

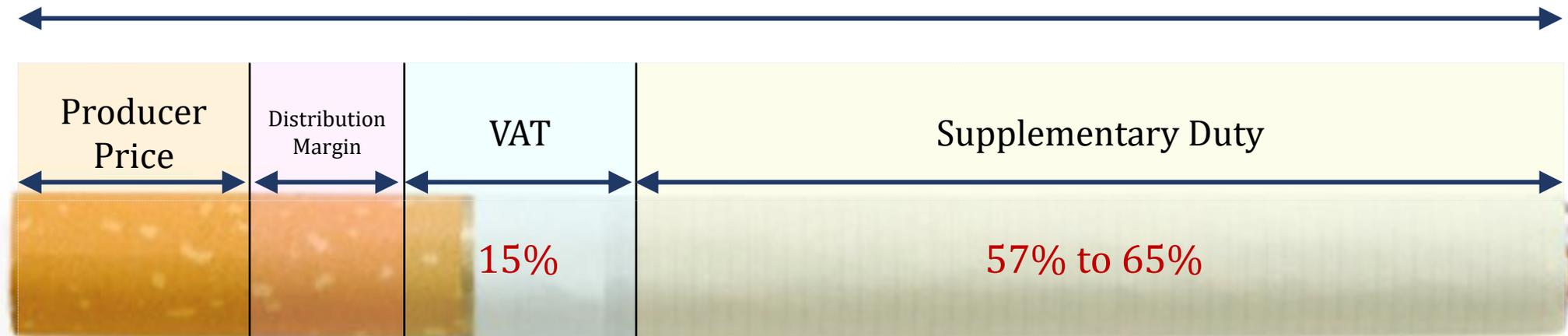
Orientation on BI Tobacco Tax Proposal for FY2022-23

Presented at the “FY2022-23: Tobacco Tax Campaign Workshop”
organized by Campaign for Tobacco-Free Kids on 09 February 2022



Additionally, **1%**
Health Development
Surcharge is applied
on the retail price

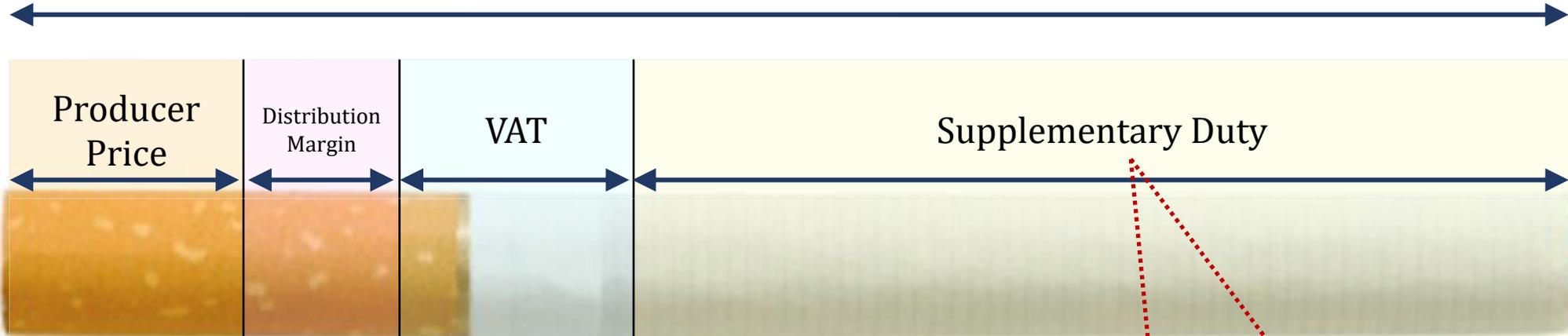
Minimum Declared Retail Price



So, **73% to 81%** of the retail price goes as tax.

Despite having 70+ percent tax burden, cigarettes in Bangladesh remain comparatively accessible because of low production and/or distribution costs.

Minimum Declared Retail Price



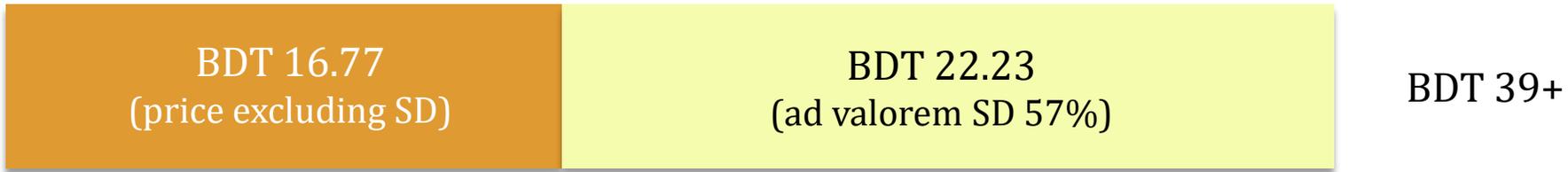
Significantly increase the declared retail prices

VAT and Health Development Surcharge remains as before (15% and 1% respectively)

Increase supplementary duty and shift from ad valorem to specific supplementary duty

Low tier cigarettes (10-stick packet)

