

Taxing E-Cigarettes

Sharon Nyatsanza, PhD

National Council Against Smoking



**National Council
Against Smoking**

OUTLINE

- Why Tax E-Cigarettes
- How are they taxed around the world
- World Bank Recommendations

Why tax E-Cigarettes?

- One effective way to reduce use, avert associated health risks
- Generate revenue to offset the associated health burden.

Why tax E-Cigarettes?

- Their production is at the core of new diversified business plans of TI and its efforts to rebrand.

FCTC COP 2016

- The World Health Organisation's FCTC Conference of Parties 2016- recommends that countries which do not ban e-cigarettes tax e-cigarettes to make them less affordable.

World Bank 2019 Report

- A price increase on e-cigarettes will dissuade youth from using them because of their lower purchasing power.

What should be taxed?

- Nicotine content
- E-Liquid
- Device

How are other
countries taxing E-
Cigarettes?

Kenya

- Applies a specific tax on the entire e-cigarette device and on cartridges sold separately.
- Charges 3156 kes per e-cigarette, = R443 per unit.
- Charges 2104 kes (=R295,86) per unit for cartridges for use in electronic cigarettes.

Chicago, USA

- Taxes the e-liquid separately from the device, taxing 1,20 USD on the liquid per millilitre and 1,50 USD on the device per unit.

Minnesota, USA

- Minnesota, USA applies an ad valorem excise of 95% of the wholesale price on the devices .

Finland

- Countries like Finland, Portugal and Sweden apply a specific (monetary) tax per millilitre of the e-liquid sold, irrespective of the presence of nicotine .
- Finland imposes 0,30 Euro (=R4,88) per millilitre of the e-liquid.

Indonesia

- Indonesia taxes e-liquids at 57% of the retail price.

World Bank Recommendation

- Imposing of a specific volume-based tax per millilitre sold on the e-liquid, both with or without nicotine;
- and an ad valorem tax on the device . No percentages or amounts have been proposed by the World bank.
- A percentage is not suggested.

Taxing All non-nicotine e-liquids

- Mislabelling
- In South Korea it led to tax avoidance, dealers now sold the e-cigarette liquid separate from nicotine.
- Self-mixes increasing the exposure to nicotine
- The Youth is attracted to the flavourings and not the nicotine.

Taxing All non-nicotine e-liquids

- A nicotine-based tax system would require ongoing and intensive monitoring of the content of e-cigarette liquids.
- Nicotine-free e-cigarettes are also harmful, with some chemicals and flavourings having been linked to irreversible lung diseases such as popcorn lung.
- The health effects of inhaling the liquid is not well understood.

Thank You

And Let us not waiver in our
commitment to support the
development of healthy societies.

References

S. Flanigan et al Flavoring Chemicals in E-Cigarettes: Diacetyl, 2,3-Pentanedione, and Acetoin in a Sample of 51 Products, Including Fruit-, Candy-, and Cocktail-Flavored E-Cigarettes Published:1 June 2016 <https://doi.org/10.1289/ehp.1510185>

World Bank 2019 Report E-cigarettes: Use And Taxation 2019,
<http://documents.worldbank.org/curated/en/356561555100066200/pdf/E-Cigarettes-Use-and-Taxation.pdf>

F Chaloupka et al E-cigarette price sensitivity among middle- and high-school students: evidence from monitoring the future. *Addiction*. 2018 May;113(5):896-906. doi: 10.1111/add.14119. Epub 2018 Jan 10.

WHO Electronic Nicotine Delivery Systems and Electronic Non-Nicotine Delivery Systems (ENDS/ENNDS)
https://www.who.int/fctc/cop/cop7/FCTC_COP_7_11_EN.pdf