

Myanmar

Overview of

TOBACCO USE, TOBACCO CONTROL LEGISLATION, AND TAXATION

World Bank Group
Global Tobacco Control Program
Country Brief

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Overview of Tobacco Use, Tobacco Control Legislation, and Taxation A Country Brief

Executive summary

Myanmar ratified the WHO Framework Convention on Tobacco Control on April 21, 2004. The government tobacco control policies, especially new cigarette health warnings, which were introduced in 2016 and cover 75% of the pack main surface, as well as the increase of tobacco taxes already revealed their effectiveness in overcoming the tobacco epidemic in the country.

Overall, the use of smoking tobacco did not change much over the last decade, while the structure of the use did change: smoking of traditional cheroots declined, while cigarette smoking increased.

Smoking of local tobacco product cheroot is currently more popular among old rural women. Cheroot production substantially decreased in Myanmar over recent years, and it has low chances to survive. The government tries to slow down the decline of cheroot smoking in the country by keeping excise for cheroots at a very low level (about 7% of the price). Such a policy has no public health justification. The government has a much better option: to substantially increase the Specific Goods Tax (SGT) levied on cheroots and to use the cheroot excise revenue to support the economically viable alternatives for those women who currently work at cheroot factories.

On the other hand, annual cigarette sales in Myanmar increased from about 3 billion sticks in 2005-2010 to about 10 billion sticks in 2015-2016. This increase was predetermined by the activities of the transnational tobacco corporations, which re-entered the country in 2013 and used various promotional activities to increase sales. Cigarettes in Myanmar are much cheaper than in neighboring countries, and this situation encourages cigarette smuggling from Myanmar to India, Thailand, and Bangladesh, while cigarette smuggling into Myanmar is very low. Actual cigarette consumption in Myanmar is much lower than the volume of cigarette sales in the country.

The taxation policy can discourage cigarette smoking epidemic in Myanmar. The increase of cigarette taxes in 2015-2017 already had some positive results: (1) cigarette affordability decreased, especially in 2016; (2) cigarette sales declined in 2017; (3) cigarette excise revenue increased. In 2019, the government increased the tax burden for cigarettes (by 30-50%) and cheroots (by 100%), and this can have positive consequences for both public health and government revenues.

These positive results can be reinforced by the following recommended actions:

- Reduce the number of specific tax tiers for cigarettes by one tier annually to tax all cigarettes by the unified tax in three years. The unified tax makes the tax administration much easier.
- Specific excise tax rates for cigarettes should be increased annually by at least 50% in the first three years and by at least 20% later to ensure the reduction in tobacco affordability and the increase in the excise revenues.
- Tax rates for cheroots and other tobacco products (including smokeless tobacco) should be substantially increased to further discourage their consumption.
- Tobacco use surveillance and monitoring should further develop in Myanmar, including a regular collection of information on smoking prevalence, tobacco consumption, licit and illicit cigarette sales, prices and other economic indicators.

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Introduction

The Objective of the Country Brief

This country brief presents an overview of current tobacco control legislation, tobacco use, and taxation policy in Myanmar. Data and information were collected from various sources. The brief is intended to serve as the context for complementary assessments on different aspects of tobacco taxation in the country to be shared with government teams and other national and international stakeholders.

Tobacco control legislation

Myanmar ratified the WHO Framework Convention on Tobacco Control on April 21, 2004, and it entered into force on February 27, 2005. Myanmar signed the FCTC Protocol to Eliminate Illicit Trade in Tobacco Products in 2013 but did not ratify it yet.

The Control of Smoking and Consumption of Tobacco Product Law was enacted in 2006, repealing the Law of the Prohibition of Smoking at the Entertainment Building Act, 1959. The Ministry of Health issued two notifications specifying requirements of smoke-free places. These notifications are as follows: (1) Ministry of Health Notification No. 5/2014, Order Stipulating the Caption, Sign and Marks Referring to the “No-Smoking Area”; and (2) Ministry of Health Notification No. 6/2014, Order Stipulating the Requirements to be managed at the Specific Area where Smoking is allowed. In addition, the President’s Office issued a letter with instructions on tobacco use in government offices. Ministry of Health Proclamation No. 11/2016, Order of Printing Warning Messages and Texts on the Packaging of Tobacco Products prescribes the requirements of the graphic health warnings that must appear on product packaging [1].

However, tobacco control and prevention policies in Myanmar have recently been subjected to critique. They are assessed to be insufficiently developed and "in their nascent stage" [2]. Myanmar is also considered to be vulnerable to tobacco industry interference [3]. Encouraging foreign investments including those from tobacco industry opens the country to the tobacco industry interference despite tobacco control efforts from the Ministry of Health and Sport. Myanmar does not have an overall policy to implement the FCTC Article 5.3.

Smoke-free places

Smoking is prohibited in most indoor public places, indoor workplaces, and on public transportation. Smoking is allowed, however, in private rooms and offices in office buildings, factories, places of lodging, public transportation terminals, trains and vessels, and restaurants. In places where smoking is allowed in private rooms and offices, smoking is also permitted in designated smoking areas, but these areas must be outside and at least ten meters away from the building entrance [1].

Tobacco advertising, promotion, and sponsorship

Most forms of tobacco advertising and promotion are prohibited, especially through the mass media and other means of wide distribution, including outdoor advertising. There are some restrictions on tobacco sponsorship and the publicity of such sponsorship [1].

Although Myanmar has a comprehensive ban on tobacco advertising promotion and sponsorship, in October 2016, JTI ran a half page colored advertisement of its prominent brands in a local newspaper supposedly meant to be a “public notice” to inform its customers about new pictorial health warnings on cigarette packets. JTI claimed it had approached the Department of Health and obtained permission to publish the “public notice” that the announcement as it appeared in the newspaper “was formally approved by the Deputy Director General of the Public Health Department.” However, a Senior Public Official from the Department of Health refuted the department giving permission, calling JTI “liars” and

referring to the “public notice” as opportunistic advertising. When a journalist attempted to get a copy of the written permission from JTI, it did not respond to the journalist’s request. Clearly, JTI had used this opportunity to do some advertising and had taken advantage of the department’s lack of experience [3].

