Tobacco Tax in ASEAN Countries

Report Card

Southeast Asia Tobacco Control Alliance (SEATCA)
July 2008
“Of all the concerns, there is one-taxation-that alarms us the most. While marketing restrictions and public and passive smoking (restrictions) do depress volume, in our experience taxation depresses it much more severely.”

1985 Philip Morris document, “Smoking and Health Initiatives-P.M.International” (Bates Numbers 2023268329-49.)
The FCTC recognizes that raising tobacco prices through tax increases (ideally above 65% of retail price) and other means “is an effective and important means of reducing tobacco consumption by various segments of the population, in particular young persons (Article 6).” Duty-free sales of tobacco products are also discouraged.

Generally, every 10 percent increase in the price of cigarettes will reduce youth smoking by about seven percent and overall cigarette consumption by about four percent.

Increasing tobacco taxes is also good for bolstering government coffers and may be used to establish and sustain national tobacco control programs and institutions.

“The most effective way to deter children from taking up smoking is to increase taxes on tobacco. High prices prevent some children and adolescents from starting and encourage those who already smoke to reduce their consumption.” —1999 World Bank report *Curbing The Tobacco Epidemic: Governments and the Economics of Tobacco Control*

### Tobacco tax (percentage of retail price)

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>20% (domestic), 25% (imported)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>37%</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>15-30%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>54%</td>
</tr>
<tr>
<td>Philippines</td>
<td>46-49%; 2.5% of incremental tobacco and alcohol taxes from 2005-2010 earmarked for disease prevention</td>
</tr>
<tr>
<td>Singapore</td>
<td>64%</td>
</tr>
<tr>
<td>Thailand</td>
<td>63%, plus 2% surcharge tax used as dedicated tax for health promotion</td>
</tr>
<tr>
<td>Vietnam</td>
<td>45%</td>
</tr>
</tbody>
</table>

### Price of regular Marlboro vs the cheapest local brand per country (in US$)

<table>
<thead>
<tr>
<th>Country</th>
<th>Marlboro</th>
<th>Cheapest Local Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>1.00</td>
<td>0.07</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1.01</td>
<td>0.50</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>1.73</td>
<td>0.23</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.56</td>
<td>0.23</td>
</tr>
<tr>
<td>Philippines</td>
<td>1.38</td>
<td>0.70</td>
</tr>
<tr>
<td>Singapore</td>
<td>8.64</td>
<td>6.66</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.91</td>
<td>0.79</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0.23</td>
<td>0.14</td>
</tr>
</tbody>
</table>

### Myths

**Governments will lose revenues if they increase cigarette taxes because people will buy fewer cigarettes.**

### Facts

- Contrary to tobacco industry propaganda, tobacco tax increases do not decrease government revenues. Increasing tobacco taxes by 10% generally decreases tobacco consumption by 4% in high-income countries and by about 8% in low- and middle-income countries, while tobacco tax revenues increase by nearly 7%.<sup>1,2,3</sup> Although the impact of taxes is slightly higher in low- and middle-income countries,<sup>4</sup> experience has shown that government revenues still do not decrease. For example, in South Africa, every 10% increase in excise tax on cigarettes has been associated with an approximate 6% increase in cigarette excise revenues, such that from 1994 to 2001, excise revenues more than doubled.<sup>5</sup>

- Tobacco production constitutes a small part of most countries’ economies. Research carried out for the World Bank demonstrates that most countries will see no net job losses if tobacco consumption falls. Some countries will even experience net gains as money previously spent by consumers on tobacco is reallocated to other goods and services, generating alternative employment.<sup>6</sup>

- Contrary to tobacco industry claims, increased smuggling does not automatically follow tax increases. For years, Spain had both lower tobacco taxes and more smuggling than most other European countries, due largely to lax enforcement of tax laws and active criminal networks. When Spain raised tobacco taxes and strengthened law enforcement in the late 1990s, smuggling declined dramatically while tobacco revenues increased by 25%.<sup>7</sup>

