



Price & Taxation

FCTC Article 6

WHY is it important?

Higher taxes leads to:

- ✓ lower consumption
- ✓ decrease in tobacco-related diseases
- ✓ higher revenue

WHAT level is recommended?

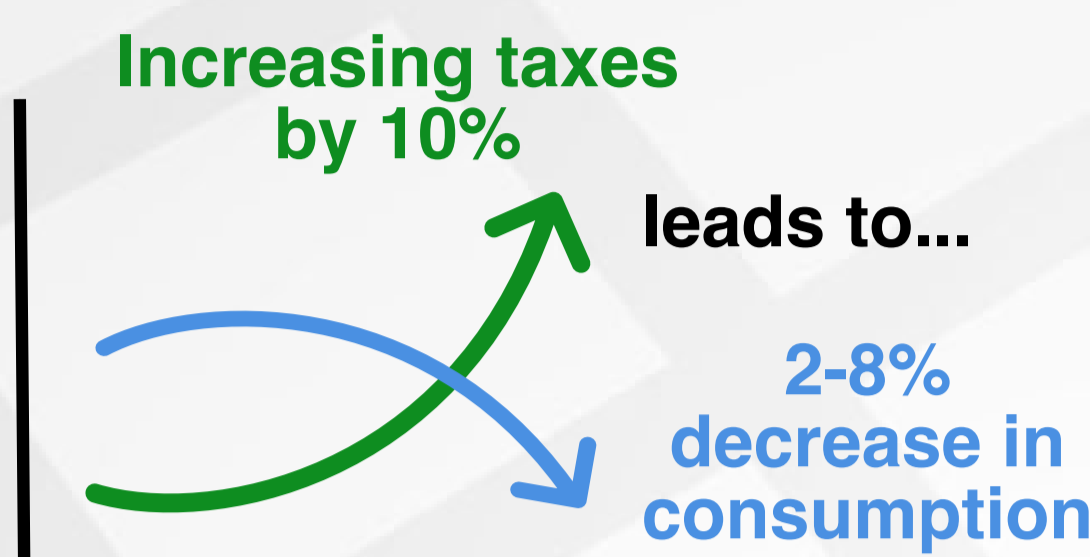
At least 75% of retail prices of cigarettes should be excise tax

Calls on Parties to implement effective price and tax measures

HOW does it work?

Increasing price & tax on tobacco products is the most effective way to reduce tobacco use by:

- ✓ motivating smokers to quit
- ✓ preventing uptake of smoking by youth



Price & Tax Policies in China

Tax increases in China

2009: tax increase at producer level but NO change to retail prices

minimal impact on smoking rates

2015: tax increase at producer level AND small increase in retail prices



Current tax rate

2015: tax rate on most popular brand of cigarettes in China estimated to be 50% of the retail price

WHO: 75%

CHINA: 50%

well below the recommendation of 75%

Change in relative income price

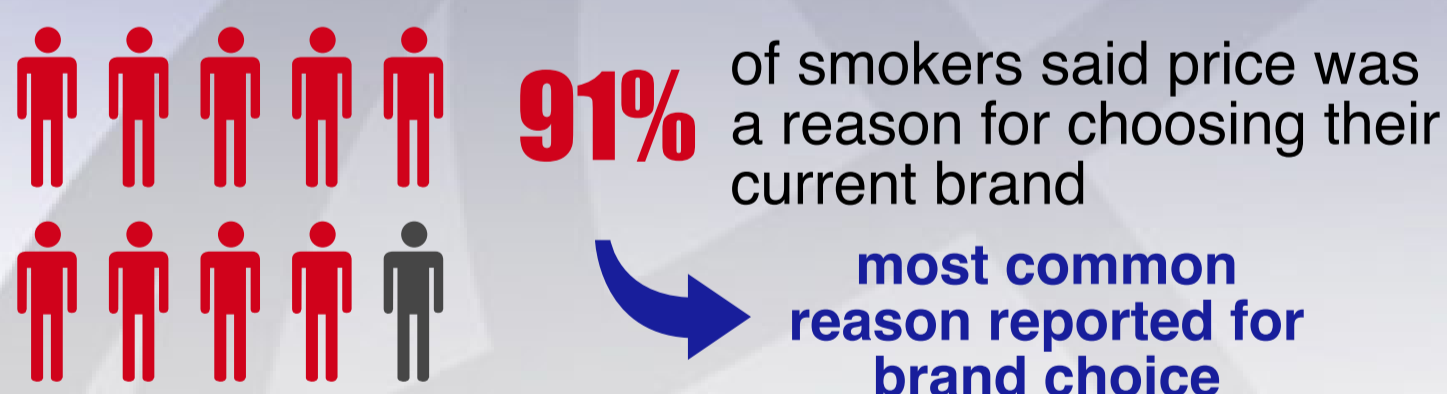
Nargis et al. (2016)



