

Evidence for Using Uniform High Tobacco Tax

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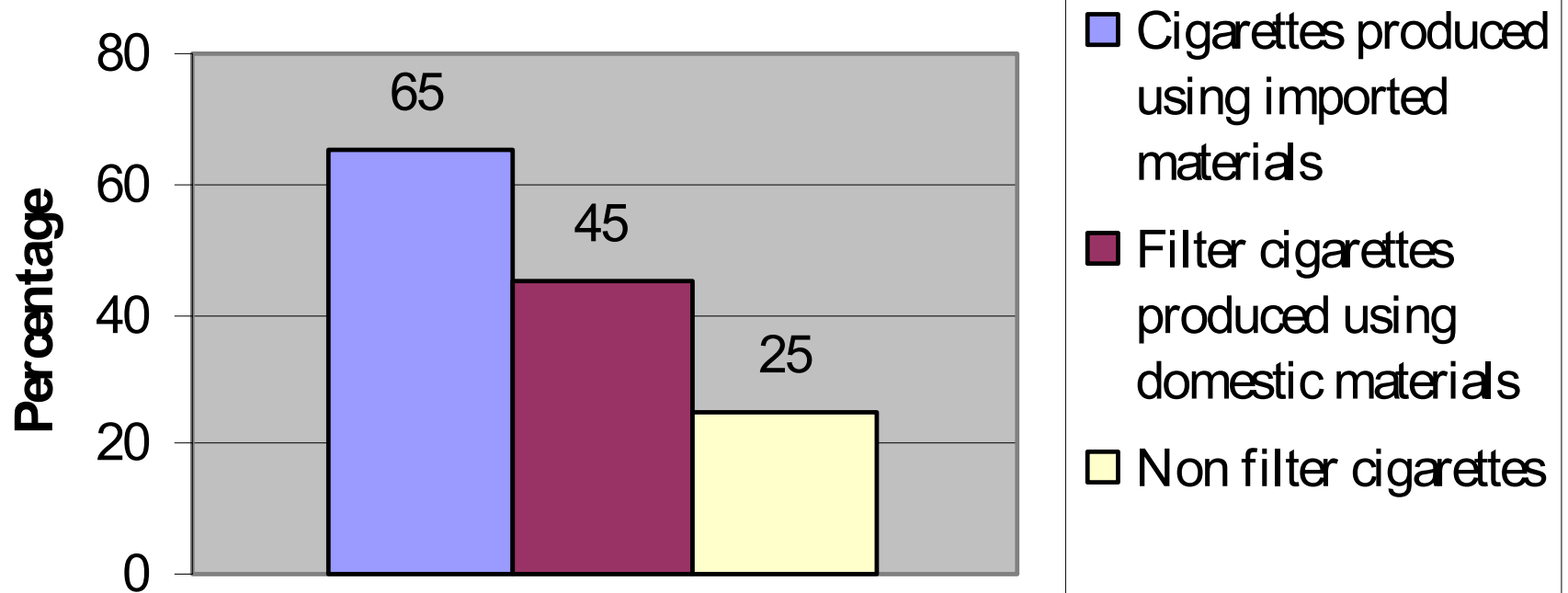
Tobacco Tax - Global Experience

Uniform tobacco tax is dominant

- ☞ Reviewed profiles of 202 countries
- ☞ 88 countries don't have tobacco tax information
- ☞ 95 countries impose uniform tobacco tax
- ☞ 19 countries impose different tax levels on tobacco

