Health taxes in the Americas and the Caribbean

- Overview -

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Regional Advisor, Tobacco Control and Economics of NonCommunicable Diseases.
1. Why health taxes?

2. Landscape and progress:
   - Tobacco taxes
   - Alcoholic beverages taxes
   - Sugar-sweetened beverages taxes

3. Way forward
Why Health Taxes?

• Each year, 41 million people die from preventable non-communicable diseases (NCDs) such as cardiovascular diseases, cancers, chronic respiratory diseases and diabetes.

• Most of these deaths occur in low- and middle-income countries and could have been avoided by:
  • ↓ tobacco use  
  • ↓ the harmful use of alcohol  
  • ↓ unhealthy diet.

• What to do? Best buys for NCDs: taxation

‘Best buys’: effective interventions with cost effectiveness analysis (CEA) ≤ $100 per DALY averted in LMICs,

Increase excise taxes and prices on tobacco products

Increase excise taxes on alcoholic beverages?
Health Taxes are taxes imposed on unhealthy products:

- Tobacco products
- Alcoholic beverages
- Sugar-sweetened beverages

- Excise taxes allow governments to target and raise the price of a selected group of products relative to other goods, decreasing affordability and subsequently, consumption.
- Well-designed excise taxes, represent a major public health policy option to address NCD risk factors.
- They are an important tool to simultaneously improve health and fiscal outcomes.
- They are a pro-poor and progressive policy once one accounts for health and productivity benefits of reduced consumption on households.
• They represent an instrument to achieve the Sustainable Development Goals
  ✓ Significantly reduce the NCD burden (Goal 3)
  ✓ Greatly benefit vulnerable populations which bear larger health burdens (Goals 1,5,10)
  ✓ Boost economic development through a healthier workforce (Goal 8)

• COVID-19 pandemic context:
  • Made exceedingly clear the close relationship between NCDs and communicable diseases – with individuals with certain NCDs having a much higher likelihood of having worse clinical outcomes than those without
  • Excise taxes offer a strategic opportunity to enhance public health, alleviate the financial strain on healthcare systems, and generate fiscal resources for countries in their recovery efforts. This approach not only strengthens health systems but also yields immediate health benefits and could significantly mitigate the impact of future health crises.
LANDSCAPE AND PROGRESS: Americas and Caribbean
Tobacco Taxes
Tobacco taxes: Global commitment by Health Authorities
- International UN treaty mandating use of tobacco taxes since 2005
  (Ratified by national congresses)

“The Parties recognize that price and tax related measures are an effective and important means for various segments of the population, in particular young people, to reduce their tobacco consumption”

FCTC Article 6
Evidence into FCTC Guidelines on tobacco taxation
(FCTC approved in 2003 / Guidelines approved in 2014)

• “These guidelines focus mainly on tobacco excise taxes since these are the primary tool for raising the price of tobacco products relative to the prices of other goods or services.”

• Use tobacco excise tax increases to achieve the public health goal of reducing the number of deaths and diseases caused by tobacco use.

• Increase tobacco taxes substantially to reduce the affordability of tobacco products. At least 75% total tax share, and 70% excise tax share.

• Automatically adjust tobacco excise taxes for inflation and income growth.

• Prohibit or restrict sales to or importation by international travelers of duty-free and tax-free tobacco products.
Status 2023

There is room to do more!

The use of taxation along remains among the least implemented interventions.

