



This document relates to item 6.1 of the provisional agenda.

**FCA Policy Briefing:
Article 6 guidelines – side-by-side analysis**

Fifth Session of the Conference of the Parties to the
WHO Framework Convention on Tobacco Control, 12-17 November 2012, Seoul, South Korea

September 2012 Draft	Suggested Modified Text	Rationale
<p>1. INTRODUCTION</p> <p>1.1 Purpose of the guidelines</p> <p>Consistent with other provisions of the WHO Framework Convention on Tobacco Control (WHO FCTC) and the decisions of the Conference of the Parties, these guidelines are intended to assist Parties in meeting their objectives and obligations under Article 6 of the WHO FCTC. They draw on the best available evidence, best practices and experiences of the Parties that have successfully implemented tax and price measures to reduce tobacco consumption (the absolute quantity used in the aggregate) and prevalence (the percentage of the population that uses tobacco products).</p>	<p>[no changes]</p>	
<p>1.2 Guiding principles</p> <p>Tobacco use creates a significant economic burden on society at large. Higher direct health costs associated with tobacco-related disease, and higher indirect costs associated with premature loss of life, disability due to tobacco-related disease and productivity losses create significant negative externalities of tobacco use. Taxes not only reduce these externalities through reduced consumption and prevalence but also contribute to governments' expenditures for the health care costs associated with tobacco consumption.</p> <p>Tax and price policies are widely recognized to be one of the most effective means of influencing the demand for and thus the consumption of tobacco products. Consequently, implementation of Article 6 of the WHO FCTC is an essential element of tobacco-control policies and thereby efforts to improve public health. Tobacco taxes should be implemented as part of a comprehensive tobacco-control</p>	<p>[no changes]</p>	

<p>strategy in line with other articles of the WHO FCTC.</p> <p>The following guiding principles underpin the implementation of Article 6 of the WHO FCTC.</p>		
<p>(i) Determining tobacco taxation policies is a sovereign right of the Parties</p> <p>All parts of the guidelines respect the sovereign right of the Parties to determine and establish their taxation policies, in accordance with Article 6.2 of the WHO FCTC.</p>	<p>[no changes]</p>	
<p>ii) Effective tobacco taxes significantly reduce tobacco consumption and prevalence</p> <p>Effective taxes on tobacco products lead to higher real consumer prices (inflation-adjusted), which lower consumption and prevalence, and thereby in turn reduce mortality and morbidity and improve the health of the population. Increasing tobacco taxes is particularly important for protecting young people from initiating or continuing tobacco consumption.</p>	<p>[no changes]</p>	
<p>(iii) Effective tobacco taxes are an important source of revenue</p> <p>Effective tobacco taxes contribute significantly to State budgets. Increasing tobacco taxes generally further increases government revenues, as the increase in tax normally outweighs the decline in consumption of tobacco products.</p>	<p>[no changes]</p>	
<p>(iv) Tobacco taxes are economically efficient and reduce health inequalities</p> <p>Tobacco taxes are generally considered to be economically efficient as they apply to a product with inelastic demand. Low- and middle-income population groups are more responsive to tax and price increases; therefore consumption and prevalence are reduced in these groups by greater magnitudes than in higher-income groups, resulting in a</p>	<p>(iv) Tobacco taxes are economically efficient and reduce health inequalities</p> <p>Tobacco taxes are generally considered to be economically efficient as they apply to a product with inelastic demand. Low- and middle-income population groups are more responsive to tax and price increases; therefore consumption and prevalence are reduced in these groups by greater magnitudes than in higher-</p>	

<p>reduction in health inequalities and tobacco-related poverty.</p>	<p>income groups, resulting in a reduction in health inequalities and tobacco-related poverty.</p>	<p>Of course, tobacco-related poverty may increase amongst the minority of poor people who neither quit nor reduce their tobacco consumption, though this may well be a smaller effect than the reduction in poverty amongst those who do quit. The issue of poverty is addressed at some length in the WHO Tobacco Tax Administration Manual. Article 6 guidelines should either include a full analysis of this issue or, as we suggest here, concentrate on the reduction of health inequalities.</p>
<p>(v) Tobacco tax systems and structures should be efficient and effective</p> <p>Tobacco taxes should be structured to minimize compliance costs while ensuring that the desired level of tax revenue is raised and health objectives are achieved.</p>	<p>[no changes]</p>	
<p>(vi) Tobacco taxation administrations should be efficient and effective</p> <p>Efficient and effective administration of tobacco tax systems enhances tax compliance and ensures higher tax revenues while reducing the risk of illicit trade.</p>	<p>[no changes]</p>	

<p>(vii) Tobacco tax policies should be protected from vested interests</p> <p>The development, implementation and enforcement of tobacco tax and price policies should be protected from commercial and other vested interests of the tobacco industry as required under Article 5.3 of the WHO FCTC and the guidelines for its implementation, as well as from any other actual and potential conflicts of interests.</p>	<p>(vii) Tobacco tax policies should be protected from vested interests</p> <p>The development, implementation and enforcement of tobacco tax and price policies should be protected from commercial and other vested interests of the tobacco industry as required under Article 5.3 of the WHO FCTC and the guidelines for its implementation, as well as from any other actual and potential commercial conflicts of interests.</p>	<p>One could argue that almost anyone who participates in a debate about tax policy has an “actual or potential” conflict of interest. For example, non-smokers could be assumed to favour higher tobacco taxes so as to avoid higher general consumption or income taxes. Protecting tax policy-making from this type of “conflict of interest” would run counter to the principle of transparency.</p>
<p>1.3 Objectives of the guidelines</p> <p>The main objective of the guidelines is to assist Parties in developing efficient and effective tax and price policies that meet their needs in terms of reducing tobacco consumption and prevalence, bearing in mind the significance of revenues gained from taxes on tobacco products. Particular emphasis is placed on the fact that tobacco taxation policies may be aimed at reducing the affordability of tobacco products and their consumption mainly by poor and young people.</p> <p>Furthermore, the guidelines will assist Parties in choosing the types of taxes and the products on which tobacco taxes</p>	<p>1.3 Objectives of the guidelines</p> <p>The main objective of these guidelines is to assist Parties in developing efficient and effective tax and price policies that meet their needs in terms of significantly reducing tobacco consumption and prevalence, bearing in mind the significance of revenues gained from taxes on tobacco products. Particular emphasis is placed on the fact that tobacco taxation policies may be aimed at reducing the affordability of tobacco products and their consumption mainly by poor and young people.</p> <p>Furthermore, the guidelines will assist Parties in</p>	<p>Small tax increases that resulted in only small decreases in consumption would hardly qualify as a good-faith effort to implement Article 6.</p>

<p>should be levied and in determining the appropriate level and structure of taxes with a view to meeting their national fiscal and public health objectives. An additional objective of the guidelines is to assist Parties in designing tax administration systems that enable them to collect taxes efficiently and effectively, and to raise their awareness of the need to take measures against the illicit trade in tobacco products.</p> <p>The guidelines provide an overview of representative taxation systems already in place as well as best practices, and include a range of recommendations.</p>	<p>choosing the types of taxes and the products on which tobacco taxes should be levied and in determining the appropriate level and structure of taxes with a view to meeting their national fiscal and public health and <u>fiscal</u> objectives. An additional objective of the guidelines is to assist Parties in designing <u>tobacco</u> tax administration systems that enable them to collect <u>tobacco</u> taxes efficiently and effectively, and to raise their awareness of the need to take measures against the illicit trade in tobacco products.</p> <p>The guidelines provide an overview of best practices, and include a range of recommendations.</p>	<p>It is appropriate to list public health first in FCTC guidelines.</p>
<p>1.4 Scope of the guidelines</p> <p>These guidelines focus on indirect taxes (excise duties), which affect prices on tobacco products directly. Other taxes or fees, such as income taxes, public fees, and investment encouragement provisions, are not within the scope of these guidelines. Value added tax (VAT) and import duties are briefly described in section 3.1.6.</p> <p>In a broader perspective, it is important to note that tobacco taxation policies have the ability to directly affect the consumer price of tobacco products and thus reduce consumption, prevalence and affordability. However, tobacco taxes do not exist in a vacuum and should be implemented as part of a comprehensive tobacco-control strategy alongside other policies undertaken in line with other articles of the WHO FCTC, in particular Articles 5 and 7. In that respect, broader economic policy</p>	<p>1.4 Scope of the guidelines</p> <p>These guidelines focus on indirect taxes (excise duties), which <u>directly</u> affect prices on tobacco products. Other taxes or fees, such as income taxes, public fees, and investment encouragement provisions, are not within the scope of these guidelines. Value added tax (VAT) and import duties are briefly described in section 3.1.6.</p> <p>In a broader perspective, it is important to note that tobacco taxation policies have the ability to directly affect the consumer price of tobacco products and thus reduce consumption, prevalence and affordability. However, tobacco taxes do not exist in a vacuum and should be implemented as part of a comprehensive tobacco-control strategy alongside other policies undertaken in line with other articles of the WHO</p>	<p>To avoid the confusion of indirect taxes which have a direct effect on prices, as opposed to direct taxes which have an indirect effect.</p> <p>This side comment about broader</p>

