Letter to Financial Secretary, Hong Kong SAR Government
Raising Tobacco Tax by 100% to Lower Smoking Prevalence

Smoking is the single greatest preventable cause of premature death in the world. Each year, tobacco kills nearly 6 million people globally, including more than 600,000 non-smokers caused by exposure to secondhand smoke. World Health Organization (WHO) warns that at least one in two smokers will die prematurely because of smoking. Recent evidence suggests that it could be as high as two out of three. In Hong Kong, smoking not only causes the loss of about 7,000 lives every year, but also incurs considerable medical expenses and loss of productivity which are equal to an annual economic loss of HK$5.3 billion. A reduction of smoking prevalence would mean saving a significant number of lives and lowering the economic burden.

Preventing Children and Youth from Smoking

The Thematic Household Survey Report No.59 released in February 2016 found that 67.1% of respondents started smoking weekly between the ages of 10-19. The World Bank has stressed that raising tobacco taxes makes tobacco products unaffordable to youth. According to the research study of the School of Public Health of The University of Hong Kong (HKU), smoking among adolescents dropped from 6.9% in 2008 to 3.4% in 2010 after the tobacco tax increase in 2009; and to 3.0% in 2012 after the increase in 2011. It meant that about 13,000 and 3,000 adolescents were prevented from or had quit smoking in 2010 and 2012 respectively. This demonstrated clearly that an increase in tobacco tax brings positive effect to deter youth and teenagers from taking up smoking, and it is consistent with worldwide experience that the single best way to prevent youth smoking is a fiscal measure – increasing tobacco tax.

Different forms of emerging tobacco products, including e-cigarettes and heated tobacco, are on the rise because of increase in availability, misleading marketing and the misperception that these tobacco products are safer alternatives. In view of this, it is critical to increase tax substantially on all tobacco products as a precautious measure to not only prevent youth smoking but also prevent renormalization of smoking behaviours.

Higher Tax Induces Stronger Motivation to Quit

Raising tobacco tax substantially generates immediate and long-term effects on reducing cigarette smoking. Upon the announcement of tobacco tax increase in the Budgets of FY2009-10 (50%) and FY2011-12 (41.5%), the annual number of calls to the Integrated Smoking Cessation Hotline jumped by 246% and 48% respectively. These figures reflected the significant and long-term impact on smoking cessation generated by a substantial tax increase. In contrast, when the tobacco tax was increased slightly by 11.8% in FY2014-15, the annual number of calls to the hotline
increased by 1% only. A large increase in tobacco tax could trigger smokers’ motivation to quit and sustainably enhance their thought and determination to quit. In line with the above figures, COSH’s survey showed that 20.8% of current smokers had tried to stop or had reduced smoking because of the tobacco tax hikes in 2011 whereas only 8.3% did so in 2014.

WHO’s recommendations

Raising tobacco tax is the single most effective measure to reduce tobacco use and encourage smoking cessation. According to WHO’s research in high-income countries, a 10% price increase will reduce overall tobacco consumption by 4%. The WHO Report on the Global Tobacco Epidemic 2015 suggested that raising tobacco taxes to more than 75% of the retail price is among the most effective tobacco control interventions. Such a measure costs little to implement while generating positive government revenues. The tax increase should also reduce the affordability of tobacco products. According to the report, over 30 countries have now raised tobacco tax to more than 75% of the retail price, and over 50 countries to more than 70%.

It is vital for Hong Kong to follow the global example of an impactful tobacco tax level as soon as possible. As the tobacco tax of major cigarette brands in Hong Kong is currently about 67% of the retail price, the Government should take the bold step to rapidly introduce stringent taxation policy so as to effectively reduce the demand of tobacco.