- Smuggling can be reduced by prominently affixing tax stamps to every package intended for retail sale. Improved border security, measures to reduce money laundering, aggressive law enforcement and effective government record keeping also help combat smuggling. The costs of stringent law enforcement policies add up to only a fraction of the additional revenue earned from higher tobacco taxes. Global action against tobacco smuggling is strengthening. Parties to the Framework Convention are negotiating and drafting a new, legally binding protocol on illicit trade that will fight smuggling and counterfeiting as part of global efforts to reverse the tobacco epidemic. This protocol should markedly increase coordination at the international level to address this important issue.
Common Tobacco Industry Myths and Facts about Raising Taxes on Tobacco

<table>
<thead>
<tr>
<th>Myths</th>
<th>Facts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco addiction is so strong that simply raising taxes will not reduce demand; therefore raising taxes is not justified.</td>
<td>• Increasing the price of tobacco through higher taxes is the single most effective way to decrease consumption and encourage tobacco users to quit. A 70% increase in the price of tobacco could prevent up to a quarter of all smoking-related deaths worldwide.²</td>
</tr>
<tr>
<td></td>
<td>• A 10% price increase may cause a 4% drop in tobacco consumption in high-income countries and an 8% drop in low- and middle-income countries.³</td>
</tr>
<tr>
<td></td>
<td>• Substantial cigarette tax increases will reduce consumption but increase revenue because nicotine addicted consumers respond relatively slowly to price rises.¹⁰</td>
</tr>
<tr>
<td>Governments should not raise cigarette taxes because such increases will have a disproportionate impact on young and poor consumers.</td>
<td>• Higher taxes are especially important for deterring tobacco use among the young and the poor, who will benefit most from a decrease in consumption. People in these socioeconomic groups are much more sensitive to the price of goods. Higher tobacco prices help convince them to quit or not to start using tobacco in the first place.</td>
</tr>
<tr>
<td></td>
<td>• In South Africa, for example, tobacco tax rates were increased by 250% during the 1990s to slightly less than 50% of the retail price. Cigarette consumption fell by 5% to 7% for every 10% increase in the price of cigarettes, resulting in a sharp decline in consumption, with the largest smoking decreases among the young and the poor.⁵</td>
</tr>
<tr>
<td></td>
<td>• Tobacco industry officials and others argue that higher tobacco taxes hurt the poor. In fact, tobacco tax increases increase government revenues, which are often used to fund social programmes. A portion of new tax receipts can be used to support anti-tobacco advertising campaigns as well as cessation services for smokers who want to quit.</td>
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<tr>
<td></td>
<td>• Furthermore, tax increases help the poor stop tobacco use and allow them to reallocate their money to essential goods, including food, shelter, education and health care. Higher taxes that reduce tobacco use help poor families get out and stay out of poverty. In addition, productivity and wage-earning capacity increase when tobacco-related illness decreases.</td>
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</table>
Best Practice Recommendations

Increasing the price of tobacco through higher taxes is the single most effective way to reduce consumption and encourage tobacco users to quit. Higher taxes also deter tobacco use among the young and the poor. A 70% increase in the price of tobacco could prevent up to a quarter of all smoking-related deaths worldwide. A tax increase also directly benefits governments through increased revenues, which can be used for tobacco control and other important health and social programmes. Thus, it is recommended that all governments adopt the following best practices:

- Implement tax and price policies on tobacco products in line with Article 6 guideline of the World Health Organization’s Framework Convention on Tobacco Control.
- The government should increase tobacco tax to above 65% of retail price as recommended by the World Bank.
- There are many types of tobacco taxes, but the most effective is usually an excise tax of a specific amount levied on a given quantity of tobacco, such as a tax paid per pack or carton of cigarettes.
- To avoid manipulation of the tax rate, governments should state a specific amount of tax per unit of tobacco product.
- Excise taxes should be simple and easy to implement, and need to be regularly adjusted for inflation and consumer purchasing power to maintain their ability to reduce tobacco use.
- Excise tax should be applied at the manufacturer level and certified by a stamp, rather than being levied at the wholesale or retail level, to reduce the administrative burden on smaller businesses and to minimize tax evasion.
- The same type of amount-specific excise tax should be applied to imported cigarettes.
- All tobacco products should be taxed similarly. Taxes on cheap tobacco products should be equivalent to products that are more heavily taxed, such as cigarettes, to prevent substitution in consumption.
- The government should prohibit or restrict duty-free sales of tobacco products.
- Introduce tax stamps and security features on cigarette packs such as “produced for [name of country]” with the use of local language. This is an effective mechanism to monitor and control smugglings.
- Using tobacco excise tax dollars to fund both tobacco prevention and control and chronic disease prevention and treatment.
Three types of cigarette taxes are imposed on the tobacco manufacturers. These include:

### Types of Taxes

#### Public Lighting Tax (PLT)
- Used to support public lighting in the cities and is imposed on alcohol, soft drinks and cigarettes.
- 3% tax is imposed on cigarette manufacturers.

