

# Raising Tobacco Tax Substantially and Annually to Achieve a Smoke-free Hong Kong

Smoking is the huge burden to health and economies of Hong Kong and the world

## Loss of life: numerous people died from active and passive smoking



Global: **>8 million**  
Hong Kong: **~7,000**

## Economic loss (healthcare costs and productivity loss)



Global: **US\$ 1.4 trillion**  
Hong Kong: **HK\$5.6 billion**

## Raising tobacco tax is the most effective measure to reduce smoking

According to the World Health Organization (WHO), raising tobacco tax is the **single most effective** tobacco control measure. Every 10% price increase will reduce overall tobacco consumption by 4% in high-income countries. WHO clearly defines tobacco tax as the **prioritized and cost-effective** measure, and recommends the portion of tobacco tax to retail price should be **at least 75%**.

In 2009, 2011 and 2023, tobacco tax was substantially increased in Hong Kong, number of calls to Quitline remarkably increased in the following years. As a result of the increases in 2009 and 2011, smoking prevalence reduced from 11.8% (2008) to 10.7% (2012). Current smoking in secondary school students significantly dropped from 6.9% to 3.0%, meaning up to 16,000 students were motivated to quit or prevented from smoking.

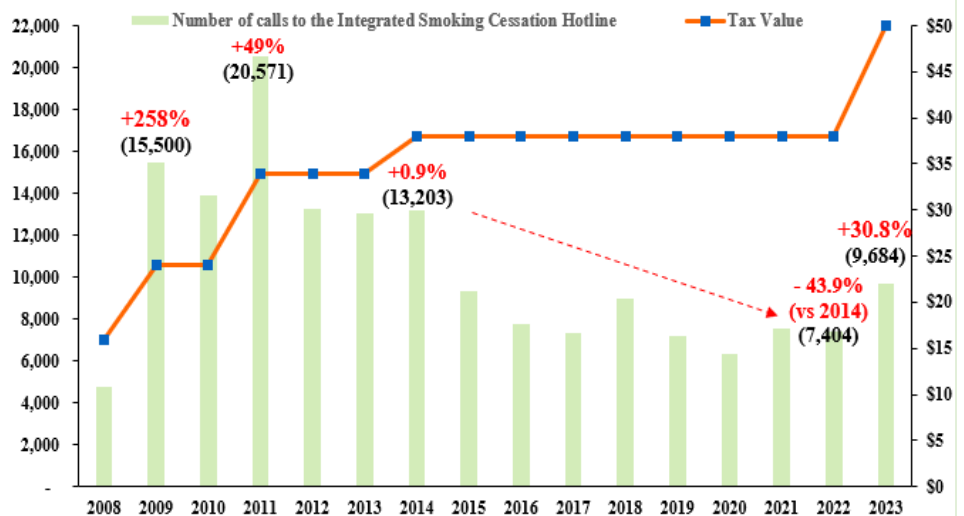
## Low tobacco tax rate in long run disincentivizes smokers' intention to quit



Tobacco tax was frozen for 8 consecutive years from 2015 to 2022. A 44% reduction of calls to quitline was resulted.



Tobacco tax was increased by 31.5% in 2023, increase in calls to quitline was a 3-fold immediately and 30.8% annually.



## Tobacco tax can lessen the financial burden by reducing diseases and premature death

Global impact over next 50 years resulted from 50% tobacco price increase due to tax increment:

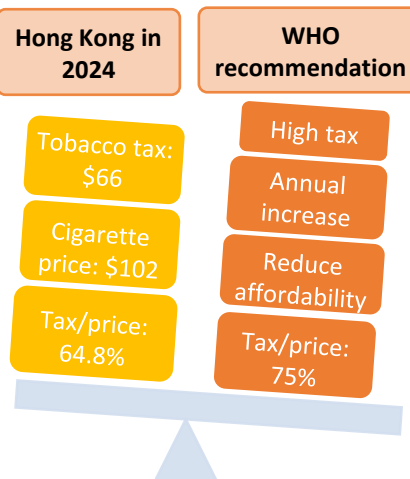
Deaths averted: **27.2 million**  
Years of life gained: **535.7 million**

(Baseline: 2017; Bloomberg Philanthropies)

## Tobacco tax was frozen in most years in the past two decades

Tobacco tax was frozen in 16 years since 2004, eroding its effectiveness in smoking cessation and increasing cigarette affordability. Despite tax is frozen, tobacco industry raised the price frequently to make more profits with a 112% increase, where the increase in tax is 74%, comparing to 2014.