Tobacco packaging and labeling

Rotating health warnings comprised of text and images are required to cover at least 75 percent of the two main surfaces of the unit and outside packaging and labeling. Misleading terms such as “light” and “low” are prohibited on tobacco product packaging [1].

The Order of Printing Warning Images and Texts on the Packaging of Tobacco Products contains 10 images with corresponding text messages. Each health warning is to appear on packaging for 12 months before rotating to the next health warning in the series. Of the 75%, the image is to occupy 50% and the text message is to occupy 25%. On the top of cigarette packages, the message "Smoking can severely harm your health" must be printed. On the left side of the package, the message "Cigarettes contain Nitrosamine, Benzopyrene, and others which are the compounds that can cause cancer. Stop smoking." On the right side of the package, the message "Nicotine, tar, and carbon monoxide contained in cigarettes can cause heart and lung failure. Stop smoking." must be printed. Cigar and cheroot packages must display the warning "Smoking can cause you cancer. Stop smoking" on the sides (if square) or opposite surfaces (if cylindrical)¹.

In February 2016, Myanmar approved legislation for pictorial health warnings (PHW) on cigarette packs to come into effect on September 1, 2016. In March, JTI Myanmar, along with BAT, met with the Myanmar Investment Commission about delaying the PHW [3]. The deadline for cigarette companies to put gruesome images alongside health warnings on their products has been extended by six months after the tobacco industry complained it would be too difficult to recall packs without the new warnings in time. The new law still applied to products manufactured after September 1st, 2016 – only unsold packs manufactured before that date were subject to the six-month extension. Anyone involved in the sale of a tobacco product without a warning after the amnesty period ends is subject to a fine of between K10,000 and K30,000 for the first offense, and up to a year in prison and a K100,000 fine for subsequent offenses².

In 2015 [4], tobacco control policies in Myanmar were assessed at 22 out of 37 points. In 2018, Myanmar received the lowest tobacco control score (43 out of 100) among the 10 ASEAN countries [5].

Health care costs of tobacco use

The cost of smoking in Myanmar for 1999 was estimated at between USD19.6 million (123 million Myanmar kyats [MMK]) and USD24.8 million (MMK 156 million), which was 0.2–0.3% of GDP. Outpatient costs included nonmalignant respiratory illness and hypertension treatment, totaling USD11.3 million (MMK 71 million). Inpatient care accounted for USD13.5 million (MMK 85 million), or between 55% and 70% of the total cost. The distribution of inpatient costs by disease category was tuberculosis, 53.4%; ischemic heart disease, 14%; stroke, 8%; hypertension, 6.7%; head and neck cancer, 5.7%; lung cancer, 4.9%; other nonmalignant respiratory disease, 4.5%; and COPD, 2.8% [6, 7].

¹ <https://www.tobaccocontrolaws.org/legislation/country/myanmar/pl-health-warnings>

² <https://www.mmbiztoday.com/articles/tobacco-companies-get-extra-time-put-graphic-health-warnings-their-products>

Smoking tobacco use

Tobacco use among adults

Besides cigarettes, cheroots [8, 9] which are cigars with both ends open is a form of tobacco use widespread in Myanmar.

According to World Health Survey conducted in Myanmar in 2003 among people aged 18 years and older, among men, 35.6% were daily and 48.9% current smokers; among women, 10.4% and 13.7% respectively [10, 11].

Tobacco use was addressed in STEPS surveys conducted in Myanmar in 2004 [12-14], 2009 [15] and 2014 [16, 17].

Table 1. Smoked tobacco use in Myanmar, %, STEPS surveys

		2004			2009	2014
			Urban	Rural		
Current tobacco smoking	Male		40.24	45.62	44.8	43.8
	Female		10.00	19.25	7.8	8.4
	Total				22.0	26.1
Daily tobacco smoking	Male	38.3	34.83	38.23	33.6	34.0
	Female	13.1	8.73	16.46	6.1	7.4
	Total	24.4			16.7	20.7
Percentage of current tobacco smokers who smoke manufactured cigarettes	Male	34.3	58.0	12.15	27.4	33.4
	Female	10.6	25.2	12.38	1.4	3.5
	Total	27.3			21.5	28.1

The disaggregation of data collected in 2004 shows that the prevalence of smoking is higher among the rural population. However, the share of those who smoke manufactured cigarettes is higher among the urban dwellers.

According to the available STEPS reports, the prevalence of current smoking among women increases with age. The proportion of daily smokers among current smokers clearly increases with age, both among men and women. Among men, the prevalence of current smoking was higher among those aged 25-34 years (47.5%) and 45-54 (49.5%). The peaks in younger groups probably reflect the spread of manufactured cigarettes.

Manufactured cigarettes are used by about 1/5 to 1/4 of smokers. Cheroots (cigars) are used by most smokers.

A decrease was noticed in smoking among men in all age groups except 35-44 years while among women a decrease was noticed in age groups 25-44 and 35-44 years, nevertheless there was no reduction in overall smoking and rather an increase was noticed in all age groups [2].

Subnational studies have indicated a decrease in smoking and an increase in smokeless tobacco use prevalence among adults during 2001-2007 [2].

