

# State of Affairs Regarding Fiscal and Affordability Aspects of Tobacco in Argentina

## *Estado de situación sobre aspectos fiscales y de accesibilidad del tabaco en la Argentina*

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### ABSTRACT

**Background:** Fiscal measures aimed at raising the price of tobacco products are an unsettled debt of the Argentine State to reduce tobacco use and protect public health.

**Objective:** The aim of this study was to review the “state of the art” regarding the economic aspects of tobacco epidemic in Argentina and its impact on public health.

**Methods:** A narrative review was performed presenting evidence about the impact of the increase in prices on the use of tobacco products.

**Results:** In Argentina, the price of cigarettes is one of the cheapest in the world. Affordability has increased by 100% in the last decade, particularly damaging the groups with the lowest incomes (the number of packets that could be bought with an average wage increased by 74% and by 102% in the case of a salary of the lowest tertile) with easy access to boys and girls. A cigarette tax increase via a fiscal policy that raises prices by 10 percent would reduce smoking by 3%. In turn, a price increase via higher taxes increases tax revenue. The additional funds collected could be assigned to cover part of the health costs of tobacco-related diseases (which nowadays double tax revenue) and to generate funds to sustain smoking cessation campaigns complementing the tax policy and other health and sustainable development measures.

**Conclusion:** Argentina should incorporate tax policies to reduce the use of tobacco products complementing the current regulations aimed at reducing their use and intensity.

**Key words:** Tobacco Products - Taxes - Health Public Policy - Economics - Argentina

### RESUMEN

**Introducción:** Las medidas fiscales tendientes al aumento de precios de los productos del tabaco son una deuda pendiente del Estado argentino para reducir su consumo y proteger la salud pública.

**Objetivo:** Realizar una revisión del “estado del arte” en materia de aspectos económicos de la epidemia del tabaco en la Argentina y su impacto en la salud pública.

**Material y métodos:** Se realizó una revisión narrativa presentando la evidencia acerca del impacto del incremento de precios sobre el consumo de productos del tabaco.

**Resultados:** En la Argentina, el precio de los cigarrillos es uno de los más baratos del mundo y con una asequibilidad creciente, que se duplicó en la última década, perjudicando más a grupos de menores ingresos (aumentó un 74% la cantidad de paquetes que se podían comprar con un sueldo promedio y un 102% con un sueldo del tercil más bajo) y facilitando la iniciación de niños y niñas. Frente a esto, es necesaria una política fiscal de aumento de precios vía impuestos, ya que un incremento del 10% en los precios reales reduciría el consumo de cigarrillos en un 3%. A su vez, los aumentos de precios vía impuestos generan aumentos en la recaudación. Los fondos adicionales recaudados podrían destinarse a cubrir parte de los costos sanitarios de las enfermedades que genera el tabaco (en la actualidad duplican la recaudación), así como a generar fondos para sostener campañas de cesación que complementen la política de impuestos y otras medidas de salud y de desarrollo sustentable.

**Conclusión:** La Argentina debería incorporar políticas impositivas para reducir el consumo de los productos del tabaco que complementen las regulaciones actualmente vigentes, tendientes a reducir el consumo y su intensidad.

**Palabras clave:** Productos de tabaco - Impuestos - Políticas públicas de salud - Economía - Argentina

### Abbreviations

FCTC	Framework Convention on Tobacco Control
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## INTRODUCTION

Cardiovascular mortality is the leading cause of death in Argentina and tobacco is one of the principal modifiable risk factors of cardiovascular disease. (1-6) Tobacco use produces 40,591 preventable deaths per year: 9,710 are due to cardiovascular diseases and 2,587 to stroke. An estimated 926,878 quality-adjusted life-years are lost to tobacco consumption due to disease, disability and premature mortality, and studies performed in Argentina over the last years do not show reduction in tobacco-related mortality or disease burden. (7-11)

In 2011, Argentina approved the National Tobacco Control Law, which includes the main measures to reduce cigarette smoking (smoke free places, restrictions on tobacco advertising, promotion and sponsorship and health warnings). Fiscal measures focused on tobacco products have not been implemented yet, despite being the most cost-effective individual policies to reduce tobacco use, cardiovascular mortality and chronic diseases. (12-14) This situation puts Argentina in a state of debt with the international community that has acknowledged, through the World Health Organization Framework Convention on Tobacco Control (FCTC), the need for implementing policies aimed at raising cigarette prices to protect the right to health.

