 141 billion	4% Global increase in public health expenditures	66 Million Reduce smoking prevalence by 9%, representing 66M fewer smokers
---	--	--	---

Source: WHO

Tobacconomics Policy Brief | www.tobacconomics.org | @tobacconomics



HOW DO HEALTH TAXES IMPACT THE POOR?

Health taxes significantly impact the poor in a **negative** way

Health taxes significantly impact the poor in a **positive** way



- Click down arrow next to “view options” at the top of your screen
- Select “Annotate”
- Select ‘Stamp’ and then click on the ‘x’
- Place your x along the line to indicate your position



Alan Fuchs Tarlovsky

Senior Economist, Poverty and Equity Global
Practice, World Bank



Are Tobacco and SSB Taxes Really Regressive?

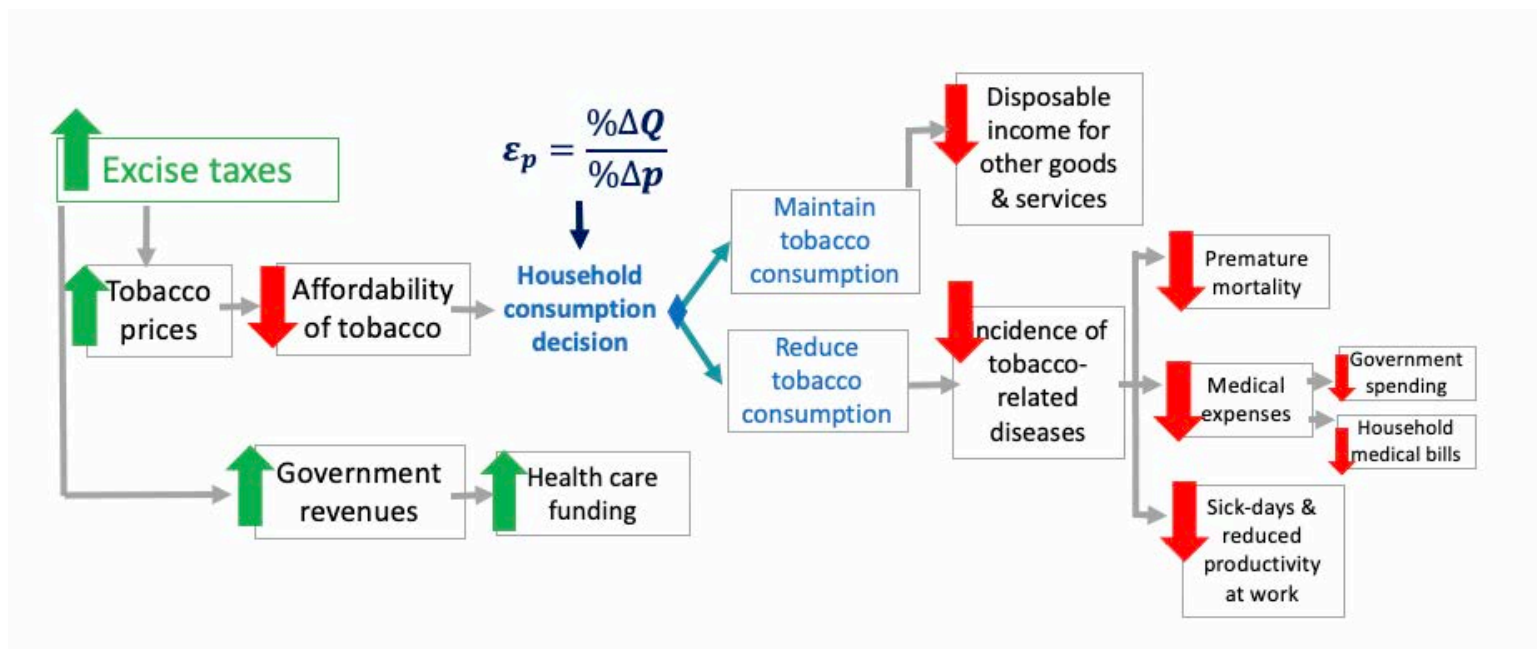
Alan Fuchs

Poverty and Equity GP, World Bank

Overview

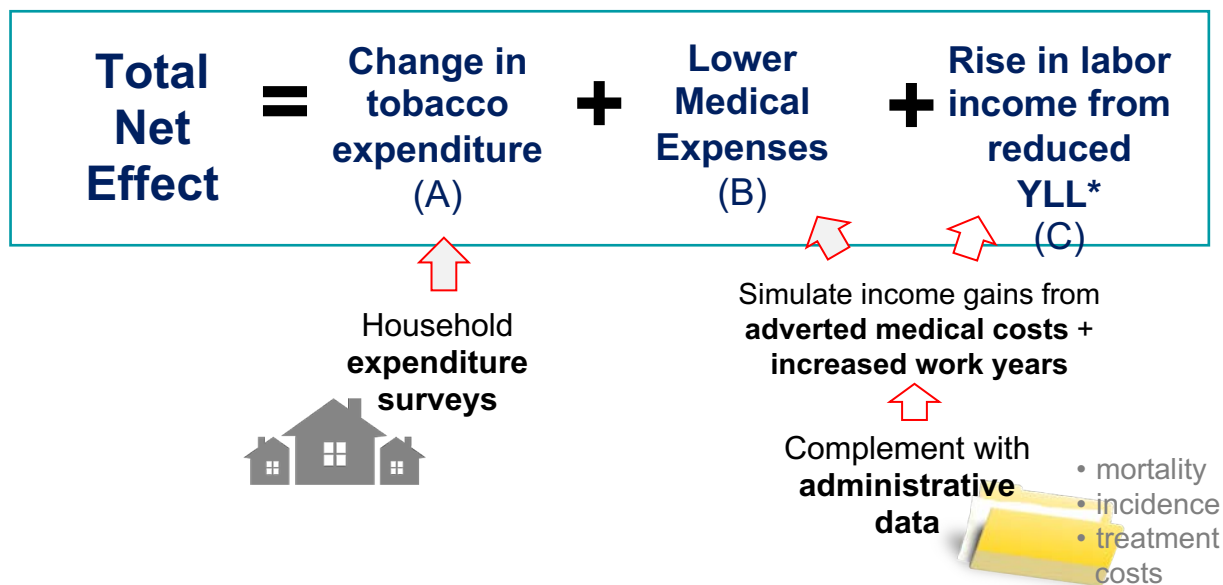
