

For Immediate Release



AUB research team, from Grand Serail: Raising taxes on tobacco products saves lives and brings revenues

Beirut, Lebanon- 04/04/2012 - A team of AUB researchers has found that raising taxes on tobacco products would both reduce the prevalence of smoking-related diseases as well as bring in much needed revenues into the national Treasury.

Public health and economic experts joined forces at AUB to produce a study that shows the impact of raising taxes on health and the national economy. The study findings were presented during a special meeting that was held at the Grand Serail on April 4, 2012, under the patronage of Prime Minister Najib Mikati and with the participation of Finance Minister Mohammad Safadi, representing PM Mikati, and Dr. Georges Saade of the National Tobacco Control Program, representing Health Minister Ali Hassan Khalil. AUB President Peter Dorman also participated at the event and underscored the importance of academia in sharing knowledge and research with governmental and non-governmental agencies “to help enrich and refine policies and initiatives.”

Safadi delivered PM Mikati’s remarks which emphasized the importance of adopting strict measures at the national level, such as higher taxes on tobacco products, to help curb smoking especially among youths. Mikati recognized the harm that smoking inflicts on individual health and public health expenditures, underlining the importance of helping smokers quit their harmful habit.

The one-year study was funded by the Canadian International Development and Research Center and led by three members of the AUB Tobacco Research Control Group: Professors Rima Nakkash, Jad Chaaban, and Nisreen Salti.

“Raising taxes on tobacco products has proved to be the most effective policy to protect youth and to help curb the death toll and disease burden from tobacco use,” said Rima Nakkash, assistant professor of health promotion and community health, and one of the key collaborators in the study. “Countries such as Turkey, which has a higher smoking rate than Lebanon, have succeeded in adopting strict tobacco control policies, including raising taxes on tobacco products, and we believe that Lebanon could be the next success story, but we would need the support and strong collaboration of the political leadership, particularly the ministries of finance and health to achieve this success.”

Taxes currently constitute 30 to 50 percent of retail prices, much below the shares in upper middle income countries which levy a 70-80 percent tax on tobacco products. Given that the average prices of imported cigarettes are quite low in Lebanon (\$1.6/pack, compared to \$2.5/pack in upper middle income and \$5/pack in high income countries), the study showed that there is substantial room for increasing the price of tobacco products as part of a national tobacco control strategy, aiming to protect the lives of the Lebanese people.

Lebanon ratified the Framework Convention in Tobacco Control in February 2005, yet there is no national policy that requires increase in tobacco taxation as stipulated by the convention.

"To date in Lebanon, there have been no studies that address the welfare and public finance effects of raising taxes on tobacco products," said Jad Chaaban, assistant professor of economics and the lead investigator in the economic study. "Our study focused on the household consumption of tobacco products, comprising mainly imported cigarettes, local cigarettes and water-pipe tobacco."

The study found that if taxes were raised by about 140 percent on average on local and imported cigarettes, then consumption would be reduced by 92 percent for local cigarettes; by 7 percent for imported cigarettes; and by 26 percent for water-pipes.

This means the price of local cigarettes would be 1250 LBP (0.8 USD) per pack; while that of imported cigarettes and water-pipes would be 4750 LBP (3.2 USD) per pack and 4000 LBP (2.6 USD) per tobacco pack respectively.

"Total spending on these products reached 553 million USD in 2010, with 512 million USD spent on 307 million packs of imported cigarettes," noted Nisreen Salti, assistant professor of economics and collaborator in the study.

"Given that prices increase more than the drop in consumption, the net revenue impact on government finances is positive: Increasing tobacco taxes would generate 127 million USD in additional public revenues, about 52 percent more than current ones," Salti noted.

"Part of the revenues from a tax increase can be subsequently earmarked towards national tobacco control prevention and cessation programs, so as to extract more benefits from this taxation scheme," added Chaaban. "It's a 'win-win' situation in both saving lives and increasing government revenue."

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Note to Editors

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