

Cigarette Tax Scorecard: Spotlight on Romania

Key Messages

- In 2020, in the second edition of the Tobacconomics Cigarette Tax Scorecard, Romania scored 3.13 out of 5 points. This is higher than the average score of European Union (EU) countries and its income group.
- Among the four components used to calculate the overall score, Romania received the most points in cigarette price, with a score of 5 points. In 2020, a 20-pack of the most-sold brand cost RON 20.50 (\$Intl 10.564), greater than the recommended minimum of RON 17.66 (\$Intl 10.31).
- In contrast, Romania scored 0 points out of 5 in the affordability change component, less than the average score of EU countries. Between 2014 and 2020 cigarettes became more affordable in Romania because excise tax rates were not sufficiently increased.
- Romania's overall score decreased from 2014 to 2020, indicating room for further improvement to protect public health and increase revenue.

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.

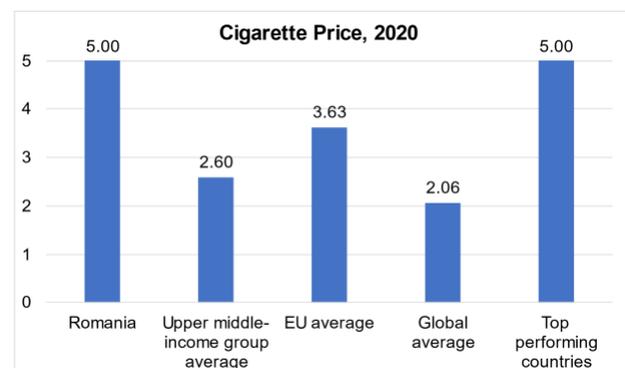
By implementing more effective cigarette tax policies, Romania would improve the health of its population, while raising additional tax revenue for the government.

Country Findings

Cigarette Price

Price is a key determinant of cigarette use— as the price increases, demand decreases.

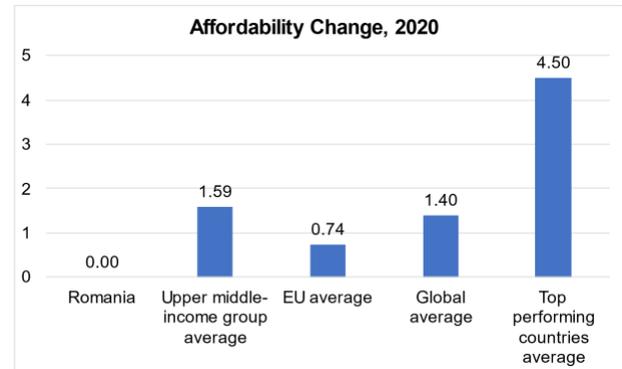
In 2020, Romania scored all 5 possible points in this component. A 20-pack of the most-sold brand is RON 20.50 (\$Intl 10.56), more than the recommended minimum of RON 17.66 (\$Intl 10.31).



Change in Cigarette Affordability

To reduce demand, cigarettes must become less affordable. As cigarettes become less affordable, consumers buy fewer and many will stop buying them altogether. As part of this effort, at a minimum, cigarette prices should be updated regularly for inflation and income growth.

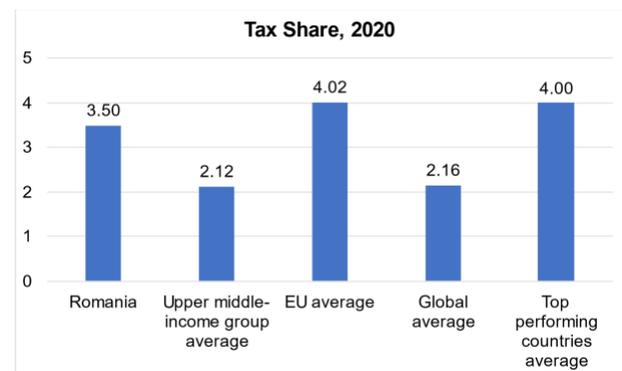
Romania scored 0 out of 5 points in this component in 2020, marking a significant opportunity for improvement. On average between 2014 and 2020, cigarette affordability increased by 2.7 percent annually.



Tax Share

A high tax share of price is generally a good indicator of cigarette tax effectiveness and is essential to raise government tax revenues from cigarettes.

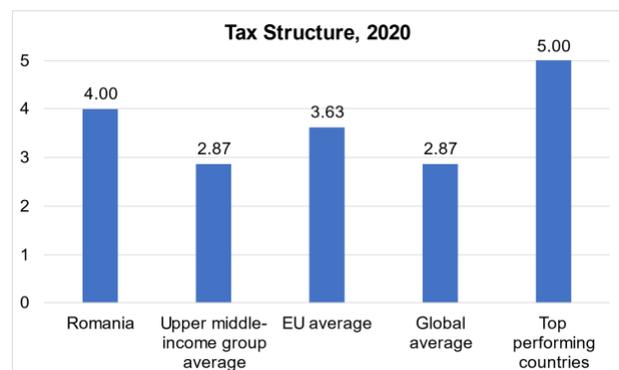
In 2020, Romania scored 3.50 points out of 5 in this component. The total tax share of price is 69.63 percent, and the excise tax share is 53.66 percent. There is room for improvement to attain the recommended minimum benchmarks of 75 and 70 percent, respectively.



Tax Structure

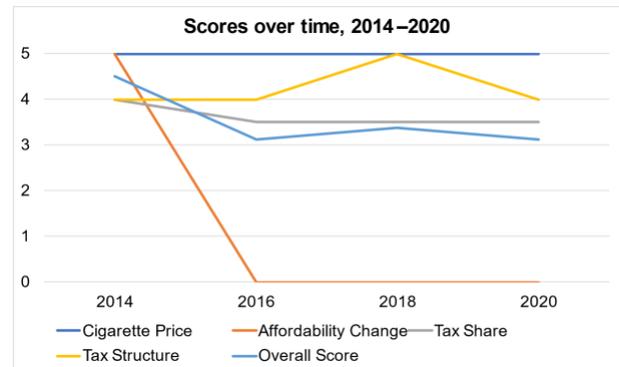
Tax structures vary in their effectiveness when it comes to reducing tobacco use and collecting tax revenues. Uniform specific excise tax systems that at least adjust annually for inflation are generally the most effective and easiest to administer.

Romania scored 4 points out of 5 for its uniform mixed excise structure. For maximum efficacy, the country should adjust its tax annually to outpace inflation and economic growth.



Scores Over Time

Between 2014 and 2020, Romania has maintained high cigarette prices and a relatively effective cigarette tax structure. However, the country's failure to reduce the affordability of cigarettes and a lower-than-ideal tax share of price have led to a decrease in overall score since 2014.



Policy Implications and Recommendations

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

- Romania should adjust its cigarette tax annually to outpace inflation and economic growth.
- At the same time, the government should aim for total taxes on cigarettes to account for at least 75 percent of price, with the excise component accounting for at least 70% of retail price.
- These changes are essential to reducing the affordability of cigarettes in Romania.