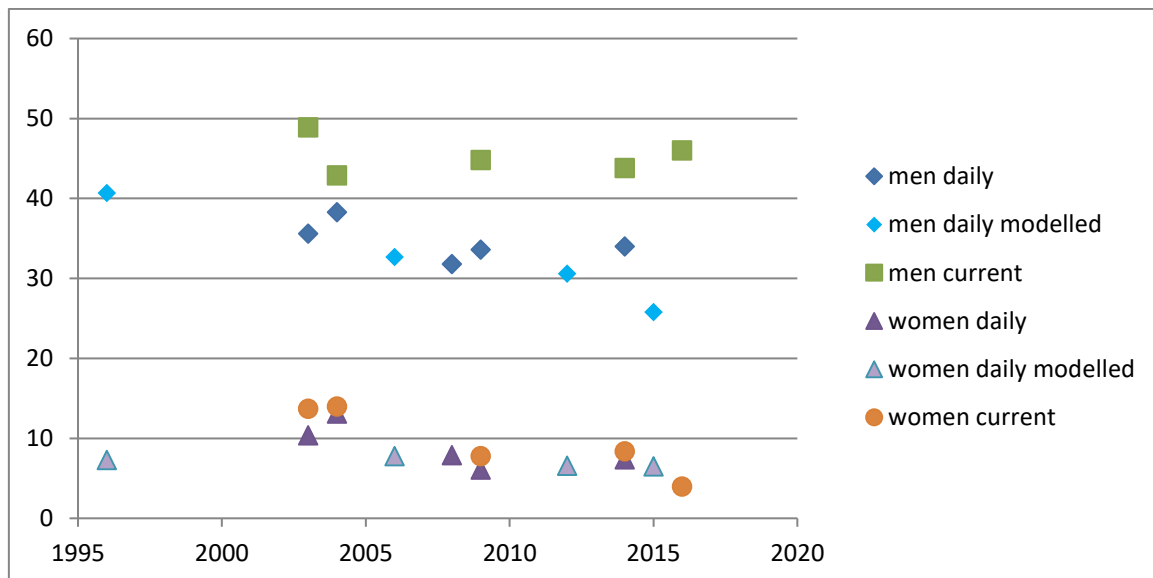
In 2009 publication [18], the prevalence of daily smoking cigarettes was reported to be 31.8% among men and 7.9% among women.

According to published international estimates [19], the age-standardized adult smoking prevalence in Myanmar decreased from 24% in 1980 to 18% in 2012. In 2012, the prevalence was 30.6% among men and 6.6% among women.

In 2015, the age-standardized prevalence of daily smoking in Myanmar was reported to be 25.8% (23.5-28.4) among men and 6.5% (5.0-8.4) among women. The annualized rate of change in 2005-2015 was -1.3 among men and -2.7 among women [20].

In the Demographic and Health Survey [21] conducted in Myanmar in 2015-2016, 2% of women and 32% of men were found to smoke cigarettes, while 2% of women and 14% of men smoked pipes or cheroots, and 18% of women and 59% of men chew betel quid. Smoking of cigarettes and pipes or cheroots and chewing of betel quid is more prevalence among the women of older age groups. Among men, cigarette smoking is most prevalent (37% to 38%) in younger age groups (age 20-29) while smoking of pipes or cheroots is mostly found (21% to 22%) in older age groups (age 40-49). Smoking does not vary among women by maternity status, and betel quid chewing also remains as high among pregnant women and breastfeeding mothers as among other women (18-22%). Tobacco use is slightly more prevalent among rural women than among urban women (5% versus 1%). Men in urban areas are more likely to smoke cigarettes (35%) than men in rural areas (30%), whereas rural men are more likely to smoke pipes or cheroots (16%) and use other tobacco products (3%) than urban men (11% and 1%, respectively).

Figure 1. Prevalence of smoked tobacco use among the adult population of Myanmar according to the results of available surveys



As seen from the graph, the prevalence of smoking was rather stable in recent years. Among men, a slight decrease in daily smoking is seen while the level of current smoking did not change. Notably, the level of modeled age-standardized daily smoking among men decreases faster than the level of measured prevalence. Among women, the decrease is more obvious in current than in daily smoking.

Tobacco use among youth

The Global Youth Tobacco Survey (GYTS) was conducted in Myanmar at the national level in 2001 [22-24], 2004 [10], 2007 [8], 2011 [6, 24, 25] and 2016 [16, 26].

Table 2. Prevalence of tobacco-related behaviors among adolescents aged 13-15 years in Myanmar, %, GYTS

	2001	2004	2007	2011	2016
Currently used any tobacco product (at least once during the last 30 days)	20.5		15.3	18.6	13.6
boys	37.3	21.8	22.5	30.0	26.3
girls	4.7	5.8	8.2	6.8	3.7
Currently smoked cigarettes (at least once during the last 30 days)	10.2		4.9	6.8	8.3
boys	19.0	11.4	8.5	13.0	17.0
girls	3.2	3.1	1.3	0.5	1.5

Between 2011 and 2016, the prevalence of current smoking of ANY tobacco products decreased, while current cigarette smoking increased. Probably cigarette smoking and smoking of other tobacco products (mainly cheroots) have opposite trends among adolescents in Myanmar.

The Global School-based Health Survey (GSHS) was conducted in Myanmar in 2007 [27]. The prevalence of current smoking (defined as smoking cigarettes on one or more days in the past 30 days) was 3.4% ± 1.2% among boys and 0.6% ± 0.6% among girls.

The survey of university students [28] found that 2.4 (1.0, 5.6) reported current use of any tobacco product.

Tobacco use among health professionals

The study among 400 medical students (186 men) from a medical university, Yangon, and 410 community youths (244 men) 15 to 24 years of age revealed that among medical students, 12.8% smoked compared to 28.8% among community youth. Among male respondents, the smoking rate was significantly higher among community youths (46.7%) than among medical students (26.9%) [29].

Global health professions student surveys (GHPSS) were conducted in Myanmar in 2006 and 2009. Between the two surveys, the prevalence of "other tobacco products use" increased among males from 19.8 (18.6–21.0) to 22.5 (21.0–24.1) and decreased among females from 2.7 (2.3–3.2) to 0.7 (0.4–1.2) as well as "Current use of any tobacco products" among females from 3.3 (2.9–3.9) to 1.8 (1.3–2.4). The prevalence of current cigarette smoking has not changed significantly and in 2009, constituted 23.6 (22.0–25.2) among males and 1.1 (0.7–1.6) among females [30, 31].

Smokeless tobacco use

The use of smokeless tobacco is deeply rooted in Myanmar culture in both rural and urban areas [32, 33], and there is also a widespread belief that it is not as dangerous as smoking.

The prevalence of smokeless tobacco use among men in Myanmar is the highest among ASEAN countries [34] as well as across the globe [35].

A variety of smokeless tobacco products used together with betel chewing poses a challenge. Betel quid chewing usually starts at younger ages. Sales, marketing, and advertising of smokeless tobacco are not under control and thus, road-side kiosks selling betel quid with smokeless tobacco have become rather widespread. A considerable trade of smokeless tobacco products by illegal and legal means created an increase in access and availability. Low cost of smokeless tobacco encourages the use, even for the poor families [32]. As concluded in 2012 [33], smokeless tobacco use was growing in Myanmar.

