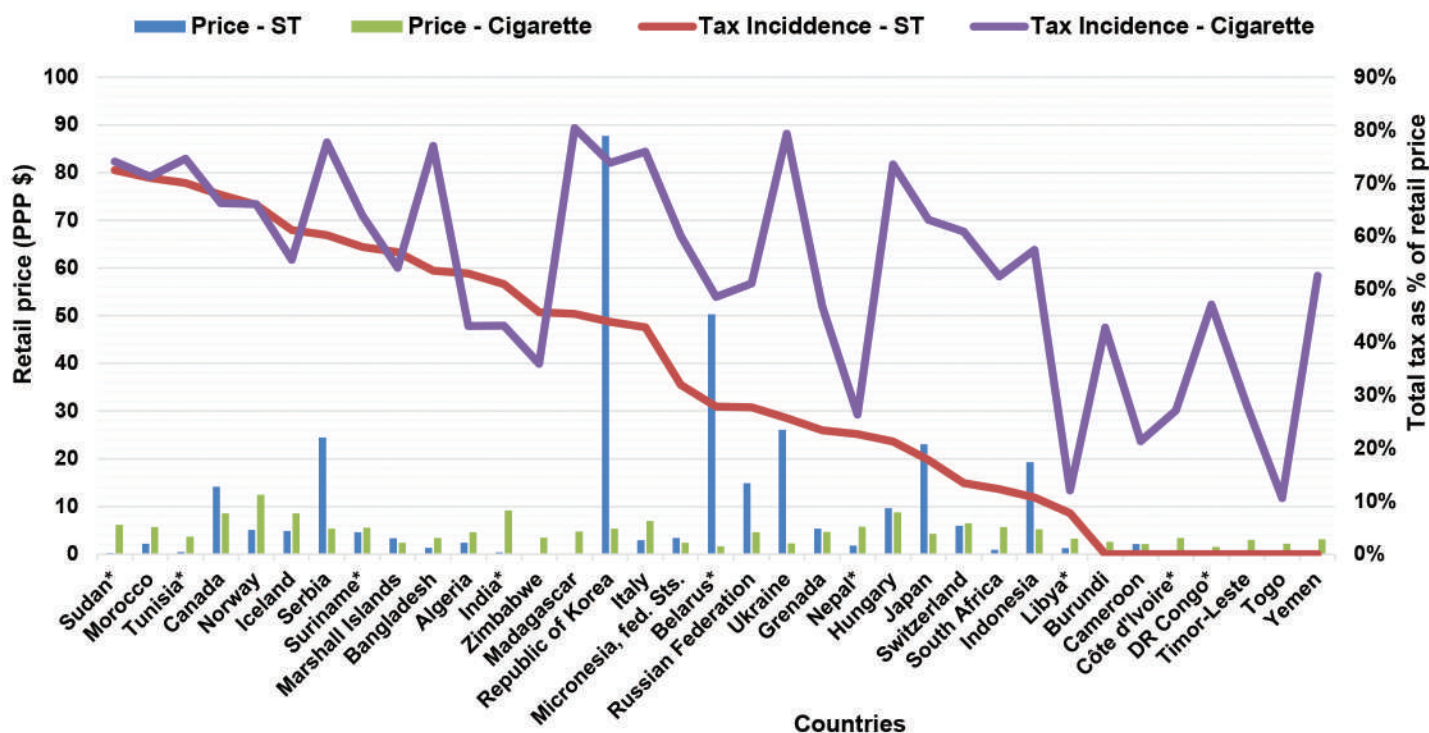


**Article 6 of the WHO FCTC requires Parties to *implement tax policies..., price policies, on tobacco products (including smokeless tobacco products) so as to contribute to the health objectives aimed at reducing tobacco consumption.***

Smokeless tobacco (SLT) consists of a wide range of heterogeneous products, which are manufactured and sold, in a variety of forms making it difficult to establish a standardized unit for the purposes of pricing or taxing. Price and tax measures on these products are often confusing and it is important to provide more clarity on this so that tax policies on SLTs can be made more effective.

- Taxes on SLTs are imposed either as *ad valorem* or specific by Parties.
- In several Parties, there is a federal level excise tax and a state level sales or value added tax. Tax on SLTs varies considerably across Parties, from 0% (i.e. no tax of any kind on SLTs) to 72.4% in Sudan. Similarly, there is larger variation in prices of SLTs too across Parties and within Party, across products.
- Although there is no discernible pattern in tax incidence across Parties income group, the retail prices (PPP dollars), were lower for SLT products in low- and lower-middle-income Parties and higher in high-income Parties, on average. This could probably explain the relatively high prevalence of SLT use in LICs and LMICs.
- Nineteen out of the 32 Parties reviewed had unit prices of SLTs at least two PPP dollar lower than that of cigarettes (Fig. 1).
- Available estimates show that the price elasticities for various SLTs are largely negative and less than one. Because of this, taxation can be used as an effective tool not only to decrease consumption of SLTs, but also to increase tax revenue.
- Empirical evidence from both India and Bangladesh suggest that high taxation has reduced SLT use in the general adult population.
- Available estimates on affordability of SLTs indicate that these products have become more affordable in India while the affordability has remained the same in Bangladesh over the years.
- The compounded levy system followed in India to tax SLTs have been found quite effective after incorporating speed of packing machines into the deemed production and tax on SLT products and could be emulated in similar settings elsewhere in the world.



Note: Retail Price PPP \$ shows the retail price in International Purchasing Power Parity Dollars for a 20 cigarettes pack of the most sold brand and 20 gram pouch of the most sold ST brand in each Party.

Source: WHO report on the global tobacco epidemic 2015 and 2017, online appendices IX, Table 9.1 and 9.3. Parties with a superscript (\*) are from the 2015 report showing data belonging to 2014 whereas the rest of the Parties are from 2017 report showing data from 2016.

Morocco, Switzerland and Indonesia are not Parties to the Convention.

**Fig. 1: Comparison of Retail Price and Tax Incidence Between SLT and Cigarettes**

Taxation on SLT should be such that it keeps up with inflation while, at the same time, ensuring that their prices sufficiently go up with the objective of making SLTs less and less affordable. The tax rates should be standardized across the SLT products and in a manner not to encourage substitution with other tobacco products. It is important to set a minimum floor price on all tobacco products including SLT that are sold in a Party. The minimum floor price per the lowest unit of the tobacco product sold should be equalized across all tobacco product categories. Governments, India in particular, should be able to exercise excise taxation option on SLTs to adequately raise their tax burden consistently.