

Cigarette Tax Scorecard: Spotlight on Pakistan

Key Messages

- In 2018, in the Tobacconomics Cigarette Tax Scorecard, Pakistan scored only 0.88 points out of 5. This is significantly lower than the average score of countries in its region and income group, as well as the global average score.
- Of the four components used to calculate the overall score, Pakistan performed moderately better in tax share, with a score of 2.50 points. The total tax share of price was 56%, while the excise tax share of price was 42%. This is only half of the possible points and a decrease from the 3 points it received in 2016.
- Pakistan received zero points in two components: cigarette price and change in affordability. A pack of the most-sold cigarettes is only Rs 53.64 (\$Intl 1.60) and there has not been a reduction in affordability. Pakistan scored only 1 point for its tiered specific excise tax structure.
- The overall score in Pakistan more than doubled between 2014 and 2016, before dropping back down in 2018. This was largely due to a respective rise and fall in the change in affordability component of the score during that time period.

Introduction

The Tobacconomics Cigarette Tax Scorecard evaluates countries' cigarette tax systems based on a five-point rating system that incorporates international guidance and best practices in tobacco taxation. The five-point index uses data to score countries on the following four components: cigarette price, changes in the affordability of cigarettes over time, the share of

taxes in retail cigarette prices, and the structure of cigarette taxes. The total score reflects an average of the four component scores.

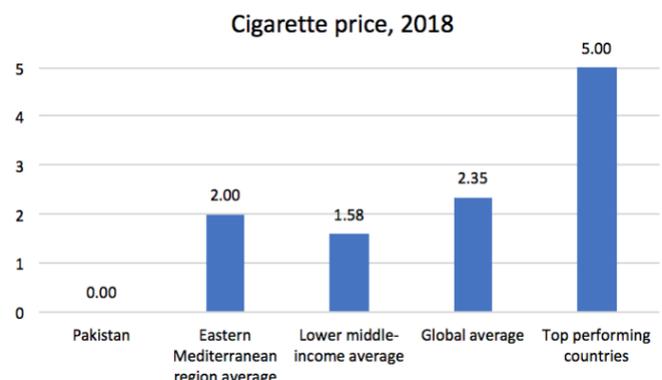
By implementing more effective cigarette tax policies, Pakistan would improve the health of its population, while raising additional tax revenue for the government.

Regional Findings

Cigarette Price

Price is a key determinant of cigarette use. Although less than proportionately, as price increases, demand for cigarettes decreases.

In 2018, Pakistan received zero points out of 5- a 20-pack of the most-sold brand was only Rs 53.64 (\$Intl 1.60). Cigarette prices were much lower than in similar countries and around the world, contributing to an increased demand.



Change in Cigarette Affordability

To reduce demand, taxes must be increased enough to reduce the affordability of cigarettes. Furthermore, they should be regularly updated for inflation and income growth.

Pakistan did not receive any points in this component in 2018 as there was no significant reduction in the affordability of cigarette in the six-year period (2012-2018).

Tax Share

The tax share of cigarette price must be high enough so that governments are able to increase their tax revenue after raising cigarette prices.

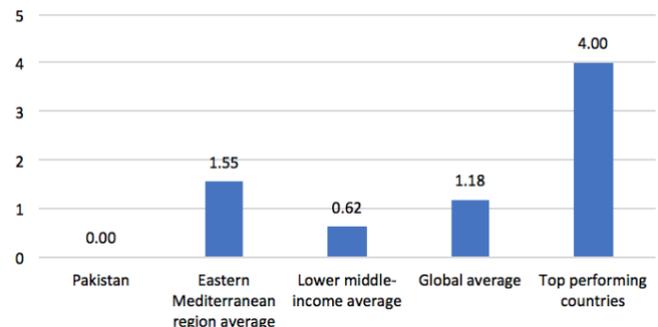
Pakistan scored 2.50 points out of 5 in 2018. The total tax share of price was 56% and the excise tax share was 42%. This is higher than other countries in its region and income group, but still lower than the recommended levels of 75% and 70%, respectively.

