

Survey among the Parties of Tobacco Tax Earmarking, July 2015: Findings

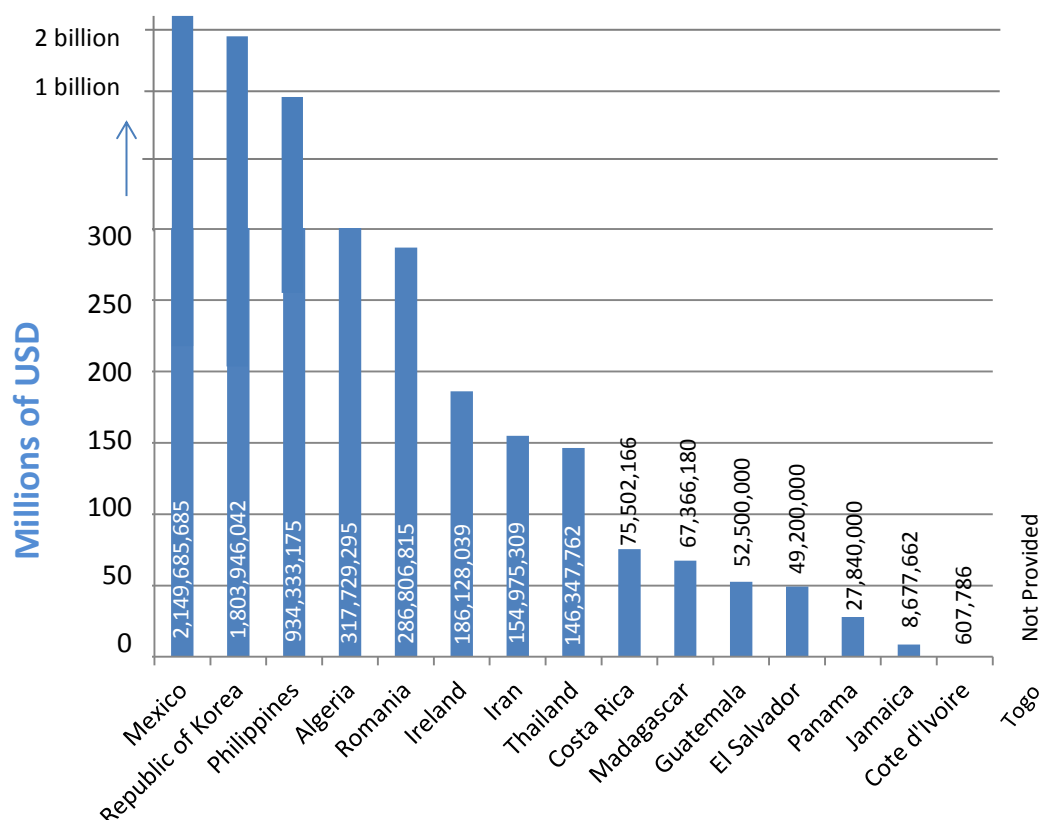
Background

Guidelines for implementation of Article 6 of the WHO FCTC, recently adopted at COP6, emphasises that tobacco taxation is one of the most effective tobacco control measures. To build upon this decision, a questionnaire was sent to Parties that responded “yes” to the question on earmarking (Article 2.8.5) in one or more of the implementation report(s) in the period of 2010-2014. The questionnaire aims to aid the Secretariat in learning more about experiences in financing tobacco, health, and other relevant programmes. Of the 18 Parties that completed the questionnaire, 16 Parties reported that they are applying tobacco tax earmarking in their jurisdiction¹.

Tobacco Tax Revenues

Mexico collected the greatest tobacco tax revenue in 2014 with \$2.1 billion USD. Cote d’Ivoire collected the least tobacco tax revenue in 2014 with \$607,786 USD.

