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Global experience in health taxes and future plans for technical assistance

Caribbean Workshop on Health Taxes

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Tobacco taxation in Latin America and the Caribbean

- Strengthen tobacco tax design in LAC countries by:
 - Providing advanced tobacco taxation expertise (OECD Centre for Tax Policy and Administration)
 - Fostering dialogue on tobacco taxation policy between Finance and Health Ministries
 - Utilise modelling-based approaches to assess the impact of tobacco policy reforms





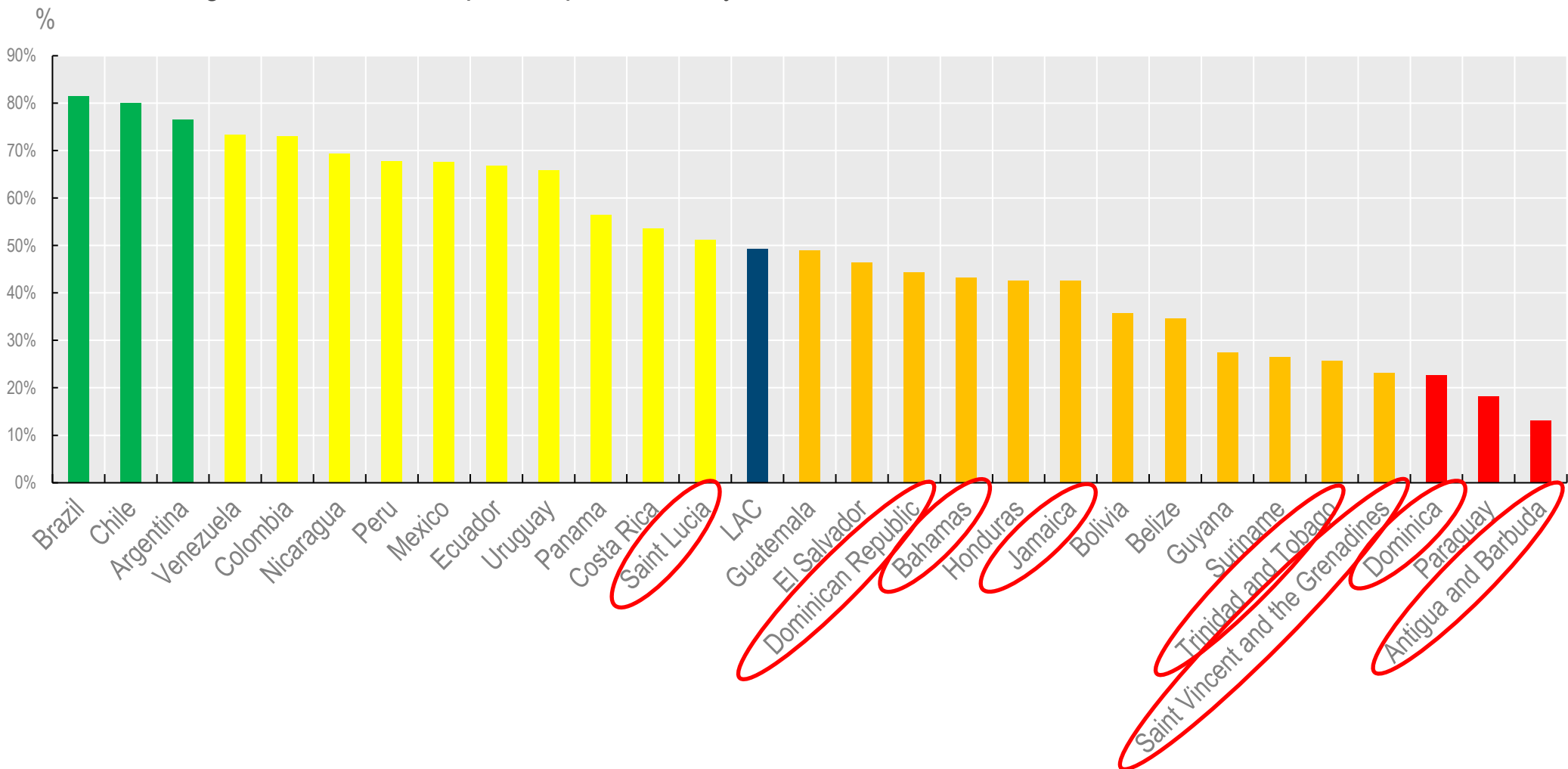
Tobacco taxation in Latin America and the Caribbean





Caribbean countries are not performing well in the R measure of MPOWER.