#### Value Added Tax (VAT)
- 10% VAT is levied on domestic cigarettes and paid by local manufacturers.
- Cigarette importers are subjected to a preferential VAT treatment.
- Small manufacturers (those in Estimated Regime) are excluded from VAT.

#### Excise Tax
- 50% excise tax is imposed on alcohol, cigarettes and tobacco.
- The tax rate was reduced in 1995 to 10% for cigarettes.
- In 1997, the Finance Act of 1994 and the Finance Act of 1995 were amended to introduce the new excise tax rates of 10% on all types of beverages and tobacco products.

There are two Tax Regimes:
- **Real Tax Regime (Self-Assessment System)**
  - Applied to the cigarette importers and manufacturers
  - They are subjected to all tobacco taxes comprising of excise tax, profit tax, salary tax, VAT, PLT and tax stamp
- **Estimated Tax Regime**
  - Applied to hand-rolled cigarette producers
  - They are excluded from paying VAT and profit tax, but are subjected to tobacco excise tax, 2% of turnover tax and PLT

The choice of tax regimes is based on:
- the classification of enterprises
- the form of the business
- the type of business activity
- the level of turnover

For locally produced cigarettes, the tax is 24.6% of wholesale price but 19.8% of retail price. Import duties of 33% of Cost Insurance Freight (CIF) but 25% of retail price are imposed on imported cigarettes.

In order to improve excise tax collection, the Ministry of Economy and Finance (MEF) introduced tax stamp on all imported and domestic tobacco products sold in the market since 27 July 2001. The price on the stamp is set by MEF and each stamp costs 4.2 riel (this rate was set in 2001 and has not changed since). This price is determined by the cost of production for these stamps.

According to this regulation, all local manufactured and imported cigarettes are required to affix a tax stamp on each cigarette pack before selling in the local market. Exported and re-exported cigarettes are excluded from affixing the tax stamp. About 30% cigarette packs sold in the markets do not have stamp on.

However, all hand-rolled cigarettes do not display a tax stamp resulting in a significant loss of potential revenue for the government. If machine-made hand-rolled cigarettes (about 80% of the hand-rolled market) were subject to the Real Tax Regime, the total government revenue, according to BAT, would increase by US$1.3 million. Taxing hand-rolled cigarettes would not only increase tax collection, it would also decrease the consumption of tobacco due to a price increase on the hand-rolled cigarettes.

The overall contribution of the tobacco industry to the total domestic tax revenue is very small with only 3% and 3.4% of the total domestic tax revenue of 406,068 and 558,311 million riels in 2004 and 2005, respectively.
According to the Ministry of Finance Decision No. 118/PMK.04/2006 and No. 406/KMK.04/2000, three types of taxes are imposed on tobacco products:

**Value added tax (VAT)**
- 8.4% of the effective retail price (ERP - *Harga jual eceran*).
- It is a flat rate tax that does not depend on the size of the industry and the type of tobacco product.

**Advalorem excise tax**
- Imposed on each stick of cigarette produced whose rate depends on
  - the type of tobacco product and
  - scale of production.
- This tax rate varies from 4% to 40% or average 37%\(^{16}\).
- In tobacco taxation policy the excise tax rate ranges between 26% and 40% for machine-made clove (kreteks) and white cigarettes.
- As for hand-made kreteks, it ranges from 4% to 22%. The variation in rates depends on the type of cigarette (machine or hand-rolled) and the production scale.