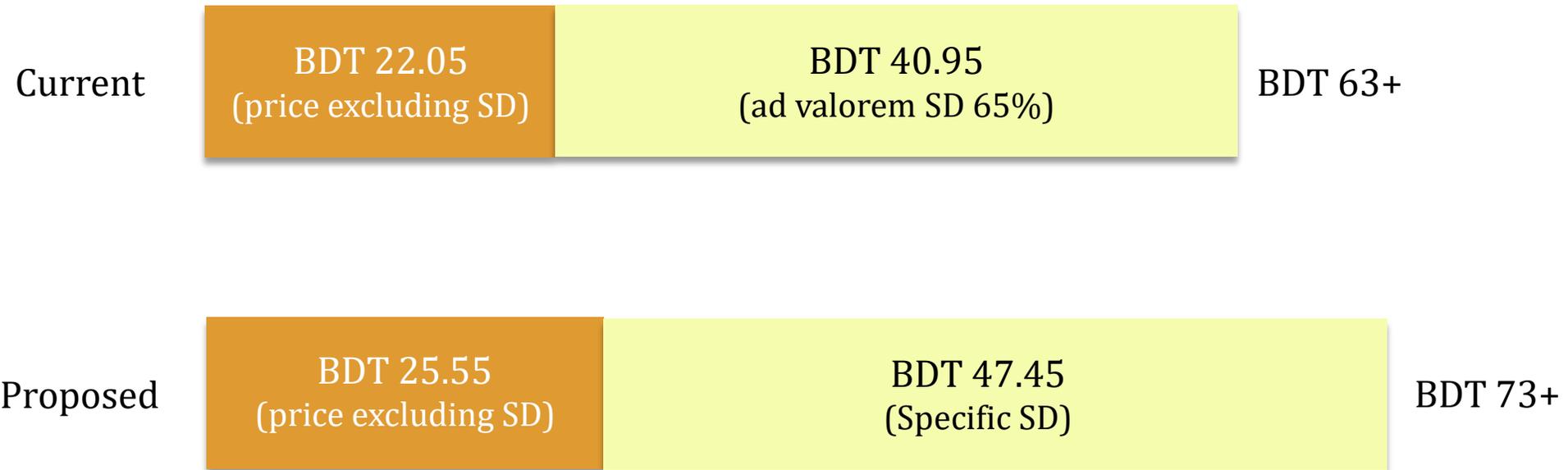
Current



Proposed

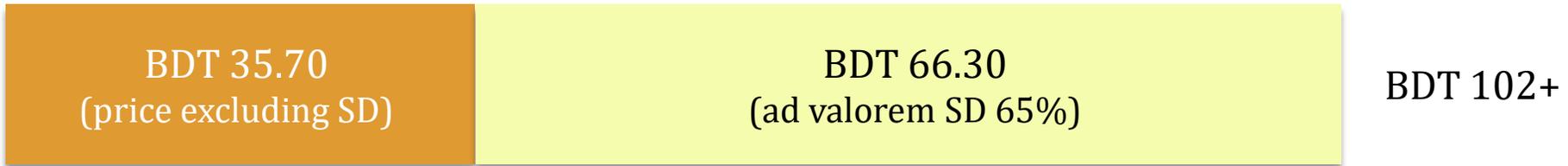


Medium tier cigarettes (10-stick packet)

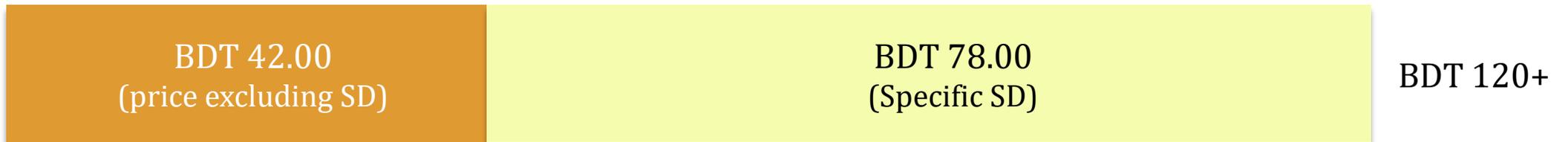


High tier cigarettes (10-stick packet)

Current



Proposed



Premium tier cigarettes (10-stick packet)

Current

BDT 47.25
(price excluding SD)

BDT 87.85
(ad valorem SD 65%)

BDT 135+

Proposed

BDT 53.20
(price excluding SD)

BDT 98.80
(Specific SD)