- **What are the distributional effects of taxes on tobacco and SSBs?**
- Are they **regressive? progressive?**
 - Poor households allocate larger budget shares to purchase tobacco and SSBs
 - Taxation may seem **regressive** in the short-run
 - However, taxes and high prices **discourage tobacco and SSBs use** (price elasticity), offsetting adverse effects that burden households
- Contribution of the Extended Cost Benefit Analysis (ECBA):
 - Incorporate price-responses to evaluate distributional impact
 - Incorporate effects of reducing tobacco-related:
 - (a) Medical expenses + (b) Years of working life lost
- Empirical findings suggest potential for **progressive and welfare-improving** effects of increasing taxes on tobacco (ten countries) and SSBs (1 country case)

Economic Channels of Taxing Tobacco

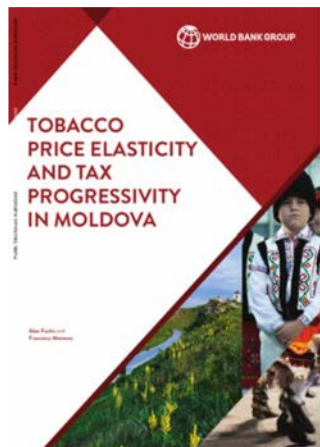
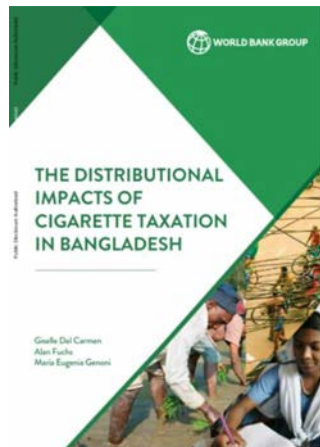


