

The Financial Secretary - Budget proposals

Panel on Health Services

Dear Sir

China (Hong Kong) ratified the FCTC treaty on 11th October 2005.

There has been no tobacco tax increase in Hong Kong for more than seven years contrary to the binding treaty agreements below.

<Article 6 - 2(a) and 2 (b) >

Please urgently consider this matter.

kind regards

James Middleton

Clear the Air

Will the FCTC be legally binding and enforceable?

Framework conventions and protocols are legally binding only on countries which ratify them. The onus will be on national governments to implement the FCTC and protocols. How effective the FCTC will be in reversing the tobacco epidemic will be determined by the how fully governments implement the obligations contained in the FCTC.

MEASURES RELATING TO THE REDUCTION OF DEMAND FOR TOBACCO

Article 6

Price and tax measures to reduce the demand for tobacco

1. The Parties recognize that price and tax measures are an effective and important means of reducing tobacco consumption by various segments of the population, in particular young persons.

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2. Without prejudice to the sovereign right of the Parties to determine and establish their taxation policies, each Party should take account of its national health objectives concerning tobacco control and adopt or maintain, as appropriate, measures which may include:

(a) implementing tax policies and, where appropriate, price policies, on tobacco products so as to contribute to the health objectives aimed at reducing tobacco consumption; and

(b) prohibiting or restricting, as appropriate, sales to and/or importations by international travellers of tax- and duty-free tobacco products.

3. The Parties shall provide rates of taxation for tobacco products and trends in tobacco consumption in their periodic reports to the Conference of the Parties, in accordance with Article 21.

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Examiner.com Online

Jan 10, 2008 11:32 AM (1 day ago) AP

MADISON, Wis. ([Map](#), [News](#)) - **The increase in [Wisconsin](#)'s cigarette tax seems to have inspired many to quit.**

The week after the tax went up, the state's tobacco quit line received as many calls as it got all of last year.

Nine-thousand people called the toll-free line in the first week of January. Usually only about 200 people a week call the Wisconsin Tobacco Quit Line.

The cigarette tax **increased** by US\$1 per pack on Jan. 1.

http://www.examiner.com/a-1149458~Calls_to_stop_smoking_line_explode_following_tax_increase.html

On New Year's Day, the tax for a pack of cigarettes in Wisconsin increased by \$1. Wisconsin residents are now paying \$1.77 in taxes for a single pack of cigarettes. The tax on a single pack of cigarettes in Michigan is \$2.

Maureen Busalacchi, executive director for **SmokeFree Wisconsin**, said the organization estimates 33,000 adults will quit for good because of this tax increase.

Thousands of people are calling 1-800-QUIT-NOW looking to quit, she said. *The demand for quitting is high, and two-week starter kits of medication are being offered to help smokers kick the habit.*

“With the support people are getting from the quit line, hopefully, that number will be higher but that is our projection,” Busalacchi said. Wisconsin has a population of 5.5 million, and there are 900,000 smokers in the dairy state. *(HK has 7 million population and 840,000 smokers hence the comparison)*

A smoker usually does not quit the first time he or she tries. “The more you quit, the better you get at it. If you’re not successful, try again because your success rate increases,” Busalacchi said. Among carcinogens and other harmful chemicals, cigarettes contain nicotine, a highly-addictive substance. “Your brain is calling for this,” Busalacchi said. “We should support (people) and help them so they can be successful in quitting.” Busalacchi said Smoke Free Wisconsin was one of the biggest proponents of this tax increase.

“We support it because it is the best way to reduce use from starting a lifetime of 66,000 kids won’t get started smoking because of this tax,” Busalacchi said. “We hope that it exceeds our expectations in the number of people that quit smoking. With health care costs and how much Wisconsin spends a year, that can be nothing but a good thing.”

Wisconsin currently spends \$10 million a year for tobacco prevention, according to Smoke Free Wisconsin. **The U.S. Centers for Disease Control and Prevention (CDC) recommends the state spend between US\$31.2 million and \$82.4 million a year to have an effective, comprehensive tobacco prevention program.**

Money generated from the increased tax on cigarettes will go into the state’s general fund.

“It originally was suppose to go into Medicaid, which is really the best place for taxpayers ... **we spend over a half a billion dollars in Medicaid treating tobacco related diseases.** That is just Medicaid,” Busalacchi said. Wisconsin is the 12th highest taxed state for cigarettes in the nation. Six states have cigarette tax rates of \$2 or more with 22 states that have cigarette tax rates of \$1 or more. New Jersey is the highest at \$2.28 in taxes for a pack of cigarettes.

http://newash.org.uk/files/documents/ASH_669/ASH_669.html

In UK the tobacco tax is HK\$ 1,661 per 1000 sticks +22% ad valorem rate + 17.5% VAT.

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Hong Kong's Dutiable Commodities Tax on tobacco has not been increased for 7 years contrary to FCTC requirements.