Survey for Parties of WHO FCTC that reported applying tobacco tax earmarking²



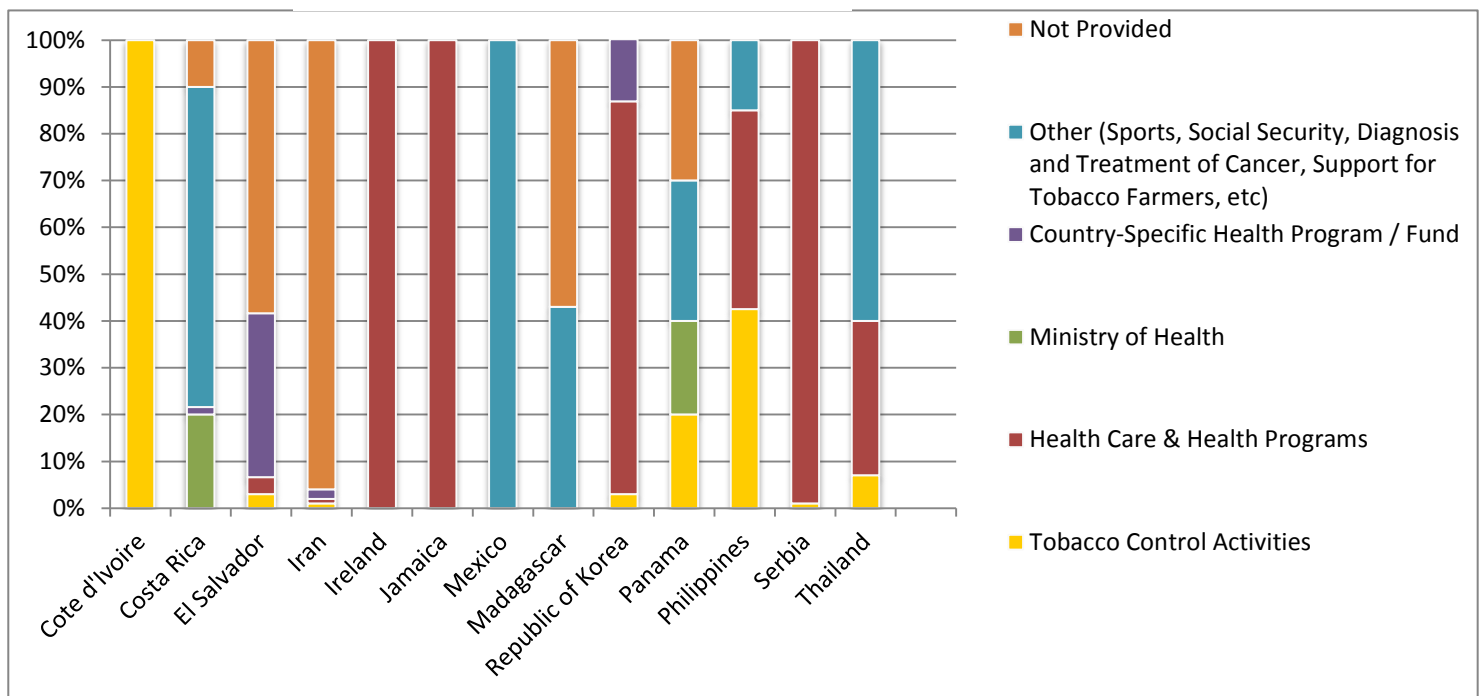
¹ Parties that currently implement tobacco tax earmarking in their jurisdiction: Algeria, Costa Rica, Cote d’Ivoire, El Salvador, Guatemala, Iran, Ireland, Jamaica, Madagascar, Mexico, Panama, Philippines, Republic of Korea, Romania, Thailand and Togo. Chile and the Republic of Serbia formerly applied tobacco tax earmarking in their jurisdiction; both countries discontinued tobacco tax earmarking in 2011.

² Data from 2014. Questionnaire located in Annex 2.

