[**Tax tobacco now**](https://www.dawn.com/news/1692900/tax-tobacco-now)

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THE time is ripe for a heavy tax to be slapped on consumer items that have proved to be harmful such as tobacco products and sugary drinks. Such a measure would be good for public health and will support the ailing economy. Smoking is on the rise, and a cash-strapped Pakistan desperately needs revenue. The IMF supports such taxes and tobacco excises in Pakistan are way below the recommended global level.

Tobacco is lethal. Of the eight million deaths that occur globally each year due to tobacco use, 170,000 are in Pakistan — to put it into perspective, the total deaths from Covid-19 in Pakistan were around 31,000. Tobacco causes 20 different kinds of cancers and is a major risk factor for cardiovascular diseases. Ninety per cent of lung cancer detected in males is attributed to tobacco use.

**Read more**: [Big tobacco’s environmental impact is devastating: WHO](https://www.dawn.com/news/1692527/big-tobaccos-environmental-impact-is-devastating-who)

Whereas tobacco use is on the decline globally, smoking rates are going up in Pakistan, most disturbingly among children and women. The prevalence of tobacco use in Pakistan is around 24pc, and 10.7pc of the youth aged between13 and 15 years are smoking. With a high population growth rate and 62.7pc of the population under 25, Pakistani youth are a great market for the tobacco industry where children serve as replacement customers.

In view of the uncontrolled tobacco pandemic, the first ever global public health treaty — the Framework Convention on Tobacco Control (FCTC) — was adopted by the World Health Assembly in 2003. Pakistan is a member. This comprehensive treaty covers almost all determinants of tobacco use: legislation and governance; measures for countering the tobacco industry’s interference; strengthening tobacco taxation; banning advertisements, transforming packaging; tobacco cessation and treatment for dependence.

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Article 6 of the FCTC specifically deals with ‘Price and tax measures to reduce the demand for tobacco’. Analyses show that a tax increase that escalates tobacco prices by 10pc decreases tobacco consumption by about 4pc to 5pc.

The World Health Organisation (WHO) has recommended at least a 70pc share of excise taxes on the retail price of tobacco products, whereas currently in Pakistan, the federal excise duty is around 45pc. The Federal Board of Revenue (FBR) divides cigarettes into expensive and inexpensive categories. The market share of expensive cigarettes is only 12.2pc, whereas the bulk ie 87.8pc, is made up of cigarettes that cost less than Rs119.2 per pack. The current FED on the retail price of expensive cigarettes is Rs104 and on inexpensive cigarettes it is only Rs33.

**Read**: [*‘Around 1,200 children take up smoking every day in Pakistan’*](https://www.dawn.com/news/1692612/around-1200-children-take-up-smoking-every-day-in-pakistan)

The Social Policy Dialogue Centre, WHO, The Union, Vital Strategies and Campaign for Tobacco-Free Kids have jointly produced a Tobacco Fact Sheet 2022 for Pakistan in which they have analysed and argued that since FED on cigarettes has not increased since July 2019, adjusting for inflation and income, cigarettes have become more affordable today. The SPDC et al have also made a budget proposal to increase FED from Rs33 to Rs42.9 on inexpensive cigarettes and from Rs104 to Rs135.2 on the high price tier. This would increase the weighted average of FED to 54.16pc, still around 16pc less than the recommended level of 70pc.

According to calculations based on data from the State Bank of Pakistan and the Pakistan Institute of Development Economics in 2021, Pakistanis are annually smoking cigarettes that are collectively worth Rs347 billion, whereas the total costs of smoking-related diseases and deaths in Pakistan is Rs615.07bn. And according to FBR, in fiscal year 2020-21, the revenue collected from cigarettes was a mere Rs135bn.

One of the reasons why Pakistan is falling into a debt trap is insufficient revenue generation. Our current funding programme with the IMF has stalled because of our slow progress on reforms. High tobacco taxation, however, is one area that the IMF also recommends. In 2016, the Fund came out explicitly with its position on tobacco taxation through a published paper titled How to Design and Enforce Tobacco Excises? At the outset, the paper mentioned that “…tobacco is one of the most prominent killers of our times”, that “Taxes can be a powerful instrument to decrease tobacco consumption” and that “…tobacco-related revenue can in some cases represent a high proportion of government revenue”. With the IMF supporting tobacco taxation, this is the right time to leapfrog to achieve the global benchmark of 70pc of FED. Pakistan also needs to remove the price-tier anomaly and should have uniform taxation. Instead of falling into the trap of the industry argument of illicit tobacco trade, we need to honestly put in place measures to effectively control the illicit trade. More on this topic later.

The tobacco revenues should also be earmarked to be spent only on the prevention and promotion of health. In this regard, attempts have been made since 2019 to impose a health tax. I led one effort on this front and got it included in the budget speech after the cabinet’s approval but it could not be realised due to bureaucratic rigmarole and collusion. Dr Faisal Sultan also tried to get through a Health Contribution Bill, 2021. The current government needs to pick it up and take it forward.

Not only is all this possible, it has also been done successfully elsewhere. The Philippines introduced the Sin Tax Reform Law in 2012 whereby it made bold reforms in tobacco taxation. In five years, it had increased the excise tax rate on cigarettes on low-priced brands to 1000pc. It also shifted from a multi-tiered price system; the total tax burden per pack of the most-sold brand more than tripled from 27pc (2012) to 93pc (2017); tobacco tax revenue grew from PhP32bn (2012) to PhP106bn (2017); there were three million less smokers in 2015 compared to 2012, with the biggest decline among the poorest households; and with incremental earmarking, the country’s health budget tripled from PhP50bn in 2013 to PhP165bn in 2019. Such is the power of tobacco taxation. This became possible only because of a committed leadership, which was ready to deal with the industry’s pressure and was supported in its efforts by an active civil society.

As we approach the next budget in turbulent economic times, it is high time to make bold decisions and offer win-win solutions for all. More on the issue of sugary drinks later.

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