In 2003, among the urban population, 31.3% of men and 10.5% of women in Myanmar were daily smokeless tobacco users while among the rural population, 36.4% and 15.7% respectively were daily smokeless tobacco users [36].

Based on the data from STEPS 2009 survey, 51.4% of men and 16.1% of women in Myanmar were current users of smokeless tobacco [37]. Among male tobacco users in Myanmar, 39% reported smoking only, 30% smokeless only and 31% dual use. Among female tobacco users, the respective proportions were 24%, 63%, and 13%. Other results of the STEPS are presented in Table 3.

Table 3. Smokeless tobacco use in Myanmar, STEPS surveys

		2004		2009	2014
		Urban	Rural		
Current smokeless tobacco use	Male	37.90	49.75	51.4	62.2
	Female	14.01	22.14	16.1	24.1
	Total			29.7	43.2
Betel quid use among smokeless tobacco use	Male	83.61	73.21		
	Female	72.97	68.77		
	Total				

In 2014 [17], the overall prevalence of the use of smokeless tobacco was 43.2%, the figures being 62.2% for males and 24.1% for females. Nearly 49% of the smokeless tobacco users were daily users. Nearly 94% of smokeless tobacco users were using betel quid.

A local survey conducted in 2015 among 420 adult study subjects [38] revealed that the prevalence of chewing was higher among men, people without education or very low education and was associated with current alcohol drinking.

According to the Demographic and Health Survey [21] conducted in Myanmar in 2015-2016, 18% of women and 59% of men age 15-49 chew betel quid (which contains betel leaf, areca nut, and slaked lime, and may contain tobacco). Among those who chew betel quid, more than 1 in 5 women and about 2 in 5 men chewed 10 or more pieces daily. The prevalence of betel quid chewing is higher among rural women (20%) and rural men (60%) than among their urban counterparts (13% and 57%, respectively).

A national study showed smokeless tobacco use among adolescents aged 13–15 years has increased by nearly 50% between 2007 and 2011 [2]. According to GYTS 2011 [25], 9.8% of adolescents currently used any smokeless tobacco products (Boys = 15.2%, Girls = 4.0%); in 2016 [16, 26] the prevalence of smokeless tobacco use decreased to 11.0% among boys and 1.5% among girls.

Tobacco production and sales

Estimated cigarette production in Myanmar constituted 1.5 billion pieces in 1970, 2.5 in 1980, then decreased to 0.7 in 1990 and again increased to 2.5 in 2000 [39]. In 1996-1999, about 2 billion cigarettes were produced in Myanmar annually [7]. In 2000-2009, annual production was about 2.5-3 billion cigarettes, and then it increased every year reaching almost 9 billion cigarettes in 2016, while in 2017, it decreased to 8.5 billion cigarettes (Table 4). Cigarette turnover or sales also substantially increased in 2010-2016. In 2015 and 2016, about 10 billion cigarettes were annually sold in Myanmar with some sales decrease in 2017.

Euromonitor International provided the information on cigarette sales in Myanmar in its reports issued in 2017 and 2018. But in the last report, the reported annual sales are about 1 billion cigarettes higher than sales presented in the report of 2017 (Table 4). The World Bank (2019) [40] recently admitted that

Euromonitor estimates fluctuate tremendously and are not consistent across the reports published in different years. This casts serious doubt on the reliability of the Euromonitor estimates.

Table 4. Cigarette production and sales in Myanmar, million cigarettes

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Production	3199	2822	2755	3038	2352	3955	4330	5604	5741	6594	8006	8953	8524
Import						50	31	26	53	58	86	1616	
Export						1		1	185	5	49	282	
Turnover (Production + Import – Export)						4004	4361	5629	5609	6647	8043	1028 7	
Sales Euromonitor- 2017							4960	5456	6438	7854	8560	8989	
Sales (Euromonitor- 2018)								6157	7881	9299	1050 8	9983	9583

Sources: Production - Statistical Yearbooks³, data for financial years (from 1 April to 31 March next year); Import and Export – UN database⁴; Sales – Euromonitor International. Tobacco in Myanmar August 2017 and Tobacco in Myanmar July 2018.

Cigarette manufacturers, such as British American Tobacco (BAT), were forced to leave Myanmar in the early 2000s by a combination of the direct stipulations of international sanctions and the broader reputational issues relating to involvement with Myanmar’s political system of the time. However, following democratization and economic liberalization, international manufacturers are steadily ramping up activities in the country. BAT re-entered the market in 2013 and has invested heavily in the intervening years in combination with a local company, IMU Enterprise. Japan Tobacco has also been expanding its presence in the past years, building a new factory for its local subsidiary, Japan Tobacco Myanmar, in conjunction with local partner Kyaw Win⁵.

Sales of imported cigarettes remain officially illegal in Myanmar other than via duty-free stores and hotels. However, this ban is not enforced at a retail level, with the government merely seeking to block smuggling at the borders and imported brands remaining widely available.

The company “Rothmans of Pall Mall Myanmar” remains the leading player in cigarettes (50% of the cigarette market in 2017) with this company's Red Ruby brand, followed by British American Tobacco (21%) and Japan Tobacco International (18.5% of the market) [41].

Cheroot production data is very limited. According to the official reports, cheroot production decreased from 2856 million in 1988 to 2298 million in 1994 [7]; further on, the official statistics do not provide information on cheroot production. The media have recently reported that there were 5 billion cheroots produced in Myanmar in 1991 and only 1 billion “modern” cigarettes; in 2016, traditional factories only churn out 2 billion cheroots a year, while modern cigarettes production was around 9 billion⁶. The majority of the tobacco industry in Myanmar is made up of factories and cottage industries that produce cheroots [7]. It has been estimated that there are around 2,500 cheroot making businesses in the country, most of which are located in the Myin Gyan district of the Mandalay region [41].