Extended Cost-Benefit Analysis (ECBA)

- Model and empirical strategy:

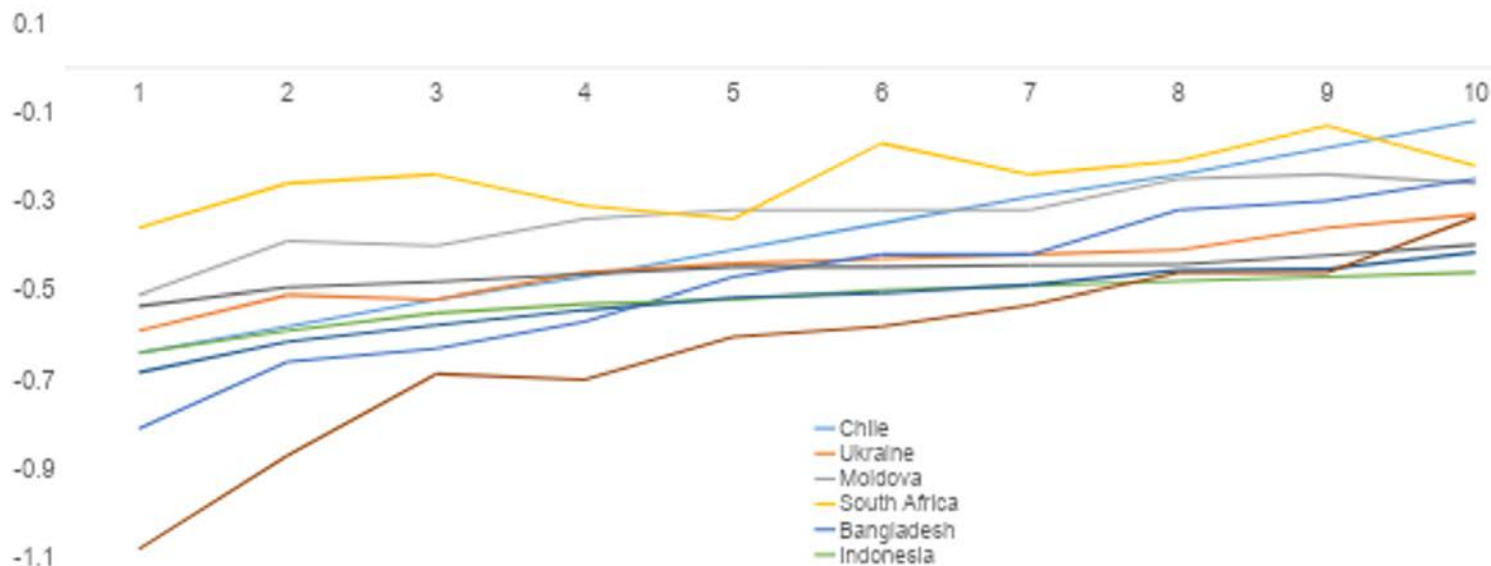


- Ultimately, net effects depend on **behavioral responses** □ **Price elasticities**
 - Lower-income groups have higher elasticities.
 - Younger groups are more sensitive to price increases.