## Hong Kong is behind the WHO's standard



According to WHO, high tobacco tax should be adopted and increased yearly in response to inflation to reduce affordability. Hong Kong should raise tobacco tax to reach 75% and maintain in long run.

## Majority support for raising tobacco tax

According to COSH survey conducted in 2023, 68.5% supported a tobacco tax increase in the next year and 64.6% supported an annual increase.

## Cigarettes in Hong Kong are affordable (i.e. low in real price)

Cigarette affordability index in **Hong Kong was 1.95, lower than most places in the world**, e.g. New Zealand (3.99), Malaysia (3.87), UK (2.98), Thailand (2.54). (The smaller the index, the more affordable the cigarettes, the cheaper in real price)

## Tobacco tax is a key measure toward Tobacco-free Future

In response to WHO's call, Hong Kong Government targets to reduce the smoking prevalence to 7.8% by 2025. It is necessary to implement strong and effective tobacco control policy to accelerate smoking reduction. In many countries with an endgame plan (i.e. total ban of smoking), such as New Zealand and Ireland, substantial and annual increase in tobacco tax is one of the core measures. Hong Kong should also have a long-term endgame plan to achieve a smoke-free future.

### Recommendation



#### Substantially increase tobacco tax in coming fiscal year

The government should increase tobacco tax substantially to make the retail price effective enough to enhance smoking intention, and meet WHO's recommendation. Currently, 41 countries/places have reached this level.



#### Allocating tax revenue to finance tobacco control, smoking cessation and related healthcare

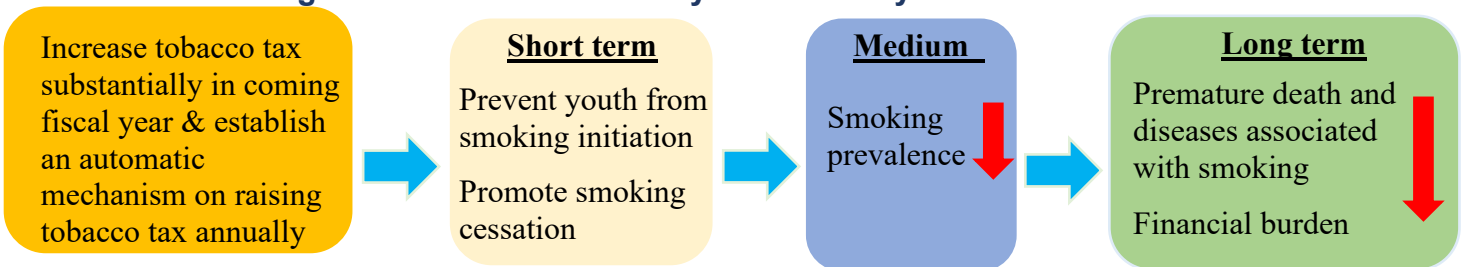
There are 43 countries/places (such as France, Iceland, Ireland, Philippines, and South Korea) strategically allocating the tobacco tax revenue to tobacco control and/or the healthcare systems. According to the Hong Kong Government's General Revenue Account in 2023-2024, the tobacco tax revenue is expected to reach HK\$8.5 billion. However, annual expenses on tobacco control were about HK\$346 million as shown in Legislative Council document. Hong Kong should allocate a high and specific proportion of the tobacco tax revenue to smoking cessation services and other medical and healthcare purposes. More resources should be provided to enhance health education, smoking prevention, and law enforcement, thus reduce the smoking prevalence.



#### A mechanism on raising tax annually

Establishing an automatic mechanism on raising tobacco tax annually is recommended to prevent the effect of tobacco tax from being eroded by inflation and income increment. Nearly 30 countries/places have introduced an automatic mechanism on raising tobacco tax. Some of them increase the tax rate annually on top of the inflation rate automatically.

### Outcomes of raising tobacco tax substantially and annually



### Common misconceptions about raising tobacco tax

Misconceptions	Truth
Raising tobacco tax aggravate tobacco smuggling.	<b>No causal relationship between raising tobacco tax and black market.</b> The most effective measure to prevent smuggling is enhancement of enforcement actions.
Tobacco smuggling in Hong Kong intensified due to the tax increase in 2023.	According to the Customs, <b>no obvious increase cigarette smuggling activities due to the tobacco tax increase.</b> Data also showed that number of illicit cigarettes confiscated decreased by 11% in 2023.
Grassroots would be suffered from tobacco tax.	Raising tobacco tax could <b>help the comparatively poor people to give up the costly habit</b> and develop healthier life, which improve quality of life.
Tobacco tax is the mean to generate government's income.	<b>Main purpose tobacco tax is to reduce smoking</b> which save more significant medical and healthcare costs.