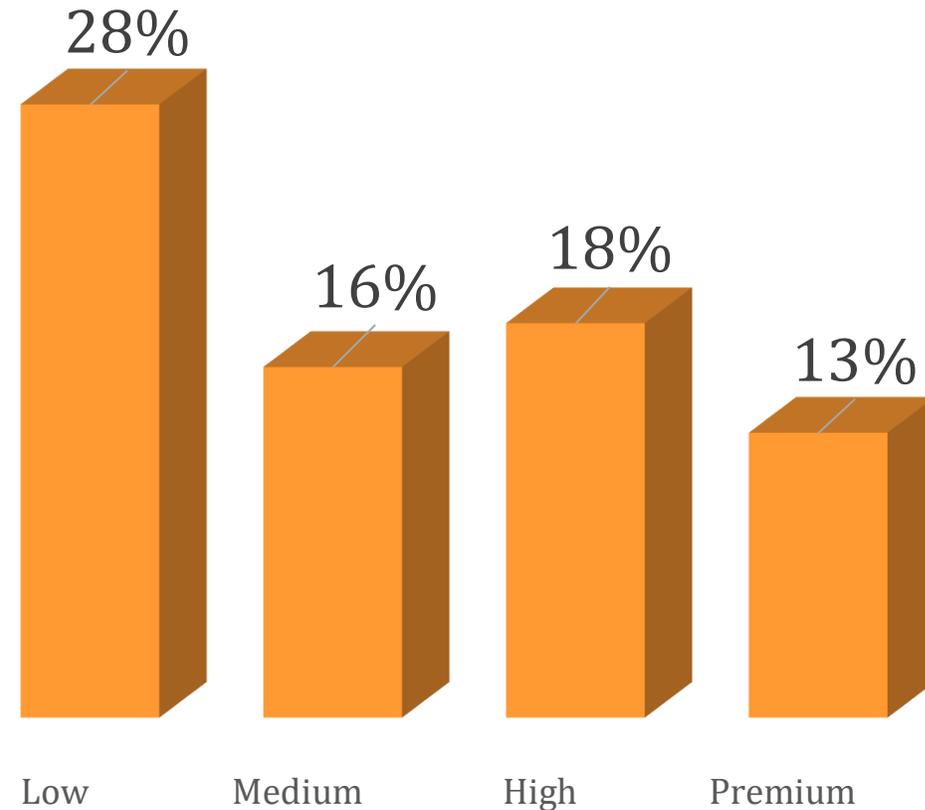
BDT 152+

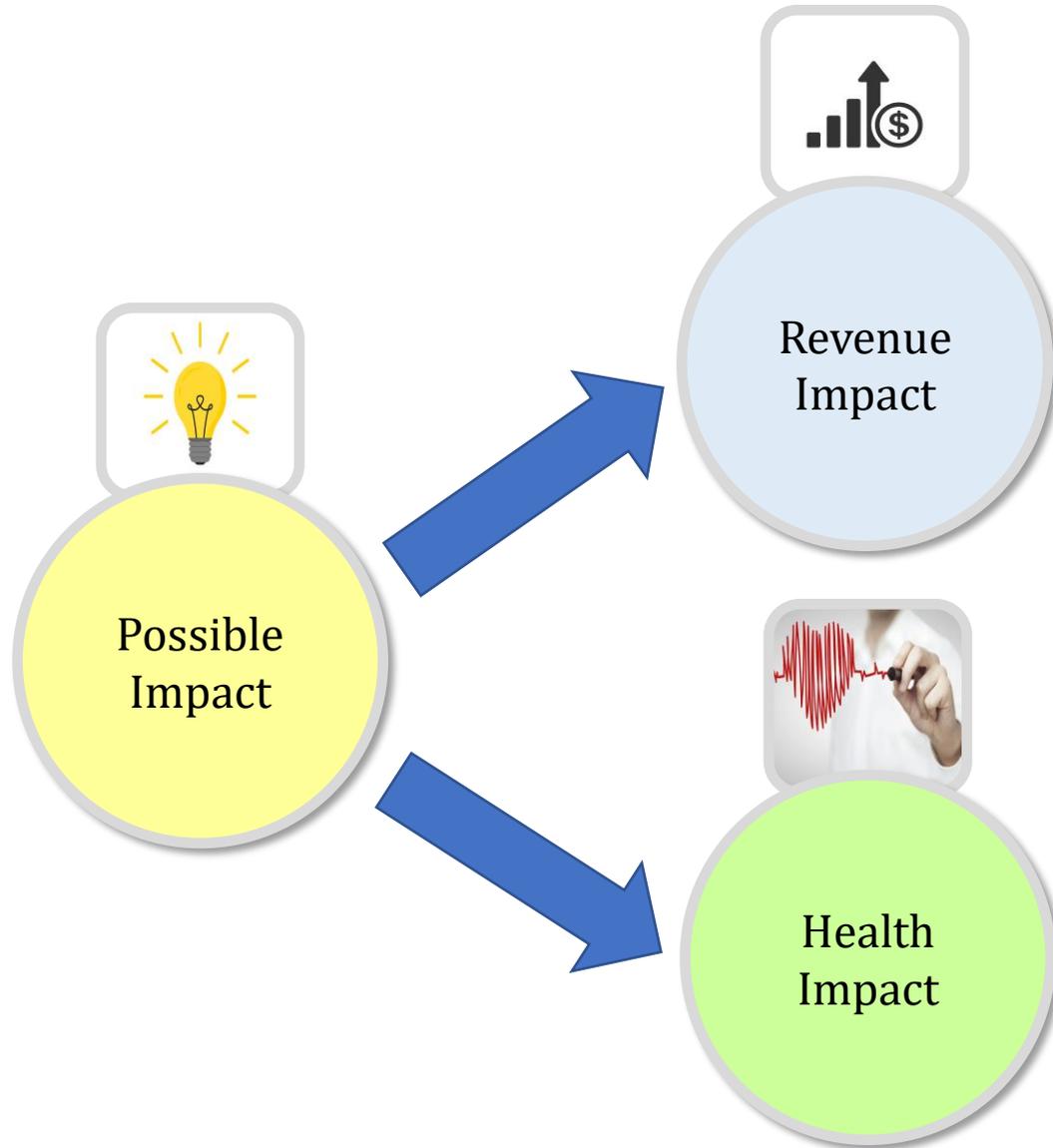


Proposed price hike (%) by different tiers of cigarettes

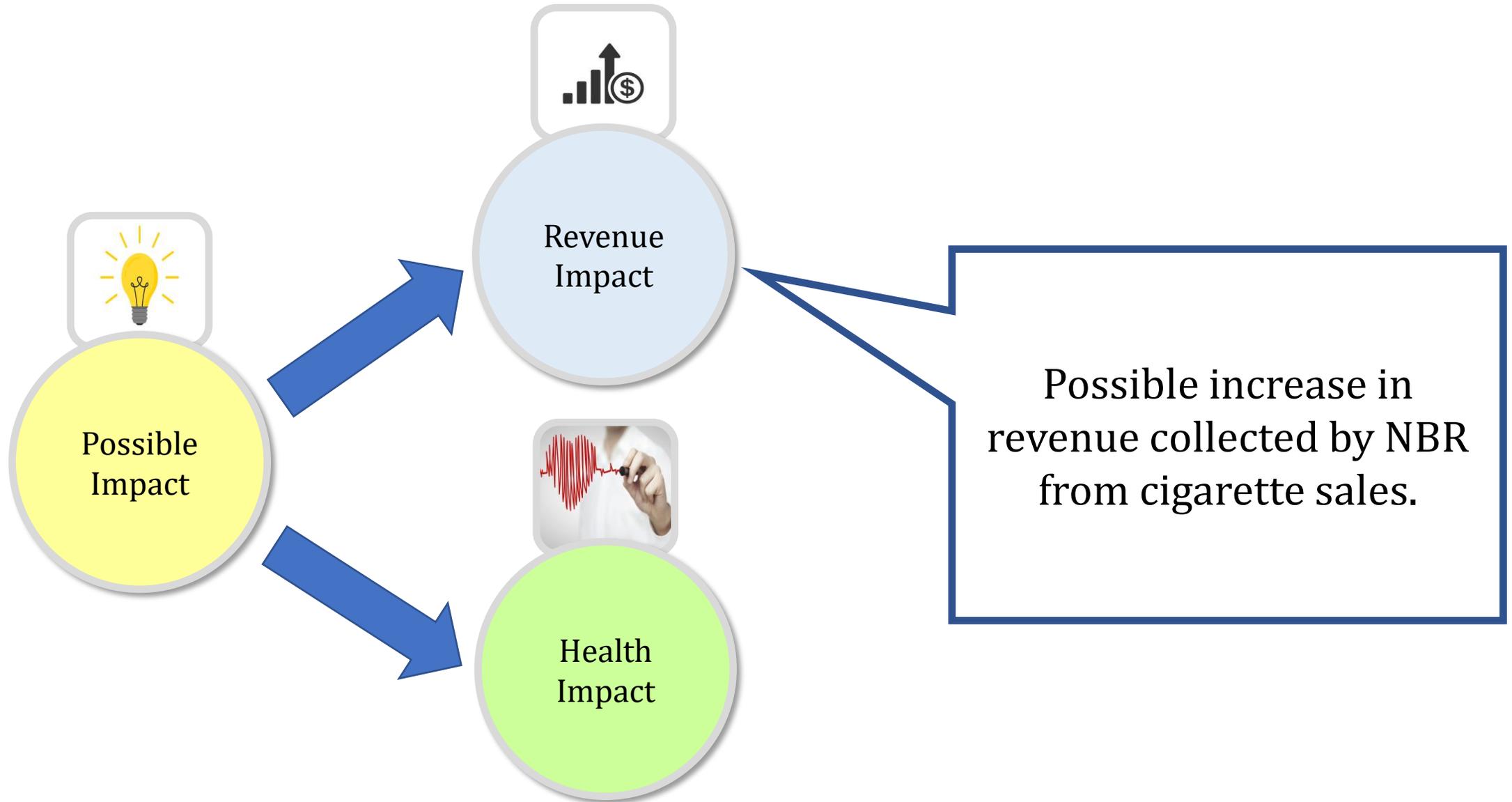
Highest increase is proposed for lowest tier of cigarettes.

