ITC China W1-5 Project Report (2006-2015)

Price & Taxation



WHY is it important?

Higher taxes leads to:

- lower consumption
- decrease in tobaccorelated diseases
- ✓ higher revenue

WHAT level is recommended?

At least 75% of retail prices of cigarettes should be excise tax

FCTC Article 6

Calls on Parties to implement effective price and tax measures

Increasing taxes by 10%



leads to...

2-8% decrease in consumption

HOW does it work?

Increasing price & tax on tobacco products is the most effective way to reduce tobacco use by:

- motivating smokers to quit
- preventing uptake of smoking by youth

Price & Tax Policies in China

Tax increases in China

2009 tax increase at producer level but NO change to retail prices



minimal impact on smoking rates

2015 tax increase at producer level AND small increase in retail prices

Change in relative income price

100

decrease overall for all brands from 2006-2015



greater affordability

especially for lower-priced brands

Current tax rate

2015: tax rate on most popular brand of cigarettes in China estimated to be 50% of the retail price

WHO: 75%

CHINA: 50%

well below the recommendation of 75%

China's tax increases thus far have not been large enough to offset inflation and income growth

ITC China Wave 1-5 Findings

Cigarettes have become increasingly affordable in China



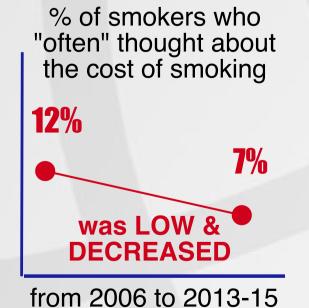
91%

of smokers said price was a reason for choosing their current brand



most common reason reported for brand choice

Few Chinese smokers think about the cost of smoking



Overall: < 2 in 10

male smokers/quitters in China "often" think about the financial cost of smoking

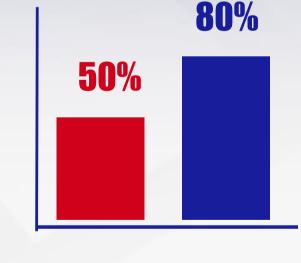
2nd lowest among 19 countries

Cigarette prices do not motivate Chinese smokers to quit

2011→2015: only 8% of smokers in the ITC China sample had quit



in rural areas (50%) and cities (80%) said financial reasons did **not** lead them to think about quitting "at all"





59%

Over half of smokers have no plans to quit



Rural

highest among 20 countries

Cities

Low cigarette prices and availability of cheaper brands are preventing Chinese smokers from quitting

Recommendations for China

- 1) Restructure the tax system with greater emphasis on specific taxes
- 2) Implement a uniform tax structure
- Translate tax increases to price increases at retail level
- Impose regular tax increases to make cigarettes less affordable over time
- Set a minimum price for cigarettes to discourage brand switching