

Open Letter to Financial Secretary, Hong Kong SAR Government

Raising Tobacco Tax to Align with WHO's Standard Achieve Government's Goal in Reducing Smoking Prevalence

The Hong Kong SAR Government is committed to reducing the smoking population to promote well-being of the people. Strengthening tobacco control have been listed as one of the performance items in the Chief Executive's Policy Address in recent years and the aim to reduce the smoking prevalence to 7.8% or below by 2025 was set. To safeguard public health, the next phase of tobacco control initiatives should be launched promptly to further lower the smoking prevalence. Following the completion of the “Vibrant, Healthy and Tobacco-free Hong Kong” Public Consultation on Tobacco Control Strategies conducted by the Health Bureau, the Government announced in 2024 to introduce tobacco control measures in the short, medium, and long term. One of the key short-term measures proposed is to continuously review the effectiveness of tobacco tax and the pace of future adjustment.

We acknowledge and appreciate the determination and efforts of the Government and the Financial Secretary in advancing tobacco control. As a result of the consecutive tobacco tax increases of about 30% in the 2023 and 2024 Budget, number of calls to the Department of Health's Integrated Smoking Cessation Hotline surged immediately by over three times and two folds respectively, while the annual increase in 2023 was over 30%. These reflect the significant impact of raising tobacco tax on promoting smoking cessation. Yet, tobacco companies had also seized the opportunity to increase the retail price of cigarettes by totally HK\$12 per pack. The price of major cigarette brands in Hong Kong is now around HK\$102 per pack, with the tobacco tax making up about 65% of price, comparing to approximately 69% in 2014. Currently, over 40 countries, including Australia, Brazil, Thailand and the United Kingdom, have achieved the tobacco tax level of at least 75% of the cigarette retail price which is recommended by World Health Organization (WHO). To effectively promote smoking cessation and prevent youth uptake, it is essential for Hong Kong to raise the tobacco tax rate to align with the WHO-recommended level promptly and to adjust annually to maintain this standard.

In the past decade, tobacco companies had raised the retail prices on their own for multiple times to increase profit and undermine the capacity and effectiveness of the Government's tobacco tax policy. Between 2015 and 2024, cigarette price was marked up 6 times including in the 4 years where tax was consecutively frozen. Since 2014, the

price of major cigarette brands has risen from HK\$55 to HK\$102, equivalent to a 85% increase, while the tobacco tax rates have only increased by about 74%. In contrast, the increase in profit margin of the tobacco and related industries has been boosted by nearly 113% due to their price adjustment strategies. By manipulating the price, the tobacco industry have undermined the implementation and effectiveness of Government's tobacco tax policy, and made use of it to earn greater profits. It also reflects that there are rooms for increments in both tobacco tax and cigarette price. Therefore, the Government should review the tobacco tax policies, impose regular and substantial increase and an annual increment mechanism.

According to COSH's Tobacco Control Policy-related Survey 2024 conducted between January to May 2024, about 70% of the respondents supported both a tobacco tax increase in the upcoming financial year and an annual tobacco tax increase. The results indicate the public agreement to raising tobacco tax and cigarette price to encourage quitting despite of the increases in the previous two years. In addition, 27.5% of current smokers said that if the tobacco retail price increases, they would either quit smoking or reduce smoking by at least half. They opined that the cigarette retail price should be set at a median price of HK\$130 and a mean price of HK\$156 per pack to effectively motivate smokers to quit, which are far above the current price of HK\$102. Moreover, the result from "Vibrant, Healthy and Tobacco-free Hong Kong Public Consultation on Tobacco Control Strategies" conducted by Health Bureau between July to September 2023 showed that over 80% of respondents supported establishing an adjustment mechanism on raising tobacco tax regularly.