Source: WHO Country Profiles

Tobacco Tax in Vietnam: Three levels



Source: Ministry of Finance

Chip cigarettes are available

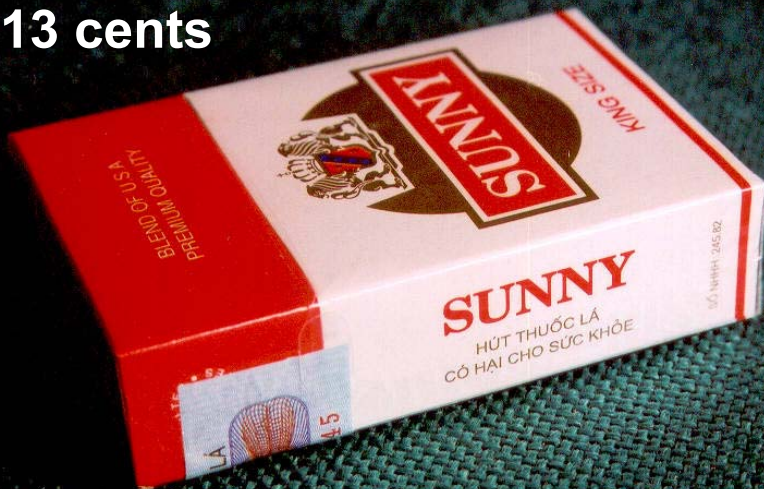


7 cents

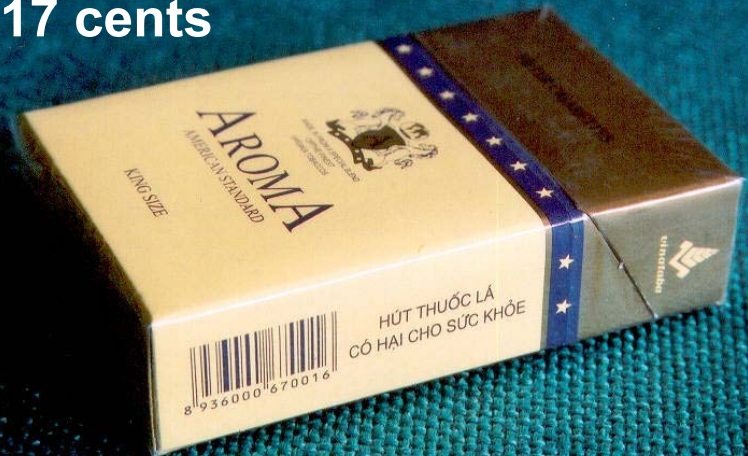
