

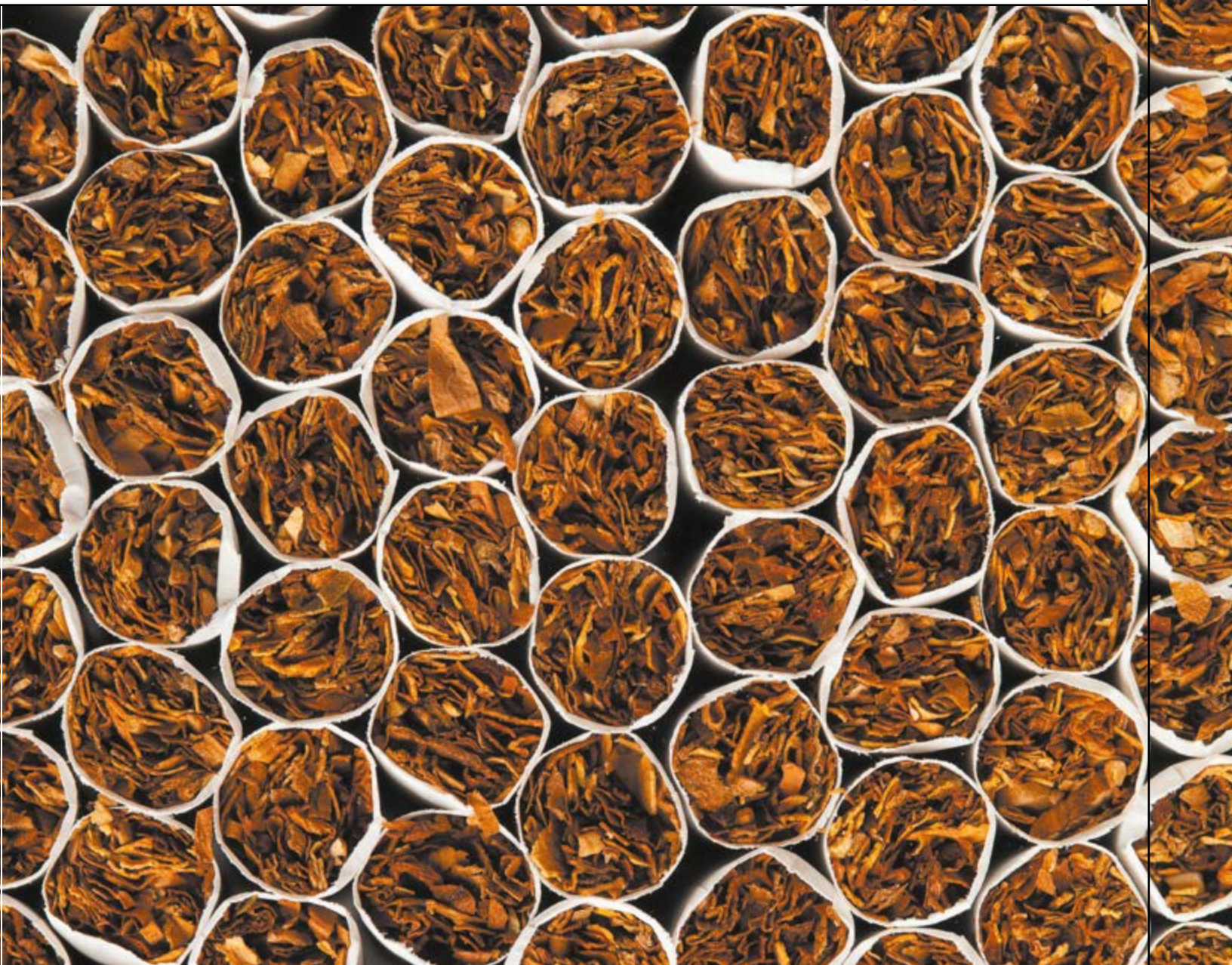


# CIGARETTE TAXES: GOOD HEALTH!

Joint research with international partners will produce new ideas for a more effective tax policy on tobacco, provide ammunition against the arguments of the tobacco industry that taxes on their products are regressive, and provide information on the impact of current packaging policies, the importance of warnings, attempts to quit smoking, and demand for cigarettes.