³ http://mmsis.gov.mm/sub_menu/statistics/fileDb.jsp?code_code=001

⁴ http://data.un.org/Data.aspx?q=cigarettes&d=ComTrade&f=_l1Code%3a25%3bcmdCode%3a240220

⁵ <https://www.tobaccoreporter.com/2017/03/demographic-boost/>

⁶ <https://www.mmmtimes.com/lifestyle/27203-will-the-cheroot-tradition-go-up-in-smoke.html>

Tobacco growing

According to the FAO database [42], raw tobacco production in Myanmar decreased from 74,122 tons in 1986 to 27,352 tons a year in 2016, and the area harvested for tobacco decreased from 61,489 hectares in 1985 to 14,916 hectares in 2016. In 2010, land devoted to tobacco growing was 0.13% of agricultural land [43] which was a decrease from 0.31% in 2000.

According to the Statistical Yearbook⁷, the area harvested for Virginia tobacco in 2006-2017 decreased from 10,000 acres to 5,000 acres, and the production decreased from 7.7 tons to 3.1 tons respectively. The area harvested for local tobacco also decreased from 54,000 acres to 32,000 acres, and production declined from 37.8 tons to 24.3 tons in 2006-2017.

Tobacco taxation

There is no VAT in Myanmar. The so-called commercial tax is similar to the VAT in other jurisdictions, but the services are not generally subject to commercial tax. The commercial tax applies to the sale of goods produced by a domestic manufacturer, and to the resale and the import of goods.

Specific Goods Tax (SGT) is the same as excise tax elsewhere. The SGT applies to a list of specific goods that are imported into Myanmar, manufactured in Myanmar, or exported to a foreign country. The list of specific goods includes cigarettes, tobacco leaves, Virginia leaves, cheroots, cigars, pipe tobaccos, and betel-chewing tobacco. Tobacco products are subject to the SGT (which varies for different tobacco products), 5% commercial tax (similar to VAT), and income tax (on tobacco producers)⁸.

No commercial tax is applied to the local production of tobacco, cheroots, and cigars for sales up to kyats 20 million (yearly sales made by the tobacco enterprise)⁹.

The tax structure did not change for more than two decades¹⁰: the tax rates were 75% for cigarettes, 10% for cheroots, 20% for cigars and 25% for smokeless tobacco. Since April 2012, the rates have been increased to 100% for cigarettes and 50% for other tobacco products. In 2015, the rates were increased to 120% and 60% respectively¹¹. The tax base for ad valorem tax is ex-factory price.

In 2016, the excise tax for domestic cigarettes was changed from ad valorem to specific with 4 tiers.

The government proposed the draft law with the following rates: a packet of 20 cigarettes which is priced at Kyat (Ks) 300 will be taxed K3 per cigarette, Ks14 per cigarette for Ks500 to Ks1,000 priced packets, Ks29 for K1,001-K2,000, Ks48 for Ks2,001-Ks3,000, and for packets priced over Ks3,000 and imported foreign cigarette packets the tax would be 120 percent of the price.¹² However, for more expensive cigarettes much lower rates were eventually approved¹³ (see Table 5).

⁷ http://mmsis.gov.mm/sub_menu/statistics/fileDb.jsp?code_code=001#

⁸ http://untobaccocontrol.org/kh/taxation/wp-content/uploads/sites/3/2017/09/Report_SEATCA_HR_09.17.pdf

⁹ http://www.vdb-loi.com/wp-content/uploads/2017/04/Myanmar-Tax-Booklet_2017.pdf

¹⁰ <http://www.searo.who.int/tobacco/documents/2009-pub2.pdf>

¹¹ https://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/union_tax_law_2015_eng.pdf

¹² <https://www.mmbiztoday.com/articles/booze-and-cigarette-taxes-change-april>

¹³ <https://www.lincolnmyanmar.com/wp-content/uploads/2016/11/25-Jan-2016-Union-Tax-Law-2016.pdf>

Table 5. Excise rates for tobacco products in Myanmar

	2011	2012	2015	2016	2017	2018	2019				
Cigarettes	75%	100%	120%	Tax (Ks) per 1 stick for cigarettes with the price for a pack with 20 sticks:							
				up to 400Ks	3	up to 400Ks	4	up to 500Ks	4	up to 600Ks	6
				401-600	8	401-600	9	501-700	9	601-800	14
				601-800	12	601-800	13	701-900	13	801-1000	19
				801Ks and more	15	801Ks and more	16	901Ks and more	16	1001Ks and more	21
Tobacco	25%	50%	60%	60%	60%	60%	60%				
Cigars, pipe tobacco, betel chewing preparation	20%	50%	60%	60%	80%	80%	80%				
Cheroots	10%	50%	60%	60%	price up to 10 Ks	0,5 Ks per 1 stick	0,25 Ks per 1 stick	0,50 Ks per 1 stick			
					price 11 Ks and more	1 Ks per 1 stick					

In 2017, all four rates for cigarettes were increased by 1 Ks, ad valorem rate for cigars and pipe tobacco was increased from 60% to 80% and specific excise rates were introduced for cheroots: 0.5 Ks per 1 stick for cheroots with price 10 Ks per 1 stick or lower and 1 Ks per 1 stick for cheroots with price 11 Ks per 1 stick or higher¹⁴.

In 2018, the excise burden was decreased. For all kinds of cheroots, specific excise was reduced to 0.25 Ks per 1 stick. For cigarettes, the rates remained the same, but price limits for different tiers were increased, and it reduced the excise burden for some cigarette brands¹⁵. For example, in 2018, the most popular cigarette brand Ruby Red had the price of 850 Ks per pack¹⁶, and this brand was moved from the 4th tier to the 3rd tier, so in 2017, the excise was 16*20=320 Ks, while from April 2018, it is 13*20=260Ks.

On 25 September 2018, the Union Parliament enacted the 2018-2019 Union Tax Law¹⁷. For private companies and businesses, the provisions of this new law became effective between April 1, 2019, and September 2019. Both the excise rates and price limits increased in 2019. For example, the price of Ruby Red brand increased to 1000 Ks per pack, but it remained in the 3rd tier, while the excise increased to 19*20=380Ks. For this brand, the price increased by 150 Ks, including 120 Ks excise increase.

In 2012, according to the Foreign Investment Law, whoever obtained a permit from the Myanmar Investment Commission could then enjoy a five-year corporate tax holiday¹⁸. So Myanmar gave tax incentives to cigarette manufacturers. The new investment law, passed in October 2016, restricted tax holidays to certain areas and gave the government more discretion over granting them.