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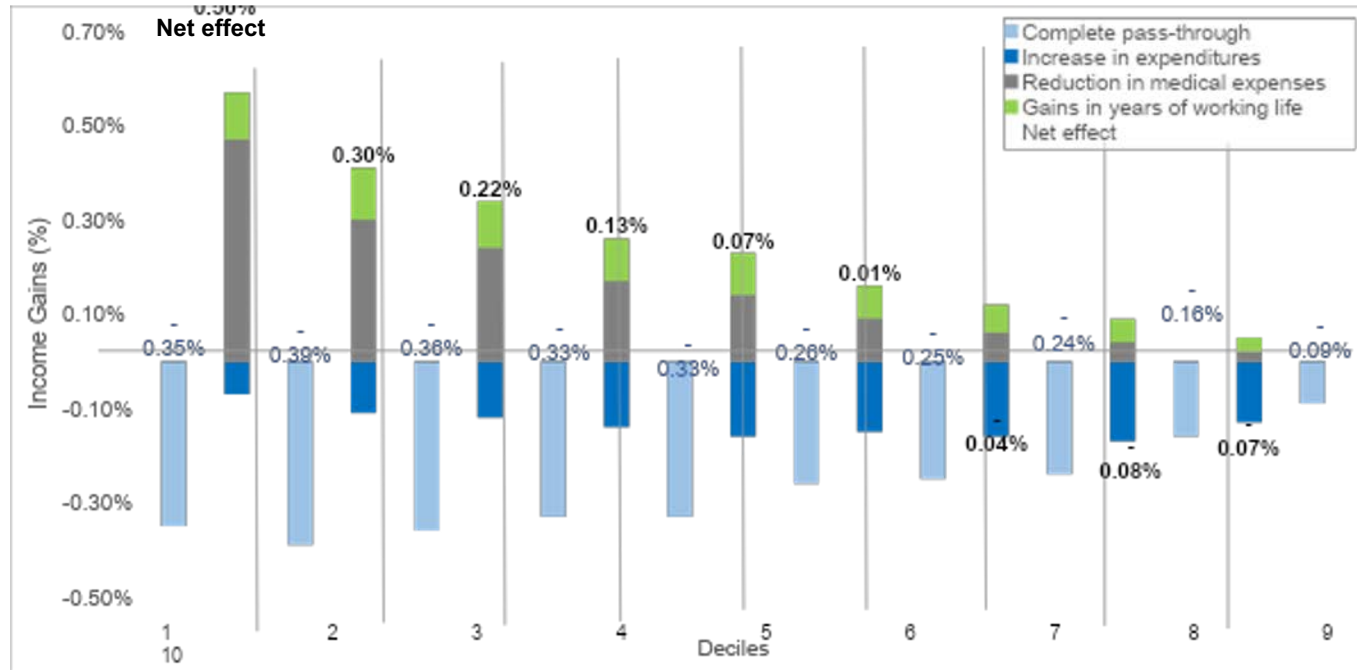
Price Elasticities



Source: Estimates based on countries' national socio-economic surveys, in most cases using a multiple time cross-section model with time fixed effects. Note: Deciles were created using per capita household expenditure.

Results: Chile

$$\text{Total Net effect} = \text{Increase in Tobacco Expenditure (A)} + \text{Lower Medical Expenses (B)} + \text{Rise in Labor Income (C)}$$





Tobacco Taxation in Uzbekistan

Problem

Tobacco use poses an unparalleled health and economic burden across countries, hindering development gains worldwide.

Approach

Apply long-run incidence analysis to assess the distributional impacts of tobacco taxes.

Impact

Analysis resulted in tobacco taxation trigger for World Bank Development Policy Operation. The specific excise tax on cigarettes increased by 40% in March 2019 and increased again by 20% in July 2019. A 4% ad-valorem tax on the retail price of cigarettes was also introduced.

Sugar Taxation in Kazakhstan

Problem

Significant source of added sugars and empty calories in current diets; its consumption has grown across the world and strong evidence between consumption and health outcomes.

Approach

Apply long-run incidence analysis to assess the distributional impacts of sugar taxes. Found to decrease SSBs affordability and discourage consumers. Long-term benefits offset short-term impact of high prices: reduced medical expenses, averted premature deaths, higher productivity.

Impact

Roundtable of government agencies, CSOs and industry to agree upon a proposal for Parliament.



