

# TOBACCO TAXES IN POLAND

*The Economics of Tobacco and Tobacco Taxation in Poland* by Christina Czart Ciecierski, Rajeev Cherukupalli and Marzenna A Weresa. 2011.

**Tobacco use is a major cause of mortality in Poland and imposes high health and economic costs on the country. The most effective way to reduce tobacco use in Poland is to raise the price of tobacco through excise tax increases.**

## Tobacco Use in Poland

- There are nearly 10 million smokers in Poland — one-third (30.3%) of Polish adults currently smoke tobacco.
- 500 children start smoking each day in Poland: almost 19% of youth ages 13–15 smoke cigarettes. Over half of Poland's children are exposed to secondhand smoke at home.

## Impact of Tobacco Use in Poland

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

- Tobacco smoking is the leading cause of premature death among adults in Poland. In 2000, 38% of all deaths in males ages 35–69 were attributable to smoking. Smoking is the leading cause of lung cancer in Poland, and lung cancer deaths are rising among women. Smoking causes 55% of all cancer-related deaths among Polish males.
- The healthcare costs associated with tobacco-related diseases were nearly 18 billion PLN (6 billion USD) in 2004.
- Other costs associated with tobacco use, including losses in productivity and employment were estimated at 15 billion PLN (5 billion USD) in 2004.

## Tobacco Tax Structure in Poland in 2011

- Poland's tobacco excise tax consists of two components:
  - A specific excise tax (a fixed amount per 1000 cigarettes)
  - An ad valorem excise tax (a percentage of the maximum retail price).
- As of 2011, Poland imposes a specific tax of PLN 158.36 per 1000 cigarettes, an ad valorem tax of 31.41% of retail price and a VAT of 23% of retail price.
- Excise taxes total 66% of the weighted average price.

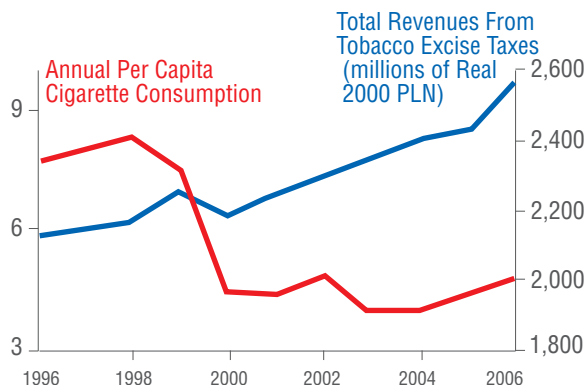
## Higher Taxes Saves Lives

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.

## Cigarettes are Cheaper and Tax Levels are Lower Than in Many EU Countries

- Higher tobacco excise taxes have been a key driver of price increases in Poland in recent years. However, while excise taxes as percentage of final price are fairly high in Poland, the price of cigarettes is among the lowest in the European Union.
- Tax increases have been key to reducing per capita consumption and increasing revenues.
- Cigarettes are becoming more affordable as incomes rise and real prices do not keep up with growing incomes and inflation.

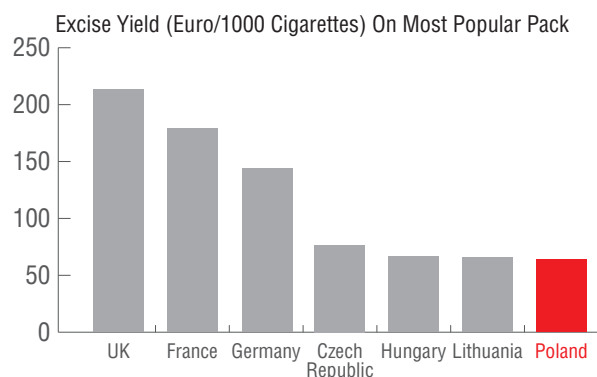
### Reductions in Cigarette Consumption and Excise Revenue Increases in Poland



Source: Ministry of Finance of the Republic of Poland, Central Statistical Office

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## Excise Tax Paid Per 1000 Cigarettes in 2010



Source: European Commission Excise Duty Tables, July 2010

## Raising Tobacco Taxes Will Save Lives and Increase Government Revenue

- Poland is required to meet EU's excise tax rules and must continue to increase its taxes to reach EU requirements before 2018.
- Poland can immediately obtain significantly more revenue by raising its taxes quickly to meet or exceed the EU's 2018 requirement.

If Poland immediately raises its specific tax to 90 Euro per 1000 cigarettes to meet the 2018 EU standards, it can prevent 78,000 premature deaths in its current population and bring in an additional 2.3 billion PLN annually in tobacco excise tax revenue.

If Poland raises its total excise taxes to 70% of retail price (109 Euro/1000 cigarettes), it can prevent 192,000 premature deaths in its current population and increase annual tobacco tax revenue by 5.2 billion PLN.

In the best scenario, if Poland raises its tobacco excise taxes to obtain 124 Euro per 1000 cigarettes (approaching median excise tax of EU-15, 2011), 278,000 lives saved would be saved among the current population and annual tax revenues would increase by an additional 7.1 billion PLN each year. 618,000 current adult smokers would quit smoking and 215,000 fewer youth would start to smoke.

## Impact of 3 Tax Scenarios on Consumption, Lives Saved and Tax Revenue

	Excise of 90 Euro/ 1000 cigarettes	Excise of 109 Euro/ 1000 cigarettes	Excise of 124 Euro/ 1000 cigarettes
Total excise tax per pack (PLN)	7.09	8.62	9.76
Reduction in number of adult smokers (thousands)	174.10	403.90	618.10
Reduction in initiation among children under 14 (thousands)	60.50	148.70	214.70
Lives saved — current and future smokers— (thousands)	78.20	192.20	277.60
Additional excise tax revenue (billion PLN)	2.30	5.20	7.10
	(735 million USD)	(1.7 billion USD)	(2.3 billion USD)

## Recommendations

1. Rely on the specific rather than the ad valorem component of the excise tax, and impose a high minimum duty, to drive tax increases and revenue collection.
2. Allow for automatic increases to the specific component so as to meet or exceed rates of inflation and per capita income growth.
3. Increase excise taxation on all other tobacco products substantially to ensure the effectiveness of cigarette tax increases.
4. Raise excise taxes to make yields (Euros of excise per 1000 cigarettes) in Poland comparable to those in other EU member states.
5. Earmark a portion of tobacco taxes for public health efforts, medical treatment, and law enforcement as well as other sectors vital for tobacco control.