

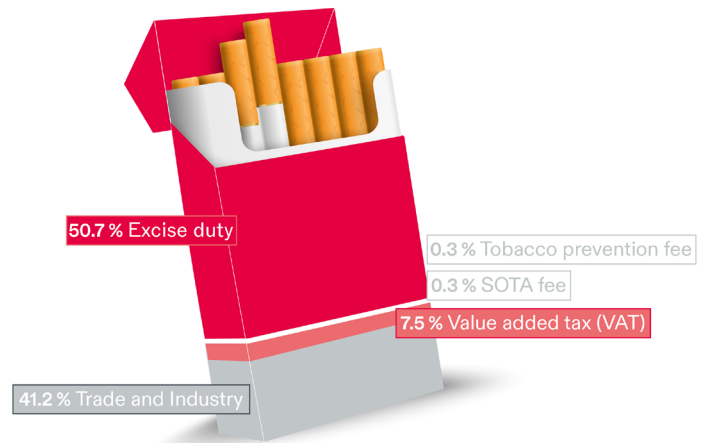
Tobacco Taxes

Overview

Tobacco taxes are additional (excise) taxes that are applied on tobacco products in addition to VAT. They can be levied as a proportion of price (ad-valorem), per unit (specific excise), or combined in a hybrid system. Cigarette taxes are the most common point of reference, as they are the most consumed form of tobacco.

Why tobacco taxes?

The World Health Organisation recognises tobacco taxes as the most efficient and cost-effective tobacco control measure in reducing smoking prevalence. Higher taxes lead to higher prices, causing smokers to either quite or reduce their consumption. This effect is stronger with price-sensitive groups such as youth. The WHO estimates average tax increase of 10% would reduce smoking prevalence by 4%.



Source: Federal Office for Customs and Border Security FOCBS, Tobacco and beer taxation

In A Nutshell

Tobacco taxes are the most efficient and cost-effective form of tobacco control.

Switzerland's cigarette taxes are more than 15% below the WHO minimum target.

Adjusting for cost of living, Swiss cigarettes prices are lower than those in the UK, France, and Germany.

What is the situation in Switzerland?

Switzerland's smoking prevalence has been relatively stagnant in comparison to other countries. Taxes make up less than 60% of the retail price of cigarettes, far below the WHO minimum target of 75% and falling each year. Taxes were last raised in 2013 by only 0.10 CHF, with further raising requiring a revision of the 1969 Tobacco Tax law. Once adjusting for inflation and cost of living, the price of a package of cigarettes in Switzerland is less than half that in the UK, a gap that continues to widen as Switzerland fails to implement effective tobacco control.

If Switzerland were to raise its tobacco taxes to the WHO target, it would contribute an additional 400 million CHF to the Old Age and Survival Fund each year, in addition to long term savings that would result from the reducing in smoking prevalence.

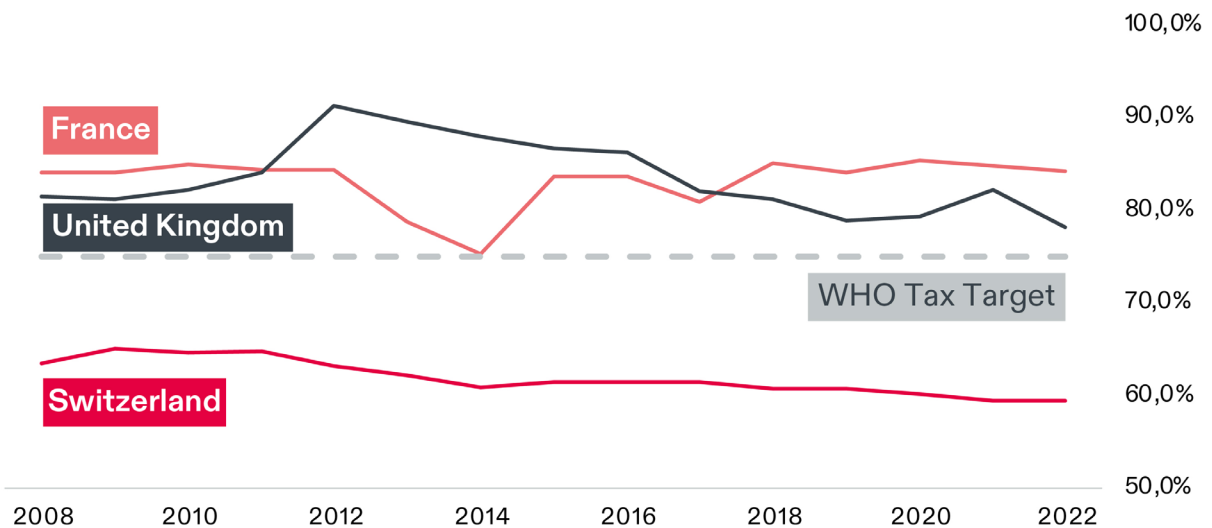
New Products

The taxation of tobacco products in Switzerland has not kept pace with the influx of new tobacco and nicotine products. Until October 2024 electronic cigarettes have been entirely untaxed, with a combination of low price and appealing flavours making them popular among youth. Heated tobacco products (IQOS/ILUMA) are only subject to a 12% excise tax yet are priced similarly to cigarette packages, showing the industry values profit over 'reduced' risk. Lastly, nicotine pouches are an emerging product whose popularity among youth is aided by only being taxed 6% above VAT. Swiss cigarette prices are so low that the low taxes of new products do not even encourage smokers to switch.

Industry Lobbying & Manipulation

Because of the effectiveness of tobacco taxes in reducing smoking, the tobacco industry fights against them. They lobby politicians against tax increases, exaggerating issues such as illicit trade to smear tobacco control as unproductive. The tobacco lobby is especially strong in Switzerland, donating directly to political parties and being invited to consult on tax and litter policy. When taxes are implemented, the industry manipulates their prices and products to keep the most price sensitive consumers hooked. Low tobacco taxes are only a part of Switzerland's poor tobacco control record.

Tax Percentage of Retail Price



Recommendations

If Switzerland wants to effectively use tobacco taxes to reduce smoking and raise revenue, it should ratify the WHO FCTC and:

- Significantly increase taxes on cigarettes to the recommended minimum of 75% of the tax share of retail price.
- Set the tobacco tax on e-cigarettes and other new nicotine products at a high enough level to make the products unattractive to young people and non-smokers.
- Require the tobacco industry to disclose their advertising and lobbying expenditures.



If you would like to know more, the full brief on tobacco taxes can be found by scanning the QR code