“If we’re going to die, let’s start getting sick,” say some smokers facetiously while happily lighting up the cigarette between their lips. And this is certainly what will happen, since this bad habit that comes seductively wrapped in smooth, high quality paper is the cause of most types of lung cancer and lung diseases such as Chronic Obstructive Pulmonary Disease (COPD), which includes emphysema and chronic bronchitis.

The key problem caused by so many people deciding to get sick early in their lives is the huge burden they impose on the economy and on public health, which impacts society as a whole, especially the poor. The



costs of tobacco use, in fact, fall ever more on low-and-medium income countries, where about 80% of all smokers live. These same countries suffer the greatest proportion of premature (and preventable) deaths associated with tobacco use, which is expected to reach more than 8 million per year by 2030.

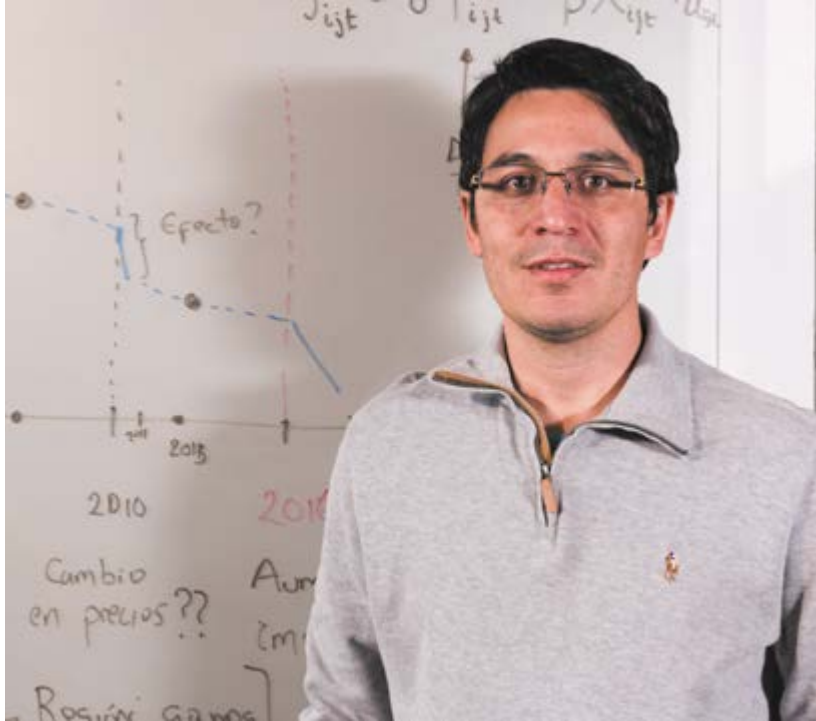
Many non-smoking children and adults also fall ill when they are exposed to second-hand smoke, and the expensive treatments for the diseases resulting from this are to a great extent paid for by the public.

This is why we must view the problem from the point of view of the State, which must employ policies to effectively lower the percentage of smoking-attributable deaths

among its citizens. It is the responsibility of every government to avoid premature deaths due to preventable diseases.

It has been convincingly shown that it is easier for people to stop consuming addictive substances they know will kill them prematurely with much physical suffering, if the price is high. And we know that young people inclined to “try anything” will be less inclined to do so if their first experience means going without buying something they already consider pleasurable.

In other words, experience shows that the most effective and economically-viable way to reduce tobacco consumption is to increase its cost by imposing taxes, and that the ideal move is to put up taxes to 70% of the final cost of the product. In effect, the message to smokers is “since you are impacting negatively on the healthcare system, you must start paying for your future treatment each time you buy the cigarettes that are taking away your own health.”