The State should establish tax measures for an effective reduction in tobacco use in order to pay off the debt with public health. The effectiveness of the policy will be achieved with the agreement and active participation of all the civil society, the political and academic sectors and the medical community in general. In this sense, the evidence available in Argentina about the impact of tobacco prices and taxes on tobacco use on health and tax revenue should be discussed to achieve the relevant knowledge necessary to advance with this central measure for public health.

The aim of this study was to review the “state of the art” regarding the economic aspects of the tobacco epidemic in Argentina and its impact on public health.

## METHODS

We conducted a narrative review and analysis of the studies performed in Argentina about fiscal matters regarding tobacco products. The normative framework for tobacco control in Argentina was analyzed following international recommendations on the subject.

Data from the 2005, 2009 and 2013 National Risk Factor Survey were used to describe the intensity and prevalence of tobacco use in the country. Prevalence is expressed as percentages and intensity as the mean number of cigarettes per day.

In addition, study results on demand and affordability of tobacco products are discussed, as well as the impact of fiscal policies on tobacco use and onset in children and adolescents.

Health costs and potential increase in tax revenue as a consequence of raising taxes were identified. The evidence was discussed in the setting of tobacco control policies in the country. Finally, recommendations are established to enforce

the participation of the medical community to achieve an effective fiscal policy toward tobacco products.

## Ethical considerations

Evaluation by an Ethics Committee was not necessary to perform this review.

## RESULTS

### Normative framework for tobacco control in Argentina and international tax recommendations

Law 26,687 for tobacco control was approved in 2011 to regulate tobacco use, advertising, sponsorship, promotion and sale of tobacco products. In this setting, the law has a series of measures aimed at reducing supply and demand of these products in line with the FCTC (the first treaty on public health negotiated by the member States of the World Health Organization). The core policies of the law are smoke free places in indoor workplaces, wide restriction for tobacco advertising, promotion and sponsorship and health warnings messages on packets. However, the national law does not include tax measures and does not promote increasing the price of cigarettes.

Fiscal measures on tobacco control have been recognized by the international community as the most effective measure to reduce tobacco use and to protect the right to health. In this way, article 6 of the FCTC establishes the standards for implementing price policies through taxes on tobacco products. Moreover, tax measures have been recognized as an effective means for health protection by organisms transcending tobacco control. The Committee on Economic, Social and Cultural Rights has recommended “the Argentine State to develop fiscal, price control and population awareness policies to achieve a reduction in tobacco consumption, particularly among women and youths”. The 3rd International Conference on Financing for Development stated that tobacco taxes are viewed as an effective and important means to save lives, reduce tobacco consumption and the world burden of non-communicable diseases, and as a source of income to finance sustainable development.

In addition, the civil society has developed recommendations to increase tobacco prices. Thus, the World Heart Federation launched the CVD Roadmap on tobacco control, a program aimed at reducing mortality and disability from cardiovascular diseases caused by tobacco, which recommends raising tobacco taxes and seeks to mobilize all those involved in improving heart health and reducing the economic losses caused by cardiovascular disease (governments, companies, health workers and all those affected by heart disease) as core policies.

Despite the international multi-sector agreement that tobacco taxes are a necessary measure for health protection, Argentina has not made any progress in approving a tax policy to increase the price of cigarettes, a reality that reduces the potential effectiveness of the current policies for tobacco control.

**Evolution of the prevalence and cigarette consumption in Argentina due to the absence of tax policies**

Despite tobacco control policies, the prevalence of cigarette consumption shows only a mild decrease in the past decade, while the number of cigarettes smoked presents a slight increase, particularly among women (Table 1).