Tax Structure

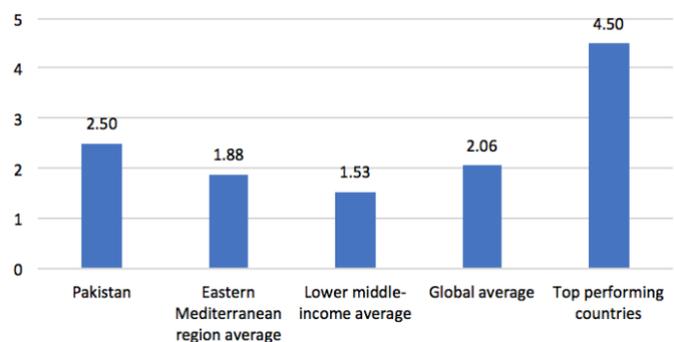
The structure of an excise tax determines its ability to meet public health and revenue goals. A simple, uniform specific tax structure is the most effective way to decrease tobacco use, while maximizing tax revenue.

Pakistan's score in this component was only 1 point in 2018. The country has a tiered specific excise tax, which is much less effective than a uniform excise tax.

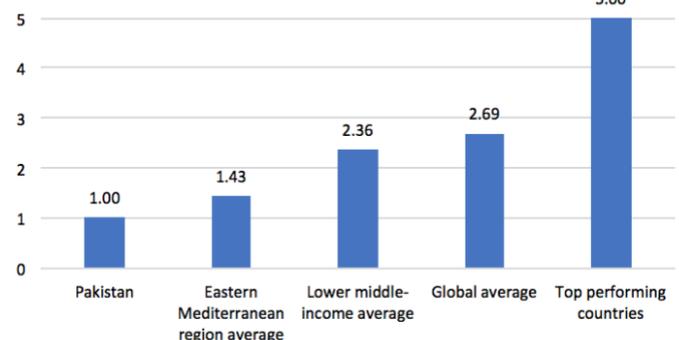
Affordability change, 2018



Tax share, 2018

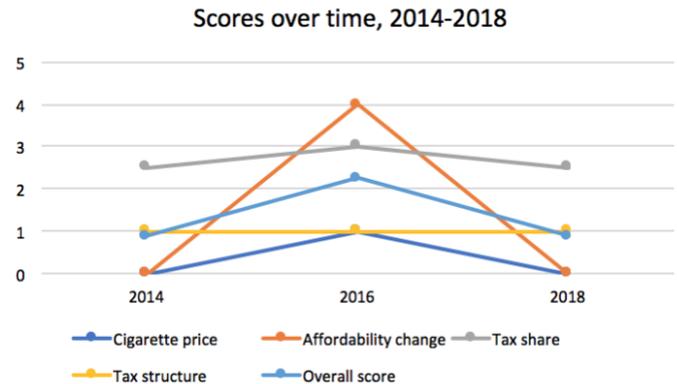


Tax structure, 2018



Scores Over Time

Comparing its scores in 2014, 2016, and 2018, Pakistan's cigarettes tax policies were most effective in 2016. Between 2010 and 2016, the average annual reduction in affordability was 5.6%, compared to no change between 2012 and 2018. The price of a pack of 20 cigarettes was also highest in 2016 (Rs 76.47, \$Intl 2.28), before dropping back down in 2018 (Rs 53.64, \$Intl 1.60). The tax share of price increased slightly in 2016. The total tax share was 65% and the excise tax share was 50%, compared to 56% and 42%, respectively. These improvements highlight the potential for effective cigarette tax policies in Pakistan's future.



Policy Implications and Recommendations

In summary, the following cigarette tax policy improvements are recommended as concrete next steps to reduce smoking prevalence in Pakistan and improve the health of its citizens, while increasing the tax revenue collected by the government:

- Pakistan should use significant tax increases to substantially **raise the price of cigarettes**.
- In order to reduce the affordability of cigarettes, Pakistan should **significantly increase excise taxes on cigarettes** and continue to update them automatically to keep pace with inflation and income growth.
- The total tax share of the retail price of cigarettes should be increased from 56% to at least 75%. The **excise tax share should be increased from 42% to at least 70% of the retail price**.
- Pakistan should replace the tiered specific excise tax structure with a more optimal **uniform specific excise tax structure**.