Best practice level

Intermediate Advances (High)

Intermediate Advances (Low)

Non existing or minimal advancement

Data not reported

Cut-off date: Measure R - 31 July 2022; Measures MPOWE - 31 December 2022

### Tobacco taxes – global monitoring by WHO since 2008

<table>
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<tr>
<th>COUNTRIES</th>
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Tobacco taxes – global monitoring by WHO since 2008

* Cut-off date: Measure R - 31 July 2022; Measures MPOWE - 31 December 2022
* COUNTRIES: Antigua & Barbuda, Argentina, Bahrain, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, México, Nicaragua, Panama, Paraguay, Peru, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, Suriname, Trinidad and Tobago, United States of America, Uruguay, Vietnam
* M Monitoring: Measures MPOWE
* P Smoke Free Environments: Measures MPOWE
* O Cessation Services: Measures MPOWE
* W Packaging and labeling: Measures MPOWE
* E Ban on TAPS: Measures MPOWE
* R Raise tobacco taxes: Measures MPOWE

* T: Tobacco tax increase; ↓: Tobacco tax decrease; *: First report on tobacco tax increase; †: First report on tobacco tax decrease; ℗: First report on tobacco tax increase; ‡: First report on tobacco tax decrease.
34/35 member-states have an excise tax on cigarettes.

Wide range of tax levels remains characteristic of the region in both time periods with most caribbean countries on the lower end.

Progress has been mixed: 14/34 countries decreased their total tax-share over the two decades.

8 countries improved their tax structure changing their ad-valorem tax to specific excise tax since 2008.

Bahamas, Colombia, Mexico, Nicaragua Peru made important advances in their tax rate since 2016.
As a subregion, the total tax share in the Caribbean countries has remained relatively stagnant from 2008 to 2022 (average tax share of 34%). Bahamas is the exception showing a positive trend.
In **9/33 countries**, cigarettes have become **more affordable** between 2010 and 2022 (*blue bar smaller than orange*).

- 3 of these countries are in the **Caribbean** (*Guyana, Grenada, Belize*).
- 10/14 Caribbean countries have **specific excise taxes**, but **none** of them apply **automatic adjustment**.

It is critical that countries **adjust for the impact of inflation, wages, and income growth**, in order to **effectively reduce affordability**.
Taxes on Alcoholic Beverages
Alcohol taxes: Global commitment by Health Authorities – included as WHO recommendations since 2013

• Increasing alcohol prices through higher taxes can effectively reduce alcohol consumption and its associated adverse consequences.

• These include a wide range of issues such as accidents, liver cirrhosis deaths, alcohol dependence, various alcohol-related diseases, increased rates of sexually transmitted diseases, and a heightened risk of crime, violence, and workplace...
The overall tax levels are quite low across the Region.

Tax type: Most countries do not apply excise taxes based on alcohol content.

Several policy incoherencies in tax design:

- Artisanal beer or beer with low production volumes are often taxed at lower rates, e.g., in the US or Ecuador.
- Local popular spirit types are often taxed at lower rates compared to other equivalent beverages, e.g., pisco in Peru, rum in several Caribbean countries.

Alcoholic beverages – Caribbean

• 1 country in the Caribbean does not apply excise tax to any category of alcoholic beverages. All Latin American countries apply excise taxes to at least one of the categories.

• Excise tax shares are generally higher in Latin America than in the Caribbean.

• The overall tax levels in the Caribbean vary significantly between countries and alcoholic beverages: As an example, in the case of spirits, the tax share varies between 0% and 57.10%.

• **Tax type:** Only Jamaica has an alcohol content based (specific) excise tax. Most countries have a volume based (unitary) excise tax.

Launch of new publication:
WHO Technical manual on alcohol tax policy and administration

December 5th at 15h00 Geneva time
(10h00 Barbados time)

Details will be shared in the coming weeks
Taxes on Sugar-Sweetened Beverages
Sugar-sweetened beverages: Global commitment by Health Authorities – included as WHO recommendations since 2013

- Taxing SSBs is an effective strategy to reduce consumption and incentivize manufacturers to reformulate their products.
- SSB Consumption in Caribbean & Central America: Over three times global average.
- Health Implications: Contributes to the increase in NCDs, including type 2 diabetes, coronary heart disease, and hypertension.

