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**PRESS RELEASE**

**Towards a pro-people tobacco tax policy by 2021**

Tobacco use is a major impediment for improving the health, economy, and the quality of life of the people of Sri Lanka. Smoking kills 55 Sri Lankans daily, which translates to 20,000 deaths every year.

The economic costs of tobacco (costs of health, loss of productivity and premature deaths) were calculated to be more than Rs. 214 billion in Sri Lanka by the United Nations Development Programme (UNDP) and World Health Organization (WHO). This amounts to 1.6% of the GDP. In addition, people spend over Rs. 400 million daily on cigarettes, which is over Rs. 145 billion annually.

The Ceylon Tobacco Company (CTC) holds the monopoly on the manufacture and marketing of cigarettes in Sri Lanka. The majority of the company's profits amounting to billions of rupees go out of the country each year as 84% of CTC's shares are owned by British American Tobacco (BAT).

It is well established that specific policies, when implemented effectively can reduce tobacco consumption and its harms significantly. One of the main pillars of effective tobacco control is effective taxation of tobacco products.

**When implemented scientifically, tobacco taxation can INCREASE government revenue and at the same time DECREASE tobacco consumption. This is a win-win situation for governments as well as the citizens of countries. It is an investment that increases income and improve health and the economy.**

Even though tobacco taxation has been corrected irregularly a few times in the past, studies have shown that Sri Lanka has still not implemented an effective tobacco taxation policy. Billions of rupees that can be brought into the government coffers annually has not been collected over the last two decades. This has resulted in exponential increases in the profits of the tobacco industry, compared to increases in government revenue.

These studies have also shown that the affordability of cigarettes in Sri Lanka has increased over many years. This means that the prices of cigarettes have not increased compared with other products. This has made cigarettes relatively cheaper when compared to incomes and inflation. Economic analysis shows that the cigarette prices should be increased significantly to reach the levels of affordability seen in the past.

This is why the tobacco industry further increases prices when the government increases tobacco taxes, further increasing their profit. They are aware that the consumption will not decrease significantly due to the inadequate tax increases usually carried out. Otherwise they themselves will not increase the prices further.

This state of affairs can be corrected very easily and quickly. Tobacco taxation has been studied in many countries and contexts over many decades. Recommendations on tobacco taxation has been issued by the World Health Organization (WHO) and the World Bank. None of these recommendations are followed currently in Sri Lanka.

A study carried out this year by the Institute of Policy Studies (IPS), showed that implementing an effective taxation system can gain the following important results to the country.

- Government revenue from tobacco will increase up to Rs. 132 billion by 2023, up from Rs. 95 billion in 2018.
- Cigarette consumption could be reduced from 3 billion to 2 billion cigarettes by 2023.
- Smoking prevalence (of +15 years) will decline to 12.5% by 2023.
- The total number of premature deaths from tobacco use that can be avoided in the future amounts to over 141,000.

**Tobacco taxation is too important to be left for a few officials to decide. It is about billions of rupees of income to the government and tens of thousands of lives.** What is required in Sri Lanka immediately is a policy that,

- Increases tobacco tax systematically and regularly, at least once every year, relative to inflation and income.
- Decides the tax and prices of cigarettes by the Parliament (not only by the officials in the Ministry of Finance) based on accurate data.
- Ensures that different types of cigarettes are not taxed differently as now. For example, when the taxes of cigarettes of different lengths are different, some brands become cheaper. People will continue switching to the lower priced brands, offsetting the overall aim of the tax increase.

Whenever a tax increase is envisaged, the tobacco industry puts out false arguments against increasing taxes. These falsehoods include “beedi consumption will increase”, “smuggling will increase”, “cigarette sales will drop so drastically that the government revenue will decrease”. All these have continuously proven to be false in Sri Lanka.

In light of the above, the people of Sri Lanka await genuine action from all their representatives in Parliament, to increase tobacco taxes according to a rational tobacco tax system at least in the upcoming Budget, without being influenced by the tobacco industry and its agents.

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