

EU minimum tax legislation for cigarettes has had no effect on smoking prevalence

April 4 2013

Up to 2009 there is no statistically significant evidence of any reduction in smoking amongst men – and very little evidence of a reduction in smoking amongst women – resulting from the introduction of EU minimum tax legislation in Spain in 2006. This is despite the price of cigarettes rising up to three times faster than before the legislation came into effect, according to a new study published online in the journal *Nicotine and Tobacco Research*.

The [World Health Organization](#)'s Framework Convention on [Tobacco Control](#) exhorts Parties to implement tax policies aimed at reducing tobacco consumption. As a signatory, the European Union passed legislation requiring Member States to apply cigarette taxes to ensure that, as of January 1st 2014, at least 90 € per 1000 units are excised, regardless of brand or category. Many Member States anticipated this move, and introduced taxation legislation.

Spain's minimum tax on manufactured cigarettes legislation has been operating since February 2006. However, the Spanish territory of the [Canary Islands](#) is subject to a special tax measures aimed at stimulating their distant offshore economy, and therefore tobacco products in the Canary Islands were not subject to the type of excise duties that were implemented elsewhere in Spain (mainland and the Balearics). This study was therefore able to compare cigarette prices and [smoking prevalence](#) in both areas.

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Tornel found that prior to the legislation coming into effect in 2006, the annual increase of cigarette prices in both the Canary Islands and the rest of Spain were quite similar, at an average of 5%. However, after 2006, the difference is stark: prices rose by 44% before taking inflation (8.3%) into account in Spain in the years 2006-2010, but by only 10% before inflation (8.5%) in the Canary Islands during the same period.

The authors then examined both immediate and longer-term effects on smoking prevalence after the introduction of the legislation and found that the hikes in cigarette prices do not seem to have affected smoking prevalence amongst males, either shortly after the reform or three years hence. In the case of women, the study found no significant effects in the short term, with estimates ranging between 3.36% and 4.3% in the long term.

Lead author Ángel López-Nicolás, of the Universidad Politécnica de Cartagena, comments, "the lack of a robust effect on prevalence more than three years hence is surprising given the clear effect on cigarette prices. Indeed, finding a statistically significant effect on prevalence only for females and, even then, with only one of our estimation methods, runs against the well-established notion that smoking prevalence responds to price rises."

The authors looked into the Spanish tobacco market to find out why this might be so. They found that the price of fine cut tobacco for use in hand-rolled cigarettes fell in real terms between 2005 and 2008 and has remained well below that of manufactured cigarettes, with the share of fine cut tobacco over total tobacco sales more than trebling (from 1.6% to 5.1% of sales). This suggests that smokers may have taken up hand-rolled cigarettes since the introduction of the minimum tax legislation, which until 2009 only applied to manufactured cigarettes.

"In this sense," says López-Nicolás, "the new tax regime has performed

poorly in regard of the public health objective of reducing [tobacco consumption](#). It seems that a necessary condition to achieve such a reduction would be to plug the tax loophole that allows fine cut tobacco into the market at a substantive discount compared to manufactured cigarettes.

"As for the EU-wide implications, there is a relevant policy message implied by our results. The countries that have introduced a minimum tax on manufactured cigarettes might achieve little in terms of reductions in smoking prevalence if they allow a tax gap between fine cut [tobacco](#) and manufactured cigarettes. Member States should be proactive in this regard if they wish to successfully implement the WHO [Framework Convention](#) guidelines on taxation."

More information: 'Will the European Union's new tobacco tax legislation lead to reductions in smoking prevalence? Evidence from a quasi-experiment in Spain' by Ángel López-Nicolás, Lourdes Badillo-Amador, M. Belén Cobacho-Tornel, *Nicotine and Tobacco Research*, DOI: [10.1093/ntr/ntt038](https://doi.org/10.1093/ntr/ntt038)

Provided by Oxford University Press

Citation: EU minimum tax legislation for cigarettes has had no effect on smoking prevalence (2013, April 4) retrieved 3 May 2024 from <https://medicalxpress.com/news/2013-04-eu-minimum-tax-legislation-cigarettes.html>

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