↑ There is a need for rigorous research to examine the impact of pricing on the initiation and cessation of smoking. Professor Juan Miguel Gallego of the Faculty of Economics at the Universidad del Rosario is participating in just such research.

Doing this in Uruguay, for example, produced a 10% drop in the number of smokers, which in practical terms means that a significant number of people have been added to those who have a very low probability of getting sick or dying due to smoking. And this is a huge step forward for society.

But tobacco companies do not like these kinds of taxes. They argue, among other things, that making cigarettes more expensive means imposing an unfair burden on the poor and other marginal groups for whom smoking is one of the few pleasures they can afford.

What they are really seeking with this argument is to attract the support of labor unions and minorities that may eventually perceive a threat to the enjoyment of a pleasurable activity.

### STIMULATING CONTRABAND

Another argument frequently raised is that increased costs for legitimate products stimulate the use of contraband. Those who use this argument say that as taxes go up, an increasing number of consumers will stop buying legal cigarettes and opt to purchase those smuggled into the country, especially in areas with easy access to contraband.

There is no doubt that this would be to the detriment of legal businesses that generate employment, pay taxes, and stimulate the economy, all of which are touted as import-

**WHEN COLOMBIA LAST CHANGED ITS TAX POLICIES, THE COUNTRY TOOK THE IMPORTANT STEP OF INCREASING TAXES ON TOBACCO. NEVERTHELESS, IT STILL FALLS SHORT OF THE IDEAL TARGET OF 70% OF THE FINAL PRICE OF THE PRODUCT**

ant contributions to national development. Precisely for this reason, increasing taxes on consumers is something that must be carefully considered by thoughtful legislators before making any decisions that would be seen as negative by businesses and consumers.

The question has to be asked, however, about when the tobacco industry raises its own prices with only its profits in mind. Does that not also stimulate contraband?

For all these reasons, it is necessary to dig deeper into this issue and carry out more research. When the tobacco industry has done its own research, it has found that illegal cigarettes represented 9-12 % of the total in 2011-2016. An independent NGO, on the other hand (Aáas Foundation), found that the rate of illegal cigarette use was no greater than three percent.

**THE IMPACT OF HIGHER PRICES**

There is a need for rigorous research to examine the impact of pricing (with high taxes) on the initiation and cessation of smoking. Professor Juan Miguel Gallego of the Faculty of Economics at the Universidad del Rosario is participating in such a research project being conducted by the Canadian Institutes of Health Research with the participation of MacMaster and York Universities in Canada, the Adolfo Ibáñez University in Chile, the Catholic Pontifical University of Ecuador, and the University of Cape Town in South Africa.

The general objective of this research is to better understand the impact of prices and packaging on cigarette consumption and on health equity in middle-income countries. The idea is to generate information about how higher taxes on tobacco translate into changed behavior on the part of vulnerable populations, taking into account the regulatory context.



↑ Experience shows that the most economically effective way to reduce the consumption of tobacco is to increase its cost by imposing taxes.

**ACCORDING TO THE WORLD HEALTH ORGANIZATION, WORLD TAXES ON TOBACCO IN 2013-2014 GENERATED ABOUT 269 BILLION U.S. DOLLARS IN PUBLIC REVENUE**

The results of this research, along with other information, will allow us to generate new ideas to increase the effectiveness of tax policy regarding tobacco, provide ammunition to counter the arguments of the tobacco industry that taxes on their products are regressive, and bring information on the impact of existing packaging policies, the importance of warnings, attempts to quit smoking, and the demand for cigarettes in five middle income countries (Chile, Colombia, Ecuador, South Africa, and Vietnam).

With its last tax revision, Colombia took the important step of increasing taxes on tobacco. Nevertheless, it is still short of the target

determined to be ideal: 70% of the final price of the product. And we must continue to do all we can to prevent Colombians from suffering diseases associated with tobacco use. We must remember that every death resulting from this cause, or from the consumption of sugary drinks, is a tragedy that can be prevented through healthy tax policies. ■