<p>considerations, notably the interrelationship between tax and price policies and employment and income growth, and the consequential social effects on parts of the population, also need to be taken into account. Such an analysis, however, goes beyond the remit of the present guidelines.</p> <p>The guidelines also consider the impact that illicit and cross-border trade have on taxation policies. When establishing tobacco taxation policies, it is vital to accompany them with all possible measures to eliminate all forms of illicit trade as a main target of tobacco control, in line with Article 15 of the WHO FCTC and the draft protocol to eliminate illicit trade on tobacco products</p>	<p>FCTC, in particular Articles 5 and 7. In that respect, broader economic policy considerations, notably the interrelationship between tax and price policies and employment and income growth, and the consequential social effects on parts of the population, also need to be taken into account. Such an analysis, however, goes beyond the remit of the present guidelines.</p> <p>The guidelines also consider the impact that illicit and cross border trade have on taxation policies. When establishing tobacco taxation policies, it is vital to accompany them with all possible measures to eliminate all forms of illicit trade as a main target of tobacco control, in line with Article 15 of the WHO FCTC and the draft protocol to eliminate illicit trade on tobacco products</p> <p><u>Recommendations for effective tobacco tax administration are also provided, so as to ensure that tax changes and increases are accompanied by effective measures to minimize tax avoidance and evasion, and to ensure that tax changes achieve the desired health and revenue objectives.</u></p>	<p>economic policy considerations is potentially confusing and might be interpreted as suggesting that increased tobacco taxes reduce employment. (The evidence available suggests the opposite.)</p> <p>This wording is problematic, for at least two reasons:</p> <ol style="list-style-type: none"> 1) The draft guidelines do not, in fact, spend much time analysing the impact of illicit trade on tax policies; <p>Eliminating “all forms of illicit trade” is considered an “essential component of tobacco control” according to Article 15, but it is <u>not a pre-condition</u> for tobacco tax increases.</p>
<p>2. RELATIONSHIP BETWEEN TOBACCO TAXES, PRICE AND PUBLIC HEALTH</p> <p>Taxes are a very effective tool for policy-makers to influence the price of tobacco products. In most cases, higher taxes on tobacco products lead to higher prices which, in turn, lead to lower consumption and prevalence and result in a reduction of mortality and morbidity and thus in the improved health of the population. The negative relationship between price and tobacco use has been demonstrated by numerous</p>	<p>2. RELATIONSHIP BETWEEN TOBACCO TAXES, PRICE AND PUBLIC HEALTH</p> <p>Taxes are a very effective tool for policy-makers to influence the price of tobacco products. In most cases, higher taxes on tobacco products lead to higher prices which, in turn, lead to lower consumption and prevalence and result in a reduction of mortality and morbidity and thus in the improved health of the population. The negative relationship between price and tobacco use has been</p>	

<p>studies and is not contested.</p>	<p>demonstrated by numerous studies and is not contested.</p>	
<p>2.1 Relationship between price and consumption/prevalence (price elasticity)</p> <p>Taxes and prices affect both the consumption of tobacco products and the prevalence of tobacco use. In high-income countries, evidence suggests that the impact of a price increase is felt approximately half on prevalence and half on intensity (the quantity of tobacco products that a smoker continues to use). Comparable studies in low- and middle-income countries have found similar results.³</p>	<p>2.1 Relationship between price and consumption/prevalence (price elasticity)</p> <p>Taxes and pPrices affect both the consumption of tobacco products and the prevalence of tobacco use. In high-income countries, evidence suggests that the impact of a price increase is felt approximately half on prevalence and half on intensity (the quantity of tobacco products that a smoker continues to use). Comparable studies in low- and middle-income countries have found similar results.³</p>	<p>Occasionally, increases in tax rates may <u>not</u> affect average prices, particularly if there are large differences in tax rates between brands (specific systems with multiple bands) or a reliance on ad valorem taxes in a highly price-segmented market – in either case, downtrading may negate the price impact of the tax-rate increase. And prices must go up enough to overcome income elasticity (Cf. 2.2).</p>

<p>Any policy to increase real prices (inflation adjusted) through tax rises is effective in terms of reducing tobacco consumption. According to the studies referenced in the <i>WHO technical manual on tobacco tax administration</i>, the relationship between prices and tobacco consumption is inelastic, meaning that the decline in consumption is less than proportional to the increase in price. This relationship is defined by the price elasticity of demand, or the percentage change in consumption as a result of a 1% change in price. For example, if the price elasticity of demand is -0.5, a 10% increase in price will result in a 5% decrease in consumption. Most estimates of the price elasticity of demand lie between -0.2 and -0.8.¹</p>	<p>Any increase in tobacco taxes that has the effect of significantly increasing policy to increase real (inflation-adjusted) prices (inflation adjusted) through tax rises is effective in terms of reducing tobacco consumption. According to the studies referenced in the <i>WHO technical manual on tobacco tax administration</i>, the relationship between prices and tobacco consumption is inelastic, meaning that the decline in consumption is less than proportional to the increase in price. This relationship is defined by the price elasticity of demand, or the percentage change in consumption as a result of a 1% change in price. For example, if the price elasticity of demand is -0.5, a 10% increase in price will result in a 5% decrease in consumption of about 5%. Most estimates of the price elasticity of demand lie between -0.2 and -0.8.¹</p>	<p>To be completely accurate, 4.65%.</p>
<p>In all settings, studies have shown that the price elasticity of demand is higher (in absolute terms) in the long term, meaning that consumption will fall even more in the long term. People with lower socioeconomic status are more responsive to tax and price changes because such changes have a greater impact on their disposable income.</p>	<p>In all settings, studies have shown that the price elasticity of demand is higher (in absolute terms) in the long term, meaning that consumption will fall even more in the long term. People with lower socioeconomic status are more responsive to tax and price changes because such changes have a greater impact on their disposable income.</p>	
<p>As regards the effect of higher taxes and prices on the tobacco use by young people it is estimated that young people are two to three times more responsive to tax and price changes than older people.² Therefore, tobacco tax increases are likely to have a significant effect on reducing consumption, prevalence and smoking initiation among young people, as well as on reducing the chances of young people moving from experimentation to addiction.</p>	<p>As regards the effect of higher taxes and prices on tobacco use by young people, it is estimated that young people are two to three times more responsive to tax and price changes than older people.² Therefore, tobacco tax increases are likely to have a significant effect on reducing consumption, prevalence and smoking initiation among young people, as well as on reducing the chances of young people moving from experimentation to addiction.</p>	

Equally important, higher taxes reduce the demand for tobacco most sharply in low- and middle income population groups or in countries where tobacco users are more responsive to price increases, thereby contributing to the fight against health inequalities.	Equally important, higher taxes reduce the demand for tobacco most sharply in low- and middle- income population groups or in countries where tobacco users are more responsive to price increases, thereby contributing to the fight against health inequalities.	
An increase in tax rates usually leads to an increase in revenues earned by governments. Since tobacco products are price inelastic, the increase in tax can be expected to be proportionally larger than the decline in consumption, meaning that revenues increase as a result of tax increases. However, it is theoretically possible that at some point tax increases could result in declining revenue as tobacco products become price elastic (meaning that the decline in consumption is more than proportional to the increase in price). However, very few countries in the world, if any, are anywhere near this point.	An increase in tax rates usually leads to an increase in revenues earned by governments. Since tobacco products are price inelastic, the increase in tax can be expected to be proportionally larger than the decline in consumption, meaning that revenues increase as a result of tax increases. However, it is theoretically possible that at some point tax increases could result in declining revenue as tobacco products become price elastic (meaning that the decline in consumption is more than proportional to the increase in price). However, very few countries in the world, if any, are anywhere near this point.	
2.2 Taxation and affordability (income elasticity) Affordability is generally defined as the cost of tobacco products in relation to income per capita. Trends in affordability and income elasticity of demand need to be estimated using appropriate modelling techniques. Most such affordability estimates are currently based on cigarettes.	2.2 Taxation and affordability (income elasticity) Affordability is generally defined as the cost of tobacco products in relation to income per capita. Trends in affordability and income elasticity of demand need to be estimated using appropriate modelling techniques. Most such affordability estimates are currently based on cigarettes.	
A study carried out by the School of Economics, University of Cape Town, South Africa, appears to show that cigarette affordability, rather than simply price, is a critical determinant of cigarette consumption.	Studies A study carried out by the School of Economics, University of Cape Town, South Africa, appears to show that cigarette affordability, rather than simply price, is a critical determinant	The draft wording suggests that only one study shows this result, and that there is some doubt about it.

	of cigarette consumption.	
Therefore, an effective policy aiming at reducing tobacco consumption needs to take into account both price and income level developments. ³	Therefore, an effective policy aiming at reducing tobacco consumption needs to take into account both price and income levels. developments . ³	
Increases in income result in increasing tobacco consumption and prevalence, particularly in low- and middle-income countries. The income elasticity of demand is the percentage change in consumption as a result of a 1% change in income.	[Increases in income result in increasing tobacco consumption and prevalence, particularly in low- and middle-income countries. The income elasticity of demand is the percentage change in consumption as a result of a 1% change in income.]	This two-paragraph introduction of the concept of income elasticity is misplaced in the text – it could be moved up and placed directly before or after the definition of affordability in what is now the first paragraph of the section
Most estimates of income elasticity of demand for tobacco products lie between 0 and 1. An income elasticity of demand of 0.5 means that an increase in income of 10% will result in tobacco consumption rising by 5%. ¹	[Most estimates of income elasticity of demand for tobacco products lie between 0 and 1. An income elasticity of demand of 0.5 means that an increase in income of 10% will result in tobacco consumption rising by about 5%. ¹]	As with the price elasticity number, the impact is slightly smaller than 5%.
Without price increases above the growth in income, tobacco products will inevitably become more affordable over time. This increase in affordability will result in growing consumption. Evidence suggests that tobacco products are becoming more affordable in low- and middle-income countries and that this increase in affordability has accelerated in recent years. ² Instead, in high-income countries tax and price increases have generally outpaced growth in incomes, which has resulted in a decline in the affordability of tobacco products since 1990.	Without price increases above the growth in income, tobacco products will inevitably become more affordable over time. This increase in affordability will result in growing consumption. Evidence suggests that tobacco products are becoming more affordable in low- and middle-income countries and that this increase in affordability has accelerated in recent years. ² In contrast, in high-income countries tax and price increases have generally outpaced growth in incomes, which has resulted in a decline in the affordability of tobacco products since 1990.	
Some countries have chosen to implement tax systems and	Some countries have chosen to implement tax systems	