The image shows a Facebook post from the official page of World Bank Kazakhstan. The post is in Russian and discusses the taxation of sugary drinks. It includes a photograph of various glass bottles of sugary beverages on a tray with ice. The post has 336 likes, 19 interactions, and 10 shares. At the bottom of the post, there are icons for 'Like', 'Comment', and 'Share', along with the text 'HEALTH FINANCING FORUM'.

World Bank Kazakhstan
Опубликовано Shynar Jetpissova [?] · 13 ч. · 🌐

Налогообложение сахаросодержащих напитков в Казахстане.

Потребление сахаросодержащих напитков (ССН) связано с рядом неинфекционных заболеваний, включая диабет, ожирение, сердечно-сосудистые заболевания и более 12 типов рака. Все чаще правительства во всем мире вводят налоги на ССН, чтобы повлиять на сокращение потребления сахара населением. Однако, особенно в странах с низким и средним уровнем дохода, растет беспокойство по поводу очевидного регрессивного характера потребите... Ещё



336 Охват (люди) 19 Взаимодействия [Продвигать публикацию](#)

👍 10 Поделились: 1

👍 Нравится 💬 Комментировать ➦ Поделиться 🌐 ▼

HEALTH FINANCING FORUM



Rosa Sandoval

Regional Advisor, Tobacco Control
PAHO/WHO

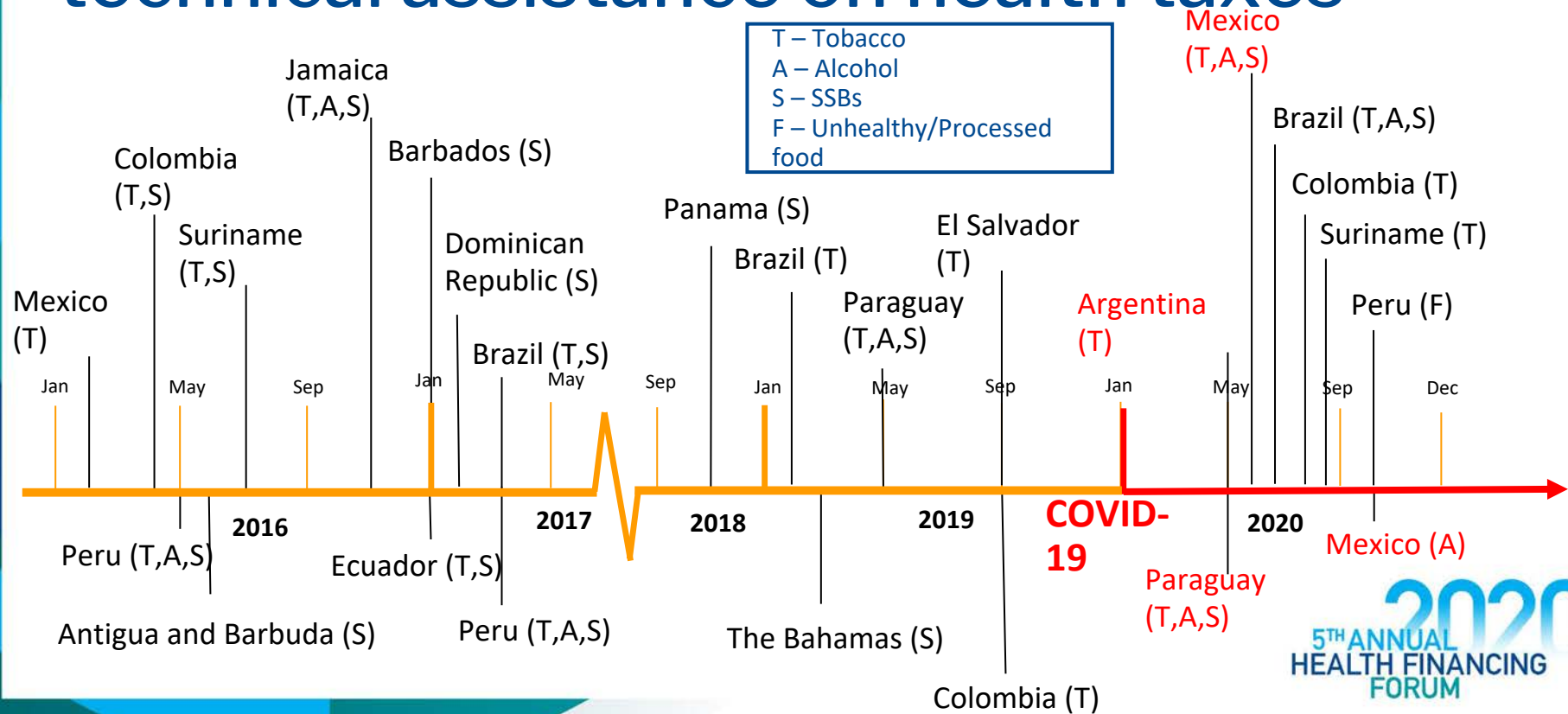
“We have never seen such a deadly relationship between an infectious disease and NCDs. Some of the data are truly alarming. Especially for our region, where NCDs are pervasive”