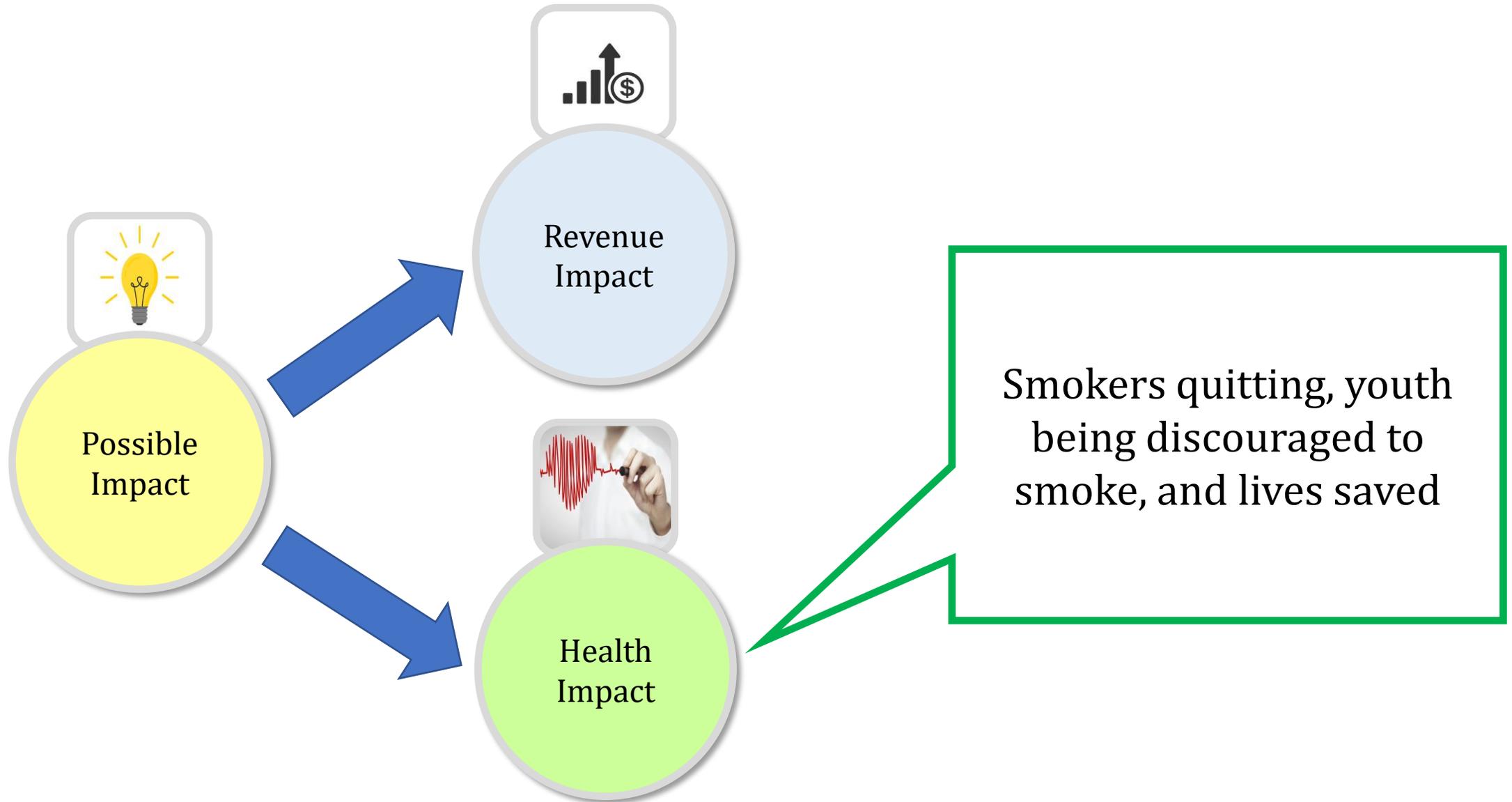
Because those have the largest market share (75 percent) as of FY2020-21.





Estimating potential impacts of the BI proposals related cigarette price increase