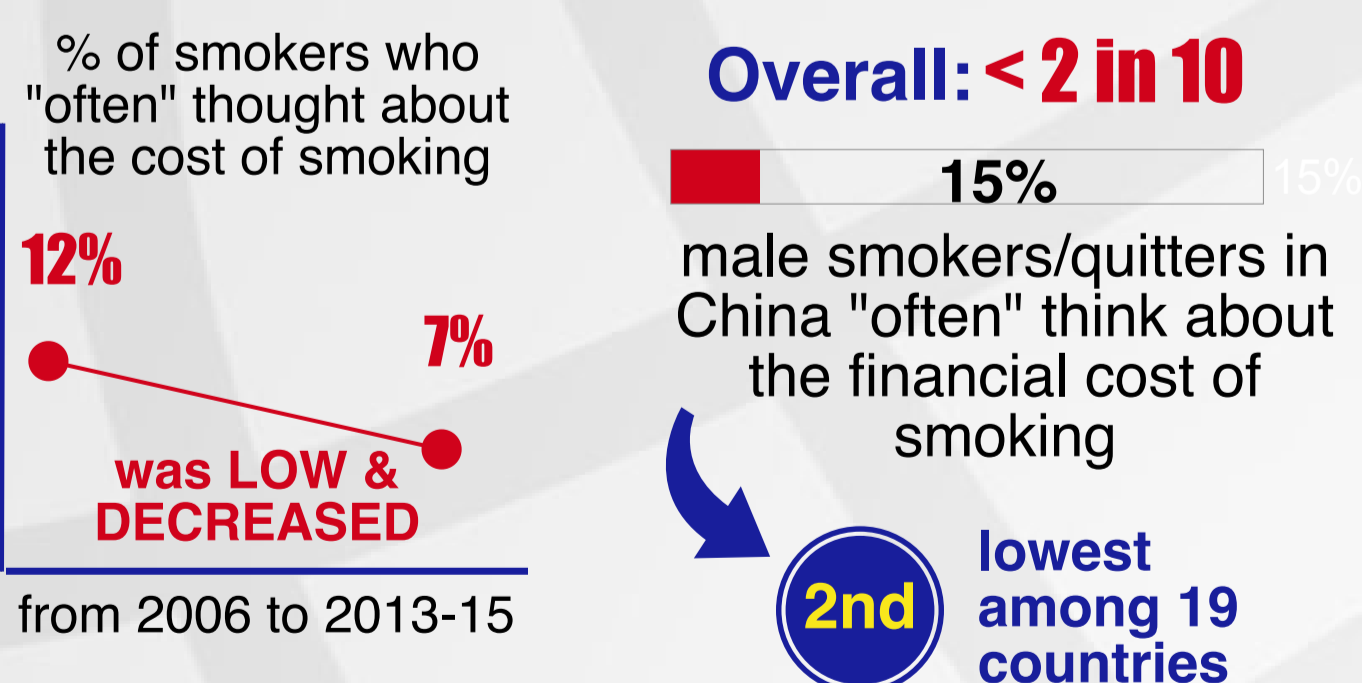
China's tax increases thus far have not been large enough to offset inflation and income growth

