

Raising Tobacco Tax Substantially and Annually to Achieve a Smoke-free Hong Kong

Smoking is the huge burden to health and economies of Hong Kong and the world

LOSS OF LIFE: Numerous people died from active and passive smoking



Global: **>8 million**
Hong Kong: **~14,000**

ECONOMIC LOSS

(Healthcare costs and productivity loss)



Global: **US\$1.4 trillion**
Hong Kong: **HK\$8.2-9.9 billion**

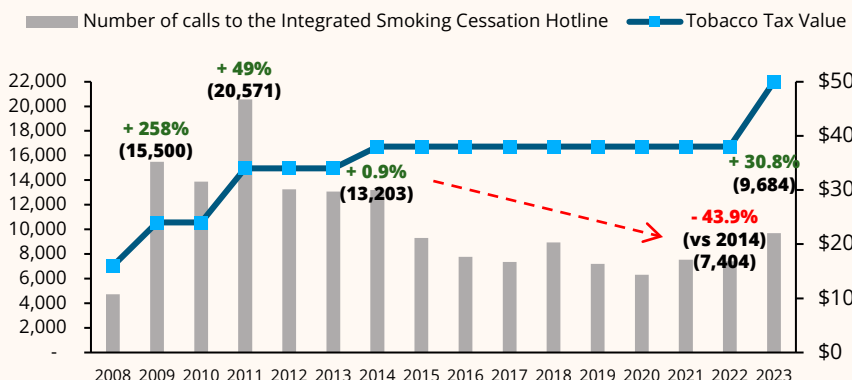
RAISING TOBACCO TAX is the most effective measure to reduce smoking

According to the World Health Organization (WHO), raising tobacco tax is the **single most effective** tobacco control measure. Every 10% price increase will reduce overall tobacco consumption by 4% in high-income countries. WHO clearly defines tobacco tax as the **prioritized and cost-effective** measure, and recommends the portion of tobacco tax to retail price should be at **least 75%**.

In 2009, 2011 and 2023, tobacco tax was substantially increased in Hong Kong, number of calls to quitline remarkably increased in the following years. As a result of the increases in 2009 and 2011, smoking prevalence reduced from 11.8% (2008) to 10.7% (2012). Current smoking in secondary school students significantly dropped from 6.9% to 3.0%, meaning up to 16,000 students were motivated to quit or prevented from smoking.

Low tobacco tax rate in long run disincentivizes smokers' intention to quit

- Tobacco tax was frozen for 8 consecutive years from 2015 to 2022. A 44% reduction of calls to quitline was resulted.
- The 31.5% tobacco tax increase in 2023 boosted the calls to the quitline by over two folds in one week, and by 30.8% in a year.



Tobacco tax can lessen the financial burden by reducing diseases and premature death

Global impact over next 50 years resulted from 50% tobacco price increase due to tax increment:

Deaths averted: **27.2 million**
Years of life gained: **535.7 million**

(Baseline: 2017; Bloomberg Philanthropies)

Tobacco tax was frozen in most years in the past two decades

Tobacco tax had been frozen for 16 years since 2004, eroding its effectiveness in smoking cessation and increasing cigarette affordability. Despite tax was frozen, tobacco industry raised the price multiple times to make more profits with a 112% increase compared to 2014, higher than the increase in tax (74%).

Hong Kong is behind the WHO's standard

According to WHO, high tobacco tax should be adopted and increased yearly in response to inflation to reduce affordability. Hong Kong should raise tobacco tax to reach 75% and maintain it in the long run.

Hong Kong in 2025

Tobacco tax: \$66.1

Cigarette price: \$105

Tax/price: 63%

WHO recommendation

High tax

Annual increase

Reduce affordability

Tax/price: 75%

Majority support for raising tobacco tax

According to COSH survey conducted in 2023, 68.5% supported a tobacco tax increase in the next year and 64.6% supported an annual increase.