Percentage of the retail sale price represented by taxes in LAC countries, 2020



Countries in green are the only countries to implement tobacco taxes at the best practice level ($\geq 75\%$); yellow countries have taxes that represent $\geq 50\%$ to $< 75\%$ of the retail sale price; orange countries have taxes that represent $\geq 25\%$ to $< 50\%$ of the retail sale price; and red countries have taxes that represent $< 25\%$ of the retail sale price.

The LAC average in blue was calculated as the average of the countries with data provided.

Source: Pan American Health Organization. (2023). Report on Tobacco Control for the Region of the Americas, 2022. Revised edition.



Tobacco taxation is the 'best buy' for reducing tobacco consumption.

Goal: Provide advanced tobacco taxation technical support in LAC countries

Provide **technical support** to strengthen tobacco taxation design and administration in LAC countries



Modelling-based approaches to assess the impact on **health outcomes AND healthcare expenditure and revenues**



Facilitation interactions between Ministries of Health and Treasuries and between government and stakeholders



Offer support and evidence on potential challenges when engaging with stakeholders with vested interests



HOW?



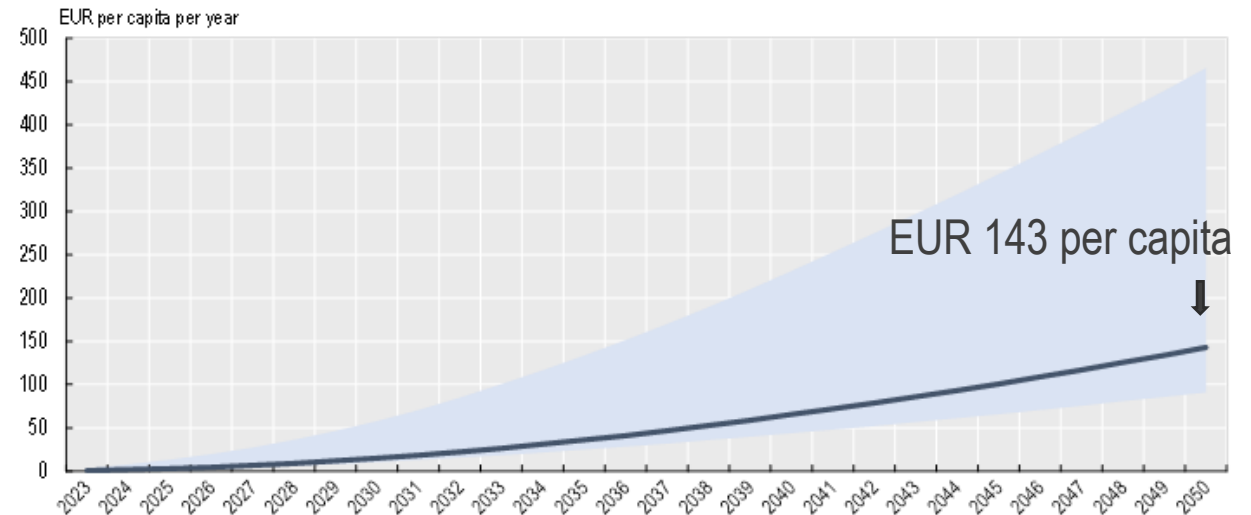
Lesson: Tobacco taxation in France



The project assessed the direct and indirect burden of tobacco in France and evaluated the health and economic impact of the 2016-2020 tobacco control policy.