In 2012, the Global Youth Tobacco Survey (GYTS 2012) showed a prevalence of tobacco use of 19.6% in adolescents from 13 to 15 years which was higher in girls (21.5%) than in boys (17.4%) (Table 1). Almost half (44.8%) of the students surveyed started smoking at the age of 12 or 13, and 29.3% started smoking at the age of 11 years or less. (15)

Moreover, prevalence varies with the socioeconomic status: the lower the income (the lowest quintile), the greater the prevalence. This pattern is clearer in men (Table 2) and adolescents. (16, 17)

Raising tobacco taxes and prices could reduce tobacco use, prevalence, tobacco-related diseases and deaths. Fifty percent increase in the price of cigarettes due to tobacco taxes would reduce tobacco use by 15% and would prevent 6,233 heart attacks and 1,918 strokes per year. (18, 19)

**Impact of variations in the price of cigarettes on consumption**

Smoking is linked to the price of cigarettes and to the individuals' income. Cigarette consumption decreases as the price of cigarettes increases, and total tobacco

consumption increases when incomes are higher. This response of consumers to price and income changes on the demand of tobacco products is measured by price elasticity and income elasticity. (20-22) In Argentina, price elasticity is -0.3 and income elasticity is 0.4, indicating that raising the real prices of cigarettes by 10% would reduce cigarette consumption by 3%. Ten percent increase in the growth of real income would lead to 4% rise in cigarette consumption. (23-25)

In Argentina, poor smokers are more sensitive to changes in the price of cigarettes. Price elasticity is -0.21 among the population richest tertile and -0.34 among the poorest tertile, indicating that 10% increase in the real prices of cigarettes would reduce cigarette consumption by 2.1% among the groups with the highest income and by 3.4% among the groups with the lowest income. (26)

Increase in the price of cigarettes also has an impact on smoking onset. Twenty percent increase in the real price would delay 3 years the onset of tobacco use. Several studies demonstrate that the increase in the price of cigarettes reduces the risk of smoking onset, particularly in women. (27, 28)

Considering the relation between income and cigarette consumption, the increase in cigarette taxes should reduce cigarette affordability in order to produce an effective reduction in tobacco use. (29-31) Affordability refers to the purchasing power of consumers and potential consumers of tobacco products.

**Table 1.** Prevalence of tobacco use and average use in the adult population and in youths by sex (2005-2009-2013 NRFS and GYTS 2007-2012).

Adults	Prevalence (%)			Average consumption (cigarettes/days)		
	Women	Men	Total	Women	Men	Total
NRFS 2005	24.9%	35.1%	29.7%	9.3	12.4	11.1
NRFS 2009	22.4%	32.4%	27.1%	10.2	13	11.7
NRFS 2013	20.9%	29.9%	25.1%	10.8	12.3	11.7
Youths						
GYTS 2007	27.3%	21.1%	24.5%			
GYTS 2012	21.5%	17.4%	19.6%			

NRFS: National Risk Factor Survey. GYTS: Global Youth Tobacco Survey.

**Table 2.** Prevalence of tobacco use and average use in the population > 18 years by sex and household income quintile (2005-2009-2013 NRFS).

NSRF		Income quintile					Total
		1	2	3	4	5	
2005	Women	24.8	22.1	26.9	24.4	27.0	24.9
	Men	43.7	32.1	36.1	32.9	28.4	35.1
	Total	33.1	26.6	31.5	28.6	27.8	29.7
2009	Women	23.7	19.9	18.7	24.7	25.3	22.4
	Men	38.7	33.0	30.8	29.4	29.3	32.4
	Total	30.4	25.9	24.3	26.9	27.3	27.1
2013	Women	23.0	22.2	19.2	20.2	19.3	20.9
	Men	34.8	28.8	31.2	28.0	26.5	29.9
	Total	28.2	25.2	25.2	23.8	23.0	25.2

NRFS: National Risk Factor Survey.

In this way, cigarette prices should keep pace with income growth to maintain the level of cigarette consumption. If the policy is aimed at reducing consumption, the increase in the price of cigarettes should be higher than that of income.