<p>structures that lessen the impact of tobacco taxes on the poor. However, by doing so they make tobacco products more affordable to the poor, thereby raising their consumption and prevalence, resulting in a disproportionately high burden of health and economic costs on the poor and higher inequalities in health. Furthermore, tobacco use may increase poverty by diverting expenditure away from necessities like food, housing, education and health care. Since the poor are more responsive to tax and price increases, increases in taxes are likely to reduce their consumption and prevalence by greater magnitudes than among the rich, resulting in a reduction in health inequalities and tobacco-related poverty.³</p> <p>The tax structure can also contribute to making tobacco products generally less affordable, mainly among the most vulnerable segments of the population, by diminishing the differences between higher and lower prices and reducing the price range.</p> <p><i>Recommendation</i></p> <p>When establishing or increasing their national levels of taxation Parties should take into account – among other things – both price elasticity and income elasticity of demand, as well as inflation and changes in household income, to make tobacco products less affordable over time in order to reduce consumption and prevalence. Therefore, Parties should consider having regular (automatic) adjustment processes or procedures for periodic revaluation of tobacco tax levels.</p>	<p>and structures that lessen the impact of tobacco taxes on the poor. However, by doing so they make tobacco products more affordable to the poor, thereby raising their consumption and prevalence, resulting in a disproportionately high burden of health and long-run economic costs on the poor and higher inequalities in health. Furthermore, tobacco use may increase poverty by diverting expenditure away from necessities like food, housing, education and health care. Since the poor are more responsive to tax and price increases, increases in taxes are likely to reduce their consumption and prevalence by greater magnitudes than among the rich, resulting in a reduction in health inequalities and tobacco-related poverty.³</p> <p>The tax structure can also contribute to making tobacco products generally less affordable, mainly among the most vulnerable segments of the population, by diminishing the differences between higher and lower prices and reducing the price range.</p> <p><i>Recommendation</i></p> <p>When establishing or increasing their national levels of taxation Parties should take into account – among other things – both price elasticity and income elasticity of demand, as well as inflation and changes in household income, to make tobacco products less affordable over time in order to reduce consumption and prevalence. Therefore, Parties should consider having regular (automatic) adjustment processes or procedures for periodic revaluation of tobacco tax levels.</p>	<p>It may be useful to specify time frame – many of the costs of lower-priced products emerge over time (for example, via higher uptake of tobacco use).</p>
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<p>3. TOBACCO TAXATION SYSTEMS</p> <p>3.1 Structure of tobacco taxes (ad valorem, specific, mixture of both, minimum taxes)</p> <p>Almost all governments levy taxes on tobacco products, although they use a variety of types of taxes in order to achieve a reduction in tobacco consumption and stable government revenues. In most cases, tobacco products are taxed on a national basis with the same tax levels applied in all areas of the country (national or federal taxes). However, a small number of countries have additional sub-national (regional and sub-regional) taxes applied on a state or provincial level. Generally speaking, co-existing layers of tobacco taxes create greater complexity and reduce the overall efficiency of tax systems.</p> <p>Tax systems can be made up of purely specific or ad valorem taxes. However, mixed or hybrid systems using a mix of both specific and ad valorem taxes can be applied. Examples of such systems include an ad valorem tax with a specific floor (minimum amount of tax) and a mixed specific and ad valorem excise with or without a tax floor. Generally, the more complex a system is designed the more difficult it is to administer.</p>	<p>3. TOBACCO TAXATION SYSTEMS</p> <p>3.1 Structure of tobacco taxes (ad valorem, specific, mixture of both, minimum taxes)</p> <p>Almost all governments levy taxes on tobacco products, although they use a variety of types of taxes in order to achieve a reduction in tobacco consumption and stable government revenues. In most cases, tobacco products are taxed on a national basis with the same tax levels applied in all areas of the country (national or federal taxes). However, a small number of countries have additional sub-national (regional and sub-regional) taxes applied on a state or provincial level. Generally speaking, co-existing layers of tobacco taxes create greater complexity and reduce the overall efficiency of tax systems.</p> <p>Tax systems can be made up of purely specific or ad valorem taxes. However, mixed or hybrid systems using a mix of both specific and ad valorem taxes can be applied. Examples of such systems include an ad valorem tax with a specific floor (minimum amount of tax) and a mixed specific and ad valorem excise with or without a tax floor. GenerallyAs a general rule, the more complex a system is designed the more difficult it is to administer.</p>	<p>Section 3 of the Article 6 Guidelines is particularly important, but may be difficult to understand for non-technical readers. The listing of types of taxes here will not be easily understood by readers who are not familiar with the terminology (which is explained in the following passages).</p>
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<p>3.1.1 Types of taxes</p> <p>In general, taxes levied specifically on tobacco products are excise duties while other non-tobacco related taxes including general sales tax (GST), VAT and import taxes/duties may also be levied on tobacco products. An excise duty is a tax levied on the sale or production for sale of a specific product within a country but normally not on products produced in a country for sale abroad (exported). An excise tax may be <i>specific</i> (a fixed amount based on a quantity, such as number of cigarettes per pack, or weight) or <i>ad valorem</i> (a percentage of value). As any other excise duties tobacco excises are a tool to raise the price of the targeted product in relation to other goods or services and are relatively easy to administer as they are collected early in the production chain.</p>	<p>[no changes]</p>	
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<p>3.1.2 Specific excise duty</p> <p>Specific taxes can either be set as a uniform specific tax, which levies the same value on all concerned products, or at variable rates, setting different values on different products. Uniform specific taxes are generally considered to be a price floor (minimum tax) since it becomes generally impossible to set the price below the specific tax.</p> <p>A single uniform specific tax represents a simple and easy model to implement and administer and it is simple to understand for citizens. Greater reliance on specific duties can lead to further approximation of retail selling prices within a region. Furthermore, as they are based on consumption volumes rather than on prices, such taxes are more stable, easier to forecast and to administer, increase the stability of tax revenues and guarantee tax revenue independent of industry price strategies.</p> <p>The administrative burden of collecting a uniform specific tax is low because only the volume, and not the value, of the product needs to be ascertained (e.g. pieces or kilograms released for consumption). However, the real value of the tax will be eroded unless it is regularly increased at least in line with inflation. Therefore, specific tax systems may be strengthened by linking the taxes to an appropriate consumer or retail price index in order to reduce the impact of inflation.</p> <p>Furthermore, uniform specific taxes tend to lead to relatively higher prices, even on low-priced products, and can result in an upgrading effect since consumers are more likely to switch to higher priced brands or less likely to switch to lower-priced brands given that the relative price differences between lower- and higher-priced brands will be smaller.</p>	<p>3.1.2 Specific excise duty</p> <p>Specific taxes can either be set as a uniform specific tax, which levies the same value on all concerned products, or at variable rates, setting different values on different products. Uniform specific taxes are generally considered to be a price floor (minimum tax) since it becomes generally impossible to set the price below the specific tax.</p> <p>A single uniform specific tax represents a simple and easy model to implement and administer and it is simple to understand for citizens. Greater reliance on specific duties can lead to further approximation of retail selling prices within a region. Furthermore, as they are based on consumption volumes rather than on prices, such taxes are more stable, easier to forecast and to administer, increase the stability of tax revenues and guarantee tax revenue independent of industry price strategies.</p> <p>The administrative burden of collecting a uniform specific tax is low because only the volume, and not the value, of the product needs to be ascertained (e.g. pieces or kilograms released for consumption). However, the real value of the tax will be eroded unless it is regularly increased at least in line with inflation. Therefore, specific tax systems may be strengthened by linking the taxes to an appropriate consumer or retail price index in order to reduce the impact of inflation.</p> <p>Furthermore, uniform specific taxes tend to lead to relatively higher prices, even on low-priced products, and can result in an upgrading effect is less likely to encourage downgrading. since consumers are more likely to switch to higher-priced brands or less likely to switch to lower-priced brands given that the relative</p>	<p>This paragraph is somewhat confusing, as it contains several different thoughts – specific taxes reduce the price difference between lower-price and higher-priced brands (in percentage</p>
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<p>As a consequence, the manufacturers' margins are higher for expensive brands. Lower-priced products do not provide such margins as they need to be cheaper than the high-priced brands in order to maintain their competitiveness.</p>	<p>price differences between lower- and higher-priced brands will be smaller.</p> <p>As a consequence, the manufacturers' margins are higher for expensive brands. Lower priced products do not provide such margins as they need to be cheaper than the high priced brands in order to maintain their competitiveness.</p>	<p>terms); as a result, there is less downgrading when taxes are increased than in an ad valorem system; hence average price tends to go up more than with an apparently equivalent ad valorem increase.</p> <p>Downgrading still occurs in response to increases in specific taxes, although certainly less than in other systems.</p> <p>Why is this relevant to implementation of Article 6? Should policy makers care about the profit margins on cheaper and more expensive brands? There might be a case to be made that high specific taxes lead to excessive profit margins, and that tax policy should be tailored to curb excess profits (to leave more room for tax). But in the absence of a discussion on this, these two statements are likely to mystify non-technical readers.</p>
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<p>3.1.3 Ad valorem excise duty</p> <p>Ad valorem duties are expressed as a percentage of a certain base value, which is applied either on the retail selling price (containing all applicable taxes) or the manufacturer's (or ex-factory) or cost insurance freight (CIF) price.</p>	<p>3.1.3 Ad valorem excise duty</p> <p>Ad valorem duties are expressed as a percentage of a certain base value, which is applied either on the retail selling price (containing all applicable taxes) or the manufacturer's (or ex-factory) or cost insurance freight (CIF) price.</p>	<p>The reference to taxing “in a comparable way” is not meaningful – in a uniform specific tax system, the taxes on low- and high-priced brands are also comparable. Moreover, in either system, “market players” are free to attempt to move up-market or down-market, depending on the situation, so the implicit value judgement here is not justified.</p>
<p>Ad valorem taxes have the advantage of automatically maintaining their value with inflation without any adjustment in the tax rates. They will also maintain the relative price differentials between high- and low-priced products, as both are taxed in a comparable way. This comparable treatment of all market players (in the low- and the high-price segment) may however lead to more price competition and consequently to a lower average price.</p>	<p>Ad valorem taxes have the advantage of automatically maintaining their value with inflation without any adjustment in the tax rates. They will also maintain the relative price differentials between high- and low-priced products, as both are taxed in a comparable way. This comparable treatment of all market players (in the low and the high price segment) may, howeverb lead to more price competition and consequently to a lower average price.</p>	
<p>On the other hand, ad valorem tax systems require the calculation of a second tax base figure: besides the volume of the release for consumption, the value of all products of a certain price category must be determined in order to calculate the applicable tax amounts. Pure ad valorem systems may also be susceptible to product undervaluation in order to reduce the taxable value of products, mainly if exfactory or CIF price is used as the tax base. Furthermore, pure ad valorem systems can encourage bigger price differences between different products.</p>	<p>On the other hand, ad valorem tax systems require the calculation of a second tax base figure: besides the volume of the release for consumption, the value of all products of a certain price category must be determined in order to calculate the applicable tax amounts. Pure ad valorem systems may also be susceptible to product undervaluation in order to reduce the taxable value of products, mainly if exfactory or CIF price is used as the tax base. Furthermore, pure ad valorem systems can encourage bigger price differences between</p>	