Cigarettes in Hong Kong are affordable (i.e. low in real price)

Cigarette affordability index in Hong Kong was 1.95, lower than most places in the world, e.g. New Zealand (3.99), Malaysia (3.87), UK (2.98), Thailand (2.54). (The smaller the index, the more affordable the cigarettes, the cheaper in real price)

Tobacco tax is a key measure toward tobacco-free future

In response to WHO’s call, Hong Kong Government targets to reduce the smoking prevalence to 7.8% by 2025. It is necessary to implement strong and effective tobacco control policies to accelerate smoking reduction. In many countries with an endgame plan (i.e. total ban on smoking), such as New Zealand and Ireland, substantial and annual increase in tobacco tax is one of the core measures. Hong Kong should also have a long-term endgame plan to achieve a tobacco-free future.

Recommendations

1. Substantially increase tobacco tax in the coming fiscal year

The government should increase tobacco tax substantially to make the retail price effective enough to enhance smoking intention, and meet WHO’s recommendation. Currently, over 40 countries/places have reached this level.

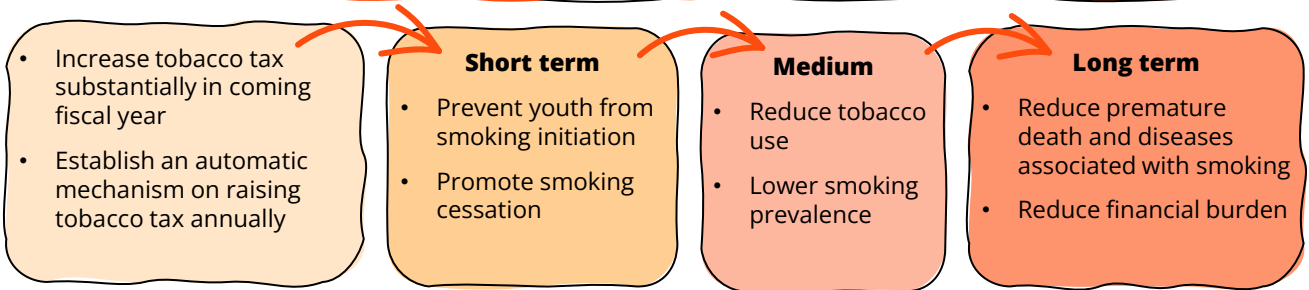
2. A mechanism on raising tax annually

Establishing an automatic mechanism on raising tobacco tax annually is recommended to prevent the effect of tobacco tax from being eroded by inflation and income increment. Nearly 30 countries/places have introduced an automatic mechanism on raising tobacco tax. Some of them increase the tax rate annually on top of the inflation rate automatically.









3. Allocate tax revenue to finance tobacco control, smoking cessation & related healthcare

There are more than 40 countries/places (such as France, Iceland, Ireland, Philippines, and South Korea) strategically allocating the tobacco tax revenue to tobacco control and/or the healthcare systems. According to the Hong Kong Government’s General Revenue Account in 2023-2024, the tobacco tax revenue is expected to reach HK\$8.5 billion. However, annual expenses on tobacco control were about HK\$346 million as shown in the Legislative Council document. Hong Kong should allocate a high and specific proportion of the tobacco tax revenue to smoking cessation services and other medical and healthcare purposes. More resources should be provided to enhance health education, smoking prevention, and law enforcement, thus reduce the smoking prevalence.

Outcomes of raising tobacco tax substantially and annually



Common misconceptions about raising tobacco tax

Misconceptions	Truth
 Raising tobacco tax aggravates tobacco smuggling.	 No causal relationship between raising tobacco tax and the black market. The most effective measure to prevent smuggling is the enhancement of enforcement actions.
 Tobacco smuggling in Hong Kong has intensified due to the tax increase in 2023.	 According to the Customs, no obvious increase in cigarette smuggling activities due to the tobacco tax increase. Data also showed that number of illicit cigarettes confiscated decreased by 11% in 2023.
 Grassroots would be suffered from tobacco tax.	 Raising tobacco tax could help the comparatively poor people give up the costly smoking habit and develop healthier life, which improves their quality of life.
 Tobacco tax is the means to generate government’s income.	 Main purpose of tobacco tax is to reduce smoking which saves significant medical and healthcare costs.