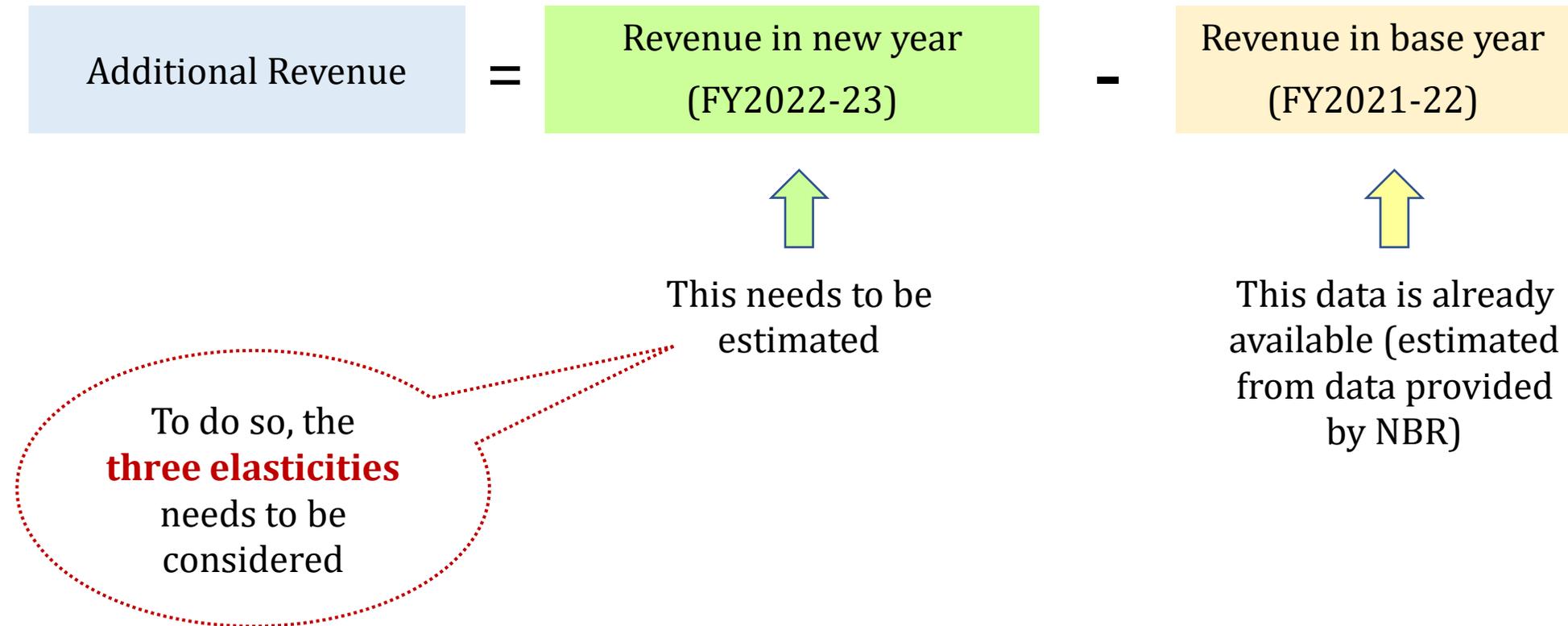




Estimating the Revenue Impact



Estimating the additional revenue to be generated is simple ...



Three Elasticities ...