¹⁴ <https://www.lincolnmyanmar.com/wp-content/uploads/2017/03/Union-Tax-Law-2017-2.pdf>

¹⁵ <https://www.lincolnmyanmar.com/wp-content/uploads/2018/04/Union-Tax-Law-2018-.pdf>

¹⁶ https://www.citymall.com.mm/citymart_en/citymart/liquor-n-tobacco-283518/cigarettes-283562/local-cigarette-2835317

¹⁷ <https://www.dfdl.com/resources/legal-and-tax-updates/myanmar-tax-alert-myanmar-passes-the-2018-2019-union-tax-law/>

¹⁸ <https://www.mmbiztoday.com/articles/tax-incentives-alcohol-tobacco-were-big-mistake>

Cigarette and cheroots prices and affordability

The Internal Revenue Department (IRD) determines the prices of tobacco products (based on manufacturers info and their own market survey), and the price determines the tax rates. Price is subject to review by IRD¹⁹.

Local brands dominate the market due to the distinct price differential with imported brands. Red Ruby is the most popular brand, accounting for an estimated 40 percent of the market by volume. It is followed by BAT's London brand, which accounts for 20 percent of sales volume. Other leading brands are Duya, Red & Blue and 555²⁰.

According to the WHO Global tobacco control reports, the price of the Red Ruby cigarette pack was stable in 2010-2014 – 650 Kyats, while in 2016 it increased to 850 Kyats.

Current cigarette and cheroot prices were taken from two Internet shops^{21 22}. We calculated current taxes²³ for these brands (Table 6).

Table 6. Prices and taxes for cigarettes and cheroots in Myanmar, Kyats per pack

Cigarette brand	August 2018				June 2019			
	Price	Special Goods Tax	Commercial tax (5%)	Tax Share (%)	Price	Special Goods Tax	Commercial tax (5%)	Tax Share (%)
Duya, 20 cigarettes	400	80	20	25,0				
London, 20 cigarettes	600	180	30	35,0	900	380	45	47,2
Red Ruby, 20 cigarettes	850	260	42,5	35,6	1000	380	50	43,0
Mevius, 20 cigarettes	1550	320	77,5	25,6	1700	420	85	29,7
Golden Lion Cheroot ²⁴ , 50 sticks	1700	12,5	85	5,7	1700	25	85	6,5
Average cheroot price ²⁵ , 100 sticks	1515	25	76	6,7				

In 2018, the total tax (SGT + commercial tax) share constituted only 25-35% of the final cigarette retail price. In 2019, the excise rate increased by 31-55% (see Table 5) and cigarette prices increased by 10-50%. Total tax share increased to 30-47%. For cheroots, the excise is very low, so the price did not increase, and the tax share was less than 7% in 2018 and 2019.

The Central Statistical Organization published Statistical Yearbooks²⁶ which report average retail prices of selected commodities at Yangon, including prices of Duya cigarettes and Cheroots. It also published Selected Monthly Economic Indicators²⁷ including cheroot prices.

¹⁹ http://untobaccocontrol.org/kh/taxation/wp-content/uploads/sites/3/2017/09/Report_SEATCA_HR_09.17.pdf

²⁰ <https://www.tobaccoreporter.com/2017/03/demographic-boost/>

²¹ https://www.citymall.com.mm/citymart_en/citymart/liquor-n-tobacco-283518/cigarettes-283562/local-cigarette-2835317

²² <https://www.shop.com.mm/en/cigarettes-cigars/>

²³ <https://www.lincolnmyanmar.com/wp-content/uploads/2018/04/Union-Tax-Law-2018-.pdf>

²⁴ https://www.citymall.com.mm/citymart_en/citymart/liquor-n-tobacco-283518/cigarettes-283562/cigarncheroot-2835316

²⁵ http://mmsis.gov.mm/sub_menu/statistics/fileDb.jsp?code_code=002#

²⁶ http://mmsis.gov.mm/sub_menu/statistics/fileDb.jsp?code_code=001

²⁷ http://mmsis.gov.mm/sub_menu/statistics/fileDb.jsp?code_code=002

In Yangon, nominal prices for 20 Duya cigarettes increased from 100 Ks in 2005 to 362 Ks in 2015 and for cheroots (100 sticks) from 641 Ks to 1786 Ks respectively. In 2016, one Duya cigarette and one cheroot stick had almost the same price, about 18 Ks.

Myanmar is one of the fastest growing economies in the East Asia and Pacific region and globally²⁸. In 2015, thanks to improved economic performance, Myanmar moved from the World Bank low-income countries group to the lower middle-income countries. So, the increase in nominal prices should be compatible with income growth.

The Guidelines for implementation of Article 6 of the WHO FCTC [44] recommend: “When establishing or increasing their national levels of taxation Parties should take into account – among other things – ... changes in household income, to make tobacco products less affordable over time in order to reduce consumption and prevalence”. In the Guidelines, “affordability” means price relative to per capita income.

In the current analysis, a modified tobacco affordability index (TAI) [45] is used to estimate the changes in affordability in Myanmar. TAI is calculated as the percentage annual change in nominal average income per capita divided by the tobacco price increase: $TAI = (\text{income increase}/\text{consumer price index tobacco} - 1) * 100$. A negative TAI value means that tobacco became less affordable, and tobacco consumption is expected to decrease. For the TAI calculations, we used as an income proxy the World Bank indicator “Annual percentage growth rate of GDP per capita based on constant local currency”²⁹. As the GDP change is expressed in constant (adjusted for the effects of price inflation) local currency, the price indicator is also expressed in real (inflation-adjusted) terms. In this case, the TAI is calculated as GDP annual change divided by the (inflation-adjusted) tobacco price increase minus 100: $(\text{GDP growth} * \text{CPI_all_items} / \text{CPI_tobacco} - 100)$. Price data were taken from the Myanmar Statistical Information Service web-site³⁰. The results of the Tobacco Affordability Index calculations for cigarettes and cheroots are presented in Table 7.