<p>This could lead to consumers buying cheaper products only. Reductions in the retail price will also reduce the value of tax meaning that the government's revenue declines.</p>	<p>different products. This could lead to consumers buying cheaper products only. Reductions in the retail price will also reduce the value of tax meaning that the government's revenue declines.</p>	
<p>These problems can be averted by implementing a minimum (specific) tax floor (see section 3.1.5), although the producers, wholesalers or distributors benefit from such a construct as a clearly determined minimum tax has to be paid by all market players selling the same product. In addition, the government's revenues benefit in the same way, as a certain minimum amount of tax income is guaranteed (all producers, wholesalers or distributors will need to pay that minimum tax amount regardless of the retail selling price of the product).</p>	<p>These problems can be averted <u>reduced</u> by implementing a minimum (specific) tax floor (see section 3.1.5), although the producers, wholesalers or distributors benefit from such a construct as a clearly determined minimum tax has to be paid by all market players selling the same product. In addition, the government's revenues benefit in the same way, as a certain minimum amount of tax income is guaranteed (all producers, wholesalers or distributors will need to pay that minimum tax amount regardless of the retail selling price of the product).</p>	<p>Specific tax floors may help control the problem of lower-priced brands in ad valorem systems, but they will not avert the problem altogether (unless the floor is so high as to make the system de facto a specific tax). The reference to benefits to producers, wholesalers or distributors is unclear in this context. Why should policy-makers care?</p>
<p>3.1.4 Mixture of specific and ad valorem excise duty</p> <p>As a third category of excise duty structure, governments can apply a mixture of both specific and ad valorem excise duties.</p>	<p>3.1.4 Mixture of specific and ad valorem excise duty</p> <p>As a third category of excise duty structure, governments can apply a mixture of both specific and ad valorem excise duties.</p>	
<p>The choice of excise(s) applied by countries varies by income group and by region. In general, low income countries are more likely to lean towards an ad valorem excise: in contrast, high-income countries are more likely to lean towards a specific excise. For middle-income countries, the picture is less clear.</p>	<p>The choice of excise(s) applied by countries varies by income group and by region. In general, low income countries are more likely to lean towards an ad valorem excise: in contrast, high income countries are more likely to lean towards a specific excise. For middle-income countries, the picture is less clear.</p>	<p>This statement is unrelated to 3.1.4, and not particularly relevant in any event, since the purpose of the Guidelines is to say what Parties <u>should</u> do, not what they already do.</p>
<p>Mixed systems usually combine a specific tax to all brands, which has more impact on lower-priced brands (through a minimum specific tax floor) and an ad valorem tax having</p>	<p>Mixed systems usually combine a specific tax to all brands, which has more impact on lower-priced brands (through a minimum specific tax floor) and an</p>	

<p>more impact on higher priced brands. This contributes to a balanced taxation of all brands and to a level playing field among manufacturers.¹</p>	<p>ad valorem tax having more impact on higher-priced brands. This contributes to a balanced taxation of all brands and to a level playing field among manufacturers.¹</p>	<p>This is a value judgement, on a topic that is irrelevant to the FCTC. Different tax systems create different incentives for manufacturers – uniform specific tax systems, for example, make it harder to develop “discount” brands – but that is not the same as to create an “unlevel playing field”. By way of analogy, higher taxes on fuel could be seen as discriminatory against producers of fuel-inefficient cars. Alternatively, they could be seen as equal encouragement to all car manufacturers to produce more fuel-efficient cars.</p>
<p>In a mixed system, the emphasis placed by each country on either the ad valorem or the specific element depends on national circumstances and the policy objectives being pursued. While the ad valorem component increases absolute price differences and consequently promotes cheaper brands of cigarettes – which can undermine health-driven price policy objectives – the specific component reduces the relative price differences between cheap and expensive brands and contributes to minimizing the variability of prices</p>	<p>In a mixed system, the emphasis placed by each country on either the ad valorem or the specific element depends on national circumstances and the policy objectives being pursued. While the ad valorem component increases absolute price differences and consequently promotes cheaper brands of cigarettes – which can undermine health-driven price policy objectives – the specific component reduces the relative price differences between cheap and expensive brands and contributes to minimizing the variability of prices</p>	
<p>In order to guarantee that the balance between the ad valorem and specific components in such a mixed tax structure is not undermined by the implementation of a high (specific) minimum excise duty, a limitation of the share of the specific component vis-à-vis the ad valorem component is generally considered to be the most appropriate proceeding (e.g. the specific component could</p>	<p>In order to guarantee that the balance between the ad valorem and specific components in such a mixed tax structure is not undermined by the implementation of a high (specific) minimum excise duty, a limitation of the share of the specific component vis-à-vis the ad valorem component is generally considered to be the most appropriate proceeding (e.g. the specific</p>	<p>This paragraph is really only relevant to the member states of the European Union, which are free to set their tax rates within parameters established by an EU directive. Other Parties do not need to impose policy rules on</p>

<p>be set at between 10% and 75% of the total tax including VAT). This ensures that the ad valorem part of the tax rate continues to be effective within a mixed structure.</p>	<p>component could be set at between 10% and 75% of the total tax including VAT). This ensures that the ad valorem part of the tax rate continues to be effective within a mixed structure.</p>	<p>themselves to ensure they don't "undermine" the ad valorem component of a mixed system.</p>
<p>A mixed system can also help to prevent a situation of purely specific taxation in one country and purely ad valorem taxation in a neighbouring country, which would result in cross-border flow of premium (expensive) brands from one country to a second one with cheap brands flowing in the other direction.</p>	<p>A mixed system can also help to prevent a situation of purely specific taxation in one country and purely ad valorem taxation in a neighbouring country, which would result in cross border flow of premium (expensive) brands from one country to a second one with cheap brands flowing in the other direction.</p>	<p>This paragraph is also excessively EU-specific – it addresses the (unusual) situation of a single market, without border controls but with varying tax rates. Anywhere else in the world where this unusual situation arose, one could just as well argue that the two neighbouring countries should agree on a purely specific or purely ad valorem system.</p>
<p>A mixed excise structure consisting of a specific and an ad valorem component combined with a compulsory minimum excise duty provides, in such circumstances, for a well-balanced, fair tax architecture, while maintaining a high level of flexibility for the authorities concerned. For that reason, implementing such a mixed system presents undeniable advantages in order to benefit from its combined effects.</p>	<p>A mixed excise structure consisting of a specific and an ad valorem component combined with a compulsory minimum excise duty provides, in such circumstances, for a well balanced, fair tax architecture, while maintaining a high level of flexibility for the authorities concerned. For that reason, implementing such a mixed system presents undeniable advantages in order to benefit from its combined effects.</p>	<p>This paragraph provides no information – it is merely an editorial comment presenting the EU model as global best practice. If Parties wish to go down this road, they would need to also include experience from Australia, New Zealand, Canada, etc., which have had good results with uniform specific taxes.</p>