Allocation of the collected funds

Most Parties allocate majority of the tobacco tax earmarking revenue to tobacco control programs, health care, and health programs. However, many Parties additionally allocate the funds to other sources. Costa Rica divides its funds among social security (60%), the Instituto sobre Alcoholismo y Farmacodependencia (8.4%), and the Costa Rican Institute of Sport and Recreation (10%). Madagascar allocates a significant share of the tobacco tax revenues to sports (43%). In Mexico, all tobacco revenues go into a central budget, to be later distributed to state governments. The following chart represents the distributions of tax revenues among each Party. Algeria is not included in the following chart for reasoning that it allocates a specific dollar amount to various funds (6 dinars per pack to the emergency fund for medical care and 2 dinars per pack to the Trust account for the fight against cancer), rather than a percentage; Guatemala, Togo and Romania are also not included since they do not track the specific locations in which the funds are disseminated to.

Allocated Funds by Party



Parties That No Longer Earmark

Two Parties reported that they have discontinued collection of earmarked tobacco taxation.

1. In Chile, taxes are now directed to a common fund which is allocated to each ministry and there is a tobacco tax on tobacco that is not directly allocated to the Ministry of Health. The last full year that Chile applied tobacco tax earmarking was in 2011, collecting an annual revenue of \$1,361,842,928.

2. In Serbia, the Tobacco Law, which was adopted in 2005, introduced the obligation of every registered cigarette producer and importer to pay a special fee amounting to 1 Serbian dinar for each pack of cigarettes. The revenue went to a special budgetary fund intended for implementing disease prevention programs associated with the consumption of tobacco products. The Budgetary Fund was established for an indefinite period of time and administered by the Ministry of Health. This special fee was adjusted every year with the inflation rate. However, further revision of the Tobacco Law in 2012 cancelled the special Budgetary Fund, with the explanation that special fees will be integrated into excise duty through the Law on Excise and that resources for health care programs, previously financed through the special Budgetary Fund, will be provided within the resources allocated to the Ministry of Health in accordance to the annual budget. The last full year in which earmarking was applied in Serbia was 2011, and collected a total amount of revenue of \$12,341,130. Currently, the Law on Excise allocates funds to tobacco control programs (1%), health programs (13%), and healthcare (86%, of which 22% is allocated to medicines and 64% is allocated to medical equipment)

ANNEX 1: Survey of legislation on tobacco tax earmarking by Party

Algeria: *Article 36 of the Finance Act of 2002*

Costa Rica: *General Tobacco control law and its harmful effects on health, Decree No. 36969, March 2012*

- This law aims to control tobacco consumption and reduce its prevalence through many regulations, including a taxation of 20 colones for each cigarette, cigar, or other tobacco derivative, whether of national or imported production. In addition, a specific tax will be paid in proportion to the number of grams of tobacco the product contains.

El Salvador: *Special Law for the Constitution of the Solidarity Health Fund, No. 538, 17 December 2004 and reform on 12 December 2009*

- This legislation provides financing mechanisms and management conservation programs for public health and welfare by imposing a specific tax of two cents per cigar and an ad-valorem tax of 39% of the suggested retail price, unless considered “pure” in which the ad-valorem tax rate will be 100% of the suggested retail price.

Guatemala: *Decree No. 61-77*

- In article 22 of the law, all machine-made cigarettes are subject to a taxation of 100% of the factory sales price of each pack, and the tax base cannot be less than 75% of the suggested retail price.

Iran: *Comprehensive Act on National Control and Campaign against Tobacco, 3 October 2006*

- The law aims to campaign against the consumption of tobacco through multiple methods, one method being the increase of tobacco prices through taxation. Each year, tobacco taxes will increase by 10%. The revenue collected from this taxation will be distributed to related public associations and organizations that support research and programs in the prevention and fight against tobacco consumption.

Tobacco taxes
increase
annually

Ireland: *Statement of the Minister for Finance, 1 December 1999*

- Aimed to increase excise duty on cigarettes to raise £132 in a full year, beginning on 2000, to fund costs caused by cigarette smoking

Jamaica: *National Health fund Act, 2003*

- Established the National Health Fund, which provides health benefits to all residents including greater access to medical treatment and preventative care. The fund is to be collected via tax on tobacco products, special consumption tax, money received from the National Insurance Fund, and other investments earned by the fund.

