

Meta-Analysis of the Effects from Tobacco Excise Tax in Different Countries for the Case of Slovenia Reducing its Tobacco Consumption Even More

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As a relatively young country, Slovenia managed to pull off some impressive tobacco control measures in the last decades. Starting with the immediate signing and ratification of the FCTC in 2005 and followed with the smoking ban in public and workplaces in 2007, it laid down good foundations for future policy development. The excise tax structure was dramatically changed in 2012, which subsequently reduced the tobacco consumption, but in turn did not significantly raise the government revenue, most likely due to the huge ad valorem percentage drop. The last years, however, were again fruitful in regards of passing other tobacco control measure, such as advertising bans and the recent plain tobacco packaging. The later was achieved with the strong support of NGOs, most notably with the Slovenian “NGOs Protect Our Health” Network. In the document, “Tobacco Control Scale 2019 in Europe” Slovenia improved its rank the highest in Europe. Last year in autumn, a meta-analysis was made with the partnership support between the Slovenian Coalition of Public Health, Environment and Tobacco Control and the Faculty of Economics and Business from the University of Maribor.

Focusing on the excise tax increase on tobacco products and the consequent effect it has on prevalence of smoking in a given market, the meta-analysis investigates the tobacco excise tax policy experiences of different countries. The first part acquaints us with abstract ideas, like tobacco control policy, elasticity of demand and tobacco tax. Then Slovenia’ tobacco excise tax history and prospects are presented, which is followed by methodically examining each state’ data on tobacco excise tax, the prevalence of smoking and, if accessible, government revenue from tobacco excise tax. The latter is provided using different documentation, such as studies, surveys and official papers from ministries and international organizations. Emphasis being on studies, the data derived from those sources is different for each country and includes quite a variation of economic parameters. Therefore, we mainly concentrate on presenting tobacco excise tax, prevalence of smoking and government revenue. The meta-analysis then briefly demonstrates price elasticities of demand in numeric fashion for different countries. With the final part gathering that and other relevant data, a summary of data compilation is shown, which enables us to better grasp the importance of the excise tax increase on the national prevalence of smoking. By selecting good country practices we attempt to use those findings for the case of Slovenia.

Analyzing 17 countries, respectively 22 in terms of elasticity of demand, the results are as follows. The consequence of an increased tobacco excise tax will most certainly decrease the prevalence of smoking in a country and, as the data for most examined countries showed, increase the government revenue. Effectiveness of a tobacco control policy is usually in correlation with a regular and significant increase of the tobacco excise tax. The responsiveness of young people and teenagers on the increased tobacco tax from 7 countries and for different periods, showed an immense drop in smoking of around 50% for those age groups. Elasticity of demand for tobacco products, calculated for 13 European with application of the conventional model, pinpointed to an average of -0,657. That roughly signifies that an increase in tobacco excise tax is generating a surplus in government revenue, as well as a drop in smoking prevalence.

With this meta-analysis, we showed the overall positive effects of an increased tobacco excise tax for a decrease in prevalence of smoking and enrichment of the national budget. This research is on the other hand part of a broader action plan to change the existing law. Despite the likelihood of a positive effect, brought by an increased tobacco tax for the reasons mentioned above, we still need to provide country specific econometric data regarding the elasticity of demand for the Slovenian tobacco market, hopefully until the end of this

year. Once obtaining that, we will have better prospects when presenting arguments, which will have a greater probative strength in order to raise the tobacco excise rate. With that in mind, changing the law will surely enable Slovenia to get one-step closer to a tobacco free country.

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