The Tobacco Tax

The benefits of a proposed increase go way beyond funding children's health insurance.

Wednesday, October 17, 2007; Page A16

<http://www.washingtonpost.com/wp-dyn/content/article/2007/10/16/AR2007101601817.html>

TOBACCO USE is the No. 1 cause of preventable death in the United States, killing more than 400,000 Americans each year. Half of all long-term smokers will die early from a disease caused by tobacco. One answer to this scourge is imposing higher taxes: According to one recent report, increasing tobacco taxes has "proven highly effective in reducing tobacco use."

For every 10 percent increase in tobacco prices, the number of adult smokers drops by 1.5 percent and overall consumption drops 2 percent. Young smokers are much more responsive to price increases than adults, so higher tobacco taxes are particularly effective in preventing youths from moving beyond experimentation to habitual smoking. Pregnant women are similarly affected; **a 10 percent price increase produces a 5 to 7 percent reduction in smoking.**

This may not be a surprising analysis, but it does come from a somewhat surprising source: the President's Cancer Panel, which endorsed, in its most recent report, an increase in the federal excise tax on tobacco. [President Bush](#) has done the opposite; he vetoed an expansion of the State Children's Health Insurance Program (SCHIP) that would be funded by a 61-cents-a-pack increase in the tobacco tax, to \$1 per pack. **The tax hasn't been increased in nearly a decade.**

Mr. Bush argues that the legislation would "raise taxes on working people," and to a certain extent that is accurate. Smoking is more prevalent among those with lower incomes. However, as the President's Cancer Panel noted, while the new tax would fall more heavily on lower-income smokers, "tax increases also result in greater reductions in smoking among this population, with the dual effect of shifting the tax burden to higher-income smokers." This is not some rogue group; its three members, appointed by Mr. Bush, are LaSalle Leffall, professor of surgery at [Howard University](#) and chairman of the board of the [Susan G. Komen Breast Cancer Foundation](#); Margaret L. Kripke, executive vice president of the [University of Texas M.D. Anderson Cancer Center](#); and cyclist and cancer survivor [Lance Armstrong](#).

The Campaign for Tobacco-Free Kids estimates that the 61-cents-a pack increase would result in a 9.2 percent decline in youth smoking. Some 1.9 million children alive today would not become smokers, and 1.2 million adult smokers would quit. The administration argues that because tobacco taxes are effective in reducing smoking, the increase would not produce enough to fund SCHIP after the first five years. That's true -- but it's an argument for the tax, not against it.

<http://www.washingtonpost.com/wp-dyn/content/article/2007/10/16/AR2007101601817.html>

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Effects of cigarette tax on cigarette consumption and the Chinese economy.

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OBJECTIVES: To analyse a policy dilemma in China on public health versus the tobacco economy through additional cigarette tax. METHODS: Using published statistics from 1980 through 1997 to estimate the impact of tobacco production and consumption on government revenue and the entire economy. These estimates relied on the results of estimated price elasticities of the demand for cigarettes in China. RESULTS: **Given the estimated price elasticities (-0.54), by introducing an additional 10% increase in cigarette tax per pack (from the current 40% to 50% tax rate), the central government tax revenue would twice exceed total losses in industry revenue, tobacco farmers' income, and local tax revenue. In addition, between 1.44 and 2.16 million lives would be saved by this tax increase.** CONCLUSIONS: Additional taxation on cigarettes in China would be a desirable public policy for the Chinese government to consider.

PMID: 12035000 [PubMed - indexed for MEDLINE]

Economic gains and health benefits from a new cigarette tax scheme in Taiwan: a simulation using the CGE model. [Ye CY](#), [Lee JM](#), [Chen SH](#).

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BACKGROUND: This study evaluates the impact of **an increase in cigarette tax** in Taiwan in terms of the effects it has on the overall economy and the health benefits that it brings. **METHODS:** The multisector computable general equilibrium (CGE) model was used to simulate the impact of reduced cigarette consumption resulting from a new tax scheme on the entire economy gains and on health benefits. **RESULTS:** **The results predict that because of the new tax scheme, there should be a marked reduction in cigarette consumption but a notable increase in health benefits that include saving between 28,125 and 56,250 lives. This could save NTD 1.222 approximately 2.445 billion (where USD 1 = NTD 34.6) annually in life-threatening, cigarette-related health insurance expenses** which exceeds the projected decrease of NTD 1.275 billion in Gross Domestic Product (GDP) because of reduced consumption and therefore tax revenue. **CONCLUSION:** **Overall, the increased cigarette excise tax will be beneficial in terms of both the health of the general public and the economy as a whole.**

PMID: 16529653 [PubMed - indexed for MEDLINE]

1: [Health Policy](#). 2007 Mar;80(3):378-91. Epub 2006 May 12./entrez/utills/fref.fcgi?PrId=3048&itool=AbstractPlus-