**Specific tax**
- A flat rate that imposed on each stick of cigarette and on cigarettes only.
- Non-cigarette tobacco products are excluded.
- The amount of tax imposed varies with the size of the industry.
- The tax rates range from
  - Rp 3/stick for small size industry (producing less than 500 million sticks)
  - Rp 5/stick for medium size industry (producing between 500 million and 2 billion sticks)
  - Rp 7/stick for large industry (producing more than 2 billion sticks)\(^{17}\).
- The same amount is imposed on all three types of cigarettes: hand-rolled clove cigarettes (HRCC), machine-made clove cigarettes (MMCC) and machine-made white cigarettes (MMWC).
- This type of cigarette tax implemented since July 1, 2007.

**Current Cigarette Tax**
The average current cigarette tax is 37% of the total retail price. It was perceived as the lowest tax rate in the region next to Cambodia\(^{18}\). Cigarette prices in Indonesia have always been lower than the neighbouring countries.

The most recent MoF Decree No.134/PMK.04/2007 that has come into effect on January 1, 2008 applies Advalorem excise tax rate that ranges between 15% and 36% for machine-made clove (kreteks) and white cigarettes, and 0% to 18% for hand-made kreteks.

The decrease in advalorem tax however is compensated by increasing Specific tax rates to Rp 35/stick for all types of cigarettes except the small size hand-made kreteks that are worth Rp 30/stick.

**New Excise Tax Law**
- The draft law prepared by the Ministry of Finance that proposed to increase the tobacco excise tax to 65% as an amendment to the old law No 11/1995 that states excise taxes for tobacco products should not exceed 55% of the retail sales price, has finally concluded with less than the proposed rate. The law No 39/2007 on excise tax states excise taxes for tobacco products should not exceed 57% of the retail sales price with 2% earmarked for local government of tobacco producing provinces.

- Similarly, the tobacco draft bill that suggested a 65% cigarette tax with 10% earmarked for tobacco control related activities failed to be included in the 2007 National legislation Agenda.

The revenue from tobacco excise tax increased 11 folds from Rp. 2.65 trillion (USD 294 million) in 1994 to Rp. 32.65 trillion (USD 3.63 billion) in 2005. It was 6.7% of total domestic revenue in 2005\(^{19}\).
In 2005, the Tax Law stipulates a 55% excise tax on tobacco products. However, this is not fully implemented due to the agreement that was signed in 2001 between the local tobacco industry and the National Committee for Planning and Investment. This agreement is valid for 25 years and it states:

- if the price per pack is less than 1,500 kip (approximate USD 0.15), only 15% tax is applied
- if the production cost is less than 1,500 kip per pack of 20 sticks, only 15% excise tax is applied
- if the production cost are either equal or more than 1,500 kip per pack of 20 sticks, a 30% excise tax is applied

It was observed that virtually all the locally produced cigarettes are sold within 1,500 kip per pack. It was estimated that the price of domestic brand cigarette range from USD 0.15 to USD 0.41 per pack. As for imported cigarettes, it is sold with 55% of tax applied. For example, a pack of Marlboro cigarettes costs approximately USD 1.35.

The trend is very clear as the revenue from tobacco excise tax decreased 2 folds from 41,722 Million Kip (USD 4,512,295) in 2000-2001 to 25,087 Million Kip (USD 2,713,196) in 2004 - 2005. In view of this, there is support to increase tobacco tax from other related agencies such as the Department of Tax which handles issues related to locally produced cigarettes while the Department of Customs is responsible for imported cigarettes.
Until 2004, taxes on tobacco were levied according to their weight. This was changed to a specific excise tax per stick from 2005. This tax structure is easier to administer since it requires only counting the sticks without weighing them.

There are two different tax structures for domestic and imported cigarettes:
• Locally produced cigarettes sold in Malaysia are levied the excise tax of RM 0.08 (US$ 0.02) per stick in October 2005.
• Imported cigarettes from non-ASEAN countries are subjected to an import tax of RM 0.20 (US$ 0.05) per stick in October 2005.
• Those from ASEAN countries are levied RM 0.10 (US$ 0.03) import tax per stick.
• Both domestic and imported cigarettes are subjected to a 25% sales tax added on top of the factory value with excise tax (domestic) or on top of custom declared value (imported).21

A Health Promotion Board (HPB) was established in 2006 and is funded by the government. There is no dedicated ‘sin tax’ on tobacco and alcohol. The HPB then provides grants to sport, recreational, cultural and other health related and relevant registered societies for the purpose of health promotion.23

However, the tobacco industry was spared further tobacco tax increase during the National Budget announcements made in September 2007. It did not prevent the outbreak of another subsequent price war that started again with “promotional” prices and non-tobacco items that came with cigarette packs for a token sum.