ITC China Wave 1-5 Findings

Cigarettes have become increasingly affordable in China

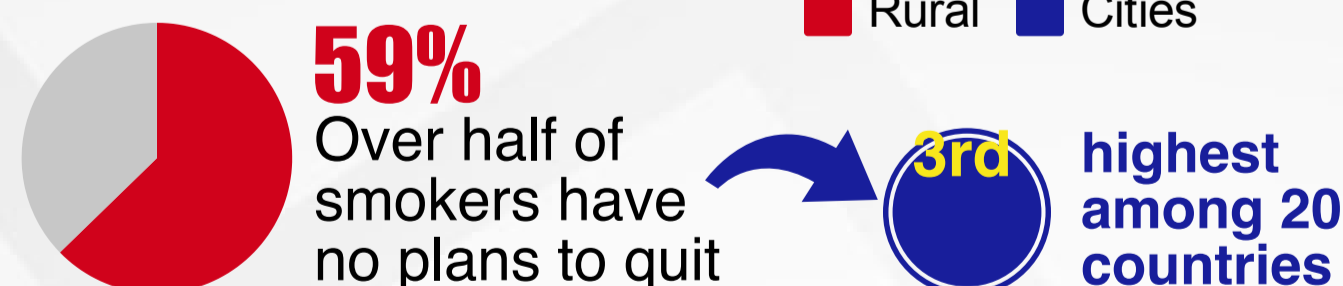
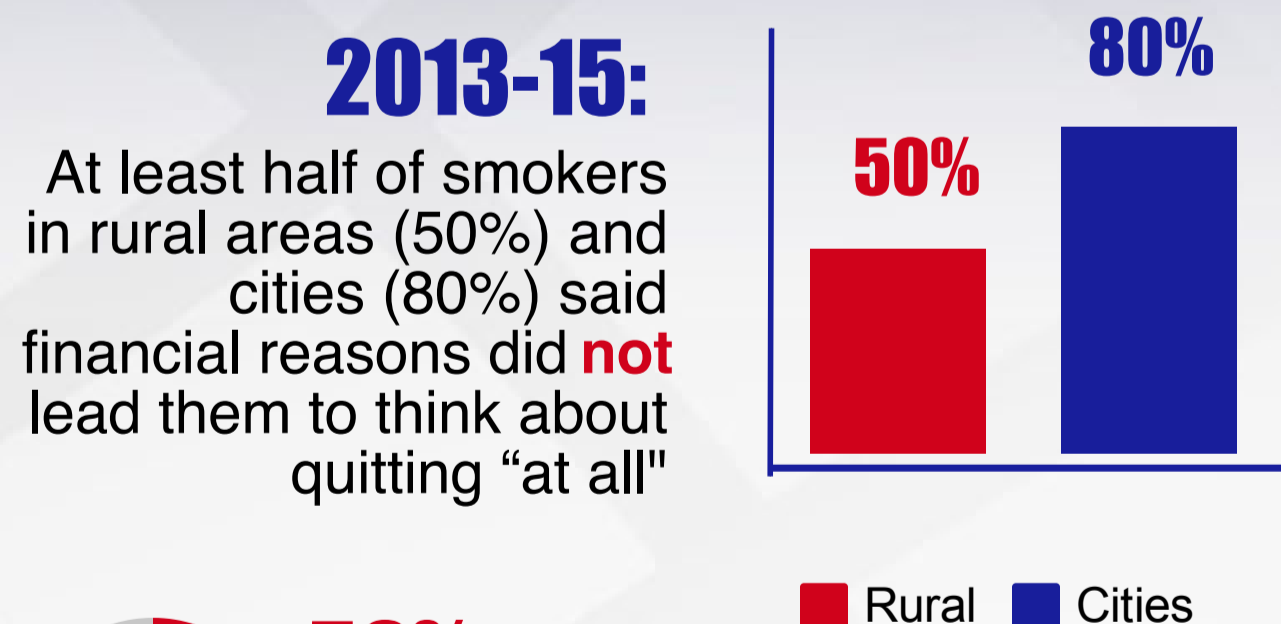


Few Chinese smokers think about the cost of smoking



Cigarette prices do not motivate Chinese smokers to quit

2011→2015: only **8%** of smokers in the ITC China sample had quit



Low cigarette prices and availability of cheaper brands are preventing Chinese smokers from quitting

Recommendations for China

- 1) Restructure the tax system with greater emphasis on specific taxes
- 2) Implement a uniform tax structure
- 3) Translate tax increases to price increases at retail level
- 4) Impose regular tax increases to make cigarettes less affordable over time
- 5) Set a minimum price for cigarettes to discourage brand switching