7 cents



13 cents



17 cents

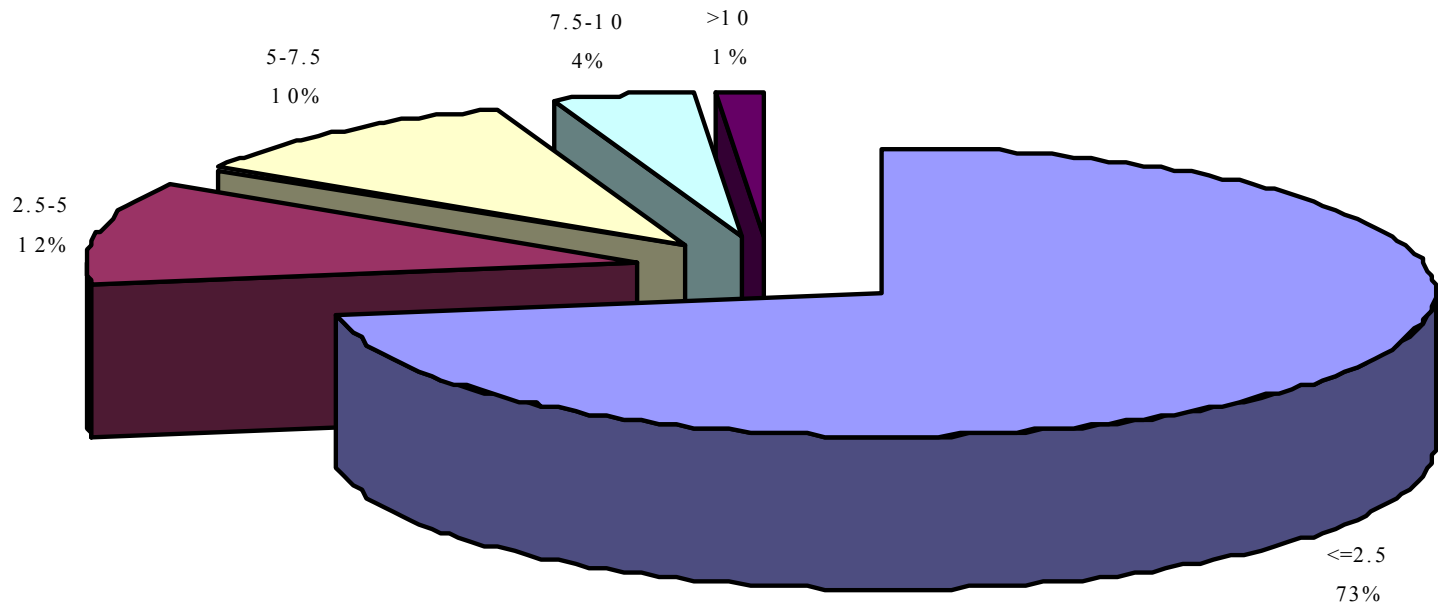


Big difference in price of cigarettes



Low price cigarette is big share

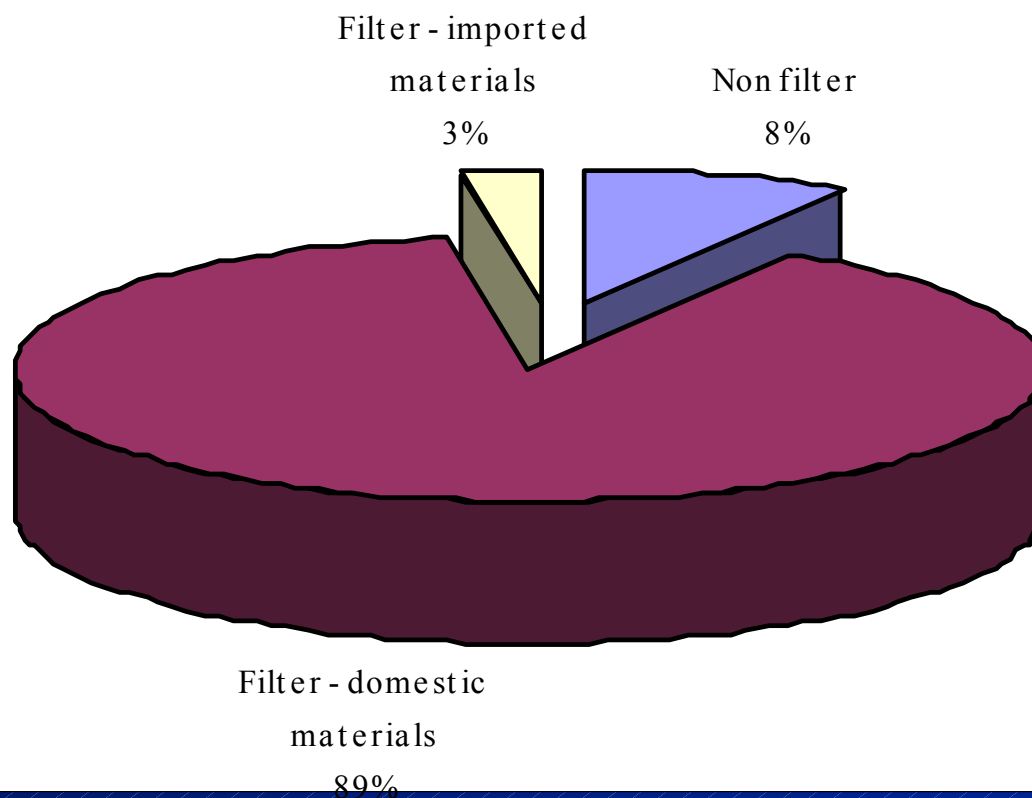