<p>3.1.5 Systems with minimum rates</p> <p>To address the susceptibility of products to undervaluation in order to reduce their taxable value, a minimum tax level expressed as a fixed amount (a minimum specific tax floor) can be applied in ad valorem systems or in mixed systems (see section 3.1.4) consisting of an ad valorem and a specific tax rate. Purely specific excise rate systems will never have such a minimum floor.</p>	<p>3.1.5 Systems with minimum rates</p> <p>To reduce the negative impact of price competition and address the susceptibility of products to undervaluation in order to reduce their taxable value, a minimum tax level expressed as a fixed amount (a minimum specific tax floor) can be applied in ad valorem systems or in mixed systems (see section 3.1.4) consisting of an ad valorem and a specific tax rate. Purely specific excise rate systems will never have such a minimum floor.</p>	<p>Undervaluation is a secondary reason to have a specific tax floor in an ad valorem or mixed system.</p>
<p>The application of a minimum specific tax floor on all tobacco goods of a product category ensures a certain minimum amount of excise duties to be paid by the manufacturers, regardless of the retail selling price of the product. In some countries, minimum prices are used for the same purpose. As a consequence, a certain revenue income is guaranteed even if tobacco goods are levied with an ad valorem excise rate only.</p>	<p>The application of a minimum specific tax floor on all tobacco goods of a product category ensures a certain minimum amount of excise duties to be paid by the manufacturers, regardless of the retail selling price of the product. In some countries, minimum prices are used for the same purpose. As a consequence, a certain revenue income is guaranteed even if tobacco goods are levied with an ad valorem excise rate only.</p>	<p>Minimum prices do not guarantee a minimum level of tax, and are not to be recommended.</p>
<p>The ad valorem part of the excise duty provides for a tax progression above the specific minimum tax floor, which prevents high-priced brands from “escaping” a higher tax burden. Furthermore, an increase in the minimum duties will decrease the gap between the cheapest and most expensive tobacco products.</p>	<p>The ad valorem part of the excise duty provides for a tax progression above the specific minimum tax floor, which prevents high priced brands from “escaping” a higher tax burden. Furthermore, an increase in the minimum duties will decrease the gap between the cheapest and most expensive tobacco products.</p>	<p>This paragraph provides no new information, merely editorial comment in support of the EU directive as a global model.</p>
<p>At regional level, positive experience has been gained by making wide use of a mixed system with minimum rates (specific and ad valorem) and, where appropriate, the possibility of applying individual national minimum rates. With regard to cigarettes, for example, EU Member States apply a mixed excise duty system including a specific and an ad valorem component and almost all impose a national minimum tax floor. Fixed minimum</p>	<p>At regional level, positive experience has been gained by making wide use of a mixed system with minimum rates (specific and ad valorem) and, where appropriate, the possibility of applying individual national minimum rates. With regard to cigarettes, for example, EU Member States apply a mixed excise duty system including a specific and an ad valorem component and almost all impose a national minimum tax floor. Fixed</p>	<p>This paragraph is EU-specific and again presents a highly creative EU policy solution, tailored to a unique situation, as a global model. But most countries in the world would be very ill-advised to imitate all the complexities of the EU system (although they should certainly consider copying the high</p>

amounts are applicable across the EU ¹ .	minimum amounts are applicable across the EU. ⁴	tax levels!)
<p>3.1.6 Other taxes on tobacco products</p> <p>Other taxes that are not levied specifically on tobacco products are not within the scope of these guidelines. Although they are applied to tobacco products and have a significant impact on prices, they are not considered to be of significant value to public health since all potential substitutes are likely to have the same or similar taxes/tax rates. This is particularly the case with GST and VAT, which are normally ad valorem taxes. Import duties/tariffs are a similar case, even though these duties can be levied at differential rates on tobacco products. They have variable ability to raise the prices of tobacco products and are always levied as an ad valorem tax with the same advantages and disadvantages as those mentioned above.</p>	<p>3.1.6 Other taxes on tobacco products</p> <p>Other taxes that are not levied specifically on tobacco products are not within the scope of these guidelines. Although they are applied to tobacco products and have a significant impact on prices, they are not considered to be of significant value to public health since all potential substitutes are likely to have the same or similar taxes/tax rates. This is particularly the case with GST and VAT, which are normally ad valorem taxes. Import duties/tariffs are a similar case, even though these duties can be levied at differential rates on tobacco products. They have variable ability to raise the prices of tobacco products and are always levied as an ad valorem tax with the same advantages and disadvantages as those mentioned above. <u>Particularly in trade negotiations, Parties should seriously consider either excluding tobacco products from discussions on tariff reductions or replacing tariffs with excise taxes.</u></p>	<p>Tariffs account for a significant portion of taxes on tobacco products in some countries/regions.</p>

<p>Recommendation</p> <p>Parties should implement the simplest and most efficient system that meets their health and fiscal needs, with the fewest exceptions and taking into account their national circumstances. From a budgetary as well as a health point of view, Parties should implement specific or mixed excise systems with a minimum specific tax floor, as these systems have considerable advantages over purely ad valorem systems.</p>	<p>Recommendation</p> <p>Parties should implement the simplest and most efficient system that meets their health and fiscal needs, with the fewest exceptions and taking into account their national circumstances. <u>In most cases, preference should be given to a uniform specific tax approach. Where Parties, because of national circumstances, have ad valorem taxes, they should implement a minimum specific tax floor.</u> From a budgetary as well as a health point of view, Parties should implement specific or mixed excise systems with a minimum specific tax floor, as these systems have considerable advantages over purely ad valorem systems.</p>	<p>For the majority of the world's countries, the simplicity of a <u>uniform</u> specific tax system, its ease of administration and its discouragement of lower-priced brands makes it the better choice, and the guidelines should be clear on this. Minimum specific tax floors should be encouraged in any system with ad valorem taxes (whether it is formally a "mixed" system or not).</p>
<p>3.2 Level of tax rates to apply</p> <p>It is difficult to prescribe the optimal level for taxes because of differences in tax systems, in geographical and economic circumstances, and in national public health and fiscal objectives. The amount of excise duty on cigarettes as a percentage of the retail selling price (RSP) differs enormously around the world, from an average of 25% excise share in the RSP in low-income countries up to an average of 60% in high-income countries. From a regional perspective the gap is even bigger: from 0% excise duty in 19 out of 182 countries that provided data (mostly from the WHO African and South-East Asia Regions) up to an average of 62.61% in the EU (with a peak of 73.47% excise duty in the RSP leading to a total tax share of 90.14%). As regards tobacco products other than cigarettes, the range of applied excise duty levels is similarly wide.</p>	<p>3.2 Level of tax rates to apply</p> <p>It is difficult to prescribe the optimal level for taxes because of differences in tax systems, in geographical and economic circumstances, and in national public health and fiscal objectives. The amount of excise duty on cigarettes as a percentage of the retail selling price (RSP) differs enormously around the world, from an average of 25% excise share in the RSP in low-income countries up to an average of 60% in high-income countries. From a regional perspective the gap is even bigger: from 0% excise duty in 19 out of 182 countries that provided data (mostly from the WHO African and South-East Asia Regions) up to an average of 62.61% in the EU (with a peak of 73.47% excise duty in the RSP leading to a total tax share of 90.14%). As regards tobacco products other than cigarettes, the range of</p>	

	applied excise duty levels is similarly wide.	
Low excise levels in the RSP, as well as large gaps within regions or between neighbouring countries, have a number of negative effects such as cross-border flows and increasing illicit trade, leading to loss of revenues and damage to public health policies.	Low excise levels in the RSP, as well as large gaps within regions or between neighbouring countries, have a number of negative effects such as cross border flows and increasing illicit trade, leading to loss of revenues and damage to public health policies.	The intent of the original wording is doubtless to encourage lower-tax countries to increase their taxes so as to discourage cross-border flows. However, as worded it appears to suggest that tax gaps per se cause illicit trade.
As mentioned above, the fixing of a benchmark depends on various factors, in particular national and regional political and economic factors. In this regard, authors of the World Bank and WHO have made recommendations on the percentage of excise duties and total tax share in the RSP. ³	As mentioned above, the fixing of a benchmark depends on various factors, in particular national and regional political and economic factors. In this regard, authors of the World Bank and WHO have made recommendations on the percentage of excise duties and total tax share in the RSP. ³	
Where appropriate, a regional approximation (increase) of tax rates, in particular as regards the percentage of taxes in the RSP, leading to an approximation of retail prices, would reduce incentives to conduct illicit trade and cross-border shopping and thus ensure stable revenue generation. The same applies to a further approximation of tax rates and retail prices levied on different tobacco product categories (see also section 3.3).	Where appropriate, a regional approximation (increase) of tax rates, in particular as regards the percentage of taxes in the RSP, leading to an approximation of retail prices, would reduce incentives to conduct illicit trade and cross border shopping and thus ensure stable revenue generation. The same applies to a further approximation of tax rates and retail prices levied on different tobacco product categories (see also section 3.3).	This paragraph is somewhat illogical, as the profitability of cross-border shopping (or illicit trade in taxed product) depends entirely on the price differential between countries, not the tax incidence differential . There is no obvious reason why similar tax incidence should lead to similar prices, particularly between countries with large differences in standards of living. Furthermore, most illicit trade involves untaxed product.