The total taxes incurred on retail tobacco have been rising and expected to continuously rise. While tax on tobacco is increasing, Malaysia has to face a greater challenge when AFTA trade liberalization takes place in 2010. Whoever is left in tobacco farming (now the government is helping farmers to phase out tobacco cultivation) will have to be highly competitive in terms of productivity and ‘quality’ to survive. It is known that the cost of leaf production in Malaysia is much higher than some ASEAN countries such as Vietnam.
There are three types of taxes applied on tobacco products. These include excise tax, value added tax (VAT) and import tariffs.

**Types of Taxes**

**Value added tax (VAT)**
- VAT is levied on the cigarette price after all other taxes have been applied.
- The current VAT rate is 12%.\(^{26}\)
- It applied to both imported and domestically manufactured cigarettes.

**Import Tariff**
- Under the Tariff Reform Programme (TRP), the tariff rate is 5% in 2003.
- The tariff rates are the same for tobacco leaves, cigars and cigarettes and tobacco manufactures.
- However, tariff rate under the Common Effective Preferential Tariff (CEPT) scheme of the ASEAN Free Trade Area is lower than the rate under TRP.
- CEPT rates vary for different products: tobacco leaves (3.67%); cigar and cigarettes (5%), tobacco manufactures (4%) in year 2003.

**Excise tax**
- A four-tier tax system (very high-priced, high-priced, medium-priced and low-priced) that depends on the net retail price per pack is currently applied.
- The same rate is applied for both imported and locally produced cigarettes.
- In July 2004, Republic Act No. 9334 increased the excise tax imposed on tobacco and alcohol, effective 01 January 2005.
- In 2007, the tax rates for each classification of net retail price (before excise duty and VAT)\(^{26}\) of machine-packed cigarettes were:
  - Very high-priced cigarette (up to P26.06/pack)
  - High-priced (P10.88/pack)
  - Medium-priced (P6.74/pack)
  - Low-priced (P2.23/pack)
- Rate for hand-packed cigarettes is P 2.23/pack in 2007.\(^{27}\)
- It applied to both imported and domestically manufactured cigarettes.

**Current Cigarette Tax**

The average current cigarette tax is 46-49% of the total retail price.\(^{28}\)

The net retail price for tax purposes is determined by the Bureau of Internal Revenue (BIR) based on prices in 20 major supermarkets in Metro Manila (for national brands) or in five major supermarkets in the region for regional brands not marketed in Manila.\(^{29}\) Currently only imported tobacco products are marked with white tax stamps to indicate payment of the excise tax.

According to the National Tobacco Administration, the total government revenue generated from the tobacco industry in 2003 was estimated at 25.65 billion pesos (US$465.45 million). About 80% of these revenues were collected from excise tax for cigars and cigarettes. Customs duties and value added tax (VAT) accounted for 3% and 4%, respectively.\(^{25}\)

Generally, the share of tax revenue from tobacco and cigarette of total tax revenue collection is low and has been decreasing since 1993 from 7.06% to 4.7% in 2003.\(^{25}\)

**Health Promotion**

RA 9334 provides for 2.5% of incremental tobacco and alcohol taxes from 2005-2010 to be used for universal coverage of the National Health Insurance Program and another 2.5% of the incremental taxes to be placed in a trust fund for the disease prevention program of the Department of Health.\(^{30}\)
Taxes imposed on cigarettes consist of tariffs on imported tobacco leaves and cigarettes, excise tax, health tax, local tax, and the value-added tax. Since 6th December 1993, both imported brands and locally produced cigarettes were imposed ad valorem excise duties and value added tax. This was introduced in relation to the opening of the Thai market to imported brands and to comply with GATT demands.\(^7\)

