

Chapter 12

Recommendations

Based on the body of evidence examined in this volume, the Working Group made the following research recommendations:

Overview of tobacco taxation

- Research is needed to assess the impact of complex tax structures on prices, profitability, market concentration and public health.
- Research is needed to identify a comparable taxable base for the wide range of smoking and smokeless tobacco products.

Industry pricing strategies and other pricing policies

- Empirical studies on industry pricing are limited in number and geographic coverage, and have focused exclusively on cigarettes. Research is needed to assess the impact of tobacco tax structure on prices and industry short- and long-term pricing strategies, particularly for products other than cigarettes. Surveillance systems that include brand-specific data on tobacco product prices and price-reducing marketing are needed for such research.
- More research is needed on tobacco companies' use of price-related marketing techniques.

Including measures of these techniques in surveillance systems is necessary for such research.

- Most research on industry efforts to prevent large tax increases or earmarking of taxes and to reduce current taxes focuses on North America. Further research on these issues in other countries is required.
- Research on industry efforts to influence tax structures is limited to a small number of countries. More research on these efforts in other countries is needed.
- Almost no empirical evidence exists on the impact of minimum tobacco pricing policies or on bans on tobacco company price-related marketing efforts. Research is needed to evaluate the effectiveness of these policies.
- Context-specific evidence documenting the effective implementation of Article 5.3 of the WHO FCTC and research evidence addressing industry arguments aimed at influencing tobacco tax policy are needed.

Tax, price and aggregated demand for tobacco

- In countries with limited research on price elasticity, a well conducted time series study can provide a major contribution.

- Given advances in time series research and economic modelling of addiction, future time series analyses should apply state-of-the-art methods as the data allow.

- Future research should study how price elasticities vary over time and at different price levels, for different magnitudes of price increases and under different tax structures to provide a better understanding of the shape of the demand curve and hence the design of taxation policies.

- Studies that pool aggregate data from multiple countries over time should investigate the homogeneity of the countries and consider the use of heterogeneous estimation techniques.

Tax, price and adult tobacco use

- Research on how price elasticity of adult tobacco use changes over time, varies with price levels, and differs for large versus small price changes is needed in all countries.

- Research is needed on the effects of tax and price on various aspects of adult tobacco use, including prevalence, frequency, intensity, and cessation, as well as on differences in the impact of tax and price on male and female tobacco use.

- More research is needed on the effect of tax structures and differences in relative prices on substitution among tobacco products.

- Global adult tobacco surveillance systems such as those described in *IARC Handbooks of Tobacco Control, Volume 12* should regularly collect data on adult tobacco use in more countries.

Tax, price and tobacco use among young people

- More studies from low- and middle-income countries are necessary to explore price effects on tobacco demand, initiation, cessation, uptake and substitution between tobacco products.

- More research is needed on how price influences the availability of tobacco through peers and family, and how this affects tobacco use among young people.

Tax, price and tobacco use among the poor

- More research is needed to examine the price elasticity of tobacco use among individuals from different socioeconomic groups, and the implications of this for the impact of tax increases on equity. These studies should examine the price elasticity of demand for the full range of tobacco products, as well as across price tiers for a given product, particularly for those used by people in low-income strata.

- Research is also needed to understand the choices between licit and illicit products, particularly among those of lower socioeconomic status.

Tax avoidance and tax evasion

- Research on tax avoidance and tax evasion must apply clear definitions for the type of circumvention being addressed.

- All studies measuring tobacco tax evasion and tax avoidance should clearly describe the type of data and methods used, as well as their limitations.

- Information, statistics, reports and research findings on tobacco tax evasion and tax avoidance from government agencies should be made publicly available.

- More research is needed to estimate the size and the scale of the illicit tobacco trade and to examine the effectiveness of the measures taken to address this problem. Particular attention needs to be paid to low- and middle-income countries.

- Research is needed into the extent of tax avoidance, its impact on tobacco use and measures to address this issue.

Economics and health impact of tobacco taxation

- There is a need for studies on the impact of cigarette taxation on health care spending attributable to smoking, particularly for countries other than the USA.

- There is a need for further study on the impact of taxation of other tobacco products on health outcomes and costs.

- There is a need for further study on the impact of taxation of smoked tobacco products on secondhand smoke exposure (SHS) and its related health outcomes and costs.

- There is a need for further studies on the impact of tobacco taxation on other unhealthy behaviours.

Proposed policy recommendations

1. To improve public health by reducing tobacco use, governments should adopt relatively simple tobacco excise tax structures that emphasize specific taxes and that include regular tax increases that outpace growth in general price levels and incomes.

2. To further reduce tobacco use, tobacco tax revenues should be used to fund comprehensive tobacco control programs and other health promotion activities.

3. A multinational surveillance and monitoring system should be implemented that regularly collects data on tobacco use among adults and young people, tobacco product taxes and prices, price-reducing marketing and lobbying efforts of tobacco companies, tax avoidance and evasion, and tax administration and enforcement activities.