Share of Cigarette packages by price



Source: Author's calculation from VLSS 1997-98

2,500 VND \approx 17 cents

Share of cigarettes by type according to tax

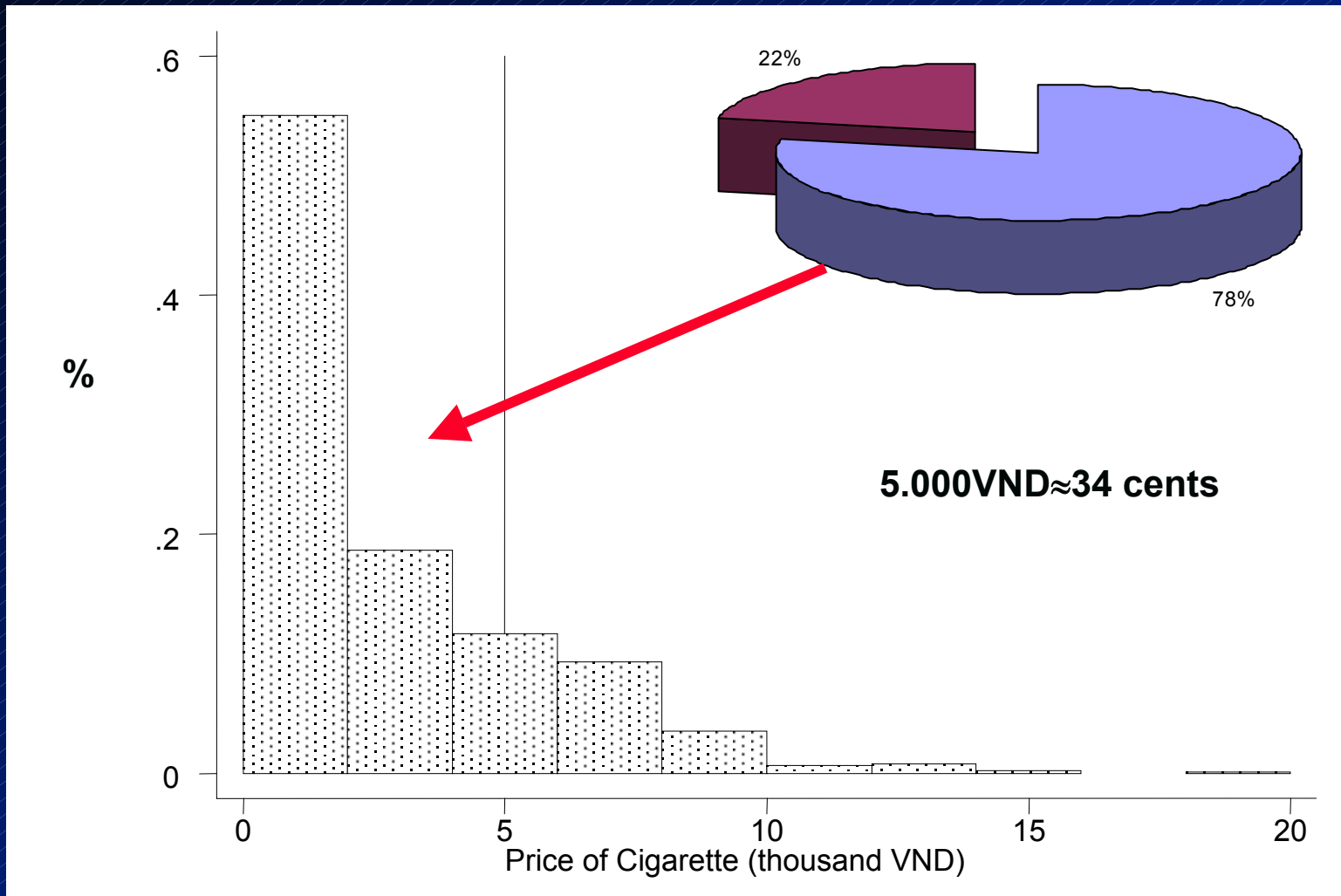