Table 7. Affordability of cigarettes and cheroots in Myanmar

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cigarettes Duya, average retail price (Kyats) for 20 cigarette pack in Yangon	100	118	168	224	232	218	250	266	302	319	362	629	659
Annual change, previous year = 100		118,4	141,7	133,7	103,2	94,0	114,8	106,3	113,7	105,4	113,6	173,9	104,8
Cheroots, the Average price for 100 sticks ³¹						1620	1553	1503	1422	1467	1617	1627	1506
Annual change, previous year = 100							95,9	96,8	94,6	103,2	110,2	100,6	92,6
GDP per capita growth (annual %)	12,6	12,2	11,3	9,6	9,8	8,9	4,8	6,4	7,5	7,0	6,0	4,9	5,4
Inflation, consumer prices (annual %) ³²	9,4	20	35	26,8	1,5	7,7	5,0	1,5	5,5	5,5	9,5	7,0	5,0
TAI cigarettes		13,7	6,1	3,9	8,0	24,8	-4,2	1,6	-0,2	7,1	2,2	35,4	5,6
TAI cheroots							14,8	11,6	19,9	9,4	5,3	11,6	19,6

²⁸ <http://www.worldbank.org/en/country/myanmar/overview>

²⁹ <http://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG>

³⁰ <http://mmsis.gov.mm>

³¹ http://mmsis.gov.mm/sub_menu/statistics/fileDb.jsp?code_code=002

³² <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=MM>

In 2006-2010, cigarettes became more affordable, while in 2011-2015, cigarette affordability did not change much, and in 2016, it substantially declined. On the other hand, cheroots became much more affordable in 2011-2017.

The WHO Global Tobacco Report, 2017 [16], shows that cigarettes became much more affordable in Myanmar in 2008-2014, while in 2014-2016 cigarettes affordability was slightly reduced.

According to the report published in 2014 [32], Myanmar version of betel quid (Kun Yar) using local tobacco was sold for 100 Kyats (price for four pieces, or 25 per piece). Each consumer of smokeless tobacco can ask the vendors for a particular amount and type of tobacco for preparation of their own preferred product. For vendors, the baseline cost of each piece of Kun Yar is around 10-12 Kyats. If lime, betel nuts, tobacco, and other ingredients are added, the overall vendor cost of a basic piece of Kun Yar was estimated to be around 15-20 Kyats.

According to surveys conducted by the Central Statistical Organization, the share of tobacco expenditures decreased in Myanmar from 2.73% in 1989 to 0.46% in 2012 (Table 8). However, it can be caused not by the reduction in tobacco consumption, but by increased affordability of tobacco products. Unfortunately, the results of surveys conducted after 2012 are not available.

Table 8. Average monthly household expenditures, kyats

	1989	1997	2001	2006	2012
Size of Household	5,27	5,25	5,37	4,72	4,72
Total expenditure	1796	13785	29310	97700	167434
<i>Per capita</i>	341	2626	5458	20699	35473
Tobacco	49	155	213	470	770
<i>Per capita</i>	9	30	40	100	163
A share of tobacco expenditures, %	2,73	1,12	0,73	0,48	0,46

Tobacco tax revenue

Official reports on tobacco tax revenue are not available.

In 2000, the revenue from the commercial tax was 153 million Kyats for cigarettes and 8 million Kyats for cheroots. Other taxes (including customs duty for imported cigarettes) were 110 million Kyats [7].

Tax revenues for the three tobacco products have increased annually from 2009 to 2014³³ partly due to the increase in excise rates (see Table 5) and also due to the increase in cigarette sales (see Table 4).

It was reported³⁴ that the Internal Revenue Department collected K31 billion in taxes for the 362.5 million cigarette packs produced in 2013-14FY.

Cigarette tax revenue in the 2014-15 fiscal year amounted to Ks8.185 billion while Ks15.572 billion was collected in the 2015-16 fiscal year. In the following financial year, a specific excise was imposed on

³³ <https://www.mmtimes.com/national-news/16590-health-groups-call-for-higher-tobacco-tax.html>

³⁴ <https://www.mmbiztoday.com/articles/tobacco-production-myanmar-go-27pc-2014-15fy>

cigarettes, resulting in an increase in tax revenue to Ks44.476 billion until the end of December 2016³⁵. Then it was reported that in 2016-2017 48 billion kyats were collected from tobacco taxes³⁶.

In the 2015-2016 financial year, the increase of the cigarette excise revenue was mainly caused by the increase of excise rate from 100% to 120%. In the 2016-2017 financial year, the excise system for cigarettes was changed from ad valorem to a specific one, and it was beneficial for the governmental revenue.

Cigarette smuggling

Estimates of cigarette smuggling in Myanmar are very controversial. In 2017, Tobacco Reporter wrote, *“estimates by industry representatives suggest that illegal sales are double those of duty-paid cigarettes”*³⁷. On the other hand, Oxford Economics (OE) reported that *“an estimated 0.5% of Total Consumption in 2016 was composed of Non-Domestic Illicit products”*³⁸. The OE also claimed that in 2013, the illicit incidence was estimated at 22%. The following year, it declined to just 1.3%.

It should be noted that the Oxford Economics reports on illicit cigarette sales were funded by the Philip Morris and they received strong critique [46]. In any case, such a sharp reduction of illicit cigarette sales in 2012-2013 looks incredible. Such “estimates” seemingly serve the aim to demonstrate a “beneficial” impact of the transnational tobacco re-entering Myanmar in 2013.

In its report issued in 2017, Euromonitor wrote *“Illicit trade is strong in cigarettes, accounting for an estimated 16% of total volume consumption in 2016”*. However, in the report issued next year, it wrote *“In 2012, the illicit trade accounted for as much as 22% of total cigarette volume sales in Myanmar. However, by the end of the review period, this proportion had fallen below 1%”*, actually repeating the OE estimates. Euromonitor claimed: *“The main reason for this shift was the introduction of domestic production for international cigarette brands from 2013, with British American Tobacco and Japan Tobacco launching local manufacturing for some of their most popular international brands”*. The actual reason for the “shift” was a very high overestimation of illicit sales in 2012, as cigarette production in 2013 almost did not increase (see Table 4). So any estimates of illicit sales made by such agencies as Oxford Economics or Euromonitor should be treated with great caution as they tend to overestimate smuggling into a country in particular years.

However, Euromonitor had to admit that there was also extensive smuggling of locally manufactured cigarettes from Myanmar to neighboring countries, particularly to India and Bangladesh.