There is no causal relationship between tobacco tax and illicit tobacco, which was also echoed by the Hong Kong Customs and Excise Department (C&ED) in different occasions since 2014. In the Legislative Council meeting on 20 March 2024, the Government official had explained that the quantity of illicit cigarettes seized mainly reflects the effectiveness of the C&ED's enhanced enforcement strategy and efforts, and does not represent an increase in the quantity of illicit cigarettes entering the market. WHO also stressed that raising tobacco tax would not aggravate illicit cigarette problem and pointed out that it is the common tactic of tobacco industry to confuse the public and oppose to tobacco tax policy. In fact, countries with higher tobacco taxes, such as Australia, Switzerland, and the UK, have lower illicit market shares, while countries with lower taxes, such as Brazil, Malaysia, and Pakistan, etc. have higher illicit market shares. Tobacco pricing is not the sole or primary cause of the illicit tobacco problem. A combination of factors, including weak regulatory frameworks, poor tax administration, and a lack of effective penalties, contributes to the growth of the illicit

tobacco market. To effectively combat the illicit tobacco problem, it should not be misled by the misinformation spread by the tobacco industry. Instead, it must continue to implement strong and effective tobacco control measures, such as increasing tobacco tax. The best way to prevent the potential escalation of illicit tobacco trade is to strengthen enforcement actions, adopt a tax stamp system for tobacco products, raise penalties for tax-not-paid cigarettes, and focus on effectively reducing the smoking population in accordance with WHO-recommended levels of tobacco taxation.

Smoking is the leading preventable cause of deaths and the second leading risk factor of the global burden of diseases. It leads to cancers and chronic diseases in most organs of the body. Each year, tobacco kills more than 8 million people globally, in which around 1.3 million non-smokers are killed by exposure to secondhand smoke. According to the latest academic research published by The University of Hong Kong, smoking kills not only about 13,900 people (including over 400 people exposed to secondhand smoke) in 2021, but also causes significant economic loss of a conservative estimation of to nearly HK\$8.2 billion to HK\$10 billion. Therefore, adopting and constantly strengthening the comprehensive tobacco control measures is vital to safeguard public health. Raising tobacco tax is recommended by WHO as the single most effective and prioritized tobacco control measure, which encourages smoking cessation and prevents smoking initiation while implementation cost is minimal for the Government. A study pooling the findings from 476 studies analyzed the association of tobacco control measures with smoking cessation, reducing smoking prevalence and reducing tobacco consumption. The results showed that tobacco tax increases were associated with 20% higher likelihood of successful quitting, 35% higher likelihood of quit attempts and 39% higher likelihood of quit intention.

As a result of the Government's strong commitment and efforts paid to tobacco control in recent years, the smoking prevalence in Hong Kong has decreased to a historic low of 9.1% in 2023. However, there are still approximately 580,000 smokers in Hong Kong and male smoking prevalence is still high at 16.4%. Smoking entails the society and the healthcare system a heavy cost of smoking-induced diseases and economic losses. Therefore, the progress in tobacco control must not stagnate. More tobacco control measures should be implemented in multiple prongs and the existing policies must be reviewed and enhanced. Tobacco tax is one of the important measures for the Government's next-phase tobacco control strategies. It is essential to prevent the effectiveness of the tobacco tax policy from being undermined by other factors such as price manipulation by tobacco companies and inflation, for sustainably enhancing smoking cessation and preventing smoking uptake among the youth.

COSH, in alliance with the medical professions, academia, education and social service sectors, parents, patients and smoking cessation groups, urges the Hong Kong Government to raise tobacco tax in FY2025-2026 and implement annual increase mechanism, such as an additional increase on top of inflation, to meet the 75% standard laid down by WHO, ensure the effectiveness of tobacco tax policy in promoting smoking cessation and uptake prevention, and accelerate the reduction of smoking prevalence to the target for 2025. We also call for the formulation of long-term policy and blueprint for tobacco control, outlining the concrete goal and roadmap to end tobacco epidemic. We envision that the proposed ten short-term tobacco control measures will be implemented fully and promptly and the medium and long-term measures will be introduced as soon as feasible, leaping Hong Kong toward tobacco-free and offering a thorough health protection for the future generations.

This open letter is jointly submitted by Hong Kong Council on Smoking and Health and 101 co-signatories.

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