Output of major foreign companies in Vietnam in 2000

	Quantity (M.Pack)
BAT	28.9
Philip Morris	20
VINASA	11.8
Reynolds	3

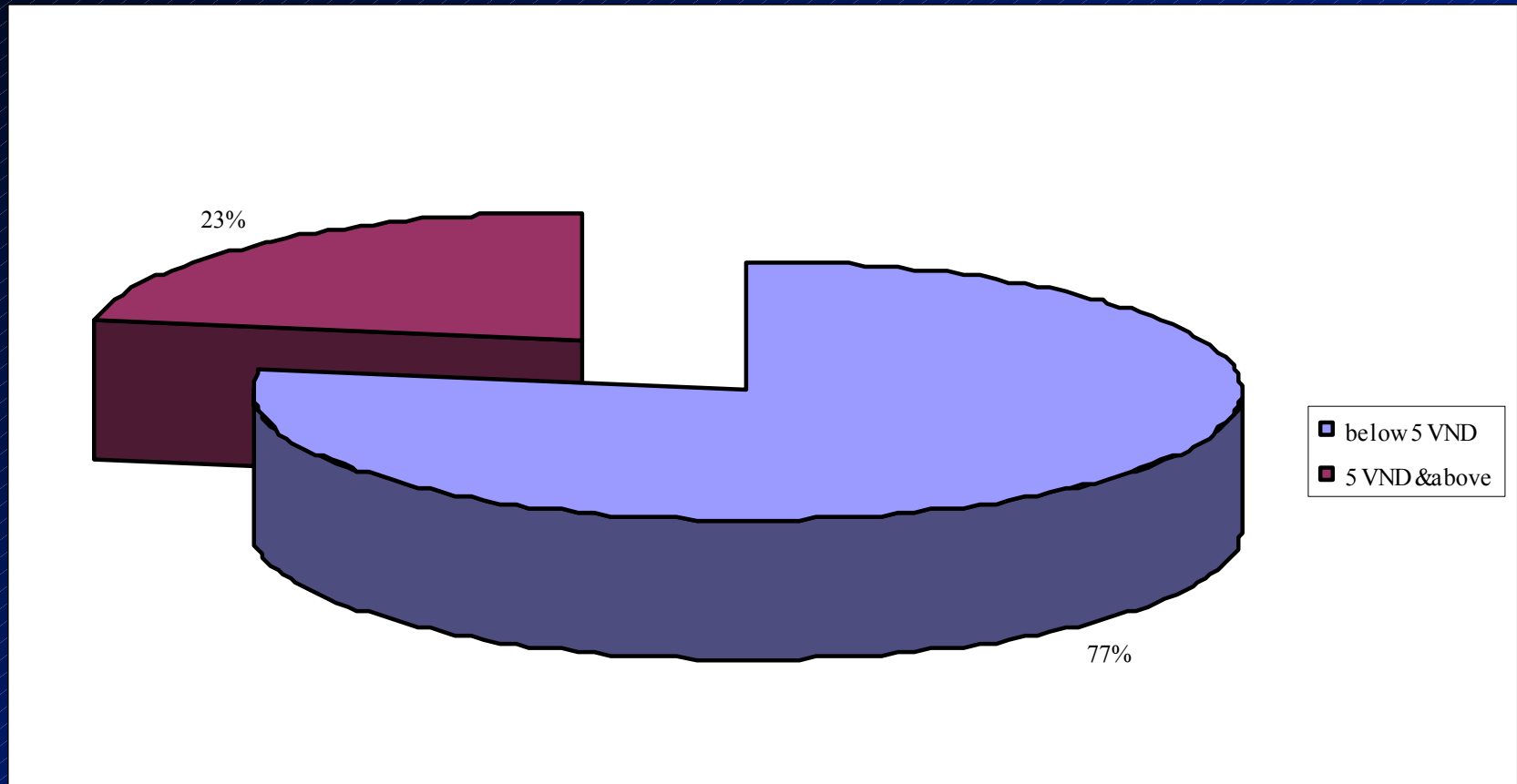
Source: Reports of Ministry of Trade 2002