<p>When it comes to the most effective calculation base for excise duties on tobacco products – in particular cigarettes – the concept of the “most popular price category” (MPPC) as the RSP should be altered in favour of the “weighted average price” (WAP) of all cigarettes. In most regions, national markets are no longer dominated by one most popular “national” brand. In comparison with the MPPC, which is determined on the basis of the most-sold brand or a specific price category on a national market in a certain period of time, the WAP as RSP covers all cigarettes/tobacco products released for consumption. This provides more transparency, a fair and well-balanced tax rate determination and creates a level playing field across the tobacco sector.¹</p>	<p>When it comes to the most effective calculation base for excise duties on tobacco products – in particular cigarettes – the concept of the “most popular price category” (MPPC) as the RSP should be altered in favour of the “weighted average price” (WAP) of all cigarettes. In most regions, national markets are no longer dominated by one most popular “national” brand. In comparison with the MPPC, which is determined on the basis of the most sold brand or a specific price category on a national market in a certain period of time, the WAP as RSP covers all cigarettes/tobacco products released for consumption. This provides more transparency, a fair and well-balanced tax rate determination and creates a level playing field across the tobacco sector.¹</p>	<p>This entire paragraph is relevant only for countries with ad valorem systems (or an ad valorem component of a mixed system).</p> <p>The reference to a “fair and well-balanced tax rate determination” and a “level playing field across the tobacco sector” is inappropriate.</p>
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<p>Recommendation</p> <p>Parties should establish coherent long-term policies on their tobacco taxation structure including targets for their tax rates, in order to achieve their objectives within a certain period of time. Tax rates should be monitored and increased on a regular (potentially annual) basis in order to take into account inflation and income growth developments. Regional particularities (e.g. cross-border trade) should be taken into account when formulating these policies.</p>	<p>Recommendation</p> <p>Parties should establish coherent long-term policies on for their tobacco taxation structure including targets for their tax rates, in order to achieve their health objectives within a certain period of time. Tax rates should be monitored and increased on an regular (potentially annual) basis in order to take into account inflation and growth in incomes growth developments. Regional particularities (e.g. cross border trade) should be taken into account when formulating these policies.</p>	<p>Presumably the objective of this recommendation is to tie tobacco tax policy with broader FCTC objectives, i.e. with public health. This should be specified, inter alia to ensure consistency with the wording of FCTC Article 6.</p> <p>With the limited exception of the Schengen zone and other areas where border controls are lacking, “regional peculiarities” should not play a large role in making decisions about tobacco tax structures. Concerns about illicit trade should be addressed in 7 and 8, not here. Presumably an important aspect of most countries’ policies for all taxes is to minimize tax evasion.</p>
<p>3.3 Comprehensiveness/similar tax burden for different tobacco products</p> <p>There is a wide variation in the types of tobacco products used in different parts of the world. Although much of the experience of Parties with respect to taxation of tobacco products refers specifically to manufactured cigarettes, Parties should recognize the need for a tax policy on all tobacco products. Furthermore, systems should be simplified</p>	<p>3.3 Comprehensiveness/similar tax burden for different tobacco products</p> <p>There is a wide variation in the types of tobacco products used in different parts of the world. Although much of the experience of Parties with respect to taxation of tobacco products refers specifically to manufactured cigarettes, Parties should recognize the need for a tax policy on all tobacco products. Furthermore, systems</p>	

<p>and harmonized to ensure that different products are taxed with the same goals in mind.</p> <p>Different rates of taxation on different tobacco product categories (e.g. manufactured cigarettes versus roll-your-own tobacco) or within similar product categories (e.g. high-priced versus low-priced cigarettes) can create incentives for users to switch between product categories or use products originating in the illicit trade chain. Higher rates on one product relative to another may encourage users to switch to the lower-taxed and thus cheaper products.</p> <p>The expected decrease in consumption can thus be mitigated by a switch to other tobacco products (substitution effect) and an increase in circumvention. For example, as regards cigarettes, fine-cut tobacco and cheap cigarettes are generally the main alternative products for consumers in case of significant price increases for cigarettes. In such cases, while higher taxes usually result in a reduction of tobacco consumption, the effect of tax increases may be weakened by substitution of expensive tobacco products by other tobacco products or a switch to cheaper categories of cigarettes and to discount brands.</p>	<p>should be simplified and harmonized to ensure that different products are taxed with the same goals in mind.</p> <p>Different rates of taxation on different tobacco product categories (e.g. manufactured cigarettes versus roll-your-own tobacco) or within similar product categories (e.g. multi-tiered systems with high-priced versus low-priced cigarettes) can create incentives for users to switch between product categories or use products originating in the illicit trade chain. Higher rates on one product relative to another may encourage users to switch to the lower-taxed and thus cheaper products.</p> <p>The expected decrease in consumption can thus be mitigated by a switch to other tobacco products (substitution effect) and an increase in circumvention. For example, as regards cigarettes, fine-cut tobacco and cheap cigarettes are generally the main alternative products for consumers in case of significant price increases for cigarettes. In such cases, while higher taxes usually result in a reduction of tobacco consumption, the effect of tax increases may be weakened by substitution of expensive tobacco products by other tobacco products or a switch to cheaper categories of cigarettes and to discount brands.</p>	<p>To clarify that this discussion is about tax-induced price differences.</p>
<p>Recommendation</p> <p>In order to avoid negative consequences, such as product substitution or an increase in illicit trade as well as to ensure that health objectives are met, all tobacco products should be taxed in a comparable way, where appropriate with a similar tax burden, and should be accompanied by strong policies and measures against illicit trade in tobacco products.</p>	<p>Recommendation</p> <p>In order to ensure health objectives are met and to avoid negative consequences, such as product substitution or an increase in illicit trade, all tobacco products should be taxed in a comparable way, with a similar tax burden, and should be accompanied by strong policies and measures against illicit trade in tobacco products.</p>	<p>The reduction in tobacco-caused mortality and morbidity is of course the first reason to avoid substitution effects.</p> <p>Control of illicit trade is largely unrelated to the issue of comparable tax rates on differing products</p>

	<u>Parties with multiple tax tiers for the same product category (such as cigarettes) should reduce the number of tiers, if possible to a single one.</u>	For many Parties, reduction in the number of tax tiers should be a priority, whether or not they move towards a specific system.
Parties should ensure that tax systems are designed in a way that does not encourage users to shift to cheaper products in the same product category or to cheaper tobacco product categories as a response to tax increases. In particular, the tax burden on other tobacco products should be increased and, where appropriate, be similar to the tax burden on cigarettes.	Parties should ensure that tax systems are designed in a way that does not encourage users to shift to cheaper products in the same product category or to cheaper tobacco product categories as a response to tax increases. In particular, the tax burden on other tobacco products should be increased and, where appropriate, be similar to the tax burden on cigarettes.	
4. TAX ADMINISTRATION This section provides information and recommendations on effective administration of tobacco excise tax systems.	[NO CHANGE]	
4.1 Authorization/licensing The primary control in an effective tobacco tax administration is to identify all entities which are required to pay taxes and the extent of their tax liability. Common tax compliance measures require all producers, importers, warehouse keepers and exporters of tobacco products to apply for authorization, licensing or registration with tax authorities, to file regular tax returns and to make regular payments of taxes as specified in tax laws. ¹ Licences, registrations or authorizations are issued subject to conditions and with the ability to be amended, revoked or cancelled for non-compliance. In countries with a large number of informal retailers licensing may be difficult. However, exceptions should be kept to a minimum. <i>Recommendation</i>	[NO CHANGE]	

<p>Parties should ensure that transparent licence or equivalent approval or control systems are in place.</p>		
<p>4.2 Warehouse system/movement of excisable goods and tax payments</p> <p>Since controls need to be carried out in production and storage facilities in order to ensure that the tax debt is collected, it is necessary to maintain a system of warehouses, subject to authorization by the competent authorities, for the purpose of facilitating these controls. Many countries oblige and authorize natural or legal persons (as authorized warehouse keepers) to produce, process, hold, receive and dispatch products subject to excise duty in the course of their businesses, under suspension of the excise duty. Guarantees can be requested from warehouse keepers to secure the payment of taxes. Features of such a system may include: strict criteria for granting authorization; warehouse pre- authorization visits; adequate stock control measures; checking the origin of excise products and the entire production process; and coding and marking products. Monitoring movements of excise goods under suspension of</p>	<p>Since controls need to be carried out in production and storage facilities in order to ensure that the tax debt is collected, it is necessary to maintain a system of warehouses, subject to authorization by the competent authorities, for the purpose of facilitating these controls. Many countries oblige and authorize natural or legal persons (as authorized warehouse keepers) to produce, process, hold, receive and dispatch products subject to excise duty in the course of their businesses, under suspension of the excise duty. Guarantees can be requested from warehouse keepers to secure the payment of taxes. Features of such a system may include: strict criteria for granting authorization; warehouse pre- authorization visits; periodic inspections; adequate stock control measures; checking the origin of excise products and the entire production process; and coding and</p>	<p>These changes make the guidelines</p>