Madagascar: *Order Interdepartmental No. 4892/96, 12 August 1996*

- Aimed to adjust the rate of special tax on alcohol, manufactured tobacco, and gambling by setting fixed rates (i.e. 250F/package of cigars; 5F/bag of chewing tobacco)

Mexico: *Law of Fiscal Coordination, Last reform 11-08-2014*

- This act aims to obtain special tax on alcohol and tobacco, in which the funds will be distributed by the Federation among each state at the end of each month.

Panama: *Law 69, November 2009*

- This law enacts a 100% excise tax of the sale price declared by the manufacturer or importer, with a minimum of 50 cents Balboa (B / .1.50) per pack on cigarettes, cigars and other tobacco products. The revenue collected from this tax is to be distributed to the National Cancer Institute, the Ministry of Health, and the National Customs Authority to prevent the smuggling of tobacco products.

Implements
100% excise tax
on all tobacco
products

Philippines: *Republic Act No. 10351, December 19, 2012*

- The act enforces excise tax on alcohol and tobacco products. For each kilogram of tobacco, 1 peso and 75 centavos (P1.75) will be collected as excise tax. In addition, an ad valorem tax equivalent to 20% of the net retail price will be added per cigar. The tax rates will be annually increased by 4%, starting on 1 January 2018. The revenues collected will be divided among the provinces which produce burley and native tobacco and will promote economically viable alternative for tobacco farmers and workers. The remaining revenues collected will be distributed to the universal health care act and medical assistance facilities.

The Republic of Korea:

- The Republic of Korea implements various laws in which taxes are collected and earmarked to tobacco control, all of which are included within tobacco taxes:
 - The National Health Promotion Act enacted in 1995 collected 1,588,650 million KRW in 2014.
 - A waste management charge has been implemented since 1996, which poses financial charges on cigarette butts and cartridges of e-cigarettes, and collected 34,900 million KRW in 2014.
 - A local education tax has been imposed on tobacco products from 1989, and collected 1,438,162 KRW in 2014.
 - Since 1 January 2015, individual consumption tax has been also imposed to the tobacco products, 20% of the tax is used for fire safety budget for local government as stated in the Local Subsidy Act.

Multiple laws
which earmark
tobacco tax

Romania: *Law No.95/2006*

- Within this law, Article 361 and 362 require a 10€ tax per 1,000 cigarettes or cigars and a 13€ per kilogram of tobacco. The revenue from these taxes are placed in a special account at the Treasury on behalf of the Ministry of Health

Thailand: *The Thai Health Promotion Act, B.E. 2544 (2001)*

- This law, among other things, applies a 2% tax on alcoholic and tobacco products.

Togo: *Law of Finance 2013-001*

- This law applies taxes to a variety of products and activities, including 10% on all tobacco products.
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ANNEX 2:

Survey for Parties of WHO FCTC that reported applying tobacco tax earmarking

1. Name of Party.
2. Are you still applying tobacco tax earmarking in your jurisdiction?
 - If NO, please explain why earmarking has been discontinued.
3. Is earmarking required by legislation, regulation or policy?
 - If YES, please give the title and year of the relevant legislation, regulation or policy:
 - Please submit a copy of the relevant legislation, regulation or policy.
4. What was the approximate revenue collected from tobacco tax earmarking in the last full calendar year (2014 or the latest year for which data is available)?
 - If you responded NO to question 2, please indicate the amount of revenue collected in the last full calendar year when earmarking was applied?
5. Please indicate around what percentage of the funds collected through earmarking are utilized as source of funding for:
 - Tobacco control programmes
 - Health programmes
 - Health-care
 - Support for international tobacco control in accordance with article 26.4
 - Other programmes, as follows (please give the name of programme and the % used for this purpose):
6. Please describe the mechanism for the distribution and utilization of funds among the end users (e.g, health promotion foundation, fund/budget line, general budget allocation):
7. Are the collected funds always used for the purpose laid down in the relevant legislation, regulation or policy?
8. Please provide any other relevant information pertaining to but not covered in this survey.