Distribution of Smokers by Price of Cigarette



Source: Author's calculation from VLSS 1997-98

Big share of youth smokers is low price cigarette users



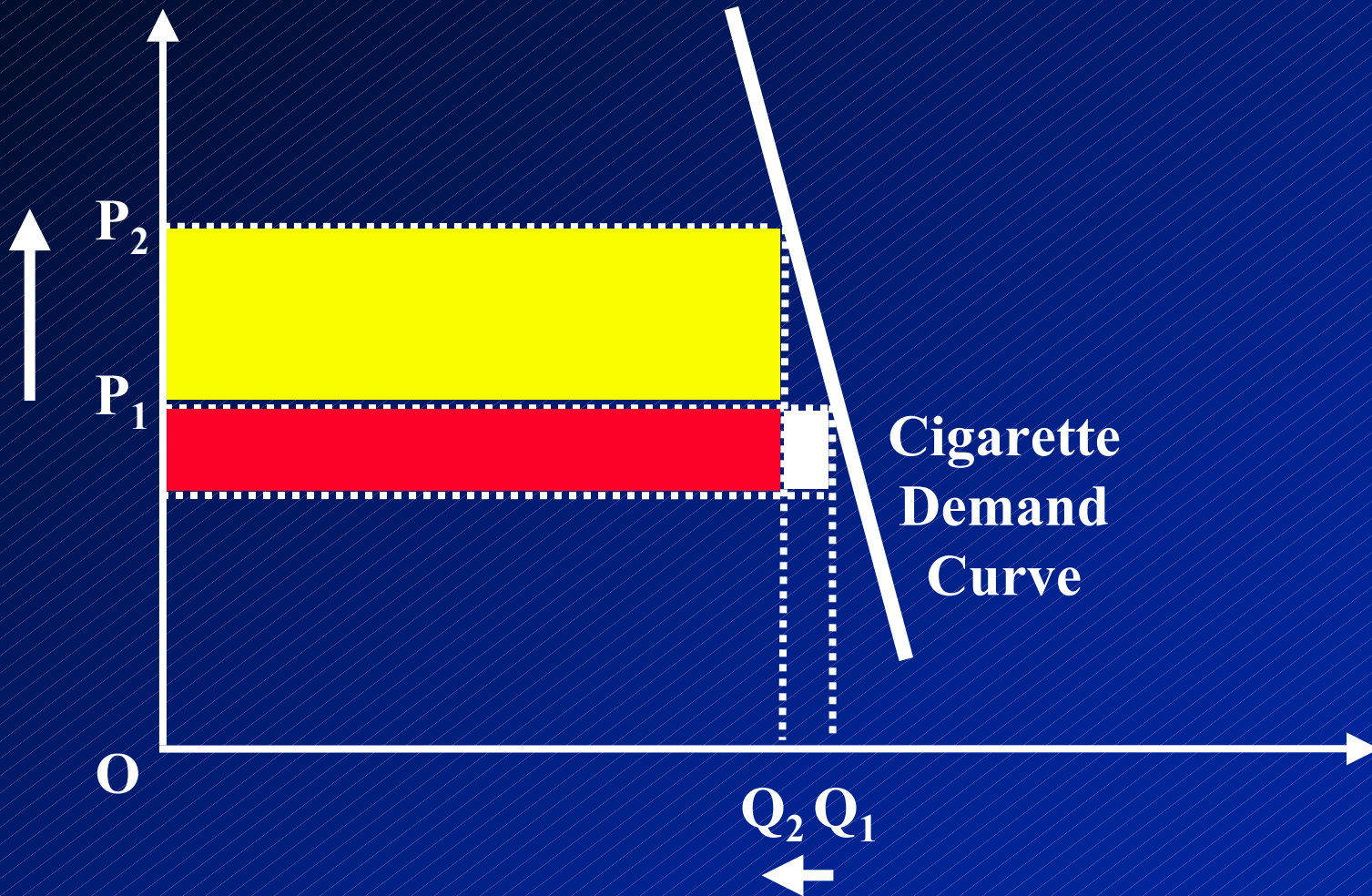
Source: Author's calculation from VLSS 1997-98

