Press Release

Health Right Activists caution government of international tobacco industry's false alarm of raise in illicit cigarette trade

Islamabad-May, 10, 2017. Health right activists have alarmed the government of the tobacco industry's tactics to scuttle official plans to make cigarettes inaccessible to children pocket money by raising tobacco tax in the upcoming budget.

Media reports suggest that the international tobacco industry has created a smoke screen with the deceptive statistics that the counterfeit tobacco industry has captured the market of the international tobacco companies, therefore FBR (Federal Board of Revenue) instead of raising tax should introduce third tier with lower tax incidence that international industry can compete with counterfeit cigarettes, says TheNetwork for Consumer Protection, a not for profit organization spearheading tobacco control campaign in Pakistan.

But facts state different scenario that international companies are on profit trail minting money at the cost of public health. International companies pocketed a whooping 30 billion profit last year, says Nadeem Iqbal, CEO of TheNetwork.

Nadeem lamented the fact that the entire statistics about cigarette production and sale are controlled by tobacco industry and it manipulates it while presenting to the government to get policies of its own liking to further its business.

According to media reports, tobacco industry has sold the statistics to FBR that in Jan to April this year, its sales dwindles causing decrease in official revenue collection. However, the fact of the matter is that cigarette production jumps up closer to budget when hoarding is done anticipating tax increase.

Already there exist two tiers of tobacco taxation wherein 90% consumed cigarette packs fall in lower tier with lower tax incidence and less consumed with higher taxes fall in upper tier. WHO estimates, that cigarette prices in Pakistan are among the lowest in the world.

Historical data shows that reducing cigarette tiers and increasing Federal Excise Duty (FED) on cigarettes boost revenue as in 2012-13, when the tiers were reduced to present two, the contribution of cigarettes tax revenue to the FED jumped up from 43.9% in 2011-12 to 50% next year.

According to report "Curbing tobacco use in Pakistan", in 1990's when cigarette price was at a decline in Pakistan, a significant 40% per capita increase of cigarette consumption was seen. On the other hand, during 2000-2004 consumption was reduced by 11% per capita due to increase in cigarette price.

FED is a sin tax that is levied on the products whose consumption the government aims at reducing.

To the argument that tax increase results in increase in the production of counterfeit or duty non paid cigarette, Nadeem says, that FBR should not mix two separate issues i.e., of enforcement and tax increase to reduce consumption. “Already FBR has a success story of completely wiping out of duty non paid Pine cigarette out of the market. It can also do it now in case of other counterfeit brands.”

Worldwide perspicacity of raising taxes on cigarette packs is heating up. Governments have made extraordinary progress in improving tobacco taxation measures as outlined by the Article 6 Guidelines of the World Health Organization (WHO), Framework Convention on Tobacco Control.

WHO recommends that tobacco taxation more than 75% of retail sales price is to ensure that tobacco tax and price paid per pack increases faster than prices paid for other goods so that tobacco remains relatively more expensive as compared to other items.

Measures made by some developed nations like USA & UK strongly suggested that increase in tax on tobacco reduces consumption. WHO report says, in high-income countries, a 10% increase in tobacco prices will reduce youth smoking by about 7% and overall consumption by about 4%. The effect of higher prices on reducing consumption is likely to be greater in low- and middle-income countries as observed in South Africa where increased taxes plummeted smoking rates among the poor and the young. Yet the tax revenues increased. IMF (International Monetary Fund) predicted an overall 4-6% reduction in consumption of cigarettes by raising 10 % taxation in Pakistan.

In Philippines increasing specific tax increased revenues for the government from 31.2 billion PHP (PKR 67 billion) to 66.4 billion PHP (143 billion PKR) during one year 2012 -2013. Increasing the retail price of tobacco products through higher taxes is the single most effective way to decrease consumption and encourage tobacco users to quit. When tobacco prices increase: Fewer people use tobacco, those who continue to use, consume less and people who have quit are less likely to start again.

Statistics from (GYTS 2013) for children aged 13-15 shows that every 2 in 5 ever smokers initiated cigarette smoking before the age of 10. Understanding that Pakistan has a population bulge of youth, the statistics show that approx 11% of the youth between the ages of 13-15 were active tobacco users. Approximately 88% of the 13-15 year olds easily obtained cigarettes from any shop, whereas 35% had no problem in buying cigarettes as single sticks. Approximately 1200 children take up smoking every day in Pakistan.

Quoting tobacco industry date, the State Bank Statistical Bulletin Report of Pakistan revealed that more than 62 billion cigarette sticks were consumed during the fiscal year 2015, whereas the Government’s spending on health was only 0.9% of the GDP. WHO estimates that per capita health expenditure is on increase from 80 dollars in 1995 to 129 dollars in 2014. No wonder if government does not come up with tax increase led comprehensive tobacco control measure, the disease burden on public expenditure and out of pocket expense of individual tax payer will be unaffordable.

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