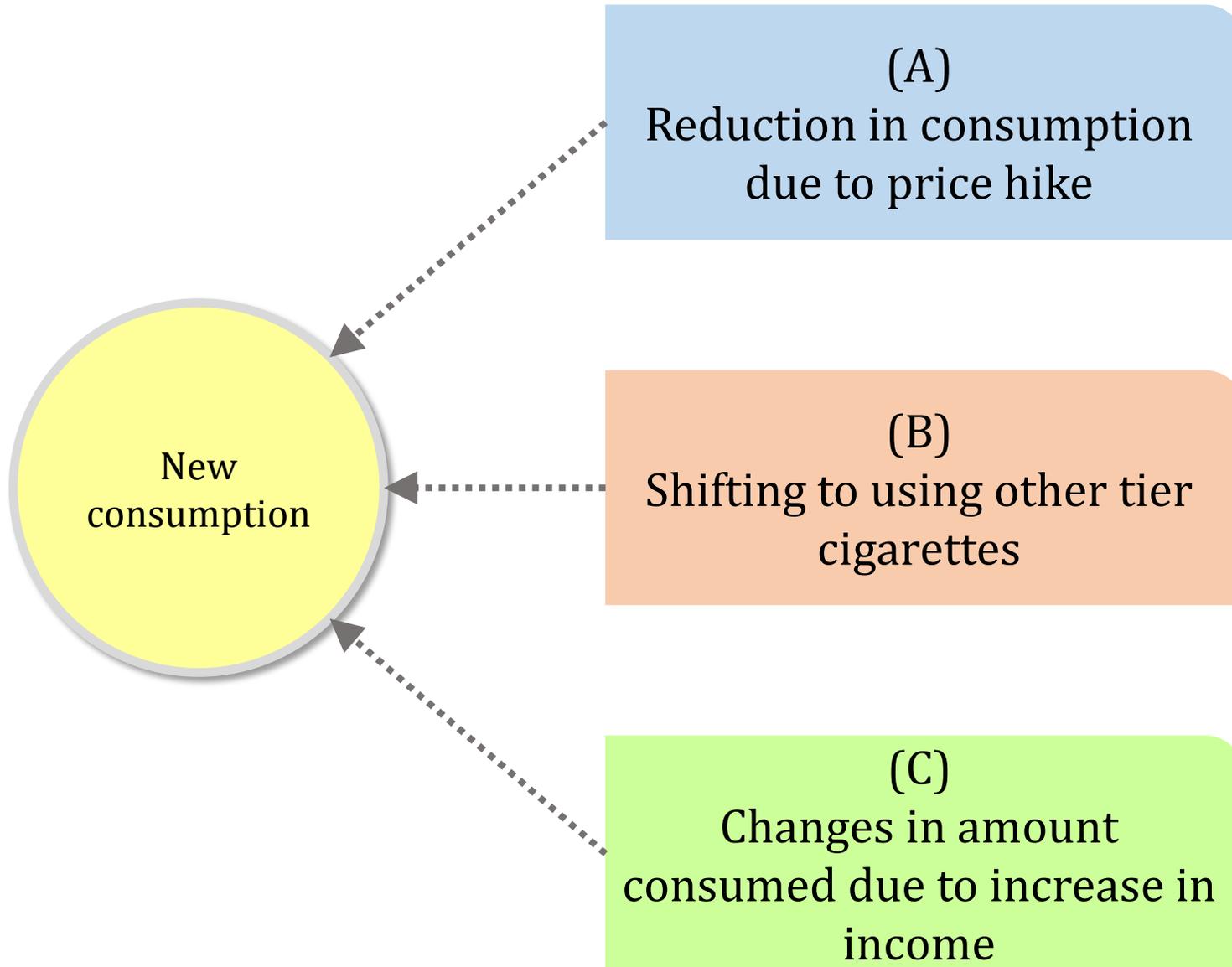
1 Own-Price Elasticity

2 Cross-Price Elasticity

3 Income Elasticity

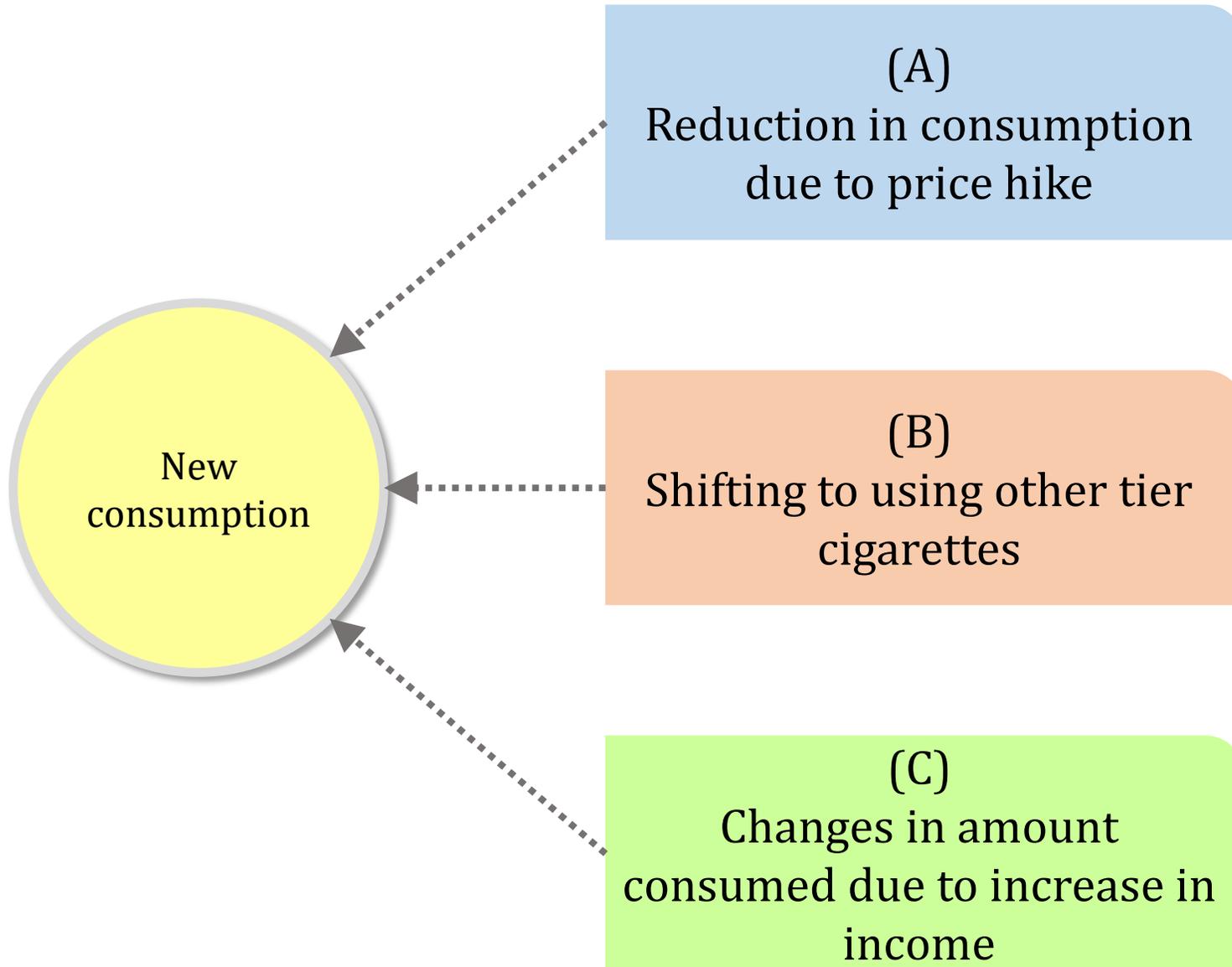
These elasticity ratios has been used in estimating the possible consumption (demand) of cigarettes in case BI proposals are implemented.





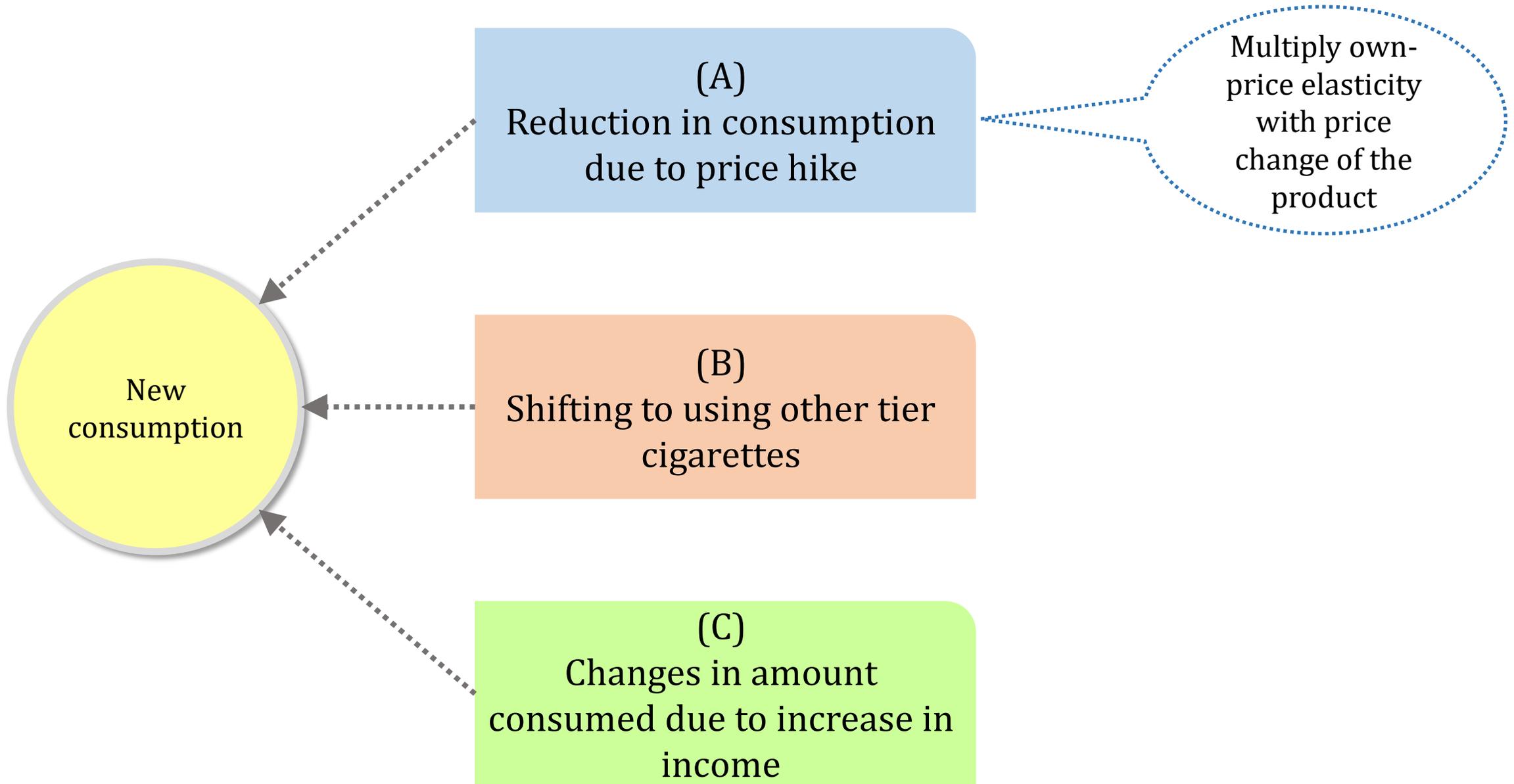
Estimating new
consumption using
the elasticity ratios