Excised tax increased for the first time in 1993 from 55% to 60%. It was observed that the Thai law limits excise duty to a maximum of 80%. There were no excise increases in 2002, 2003 or 2004 but in December 2005 the excise tax was raised from 75% to 79% and later was increased to 80% of the factory price in September 2007\(^21\). With this positive trend, the revenue from annual cigarette excise tax had continually risen from 15,438 million Baht in 1992 to 38,233 million Baht in 2005 and decreased to 35,642 million Bath in 2006.\(^3\)

The value-added tax (VAT) was first used in Thailand on 1st January, 1992 with the rate set at 7% on cigarettes, other tobacco products, and many other goods. Tobacco leaf is exempted from VAT. However, the rate was increased to 10% on 16th August, 1997 following the onset of economic crisis and effective for only one year and a half. The rate was later set at 7% since 1st April 1999 till present.\(^22\)

By 2003, under the ASEAN Free Trade Agreement (AFTA), the import tariff on cigarettes manufactured in the ASEAN region was reduced to 5% except products that come from Malaysia were charged a rate of 15%. This has resulted in under-pricing of imported cigarettes and it became more comparable to local brands.\(^7\) Comparison of cigarette prices between domestic and imported brands from TTM\(^23\) is shown below:

| Cigarette Prices on Imported and Domestic Brand in 2005\(^23\) |
|----------------------------------|----------|
| Brands                           | Baht (Pack) |
| **TTM brands**                   |           |
| • Krong Thip 90                  | 45        |
| • Falling Rain 90                | 45        |
| • Gold City 90                   | 45        |
| • Wonder                         | 32        |
| **Imported brands**              |           |
| • Mild Seven                     | 70-75     |
| • Marlboro                       | 60        |
| • Camel                          | 60        |
| • Winston                        | 60        |
| • L&M                            | 49        |

Other taxes have also been applied on tobacco products. Since 7th November 2001, about 2% of health tax is applied on all sticks of manufactured and imported cigarettes. The Provincial Administrative Organizations (PAOs) extract revenue from the retail trade margin of all sticks of cigarettes. The rates of the local tax are different across PAOs and can be as high as 0.05 Baht per stick. Each province, except Bangkok, charges up to 1 Baht per pack of cigarettes for financing municipal events and activities.\(^22\)

**Current Tax on Cigarette**

- Excise tax is 80% of factory price.
- 7% VAT
- Local tax 1 Baht per pack.
- Health tax 2% of excise tax.
- Total tax burden is 63% of cigarette retail price.

**Health Promotion**

ThaiHealth was established on 8th November 2001 under the enactment of the Health Promotion Act, B.E. 2544 (2001).

- 2% of sin taxes are collected from tobacco and alcohol.
- The revenues are used to fund public health campaigns (health promotion, alcohol and tobacco control programmes) and to conduct health research.
Although the tax rate on tobacco products in Vietnam has been on an increasing trend it is still quite low compared to the recommended by the World Bank. When translate to percentage of retailed price (with the assumption that the retailed margin is zero) tobacco tax accounts for about 41.3% during 2006-07 and about 45% in 2008. The average price of a cigarette pack (20 sticks) in Vietnam is just around 3,500 VND (or 22 US cents). The low tax/price of cigarette and the easy access to cigarettes (it is sold in almost every street corner) have certainly contributed to high rate of smoking among male adults and youths.

From 1990 to date, tobacco tax is on an increasing trend.

In 1993, a higher cigarette tax rate was imposed on cigarettes produced mainly from imported materials (>50% of materials are imported) and lower rates on cigarette produced from domestic materials and non-filtered cigarettes. Tax on foreign filtered cigarettes was increased from 50% to 70%, while the tax on domestic filtered increased only from 50% to 70%, and for non-filtered it was reduced from 40 to 32%.

In 1999, a 10% Value Added Tax (VAT) was imposed on all goods and products including tobacco. While adding the VAT, the excise tax rate for filtered cigarettes produced from imported materials was reduced by 5% (from 70% to 65%) and for domestic filtered and non-filtered cigarettes was reduced by 7%.

In 2006, Vietnam joined World Trade Organization and the cigarette tax rate was uniformed to 55% of factory price for all kinds of cigarettes and cigars. This means that the tax of foreign filtered cigarettes was reduced by 10% while domestic filtered and non-filtered cigarettes increased by 10% and 30% respectively.

From January 2008, the tax rate was increased to 65% of factory price for all cigarettes and cigars.


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