

THE IMPACT OF TOBACCO TAXES ON CIGARETTE PRICE AND CONSUMPTION

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Introduction: Beginning in 1993, Poland's government reformed its tax policy to incorporate both excise taxes and value added taxes (VAT) on all tobacco products. These actions intended to raise tax revenues and improve public health in Poland.

Aim: To examine Poland's continuously changing tobacco tax structure and its impacts on cigarette prices, government revenues and national adult smoking behaviors.

Material and Methods: Data obtained from the Ministry of Finance are used to present the development and current status of the tobacco tax and pricing system in Poland. Furthermore, over seven years of pooled cross-sectional data (nationally representative samples of Polish adults participating in large, national Omnibus surveys) are used to produce estimates of cigarette demand and cigarette price-elasticity.

Results: The introduction of Poland's increasingly aggressive tobacco taxing structure has indeed increased the real market price of cigarettes. In addition, despite falling rates of consumption, rising tobacco taxes and prices have successfully increased the government's revenues. Furthermore, the share of tobacco taxes in total government revenues has also annually risen. Survey data reveals that the new tobacco tax system not only actively discourages smoking participation through price effects but also, works as an informational mechanism which warns of the dangerous nature of tobacco products and signals the government's increasing concern over the health of current and potential smokers.

Conclusion: Almost a decade after the introduction of a new tobacco taxing structure into post-communist Poland, both the market prices of cigarettes and the government's revenues from tobacco taxation have increased significantly. Rising cigarette prices have both actively discouraged smoking participation and led smokers to consider the health consequences of use.