Sources: WHO Tackling NCDs. “Best buys” and other recommended interventions for the prevention and control of NCDs, WHO Guidelines sugars intake for adults and children.
Guideline recommendations

• Use SSB excise tax increases to achieve the public health goal of reducing the number of deaths and diseases caused by sugar-sweetened beverage consumption

• Increase SSB taxes substantially to reduce the affordability of SSBs.

• WHO recommends that excise taxes should increase the retail price of SSBs (as faced by consumers, including all indirect taxes, as applicable) by at least 20% to result in significant reductions in consumption.

• Automatically adjust SSB excise taxes for inflation and income growth.

• Have a broad base to avoid incentivizing undesirable substitutions – the tax should apply to all categories of SSBs.

• Tiered taxes based on sugar content can encourage industry reformulation.
Sugar-Sweetened Beverages (SSBs) – Americas (…global coming soon)

- 22/33 LAC countries apply excise taxes to (some) SSBs

- Taxes *not being applied to all categories of SSBs.*

- Tax burden is low in general

- Many countries exclude sugar sweetened milk

- Same or higher tax for bottled water as for SSBs in 4 countries

### Sugar-Sweetened Beverages (SSBs) – Caribbean

<table>
<thead>
<tr>
<th>Country</th>
<th>Sugar-sweetened carbonated drink, internationally comparable brand, 355 ml</th>
<th>Sugar-sweetened carbonated drink, internationally comparable brand, 1000 ml</th>
<th>Fruit drink, most sold brand, 1000 ml</th>
<th>Energy drink, most sold brand, 250 ml</th>
<th>Sugar-sweetened milk drink, most sold brand, 1000 ml</th>
<th>Bottled water (non sweetened beverage comparison), most sold brand, 500 ml</th>
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- **6 countries** in the Caribbean do not apply excise taxes to any SSB.
- **7 countries** in the Caribbean do not tax sugar sweetened carbonated drinks.
- Except for Barbados, sugar-sweetened milk drinks are not taxed in any country in the Caribbean.
- **2 out of the 4 countries** that tax bottled water are from the Caribbean.

WAY FORWARD
Political appetite?

Appetite for health taxes is increasing in the region (both MoF and MOH and at Legislative branches)

Latin-American:
- Health taxes combo
- Tobacco
- SSB
- Alcohol

Caribbean:
- SSBs (BAH, ANT, ST Kitts, BAR)
- Tobacco (SUR)
- Alcohol
- Health taxes combo
Take home messages

• Overall, taxation is **underutilized** despite being a **cost-effective measure** to reduce consumption of unhealthy products.

• **Tobacco:**
  • On average Caribbean countries have not made much progress in terms of their tax share and tax design, since 2008.
  • Improving tax design has led Ecuador, Peru and Chile to become top 10 in the global Tobacconomics Cigarette Tax Scorecard by UIC. *(it’s feasible!)*

• **Alcoholic beverages:**
  • Excise tax designs are quite heterogeneous and are often not optimal from a public health perspective.
  • Unitary excise taxes (volume based) tend to be used more in the Caribbean, mostly not regularly adjusted.

• **SSB:**
  • 6/14 countries in the Caribbean do not apply excise taxes to any SSB.
  • Taxes not being applied to all categories of SSBs.
  • There is inconsistency in policy coherence, from a public health perspective: tax in bottled water and no tax on sugary milk.

• **Progress in the Caribbean is lagging. Opportunity remains to catalyze action.**
Tobacco tax data

WHO report on the global tobacco epidemic, 2023: protect people from tobacco smoke
https://www.who.int/publications/i/item/9789240077164

Report on Tobacco control for the Region of the Americas 2022

PAHO website
https://www.paho.org/en/topics/health-taxes
https://www.paho.org/en/topics/economics-ncds

SSB tax data

Excise taxes on sugar-sweetened beverages in Latin America and the Caribbean
https://iris.paho.org/handle/10665.2/53331

Comparing taxes as a percentage of sugar-sweetened beverage prices in Latin America and the Caribbean
https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9290324/

Comparing taxes on alcoholic beverages in the Region of the Americas