

Tobacco Taxes in Turkey

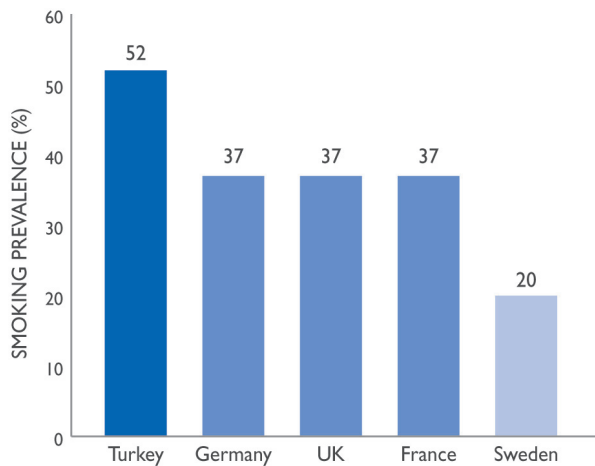
Based on *The Economics of Tobacco Control and Tobacco Taxation: Challenges & Opportunities for a Tobacco Free Turkey*. Ayda Yürekli, Zeynep Önder, Murat Elibol, Nejat Erk, Altan Cabuk, Mahir Fisunoglu, Sinan Fikret Erk, Frank J. Chaloupka. 2010.

Turkey's high smoking rate causes alarming health and economic costs. One of the most effective ways to reduce tobacco use in Turkey is to raise the price of tobacco products through excise tax increases.

Tobacco use in Turkey

- One-third (31%) of Turkish adults currently smoke.
- Almost one-half of Turkish men (48%) smoke, and male smoking rates are higher than in all Western European countries. 15% of women smoke, and rates are rising.
- Smoking rates are highest among young adults: 40% of 25-44 year-olds smoke.
- Youth smoking is increasing; almost 10% of youth smoke cigarettes. Most youth (80%) are exposed to secondhand smoke at home or in public places.

Age-standardized prevalence of male smoking (%), Turkey compared to Western European countries



Source: WHO, 2008. MPOWER: WHO Report on the Global Tobacco Epidemic.

Impact of tobacco use in Turkey

High smoking rates contribute to a significant number of early deaths, high healthcare costs and lost productivity.

- Over 50,000 Turks die each year from tobacco-related diseases. Among men, smoking related diseases are the most common cause of death.

• If no intervention is made to curb tobacco use in Turkey, by 2050:

- Over 127, 000 Turkish citizens will die prematurely from tobacco-related diseases each year.
- 6.4 million youth (15 and younger) will become smokers as adults, and 2.57 million youth will die prematurely from tobacco-related diseases

Higher taxes saves lives

The most effective way to reduce tobacco use is to raise the price of tobacco through tax increases and ensure that the tax increases are reflected in prices. Higher prices discourage youth from initiating cigarette smoking and encourage current smokers to quit.

2010 tobacco tax in Turkey

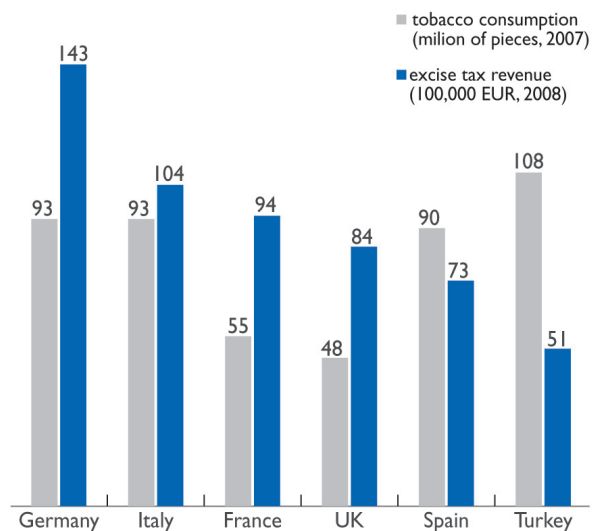
- Tobacco excise tax is calculated on an ad valorem basis. However, if the calculated tax falls below a minimum amount, a specific tax rate applies.
- The ad valorem tax is 63% of retail price as of January 1, 2010. If the per pack ad valorem excise tax is less than 2.65 TL, specific tax of 2.65 TL is applied instead of the ad valorem rate. A 15.25% VAT of retail price also applies.
- Tobacco **excise** taxes average 63.4% of retail price: **total** tax (including VAT) averages 78.7% of retail price.

Cigarettes are cheaper and tax revenue is lower than in many EU countries

- Turkey's tobacco tax as a percent of retail meets minimum EU standards. However, in 2009, Turkey's average retail price of cigarettes was lower than the average price in all high income EU countries.
- Low prices result in lower tax revenues. Even though tobacco consumption is higher than in major cigarette consuming countries in the EU, Turkey's cigarette excise tax revenue is among the lowest.

Tobacco Taxes in Turkey

Tobacco consumption and excise tax revenues, 2008



Source: Authors' compilation of WHO, Ministries of Finance and other data sources.

Employment in the tobacco sector is minimal

- Higher profitability of other crops has made tobacco less attractive to farmers, and the number of tobacco farms has declined since 2002.
- Employment in cigarette manufacturing and retail is minimal and has been declining since 1988. With Turkey's growth, new jobs in industries with an overall positive effect on the economy have replaced jobs in the tobacco industry.
- Turkey's cigarette market is dominated by a small number of large international firms — Philsa (a joint venture Philipp Morris International and Sabanci Holding Company), British American Tobacco, and Japan Tobacco International.

2010 Tobacco tax will generate significant revenue and save lives

The 2010 tobacco tax will generate 15.5 billion TL in revenue and prevent 340,000 premature deaths among people living today. As current smokers quit, 165,000 lives will be saved. Among youth, the increased tax will reduce smoking prevalence by 7%, prevent almost 437,000 youth from starting to smoke, and prevent over 175,000 premature deaths among youth alive today.

Increasing the ad valorem tax rate to 65% and the specific tax to 3.10 TL/pack would bring in an additional 1.3 billion TL in tax revenue, reduce youth smoking prevalence by an additional 3%, and prevent over 288,000 tobacco-related deaths among youth.

Impact of the 2010 tax and a proposed additional increase

| | 2010 tax Ad valorem: 63% Specific: 2.65 TL/ pack | Proposed increase Ad valorem: 65% Specific: 3.10 TL/ pack |
|--|---|---|
| Reduction in number of smokers | 590 thousand | 1 million |
| Lives saved (current and future smokers) | 340 thousand | 560 thousand |
| Excise tax revenue | 15.5 billion TL | 16.8 billion TL |
| Total revenue | 19.2 billion TL | 20.6 billion TL |

Recommendations

- Increase the specific tax and adjust it automatically for inflation. Ensure prices increase at a rate higher than inflation.
- Increase excise taxes over time so that they account for at least 70% of retail cigarette prices.
- Raise revenues through excise tax increases rather than relying on cigarette manufacturers to increase the price of their brands.
- Dedicate a portion of tobacco tax revenues for financing the health care system and supporting tobacco control programs. Ten percent of the excise tax revenue would pay for 5.6% of total public health expenditures.
- Strengthen ongoing efforts to curb illicit trade in tobacco products. Reducing illicit trade will maximize the revenue and health impact of any tax increase.

One of a series of reports on tobacco economics funded by Bloomberg Philanthropies and the Bill and Melinda Gates Foundation as part of the Bloomberg Initiative to Reduce Tobacco Use.