<p>excise duty via a computerized system can also be used as a control tool².</p> <p>Recommendation Parties should maintain a system of storage or production warehouses to facilitate excise controls. In order to reduce the complexity of tax collection, excise taxes should be collected at the point of manufacture, importation or release for consumption from the storage or production warehouse. Tax payments should be required by law to be produced at fixed intervals or on a fixed date each month and should ideally include reporting of production and sales volumes, taxes due and paid, and volumes of raw material inputs. Tax authorities should also allow for the public disclosure of reports, taking into account confidentiality rules.</p>	<p><u>uniquely</u> marking products. Monitoring movements of excise goods under suspension of excise duty via a computerized system, especially one incorporating tracking and tracing technology, can also be used as a control tool².</p> <p>Recommendation Parties should maintain a system of storage or production warehouses to facilitate excise controls. In order to reduce the complexity of tax collection, excise taxes should be collected at the point of manufacture, importation or release for consumption from the storage or production warehouse. Tax payments should be required by law to be produced at fixed intervals or on a fixed date each month and should ideally include reporting of production and sales volumes, taxes due and paid, and volumes of raw material inputs. Tax authorities should also allow for the public disclosure of reports, taking into account confidentiality rules.</p>	<p>more consistent with Article 8 of the ITP.</p>
<p>4.3 Anti-forestalling measures</p> <p>In some cases, changes to taxes can be anticipated by manufactures or importers. This may be because taxes are indexed to inflation or known benchmarks. In anticipation of tax increases, manufacturers or importers may attempt to take advantage of the current or lower tax and increase production or stock of products (known as forestalling).</p> <p>To prevent this from occurring, and to ensure that authorities receive the extra revenue from tax increases, rather than producers or importers, Parties should consider implementing anti-forestalling measures, such as:</p> <ul style="list-style-type: none"> • restricting the release of excessive volumes of tobacco 	<p>[no changes]</p>	

<p>products immediately prior to a tax increase;</p> <ul style="list-style-type: none"> • taxing products already produced or kept in stock before a tax increase; • levying the new tax on all products not yet supplied to the final consumer, including those in retail (known as a floor-stock tax). <p>Recommendation In anticipation of tax increases Parties should consider imposing effective anti-forestalling measures.</p>		
<p>4.4 Fiscal markings/tracking and tracing</p> <p>Using fiscal markings is generally considered to be an appropriate tool to increase compliance with tax laws through monitoring of production and importation. Moreover, fiscal markings can help in distinguishing between illicit and legal tobacco products. Markings include tax stamps, enhanced tax stamps (also known as banderols) and digital tax stamps.</p> <p>Fiscal markings are usually applied at the pack level at specified positions on the pack. Setting a certain standard pack size facilitates the application of fiscal markings and increases the efficiency of tax administration. In line with Article 15 of the WHO FCTC, the development of a tracking and tracing system including marking of tobacco products with a unique identifier may further secure the distribution system and assist in investigations of illicit trade.</p> <p>Recommendation</p> <p>Where appropriate, Parties should consider requiring the application of fiscal markings to increase compliance with tax laws.</p>	<p>Using unique fiscal markings is generally considered to be an appropriate tool to increase compliance with tax laws through monitoring of production, and importation and exportation. Moreover, unique fiscal markings can help in distinguishing between illicit and legal tobacco products. Markings include tax stamps, enhanced hybrid tax stamps (also known as banderols digital tax stamps) and digital tax stamps.</p> <p>Fiscal markings are usually applied at the pack level at specified positions on the pack. Setting a certain standard pack size facilitates the application of fiscal markings and increases the efficiency of tax administration. In line with Article 15 of the WHO FCTC, the development of a tracking and tracing system including marking of tobacco products with a unique identifier may further secure the distribution system and assist in investigations of illicit trade.</p> <p>Recommendation</p> <p>Where appropriate, Parties should consider requiring the application of fiscal markings to increase compliance with tax laws.</p>	<p>To be consistent with Article 8 of the ITP.</p> <p>The term “banderol” (or “banderole”) is not necessarily synonymous with enhanced tax stamp.</p>

<p>Parties should, as appropriate, require a tracking and tracing system to be in place in line with Article 15 of the WHO FCTC.</p>	<p>Parties should, as appropriate, require a tracking and tracing system to be in place in line with Article 15 of the WHO FCTC.</p>	
<p>4.5 Enforcement</p> <p>Effective tobacco tax administration requires clear designation of responsible enforcement authorities. Tax authorities should generally have the authority and capacity to conduct search, seizure, retention and disposal activities in line with those of law enforcement agencies, and should be provided with necessary enforcement tools including appropriate technologies. In addition, the sharing of information among enforcement agencies is also a helpful feature for efficient enforcement in accordance with national laws.</p> <p>Penalties for non-compliance with tax laws usually include suspension or cancellation of licence or the application of more stringent conditions on the licence, fines and/or jail, forfeiture of products, forfeiture of equipment used in the manufacture or distribution of products including machinery and vehicles, cease and desist orders, and other administrative remedies as appropriate. Penalties and interest are applied to the late payment of taxes, and back taxes and punitive taxes are applied to the non-payment of taxes.</p> <p>Recommendation</p> <p>Parties should clearly designate and grant appropriate powers to tax enforcement authorities. Parties should also provide for information sharing among enforcement agencies.</p>	<p>Effective tobacco tax administration requires clear designation of responsible enforcement authorities. Tax authorities should generally have the authority and capacity to conduct criminal investigations, conduct search, seizure, retention and disposal activities in line with those of law enforcement agencies, and should be provided with necessary enforcement tools including appropriate technologies. In addition, the sharing of information among enforcement agencies is also a helpful feature for efficient enforcement in accordance with national laws.</p> <p>Penalties for non-compliance with tax laws usually include suspension or cancellation of licence or the application of more stringent conditions on the licence, fines and/or jail prison, confiscation and forfeiture of contraband products, forfeiture of equipment used in the manufacture or distribution of products including machinery and vehicles and criminal proceeds, cease and desist orders, and other administrative and criminal remedies as appropriate. Penalties and interest are applied to the late payment of taxes, and back taxes and punitive taxes are applied to the non-payment of taxes.</p> <p>Recommendation</p> <p>Parties should clearly designate and grant appropriate powers to tax enforcement authorities. Parties should also provide for information sharing among enforcement agencies.</p>	<p>In some English-speaking countries, “jails” refers to correctional institutions where shorter terms are served.</p>

<p>In order to deter non-compliance with tax laws, Parties should provide for an appropriate range of penalties.</p>	<p>In order to deter non-compliance with tax laws, Parties should provide for an appropriate range of penalties.</p>	
<p>5. USE OF REVENUES – FINANCING OF TOBACCO CONTROL</p> <p>According to Article 6.2 of the WHO FCTC, Parties shall retain their sovereign right to determine and establish their taxation policies. An integral part of each Party’s sovereign right is to decide how the revenue stemming from tobacco taxation is used.</p> <p>As already noted in the guidelines for implementation of Articles 8, 9 and 10, 12, and 14¹, tobacco excise taxes provide a potential source of financing for tobacco control. Parties could consider, while bearing in mind Article 26.2 of the WHO FCTC, dedicating the revenues from tobacco taxation or part thereof to tobacco-control programmes, such as those covering awareness raising, health promotion and disease prevention, cessation services, economically viable alternative activities, and financing of appropriate structures for tobacco control.</p>	<p>5. USE OF REVENUES – FINANCING OF TOBACCO CONTROL</p> <p>According to Article 6.2 of the WHO FCTC, Parties shall retain their sovereign right to determine and establish their taxation policies. An integral part of each Party’s sovereign right is to decide how the revenue stemming from tobacco taxation is used.</p> <p>As already noted in the guidelines for implementation of Articles 8, 9 and 10, 12, and 14¹, tobacco excise taxes provide a potential source of financing for tobacco control.</p> <p><u>Recommendation</u></p> <p>Parties could <u>should</u> consider, while bearing in mind Article 26.2 of the WHO FCTC, dedicating–using <u>the revenues from tobacco taxation or a part thereof, for–to</u> tobacco-control programmes, such as those covering awareness raising, health promotion and disease prevention, cessation services, economically viable alternative activities, and <u>financing of appropriate structures for tobacco control.</u></p>	<p>This section of the draft guidelines includes no recommendation, which is unfortunate.</p> <p>Parties differ in the extent to which they can legally “ earmark ” tax revenues for a particular purpose. However, all Parties can decide, as a matter of policy, whether the money spent on tobacco control is an appropriate proportion of the revenue raised by tobacco taxes.</p>

<p>6. TAX-FREE/DUTY-FREE SALES</p> <p>In duty-free shops in airports, on international transport vehicles and in tax-free shops, tobacco products are sold often without any excise tax burden. Generally, tax- or duty-free sales in airports or in other designated places apply to travellers who will take the tobacco products out of the country and are exempted from the payment of certain local or national taxes and duties. Tax- or duty-free sales are thus regarded as some kind of exportation and therefore these sales are not taxed as a matter of principle. However, in some countries, travellers can also buy from duty-free shops in airports not only when leaving but also when entering the country.</p>	<p>6. TAX-FREE/DUTY-FREE SALES</p> <p>In duty-free shops in airports, on international transport vehicles and in tax-free shops, tobacco products are sold often (though not always) without any excise tax burden. Generally, tax- or duty-free sales in airports or in other designated places apply to travellers who will take the tobacco products out of the country and are exempted from the payment of certain local or national taxes and duties. Tax- or duty free sales are thus regarded as some kind of exportation and therefore these sales are not taxed as a matter of principle. However, in some countries, travellers can also buy from duty-free shops in airports not only when leaving but also when entering the country.</p>	<p>Exported tobacco products would typically be taxed in the country of import, and at any rate, Parties may have all sorts of reasons for allowing duty-free. For example, a country that is seeking to attract more international air travel may feel obliged to allow duty-free because its closest competitor does. Nothing is gained by speculating in the guidelines on Parties' motives.</p>
<p>Tax- and duty-free sales erode the effects of tax and price measures aimed at reducing the demand for tobacco products, since tax-free tobacco products are cheaper and more affordable than those which are taxed. This is counterproductive to the health purpose behind taxation and harms public health by encouraging personal consumption. Moreover, these sales adversely affect government revenues by creating a loophole in the tax structure. In particular, tax-</p>	<p>Tax- and duty-free sales erode the effects of tax and price measures aimed at reducing the demand for tobacco products, since tax-free tobacco products are cheaper and more affordable than those which are taxed. This is counterproductive to the health purpose behind taxation and harms public health by encouraging personal consumption. Moreover, importantly, these sales adversely affect government</p>	<p>The direct impact of legal tax-free sales on consumption may not be that large – the larger concern is the impact on illicit trade.</p>

