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## UKRAINE INCREASES TOBACCO EXCISE TAXES BY 25%

On March 27 Ukrainian parliament voted for 25% of tobacco excise tax increase for all types of tobacco products. Lately on March 30 the draft law was signed by acting president Mr. Turchynov to be implemented starting July 1, 2014. This prominent step by new Ukrainian government was preceded by a public campaign to block the initial plans of the Cabinet of Ministers of Ukraine to raise taxes only by 8%.

Tobacco control experts and NGOs - members of Smoke-Free Ukraine Coalition demanded increasing tobacco taxes at least by 30%. Advocacy Center "LIFE" prepared letters with expert conclusions, alternative calculations and budget income projections. "LIFE" also communicated this position to representatives of Ministry of Finance, exposed the issue in media and criticized the government for low 8%. On March 24 activists and TC advocates went out to picket the Cabinet of Ministers demanding higher tax increase and passed the official statement to the Prime-Minister of Ukraine. The campaign was very much supported by "All-Ukrainian Patients" Union who primarily demanded earmarking of tobacco and alcohol taxes and using money for medicines.

So, according to the new law the specific rates of excise duty on non-filter cigarettes will be increased by 25% and ad valorem rate will stay the same - at 12%. This will lead to 12-15% price increase in July and will increase a pack of Marlboro cost by **1, 40 USD** per pack. At the same time due to high inflation level in recent months prices for cigarettes in local currency may continue growing and this will make cigarettes even less affordable as TI has to export all tobacco and ingredients from abroad. At the same time low segment of non-filtered cigarettes stays very cheap even with future tax increase **0, 50 USD per pack**.

*"Having reached the temporary victory over TI in the tax pricing policy we should remember about their decisive behavior to keep prices low. In recent Ukrainian case this is the risk of forestalling. We anticipate TI will work "for the warehouse" these 3 months and state budget will not get the expected additional income. The expected loss of the forestalling is about 30 million USD. So the government should also take legislative precautions in future to avoid overproduction of excisable goods before the expected excise taxes increase", - commented Andriy Skipalskiy, Coordinator of Smoke Free Ukraine Project implemented by Advocacy Center "LIFE".*

Ukraine demonstrated quite successful tobacco control policies implementation in 2013 having reduced tobacco consumption by 10% (8 billion sticks) this year. This happened due to effective TC policies adopted and implemented in 2012-2013 including SF working places, total tobacco advertising and promotion ban and graphic warnings. Effective tax policy should support public health dividends for the country in 2014-2015.

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