Cigarette Price in Hong Kong Remains Highly Affordable

Cigarette price of the major brand in Hong Kong is about HK$57 per pack. It is low when compared to other developed regions such as Australia (about HK$143), New Zealand (about HK$119), New York (about HK$101), United Kingdom (about HK$87), Singapore (about HK$70) and Canada (about HK$69). In addition to the high cigarette price, a sustainable and long-term increment of tobacco tax has been adopted by other countries. For example, Australia set a 12.5% annual increase from 2013 to 2016, and New Zealand will implement a 10% annual increase from 2017 to 2020. Hong Kong should make reference to these successful cases and consider long-term and continuous tobacco tax increases to maintain the price effect on the demand of tobacco products.

According to WHO and the calculation of Dr Hana Ross, an international expert of tobacco control economics, the real price of Hong Kong cigarette in 2013 had increased by only 25% from 1989, which was far outweighed by inflation. The relative income price had even decreased by 14%. In short, cigarettes in Hong Kong are more affordable than before, as well as when compared to many countries in the Western Pacific region, e.g. Australia, Malaysia, New Zealand, Singapore and Thailand, etc.

Public Support for Increasing Tobacco Tax and Cigarette Price
According to COSH’s Tobacco Control Policy-related Survey 2016, the majority of Hong Kong people (76.3%) support an increase in tobacco tax annually, and nearly 40% thought that it should be higher than the inflation rate in order to maintain the pricing effect on the demand of tobacco products. A continuous and consistent policy to raise tobacco tax should be implemented.

The respondents also opined that cigarette retail price should be set at HK$168 per pack on average to effectively motivate smokers to quit, which is almost three times higher than the current retail price. The current smokers even thought that the price should be increased to an average of HK$199. These figures reflect the perception that there is acceptable available capacity for cigarette price increments. In fact, the tobacco industry has increased the price of a pack of cigarette by about HK$2 this year. The government should substantially increase tobacco tax in order to lift up the cigarette price, decrease the tobacco affordability, effectively motivate smokers to quit, and deter youth from starting to smoke.

No Causal Relationship with Illicit Cigarettes

Dr Margaret CHAN, Director-General of WHO, specifically reaffirmed that tobacco tax is a successful tobacco control measure which is fought by the tobacco industry, indirectly confirming that it is a most effective measure. The tobacco industry argues with skewed and distorted information and links tobacco tax with illicit cigarettes. Policy-makers and the public should be particularly cautious about such information advised by the tobacco industry and their affiliated groups, such as the tobacco-industry funded International Tax and Investment Centre and their affiliated Oxford Economics, which frequently visit Hong Kong. COSH and HKU have conducted an objective estimation on Hong Kong’s illicit cigarette consumption with reliable data from the Government departments. The realistic illicit cigarette consumption in Hong Kong should range from 8.2% to 15.4% of total cigarette consumption in 2012, which is similar to the global average. According to the statement of Hong Kong Customs & Excise Department in the Legislative Council meeting on 8 April 2011 (LC Paper No. CB(2)1419/10-11(01)), “there was no sign that the situation in respect of the illicit cigarette market had deteriorated as a result of the increase in tobacco duty rates”.

WHO also reiterates that there is no causal relationship between tobacco tax and illicit cigarettes. On the other hand, immense overseas and local evidences have proved the effectiveness and confirmed the justifications for heavy tobacco tax.

*We strongly urge the Government to raise tobacco tax by 100% in FY2017-18 and formulate a long-term and continuous policy on raising tobacco tax so as to effectively encourage smokers to quit and to deter the youth from picking up the habit.*
WHO has promulgated a Global Action Plan to list out several targets and actions from countries to improve public health. One of the target is the 30% relative reduction in prevalence of current tobacco use in all countries by 2025 compared with a baseline of 2010. While comprehensive tobacco control measures such as extensions of smoke-free areas, plain packaging and larger pictorial health warnings, cigarette display ban at point of sale, total ban on e-cigarettes and alternative forms of smoking, tightened enforcement, more resources for smoking cessation and smoke-free education etc. are necessary and important, this target will not be reached unless tobacco tax in Hong Kong is substantially raised.

c.c. to: Chief Executive, HKSAR Government
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