<p>or duty-free shops at land borders can be the origin of illicit supplies of tax-or duty-free cigarettes to final consumers. There is growing evidence that governments are taking action to prohibit or restrict tax- or duty-free sales.</p>	<p>revenues by creating a loophole in the tax structure. In particular, the existence of tax- or duty-free shops at land borders has facilitated the diversion into illicit trade channels of can be the origin of illicit supplies of tax-or duty-free tobacco products cigarettes to final consumers. There is growing evidence that governments are taking action to prohibit or restrict tax- or duty-free sales.</p>	<p>There is no reason why only land-based duty-free shops pose a problem; and as phrased, it sounds as if the problem is illegal re-sale of product from duty-free shops. However, product labelled duty-free can be diverted into illicit trade before ever reaching a retail outlet.</p>
<p>Article 6 of the WHO FCTC states that each Party should “adopt or maintain, as appropriate, measures which may include [...] prohibiting or restricting, as appropriate, sales to and/or importations by international travellers of tax- and duty-free tobacco products”.</p>	<p>Article 6 of the WHO FCTC states that each Party should “adopt or maintain, as appropriate, measures which may include [...] prohibiting or restricting, as appropriate, sales to and/or importations by international travellers of tax- and duty-free tobacco products”.</p>	
<p>While it is up to the Parties to consider taking these measures, a distinction between the specificities of land, air and sea travel might be needed, in particular a distinction between border shops and duty-free points of sale.</p>	<p>While it is up to the Parties to consider taking these measures, a distinction between the specificities of land, air and sea travel might be needed, in particular a distinction between border shops and duty-free points of sale.</p>	<p>No reason is given for this artificial distinction, apparently based on EU practice.</p>
<p>International actions to ban tax- or duty-free sales are built around three basic options:</p> <ul style="list-style-type: none"> • prohibiting tax- or duty-free sales of tobacco products; • applying excise taxes on tobacco products sold in tax- or duty-free stores; or • limiting travellers’ allowances for tobacco products to restrict private imports of tax- or duty-free tobacco products, such as by applying quantitative limits.¹ 	<p>International actions to ban tax- or duty-free sales are built around three basic options:</p> <ul style="list-style-type: none"> • prohibiting tax- or duty-free sales of tobacco products; • applying excise taxes on tobacco products sold in tax- or duty-free stores; or • limiting travellers’ allowances for tobacco products to restrict private imports of tax- or duty-free tobacco products, such as by applying 	

	quantitative limits. ¹	
<p>Recommendation</p> <p>Parties should consider prohibiting or restricting the tax- or duty-free sales of tobacco products.</p>	<p>Recommendation</p> <p>Parties should consider prohibiting or restricting the tax- or duty-free sales of tobacco products. <u>Further, Parties should prohibit or restrict, as appropriate, importations by international travellers of tax- or duty-free tobacco products.</u></p>	<p>As phrased, the draft recommendation is actually weaker than the text of Article 6 itself, and does not mention the limitation of travellers' allowances (which <u>is</u> mentioned in Article 6).</p>
<p>They should monitor the extent to which tax- or duty-free products contribute to illicit trade and take the necessary measures if such a link is ascertained.</p>	<p>They should monitor the extent to which tax- or duty-free products contribute to illicit trade and take the necessary measures if such a link is ascertained.</p>	<p>This would appear to imply that measures to control duty-free should be considered <u>only</u> if a link with illicit trade is ascertained. There is no reason to wait until the link has been demonstrated, and there is also a health rationale for prohibiting tax-free sales.</p>
<p>7. ILLICIT TRADE</p> <p>The primary reference in regard to illicit trade in tobacco products is Article 15 of the WHO FCTC. Illicit trade makes tobacco products more available and affordable, undermining tobacco taxation and health policies. By making artificially “cheap” cigarettes readily available</p>	<p>The primary reference in regard to illicit trade in tobacco products is Article 15 of the WHO FCTC. Illicit trade makes tobacco products more available and affordable, undermining tobacco taxation and health policies. By making artificially “cheap” cigarettes readily available</p>	

<p>through unregulated sales channels, illicit trade increases the prevalence of smoking and tobacco consumption, primarily among the young, the poor and populations in low- or middle-income countries.</p> <p>Illicit trade undermines tobacco tax collection and administration, especially in countries applying high taxes.</p> <p>According to the tobacco industry, tax increases cause illicit trade. However, numerous countries have raised tobacco taxes effectively and have experienced revenue increases without experiencing a dramatic rise in smuggling.¹ The relationship between taxes/prices and illicit trade largely depends on the existence of corruption and/or the ease with which legal controls may be circumvented.² Therefore, when countries increase tobacco taxes, they should also strengthen their tax enforcement and tax administration.</p> <p>It is empirically proven that taxes and prices are not the main cause of illicit trade. Price is only one of many factors that may influence illicit trade.³</p>	<p>through unregulated sales channels, illicit trade increases the prevalence of smoking and tobacco consumption, primarily among the young, the poor and populations in low- or middle-income countries.</p> <p>Illicit trade undermines tobacco tax collection and administration, especially in countries applying high taxes resulting in losses in revenue and defeating public health objectives.</p> <p>According to the tobacco industry, tax increases cause illicit trade. However, numerous countries have raised tobacco taxes effectively and have experienced revenue increases without experiencing a dramatic rise in smuggling. The relationship between taxes/prices and illicit trade largely depends on the existence of corruption and/or the ease with which legal controls may be circumvented. Corruption has been shown to be the strongest predictor of levels of tobacco smuggling, with inadequate laws and law enforcement as well as geography also playing a role. Price levels do not predict levels of illicit trade.¹ Nevertheless, Therefore, when countries increase tobacco taxes, they should consider also strengthening their tax enforcement and tax administration.</p> <p>It is empirically proven that taxes and prices are not the main cause of illicit trade. Price is only one of many factors that may influence illicit trade.³</p>	<p>The present wording might be taken to imply that illicit trade occurs primarily where taxes are high – the available evidence is that there is little if any correlation.</p> <p>The wording in the draft misstates the World Bank document that is cited. The original regression analysis to which it refers (Merriman, Yurekli and Chaloupka 2000) found price levels were actually negatively correlated with smuggling estimates.</p> <p>Parties do not necessarily need to improve their tax systems every time they increase their taxes!</p> <p>What is demonstrated in the above-mentioned study is a</p>
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¹ Merriman D, Yurekli A and Chaloupka F. How big is the worldwide cigarette-smuggling problem? In: Jha P and Chaloupka F., eds. Tobacco Control in Developing Countries. 2000.

<p>Recommendation</p> <p>When implementing Article 6 of the WHO FCTC, Parties should take necessary measures to contain the risk of illicit trade, consistent with their obligations under Article 15 of the WHO FCTC.</p>	<p>Recommendation</p> <p>When implementing Article 6 of the WHO FCTC, Parties should take necessary measures to contain the risk of illicit trade, consistent with their obligations under Article 15 of the WHO FCTC.</p>	<p>negative correlation between price and estimated smuggling levels (i.e. countries with lower prices had <u>higher</u> smuggling levels, on average). This is integrated into the preceding text.</p>
<p>8. INTERNATIONAL COOPERATION</p> <p>International cooperation in scientific and legal fields, provision of related expertise, and exchange of information and knowledge are important means of strengthening the capacity of Parties to meet their obligations under Article 6 of the WHO FCTC. Such measures should be in line with the commitments that Parties have undertaken with respect to international cooperation, particularly under Articles 4.3, 5.4, 5.5, 20 and 22 of the WHO FCTC.</p>	<p>[no changes]</p>	
<p>According to Article 21 of the WHO FCTC, the periodic reports of the Parties represent another important tool for international exchange and collaboration under the Convention. Article 6 of the WHO FCTC stipulates that the Parties shall provide rates of taxation for tobacco products, ideally including the relative and absolute tax burden, and trends in tobacco consumption in their periodic reports, in accordance with Article 21.</p>		

<p>Generally, as a basis for any policy and regulatory measures, transparent and sufficiently comprehensive data are needed. The relevant international organizations play an important role in the collection, compilation and publication of such data. Parties should also consider reviewing the reports of other Parties, and the data and trends deriving from global progress reports presented to each regular session of the Conference of the Parties, to enhance their knowledge of international experiences with respect to tax and price policies.</p>		<p>This is an important point. The need for transparency and comprehensive data, to allow for meaningful public debate on tobacco tax policy, would be worthy of a separate recommendation. Alternatively, an appendix could be added, detailing the types of data that are most important for informed public debate.</p>
<p>International cooperation would also help to ensure that consistent and accurate information related to global, regional and national trends and experiences in relation to tax and price policies is provided, particularly through the global treaty implementation database maintained by the Convention Secretariat.</p>		
<p>Parties should also consider utilizing the multispectral dimension of tax and price policies and cooperating within relevant bilateral and multilateral mechanisms and organizations to raise awareness and to promote the implementation of relevant policies.</p>		
<p>Parties should cooperate in reviewing and, if necessary, updating these guidelines, according to a mechanism and timeline to be established by the Conference of the Parties, to ensure that they continue to provide effective guidance and assistance to Parties in establishing their tax and price policies with respect to tobacco products.</p>		