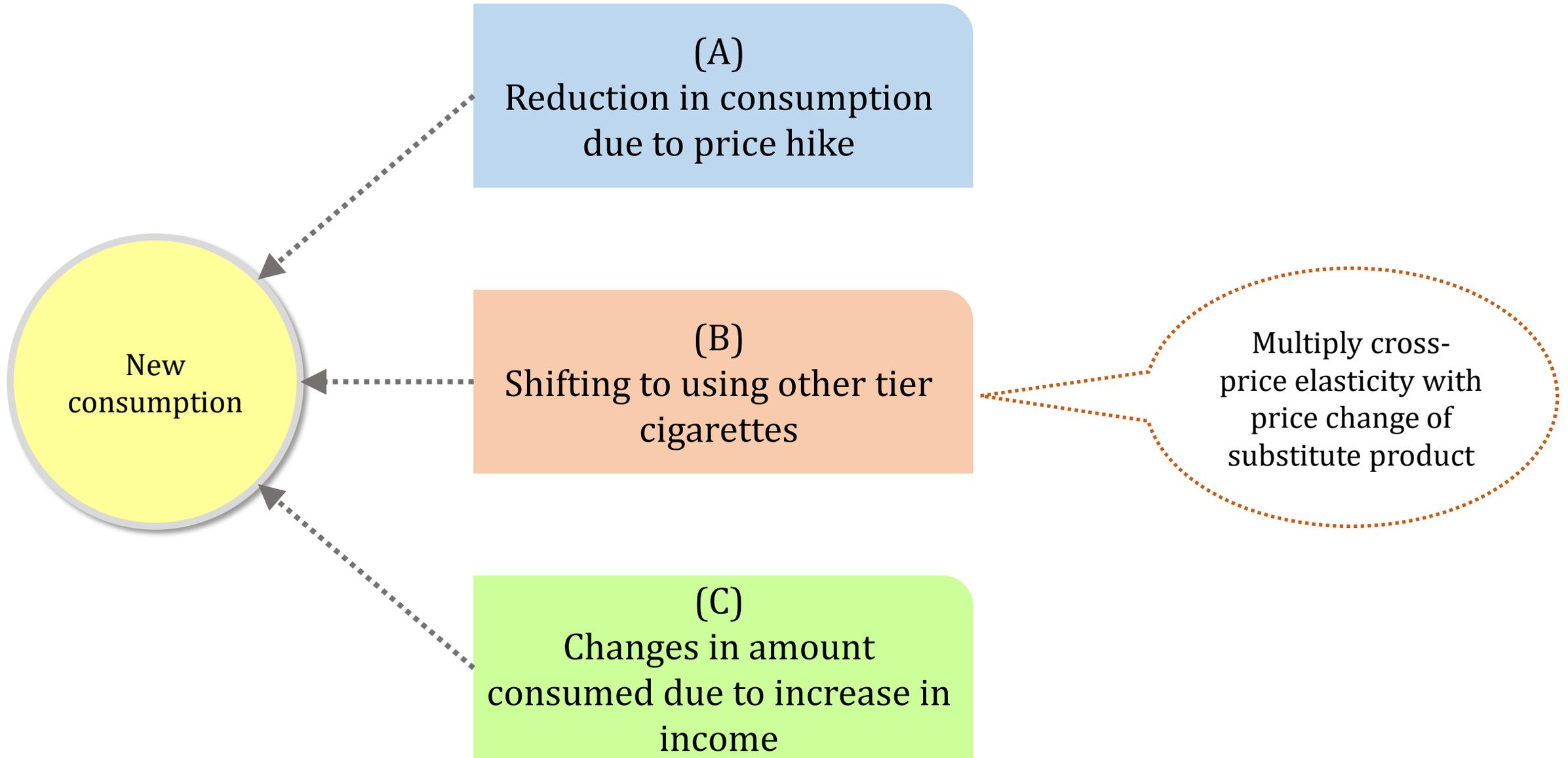


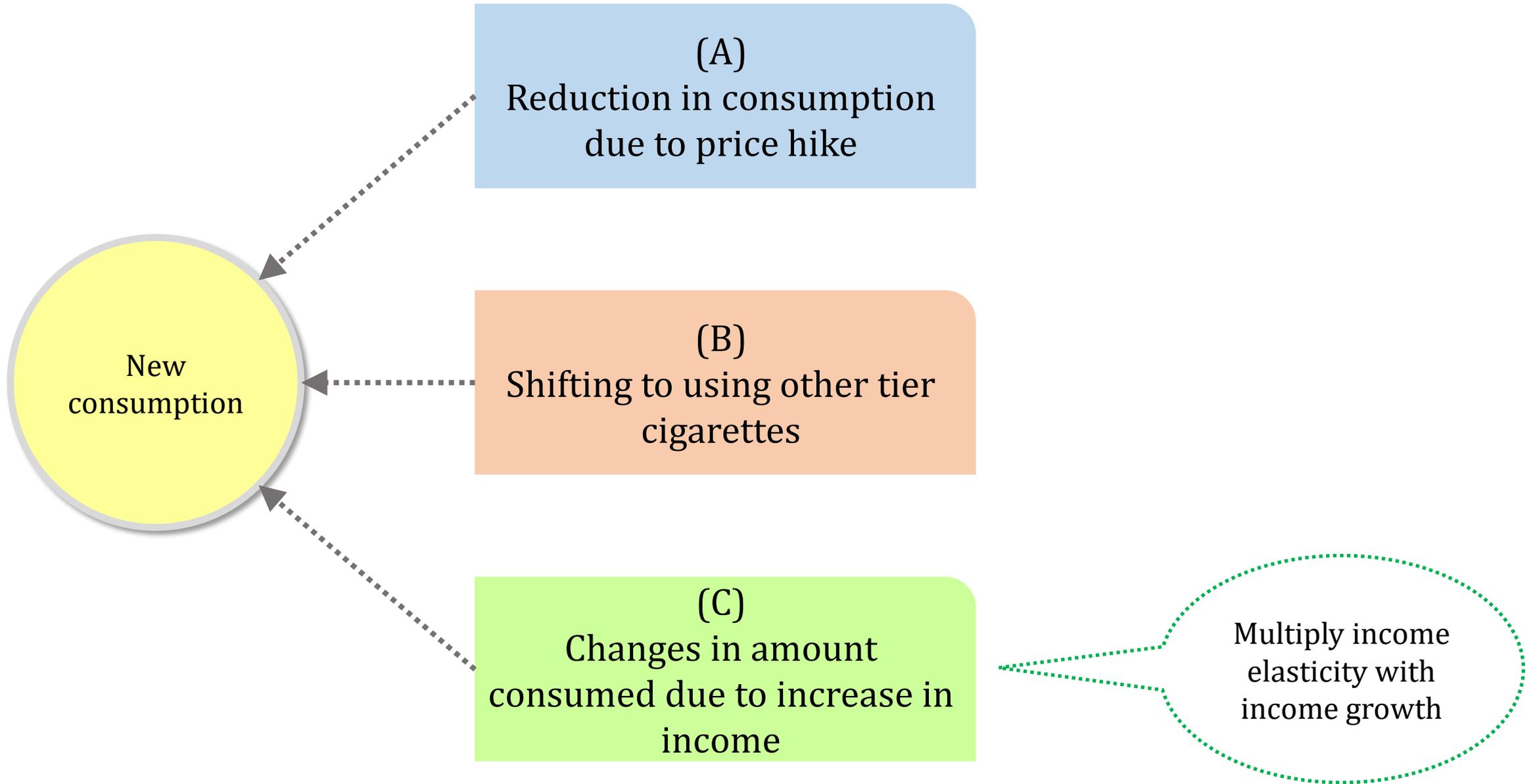


New consumption
depends on three
factors









The formula for estimating new consumption stands to be

$$\text{New Consumption} = (\text{Old Consumption}) * (1+A+B+C)$$

Combining the New Consumption with the newly proposed tax rates-
New Revenue can be calculated

And once we have the New Revenue, then the **Additional Revenue** can be calculated from the simple formula shown at the beginning.

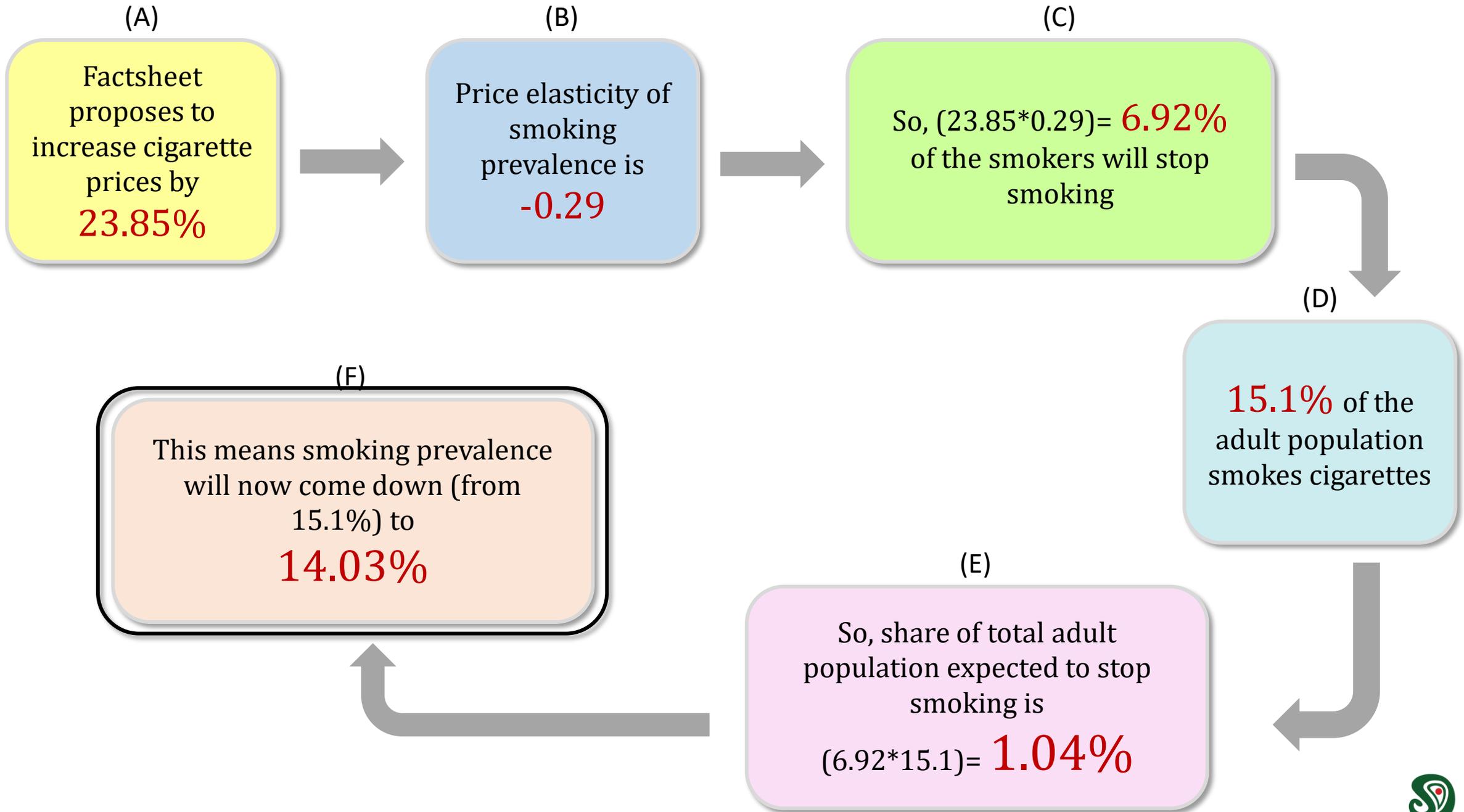
This is how- the BI Factsheet projects potential increase of **BDT 92 billion** in FY2022-23.





Estimating the Health Impact





Adults stopped from smoking ...

(A)

With 15.1% smoking prevalence, number of adult smokers is
18.3 million



(B)

With 14.03% smoking prevalence, number of adult smokers will be reduced to
17 million



(C)

So, the number of adults stopping smoking will be
1.3 million

Youth discouraged to initiate smoking ...

(A)

With 15.1% smoking prevalence, number of future smokers is
6.4 million



(B)

With 14.03% smoking prevalence, number of future smokers will be reduced to
5.5 million



(C)

So, the number of youth discouraged to initiate smoking is
0.9 million

Adult death reduced ...

(A)

Number of adult smokers reduced by
1.3 million



(B)

50% of the smokers die prematurely.
Of those who quit smoking **70%** survives



(C)

So, the number adult deaths reduced by
($1.3 * 50% * 70%$)=
0.44 million

Youth death reduced ...

(A)

Number of youth
discouraged to smoke
0.9 million



(B)

50% of the smokers
die prematurely.



(C)

So, the number youth
deaths reduced by
 $(0.9 * 50\%) =$
0.45 million

Possible outcome in case BI Factsheet proposals are implemented ...

Smoking prevalence to be reduced **from 15.1% to 14.03%**.

1.3 million adults will stop smoking.

0.9 million youth will be discouraged to initiate smoking.

0.89 million deaths can be avoided.

BDT 92 billion additional revenue will be generated in FY2022-23.

Thank You ...