- > Effective in reducing tobacco consumption and increasing the prices of cigarette packs
- > Total cost is offset by savings produced; for each EUR 1 invested, **nearly EUR 4 will be returned in healthcare expenditure savings**
 - 25+ million cases of chronic diseases could be avoided over 2023-2050
 - EUR 8.7 per capita per year in health expenditure will be saved (equal to 0.32% of total health spending)
 - EUR 143 per capita will be saved in health expenditure cumulatively by 2050

Impact of the policy package on health expenditure saving, cumulative number over 2023-2050, discounted



Note: Discounted numbers means numbers are calculated by accounting for the present value of future outcomes. The discount rate is 3%. The plain line represents the central scenario, while the projection band shows the low-end and high-end scenarios.

Source: OECD SPHeP-NCDs model, 2022.



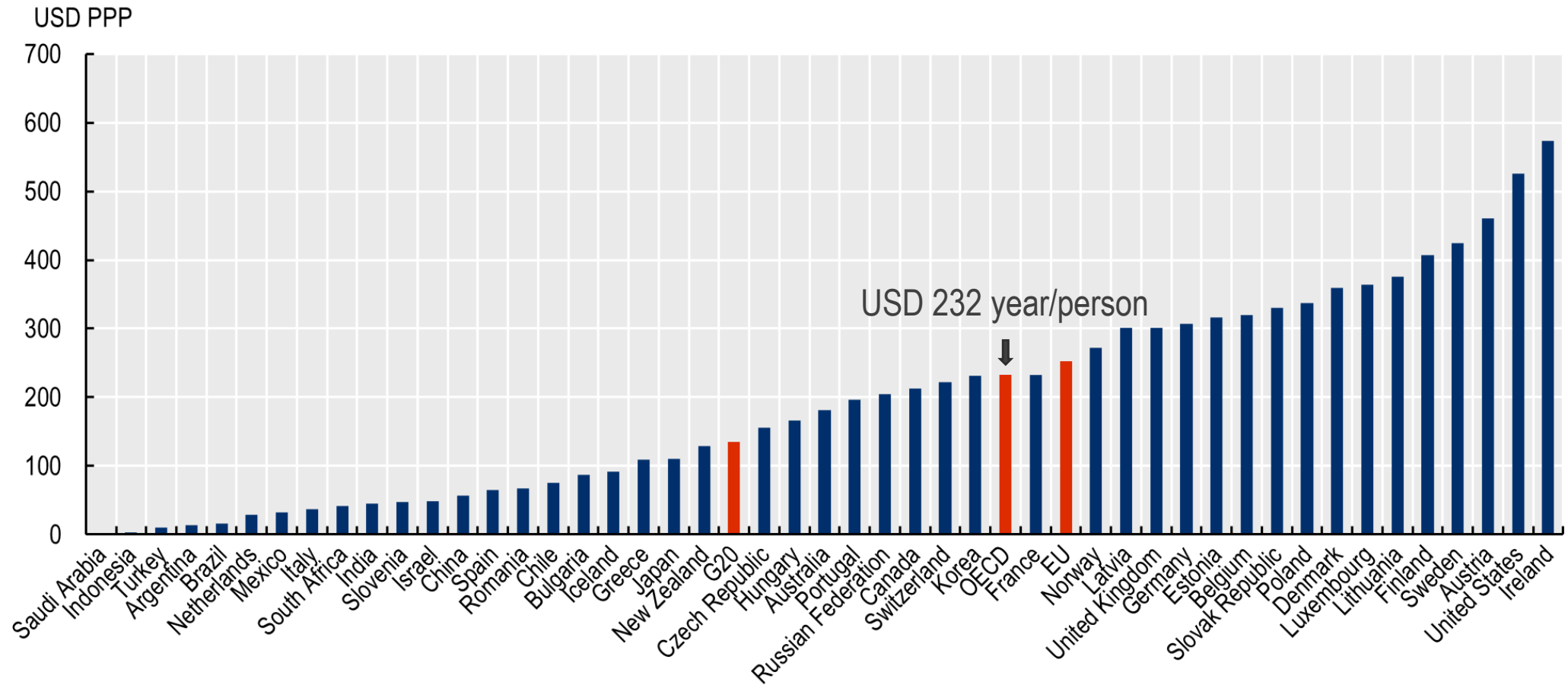
Example: Lessons from alcohol taxation

<https://oe.cd/alcohol2021>



Individuals face an equivalent tax of USD PPP 232 per year due to alcohol consumption.