26 May 2020

Dr. Carissa Etienne, Director, PAHO

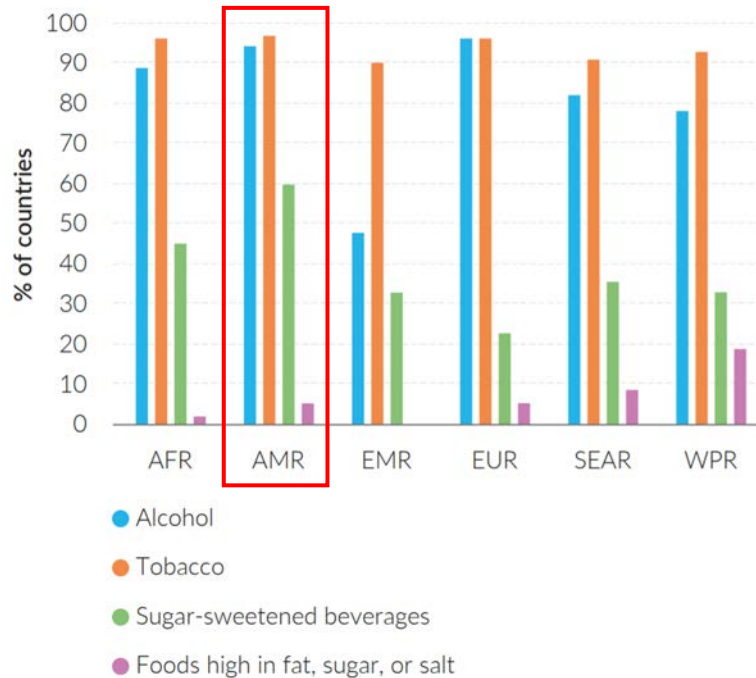
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Increase in requests for PAHO's technical assistance on health taxes



Policy environment - Americas

Easier to amend existing taxes than to introduce new ones!



- 33/35 Member States for Alcohol (all except ATG and CUB)
- 34/35 for Tobacco (all except ATG)
- 21/35 for SSBs (15/19 in Latin America, 6/14 in Caribbean, USA 7 subnational levels, CAN none)
- 3/35 for foods high in fat, sugar, salt or calories (MEX, DMA, VCT, and some USA subnational levels)



Marcello Estevão

Global Director of the Macroeconomics,
Trade and Investment Global Practice

World Bank

Poll Results

12- 2 Session Results

1. Is the COVID-19 crisis the right moment to introduce and/or increase the rates of pro-health taxes?



Beginning of the Session Results

1. Is the COVID-19 crisis the right moment to introduce and/or increase the rates of pro-health taxes?



Reminder

We look forward to seeing you at our final session tomorrow:

Community Of Practice/Learning Round Up #3

Wednesday December 9th at 8:00 AM EST