

Understanding the barriers to taxing alcohol and tobacco in Nepal

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Around the world, taxes on tobacco, alcohol and junk food have been used to reduce consumption of those products, according to the World Health Organization (WHO). New research led by an investigator in the

Penn State College of Health and Human Development identified reasons these taxes remain low in Nepal, a lower-income nation with high rates of smoking and alcohol consumption.

"Industry misinformation and ambiguous tax regulations pose substantial barriers to the implementation of higher taxes on [tobacco](#) and alcohol in Nepal," said Yubraj Acharya, associate professor of health policy and administration at Penn State and lead author of the study, which was recently [published](#) in *BMJ Global Health*. "But the nation has implemented other significant reforms in recent years, and, with sufficient political will, raising these taxes is very possible."

This study is 1 of 8 funded by the WHO to understand barriers to higher taxes on tobacco, alcohol and sugary beverages in lower-and middle-income nations. The WHO recommends a tax rate of at least 75% of the [retail price](#) on [tobacco products](#), but in Nepal the tobacco tax is 15.5%. Alcohol taxes in Nepal vary based on the type of beverage sold, but those taxes also lower than many other nearby nations.

Acharya and a team of Nepalese researchers conducted in-depth interviews about alcohol and tobacco taxes with 45 stakeholders from all of Nepal's seven provinces. To get a broad cross section of perspectives, the researchers interviewed [government officials](#); producers, distributors, and retailers of alcohol and tobacco; consumers; and representatives from civil society organizations.

During the interviews, Acharya said, representatives of the tobacco and alcohol industries argued that higher taxes would be unfair or impractical. They claimed, among other things, that higher taxes would encourage cross-border smuggling and that consumers with lower incomes would switch to poorer quality products if taxes increased.

Tax rates are much higher and regulations stricter in India, according to

Acharya. With higher taxes in Nepal, cross-border sales of these products would be expected to fall, not increase. He also said that if people switched products, taxes on the poorer quality products could be raised further if needed.

While industry representatives also claimed that taxes would do nothing to limit consumption, one [government official](#) claimed that higher taxes would destroy the tobacco and alcohol industries, creating "economic chaos." Acharya said none of these arguments are backed by evidence.

"There is strong evidence that [higher taxes](#) lead to lower consumption," Acharya said. "The claims that higher prices would hurt poor people are counter to what the evidence has shown in Mexico, Colombia, the Philippines and other countries. Around the world, the purveyors of harmful products use similar misinformation strategies to undermine efforts to regulate or reduce consumption of their products."

Most concerning to the researchers, according to Acharya, was the realization that many Nepalese government officials were repeating the claims of the tobacco and alcohol industries. The researchers attributed this to the economic might of these companies.

"Alcohol and tobacco companies in Nepal are very lucrative, and they fund political campaigns," Acharya explained. "This gives these companies a strong influence on policy."

The interviews also indicated that Nepal could improve tax collection and enforcement by clarifying and simplifying regulations. For example, taxes on different tobacco products are assessed using separate mechanisms, with some products taxed by length and others by weight. Several respondents reported that tax collection would be more effective if the taxes and tax collection mechanisms were more uniform.

Based on the interviews, Acharya said he believes that earmarking a fixed percentage of the revenue from health taxes to prevent [health problems](#) associated with tobacco and [alcohol](#) would increase transparency and buy-in.

Ultimately, the goal of this research is to reduce the incidence of diseases like lung cancer, liver disease, kidney disease and other non-communicable diseases that can result from or be worsened by behavior like smoking and drinking.

In Nepal, more than 19% of deaths were smoking-related in 2020, up from 10% of deaths in 2010, [according to the WHO](#). Acharya cautioned that some of the increase in smoking-related deaths may be due to improved cause-of-death reporting in one of Asia's lowest-income nations, but he also emphasized that curbing smoking and drinking—and using tax revenues to address the health effects of smoking and drinking—are critically important to Nepal and its future.

"On one hand, this research reflects a reality everywhere," Acharya said. "Alcohol and tobacco cause health problems around the world, and misinformation is a common barrier to developing effective health policy. But every nation really is different; local context and local culture matter. We believe that this study and similar WHO-funded studies in other lower- and middle-income countries can build the knowledge base needed to combat misinformation and improve health."

Acharya said he is hopeful that future research can support Nepal as it moves toward building a healthier society. Education was strictly limited in the country until the late 1950s when the first public university was established, and since then [education levels](#) have been rising.

The increasing education levels and widespread access to cellphones in recent decades provide an opportunity to distribute accurate information.

This, Acharya said, gives officials and researchers an opportunity to alter behaviors that impact people's health, including smoking and drinking.

"In 1960, 40% of people in the United States smoked," Acharya said. "That rate was down to 12% by 2021. Messaging and government policy played a role in that decline. Through careful research, appropriate policy and thoughtful messaging, similar strides are possible in lower-income settings such as Nepal."

More information: Yubraj Acharya et al, Perceptions of key stakeholders on taxes on tobacco and alcohol products in Nepal, *BMJ Global Health* (2023). [DOI: 10.1136/bmjgh-2023-012040](https://doi.org/10.1136/bmjgh-2023-012040)

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