Per capita annual tax needed to cover the increased fiscal pressure due to diseases caused by alcohol consumption (above 1 drink per day for women and 1.5 drinks per day for men), in USD PPP, average 2020-50

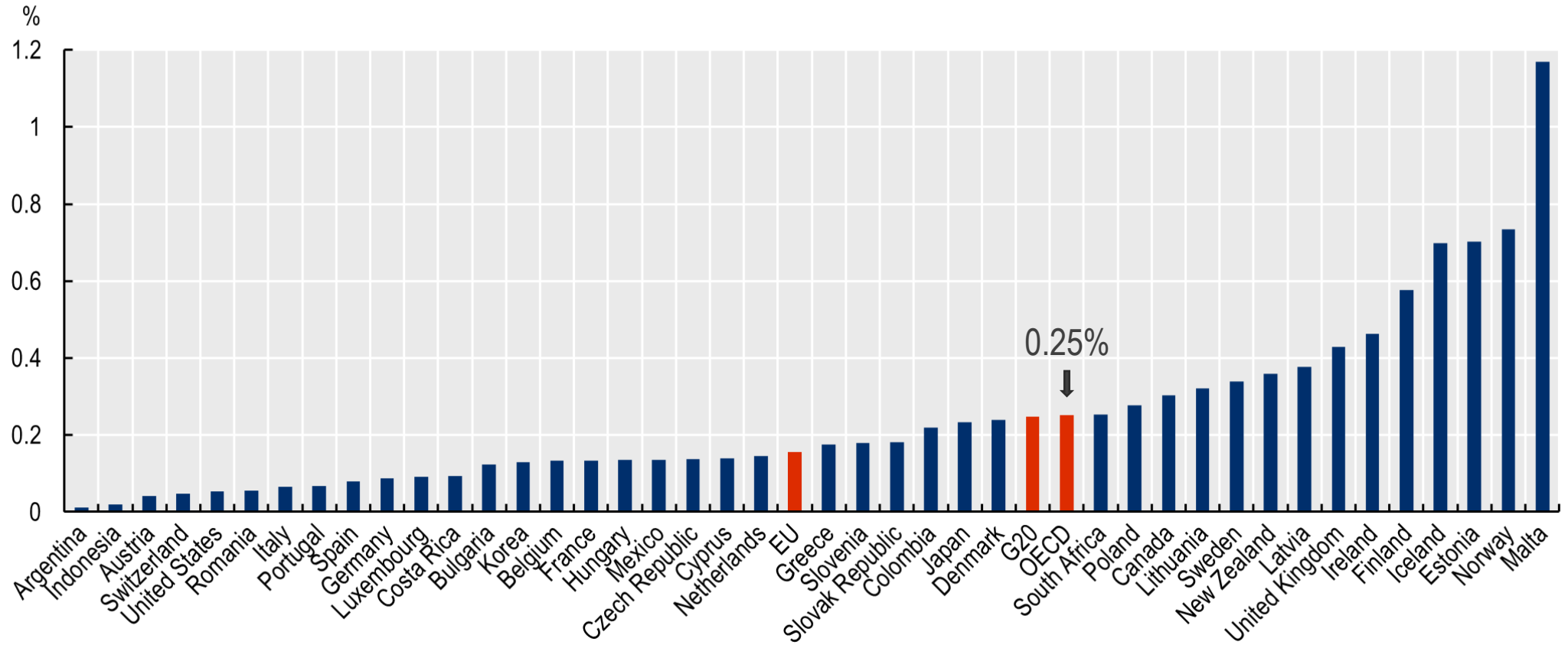


Source: OECD analyses based on the OECD SPHeP-NCDs model & OECD long-term economic model, 2020.



GDP is estimated to be reduced by 1.6% annually in OECD countries from the impact of alcohol-related diseases.