Onset of smoking by age & quintile

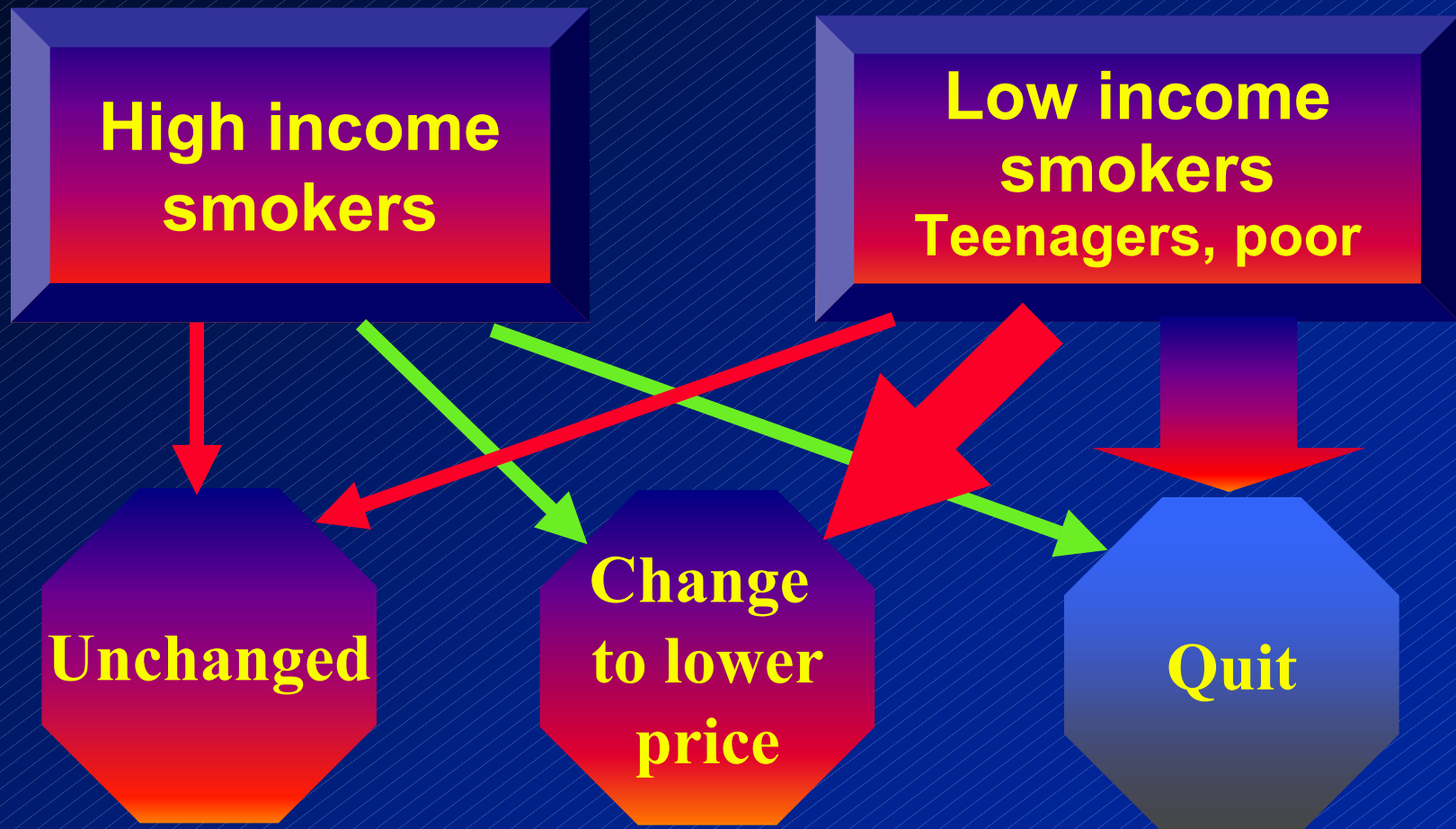


Source: National Health Survey 2002

Elasticity of demand of tobacco products

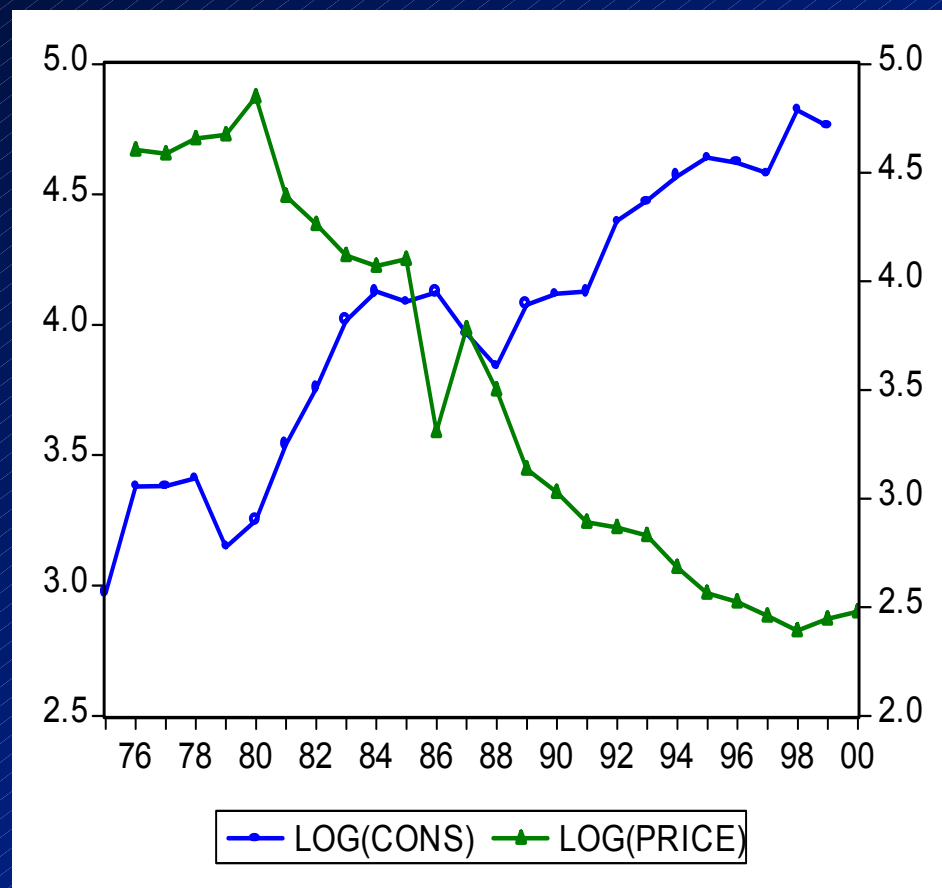


Change in Behavior as Cigarette price increases



Vietnam

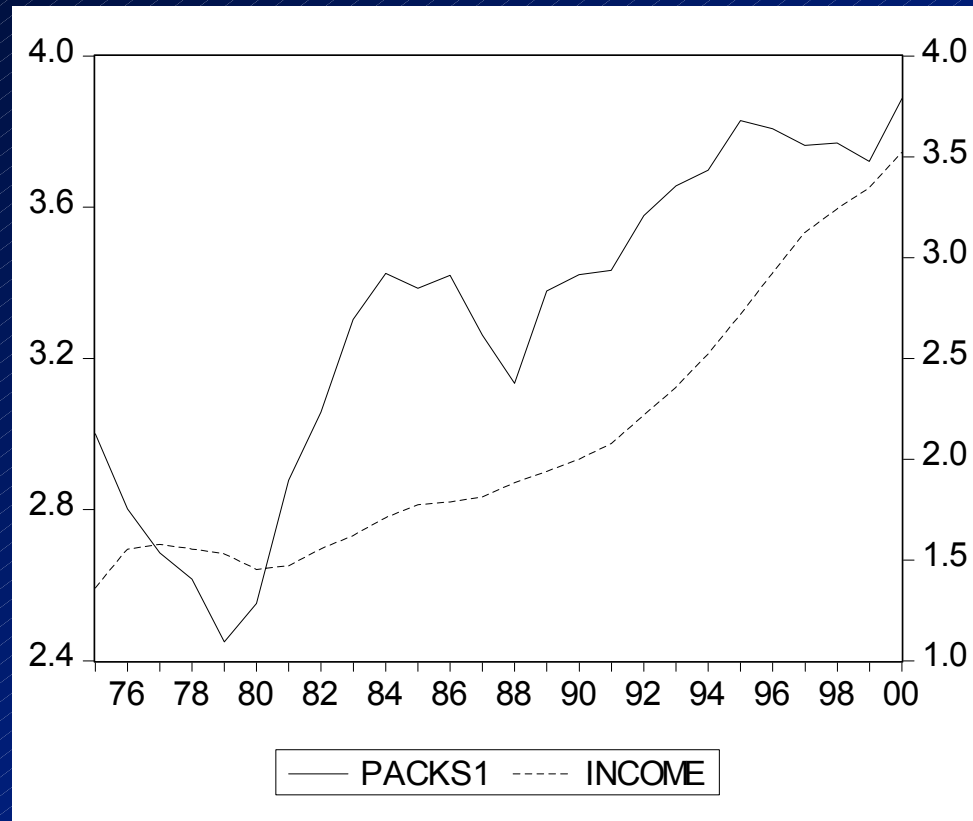
- Real price index of cigarettes and number of packs per smoker in logarithm



Source: WHO study

The Case of Vietnam

- Log of number of packs per adults and real income per capita



Source: WHO study

Elasticity Results

Group	E_p^D
Rural Areas	-0.56
Medium & low income groups	-0.62
Medium & low income groups in rural areas	-0.67

Source: Estimation from VLSS 1998

Change in price, consumption, and revenue if uniform tax of 65% is introduced

	Change in price (%)	Change in Consumption (%)	Change in G.Revenue (%)
Non-filter cigarette	35	-19.84	85.07
Filter cigarette (domestic materials)	16	-9.92	32.64
Total		-10.78	34.22

Conclusion

- There are few countries in the world using different tobacco tax levels
- Low price cigarette takes big share of consumption, spending
- Uniform high tobacco tax reduces consumption, increases government revenues.