During the last decade, the increase in cigarette prices was lower than income growth, so affordability was higher and Argentina was positioned among the countries with the cheapest cigarettes worldwide. (32, 33) Between June 2004 and June 2014, the number of cigarette packs that middle income smokers could buy increased by 74% (from 180 to 312 packs of cigarettes). During the same period, low income smokers increased their purchase power of cigarette packs by 102% (from 96 to 193 packs). (31)

#### Sales, current revenue and costs associated with tobacco use

Low prices and the lack of tax policies aimed at reducing cigarette consumption have raised the total sales of cigarettes. Between 2001 and 2005, sales of cigarettes increased by almost 6.7%, from 34,8 thousand million to over 40,6 thousand million cigarettes. The national revenue due to cigarette taxes increased from 2 thousand million pesos in 1996 to 30 thousand million pesos in 2015, both values expressed in current prices. (34, 35)

However, tax revenue fails to compensate costs in health produced by tobacco-related diseases and covered by the State. In 2012, the costs of these diseases were about 21 thousand million pesos (1% of the gross domestic product and 12% of the total health costs in Argentina) exceeding the tobacco tax revenue. (10)

Studies performed in Argentina show that raising tobacco taxes would increase tax revenue despite reducing the total sales of cigarettes. (23-25) Fifty percent increase in the price of the pack of cigarettes due to higher taxes would raise the total revenue by almost 15 thousand million pesos, expressed in values of the year 2015. In this way, the State would go on increasing the revenue even after raising real prices by 100% (Figure 1)

#### DISCUSSION

In Argentina, tobacco use is a health care problem that requires State action. Within the framework acknowledged by the international community, the United Nations and civil society have demonstrated the need for integral public policies including tax measures. However, up to the moment, current policies for tobacco control have not established effective actions to raise the price of cigarettes in order to produce an efficient reduction in tobacco use.

In our country, the price of cigarettes is the cheapest in the region and affordability has increased within the last decade, providing youths with easy access to cigarettes. In this way, none of the other current policies for tobacco control have produced, as expected, any impact on the consumption, since as demonstrated in this study, cigarette consumption has remained stable.

The State is not only in debt with public health for not raising the price of cigarettes to reduce consumption, but does not generate the higher revenue it needs to cover the health costs associated with tobacco-related diseases. In the same line, if the State assigned a percentage of the revenue generated by cigarette taxes to free smoking cessation programs, people with the lowest incomes (which are more sensitive to higher prices) could have access to treatments to quit smoking, also ensuring the access to health care services.

In this sense, lack of fiscal policies to raise the price of cigarettes has many clear consequences: it favors tobacco use by facilitating smoking onset; prevents the possibility of higher tax revenue, perpetuates the lack of access to treatments for the most vulnerable sectors, ignores international recommendations in the matter and disobeys the obligation to protect the right to health.

#### CONCLUSION

Considering the fiscal situation and the levels of cigarette consumption in Argentina, this review emphasizes the need for a real tax policy to delay smoking onset and to reduce tobacco use, particularly among the most vulnerable sectors, warranting the effective right to health. Undoubtedly, this means that the State must make tangible decisions to advance in this sense and establish agreements with health and academic sectors and the civil society. The participation of multiple sectors in the promotion of public policies for tobacco control is a fundamental mainstay to ensure success in the actions taken to reduce cigarette consumption and, finally, to prevent the damage caused by the epidemic in the population health.

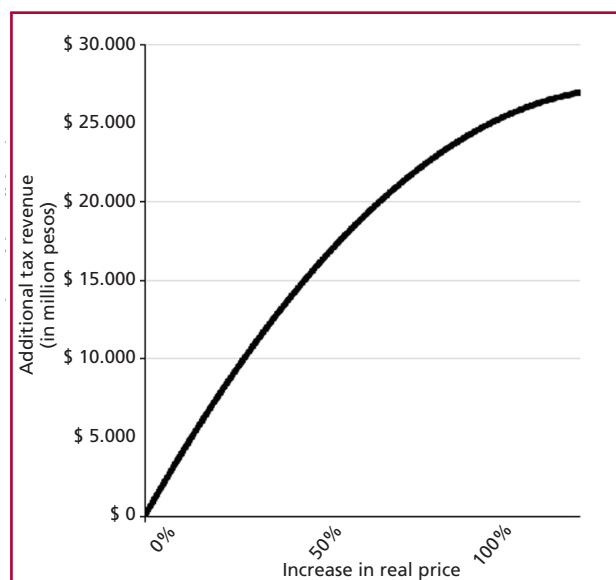


Table 1. Increase in tax revenue due to higher cigarette price.



**Conflicts of interest**

None declared. (See authors' conflicts of interest forms in the web / Supplementary Material)

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