Revenue loss from alcohol excise duty as a percentage of GDP, 2016 or latest year available



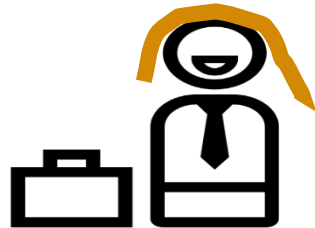
Source: WHO Global Information System on Alcohol and Health (GISAH) database, 2020.



Thank you!

Ready to join forces and empower Caribbean Health and Finance Ministries with robust tobacco taxation policies?

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TOBACCO TAXATION PROJECT IN THE LATIN AMERICAN AND CARIBBEAN REGION

Background

Countries in Latin America and the Caribbean (LAC) have made good progress in tackling the adverse health, social and economic impacts of tobacco use in their societies. For example, smoking rates and tobacco-related death rates have declined in the vast majority of countries in the region. Many factors, including the implementation of effective tobacco control policies, have contributed to this positive trend.

However, progress on the taxation of tobacco in the LAC region has been comparatively slow. While tobacco taxes have proven to be an important tool in reducing tobacco consumption, there remains significant scope in many LAC countries to enhance the design and administration of tobacco taxes, especially by taking into account the specific circumstances within each country.

The COVID-19 pandemic has brought into sharp focus the need to protect citizens' health and to mobilise domestic revenues to present an opportunity to elevate the importance of tobacco taxation on the policy agenda of Finance Ministries, to enhance the dialogue between Finance and Health Ministries, and to strengthen the design and administration of tobacco taxation. In this context, carefully designed tobacco tax reforms could allow governments to deliver on both their health and tax revenue objectives simultaneously.

With the financial support of Bloomberg Philanthropies, the OECD has launched a new project on tobacco taxation in the LAC region which aims to improve the effectiveness of tobacco taxation and stimulate dialogue between Finance and Health Ministries. This project will be carried out by the OECD's Centre for Tax Policy and Administration in tandem with the Health Division of the OECD's Directorate for Employment, Labour and Social Affairs. This interdisciplinary project team will bring together complementary expertise and modelling capacities that will provide access to a wider range of networks across the finance and health policy communities.

Objectives

This project aims to improve the effectiveness of taxation as a tobacco control measure in the LAC region by providing technical support to Finance Ministries to strengthen the design and administration of their tobacco taxes, as well as fostering dialogue on tobacco taxation policy between Finance and Health Ministries.

Contacts

Centre for Tax Policy and Administration: **Bert Brys**, Head of the Country Tax Policy Unit, bert.brys@oecd.org
 Directorate for Employment, Labour and Social Affairs: **Michele Cecchini**, Head of the Public Health Unit, michele.cecchini@oecd.org

Activities

The project is organised around three activities:

- 1. Stocktaking exercise on tobacco taxation:** The OECD will review the design and functioning of tobacco taxes, based on available information and analysis carried out by domestic and international organisations. This stocktake will also draw upon international country experiences and best practices, while identifying opportunities for tobacco tax reform both within individual LAC countries and the LAC region more broadly.
- 2. Regional workshop:** The OECD will organise a workshop with representatives from Finance and Health Ministries from LAC countries to discuss tobacco taxation, with the aim of sharing perspectives from the country, regional and international levels. The workshop will encourage country representatives to exchange experiences, share knowledge and develop an improved understanding of the state of tobacco taxation across the LAC region and the globe. The stocktaking exercise will inform the discussions at the workshop.
- 3. Advanced tobacco taxation technical support in LAC countries:** The OECD will provide technical support to strengthen tobacco taxation design and administration in LAC countries. In each country, technical support will help Finance Ministry officials to: identify the scope for reform in the design and administration of tobacco taxes in their country (including the excise tax structure, rates, base, etc.); analyse the interactions with other areas of the health outcomes and tobacco tax reforms on the long-term; assess the impact of tobacco tax reforms on the long-term; select priority tobacco tax reform measures and define feasible tobacco tax reform plans.

Timeline

March 2020: Start of project
 2021
 2022
 2023
 2024: Technical review underway
 End of 2023: Regional workshop, back-to-back with the LAC FTA Forum