

Increasing Taxes on Tobacco

Increasing cigarette taxes is the most effective and efficient way to reduce smoking rates.^{1,2} Increasing taxes leads to fewer smokers, and those who continue to smoke consume fewer cigarettes per day. Raising taxes on tobacco would also increase government revenue, decrease government spending on tobacco-related health costs, increase worker productivity, and prevent tobacco-related disability and death among millions of adults and children.

Increasing tobacco taxes to 70% of the purchase price of tobacco, the standard of many countries, would:

- Reduce the number of smokers currently smoking by millions of people.
- Prevent more than a million people from being killed by tobacco among those currently smoking.
- Avoid more than RMB 68 billion (US\$9 billion) in productivity losses each year³
- Increase government revenue by RMB 113 billion (US\$15 billion) per year.⁴
 - New revenue could be used to finance anti-smoking public education, health services for the poor, or other health promotion, disease prevention or other social programs.

Tobacco taxes would have a minimal effect on farmers:

- Industry consolidation and technological change will reduce tobacco industry employment far more than tobacco control.
- Tobacco leaf has a lower economic return,⁵ and is more dangerous to farmers than other cash crops:⁶
 - Mulberry and silkworm have 4 times the rate of return as tobacco, and fruit, rice and wheat silkworm have 2 times the rate of return as tobacco⁵
 - Tobacco farmers and their children experience nausea, dizziness and abdominal pain from exposure to nicotine through their skin, and are also harmed by the hazardous pesticides used in growing tobacco⁶

Higher taxes on cigarettes are especially important to protect young people:

- Higher tobacco taxes are particularly effective at preventing smoking in teens since they are more sensitive to higher cigarette prices.⁷
- 50% of long-term smokers will be killed by tobacco-related illnesses, and a third of them will die prematurely as middle-aged adults.⁸

Tobacco taxes are not associated with smuggling:^{1,9,10}

- Studies of China predict that higher tobacco taxes will lead to minimal increases in smuggling.¹
- In Canada, Sweden, South Africa and many other countries, taxes have been raised without a significant increase in smuggling:¹⁰
 - In South Africa, a 350% increase in cigarette taxes in the 1990's led to an almost 25% decline in consumption and a gain in revenue of more than 175% with only a 6% increase in smuggled cigarettes.¹⁰

- Countries such as Spain and Italy with high cigarette taxes have low rates of smuggling, while Central and Eastern Europe with lower cigarette taxes have much more smuggling.⁹
- Smuggling can be reduced through improved border security, measures to reduce money laundering, punishment of convicted smugglers, implementation of laws governing record keeping and internet sales of tobacco products, programs to increase the capacity of law enforcement agencies, and mandating of tax stamps and health warnings in Chinese,¹⁰ which could be financed with revenue from higher cigarette taxes.¹¹

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