

Association between tax structure and cigarette consumption: findings from the International Tobacco Control Policy Evaluation (ITC) Project

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Abstract

Background: Recent studies show that greater price variability and more opportunities for tax avoidance are associated with tax structures that depart from a specific uniform one. These findings indicate that tax structures other than a specific uniform one may lead to more cigarette consumption.

Objective: This paper aims to examine how cigarette tax structure is associated with cigarette consumption.

Methods: We used survey data taken from the International Tobacco Control Policy Evaluation Project in 17 countries to conduct the analysis. Self-reported cigarette consumption was aggregated to average measures for each surveyed country and wave. The effect of tax structures on cigarette consumption was estimated using generalised estimating equations after adjusting for sociodemographic characteristics, average taxes and year fixed effects.

Findings: Our study provides important empirical evidence of a relationship between tax structure and cigarette consumption. We find that a change from a specific to an ad valorem structure is associated with a 6%–11% higher cigarette consumption. In addition, a change from uniform to tiered structure is associated with a 34%–65% higher cigarette consumption. The results are consistent with existing evidence and suggest that a uniform and specific tax structure is the most effective tax structure for reducing tobacco consumption.

Recommended Citation

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