Limiting youth access to tobacco: comparing the long-term health impacts of increasing cigarette excise taxes and **raising the legal smoking age to 21 in the United States.**

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Although many states in the US have raised cigarette excise taxes in recent years, the size of these increases have been fairly modest (resulting in a 15% increase in the per pack purchase price), and their impact on adult smoking prevalence is likely insufficient to meet Healthy People 2010 objectives. This paper presents the results of a 75-year dynamic simulation model comparing the long-term health benefits to society of various levels of tax increase to a viable alternative: **limiting youth access to cigarettes by raising the legal purchase age to 21**. If youth smoking initiation is delayed as assumed in the model, increasing the smoking age would have a minimal immediate effect on adult smoking prevalence and population health, but would affect a large drop

in youth smoking prevalence from 22% to under 9% for the 15-17-year-old age group in 7 years (by 2010)-better than the result of raising taxes to increase the purchase price of cigarettes by 100%. Reducing youth initiation by enforcing a higher smoking age would reduce adult smoking prevalence in the long-term (75 years in the future) to 13.6% (comparable to a 40% tax-induced price increase), and would produce a cumulative gain of 109 million QALYs (comparable to a 20% price increase). If the political climate continues to favor only moderate cigarette excise tax increases, raising the smoking age should be considered to reduce the health burden of smoking on society. **The health benefits of large tax increases, however, would be greater and would accrue faster than raising the minimum legal purchase age for cigarettes.**

PMID: 16698112 [PubMed - indexed for MEDLINE]

Increasing excise taxes on cigarettes in California: a dynamic simulation of health and economic impacts.

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BACKGROUND: California raised cigarette **excise taxes** in 1999, and may generate additional health and economic benefits by raising them further. **METHODS:** A dynamic computer simulation model follows births, deaths, migration, aging, and changes in smoking status for the entire population of California over 75 years to estimate the cumulative health and economic outcomes of these changes under several excise tax rate conditions (up to 100% price increase). **RESULTS:** A 20% tax-induced cigarette price increase would reduce smoking prevalence from 17% to 11.6% with large gains in cumulative life years (14 million) and QALY's (16 million) over 75 years. Total spending on cigarettes by consumers would increase by 270 million dollars in that span (all going to tax revenue), and those who reduce the number of years spent as a smoker would spend 12.5 billion dollars less on cigarettes. **Total smoking-related medical costs would drop by 188 billion dollars.** These benefits increase greatly with larger tax increases, with which tax revenues continue to rise even as smoking prevalence falls. **CONCLUSIONS:** Even considering benefits from the 1999 increase, California has not yet maximized the potential of excise taxes to lessen the negative impacts of smoking. **Additional tax increases would provide added health benefits and revenue to**

the state.

PMID: 15917022 [PubMed - indexed for MEDLINE]

The synergistic effect of cigarette taxes on the consumption of cigarettes, alcohol and betel nuts.

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BACKGROUND: Consumption of cigarettes and alcoholic beverages creates serious health consequences for individuals and overwhelming financial burdens for governments around the world. In Asia, a third stimulant--betel nuts--increases this burden exponentially. For example, individuals who simultaneously smoke, chew betel nuts and drink alcohol are approximately 123 times more likely to develop oral, pharyngeal and laryngeal cancer than are those who do not. To discourage consumption of cigarettes, the government of Taiwan has imposed three taxes over the last two decades. It now wishes to lower consumption of betel nuts. To assist in this effort, our study poses two questions: 1) Will the imposition of an NT\$10 Health Tax on cigarettes effectively reduce cigarette consumption? and 2) Will this cigarette tax also reduce consumption of alcoholic beverages and betel nuts? To answer these questions, we analyze the effect of the NT\$10 tax on overall cigarette consumption as well as the cross price elasticities of cigarettes, betel nuts, and alcoholic beverages. **METHODS:** To establish the Central Bureau of Statistics demand function, we used cigarette, betel nut, and alcoholic beverage price and sales volume data for the years 1972-2002. To estimate the overall demand price elasticity of cigarettes, betel nuts, and alcoholic beverages, we used a seemingly unrelated regression analysis. **RESULTS:** We find that the NT\$10 health tax on cigarettes will reduce cigarette consumption by a significant 27.22%. We also find that cigarettes, betel nuts, and alcoholic beverages have similar inherent price elasticities of -0.6571, -0.5871, and -0.6261 respectively. Because of this complementary relationship, the NT\$10 health tax on cigarettes will reduce betel nut consumption by 20.07% and alcohol consumption by 7.5%. **CONCLUSION:** The assessment of a health tax on cigarettes as a smoking control policy tool yields a **win-win** outcome for both government and consumers because it not only reduces cigarette consumption, but it also reduces betel nut and alcoholic beverage consumption due to a synergistic

relationship. **Revenues generated by the tax can be used to fund city and county smoking control programs as well as to meet the health insurance system's current financial shortfall.**

PMID: 17592627 [PubMed - indexed for MEDLINE]