In 2016-2018, **Indian** customs regularly seized huge consignments of cigarettes smuggled from Myanmar³⁹⁴⁰⁴¹. In 2018, **Thailand** authorities seized on the Thai-Myanmar border 50 cartons of foreign brand cigarettes, 99,200 packets of Myanmar-grown tobacco and 720 tins of chewing tobacco from Myanmar⁴². Investigations reveal that smugglers are bringing into **Bangladesh** huge quantities of cigarettes from

³⁵ <https://www.mmmtimes.com/national-news/25028-over-k100b-alcohol-cigarette-tax-collected-in-nine-months.html>

³⁶ <http://pubdocs.worldbank.org/en/660651493930319781/7-Myanmar-Plenary-Panel-9.pptx>

³⁷ <https://www.tobaccoreporter.com/2017/03/demographic-boost/>

³⁸ <http://illicittobacco.oxfordeconomics.com/markets/myanmar/>

³⁹ https://www.telegraphindia.com/1160718/jsp/northeast/story_97311.jsp

⁴⁰ http://www.dy365.in/news_details.php?aID=6051&subC=2

⁴¹ <http://www.assamtribune.com/scripts/detailsnew.asp?id=apr0417/city052>

⁴² <https://www.bangkokpost.com/news/crime/1410931/smuggled-cigarettes-tobacco-seized-in-north-south>

Myanmar through the hill tracts region⁴³. Smuggled 'LONDON' brand cigarettes from Myanmar (produced by the BAT) have flooded the market in Bangladesh⁴⁴.

Euromonitor also reported that many cigarettes are smuggled to Myanmar from China, including a large volume of counterfeit brands. However, Myanmar is mainly a transit country for smuggled cigarettes.

A recent report by the UN's drugs agency on transnational crimes stated that cigarettes follow the same routes used to smuggle other contraband, including illicit narcotics and counterfeit goods. One of the routes goes from China to Myanmar, and then onto South Asian nations⁴⁵.

Indian authorities report that smugglers prefer bringing cigarettes manufactured in China and Korea first to Myanmar and then to smuggle them into India⁴⁶.

Transnational tobacco corporations have a long history of facilitating cigarette smuggling via Myanmar. In 1992 and 1993, for example, smugglers, whose activities were known to the BAT, faced particular difficulties in getting cigarettes into Bangladesh through Myanmar because of "(a) Increased customs surveillance in Chittagong/Cox's Bazaar; (b) border confrontation between Bangladesh and Myanmar over the Rohingya Moslem refugee crisis." The same report also promised that BAT would "strive to improve this situation by developing land routes via Myanmar and optimizing duty-free leakage."⁴⁷

Comparison of cigarette prices and taxes in Myanmar and neighboring countries

The WHO Global Tobacco Report, 2017 shows information on cigarette prices and taxes in Myanmar and other countries of the WHO South-East Asia Region (SEARO) in 2016 [16] (Table 9).

Table 9. Cigarette prices and taxes in Myanmar and other SEARO countries

Country	Price of a 20-cigarette pack of the most sold brand			Taxes as a % of the price of the most sold brand					
	In reported currency	Reported currency	In USD	Specific excise	Ad valorem excise	Total Excise	VAT/ Sales tax	Other taxes and duties	TOTAL TAX
Bangladesh	100	BDT	1,28	0,00%	62,00%	62,00%	15,00%	0,00%	77,00%
India	158	INR	2,36	26,46%	0,00%	26,46%	16,67%	0,00%	43,12%
Indonesia	21 667	IDR	1,65	44,31%	4,43%	48,74%	8,70%	0,00%	57,44%
Maldives	47	MVR	3,05	0,00%	0,00%	0,00%	0,00%	53,19%	53,19%
Myanmar	850	MMK	0,72	35,29%	0,00%	35,29%	0,00%	0,00%	35,29%
Nepal	180	NPR	1,68	14,84%	0,00%	14,84%	11,50%	0,00%	26,35%
Sri Lanka	1 000	LKR	6,86	47,50%	3,93%	51,43%	10,71%	0,00%	62,15%
Thailand	86	THB	2,47	2,16%	64,77%	66,93%	6,54%	0,00%	73,48%
Timor-Leste	1,50	USD	1,50	25,33%	0,00%	25,33%	2,44%	0,23%	28,01%

⁴³ <http://www.theindependentbd.com/arcprint/details/76659/2017-01-16>

⁴⁴ <https://www.thedailystar.net/news/smuggled-cigarettes-from-myanmar-flood-market>

⁴⁵ <http://www.atimes.com/article/chinese-cigarette-smugglers-keep-southeast-asia-lit/>

⁴⁶ <https://timesofindia.indiatimes.com/city/patna/chinese-and-korean-manufactured-smuggled-cigarette-seized-in-patna/articleshow/62487561.cms>

⁴⁷ <https://www.icij.org/investigations/big-tobacco-smuggling/global-reach-tobacco-companys-involvement-cigarette-smuggling-exposed-company-papers/>

Cigarettes in Myanmar had the lowest price in the Region. The tax share in Myanmar is the third lowest (after Nepal and Timor-Leste).

Discussion

Smoking habits in Myanmar have two different trends: cigarette smoking increased, while the traditional smoking of cheroot declined.

Cheroots

Cheroots smoking prevalence is higher among older rural women. Young people think that cheroot is a thing of the past⁴⁸. Recent GYTS surveys (see Table 2) revealed that smoking of any tobacco product declines among adolescents, while cigarette smoking prevalence increased. So many young people switch from cheroots to cigarettes or quit (or do not start) smoking cheroots. Cheroots, previously a staple of Myanmar's smokers, are close to extinction⁴⁹. Cheroot production substantially decreased over recent years, and it has low chances to survive. The main problem for the cheroot industry is the shortage of workers. Previously, there was no career choice: boys would work in the farms, girls would roll the cheroot. It is no longer the case as girls have much more job opportunities at present and working conditions in modern factories are better than in the cheroot industry. Local cheroot producers believe that prospects for the traditional industry are grim and in five years most of the factories will be closed⁵⁰. In Malaysia, cheroot making business is also drying up⁵¹.

The government tries to slow down the decline of cheroot-smoking epidemic in the country; however, there is no public health justification. The World Health Organization emphasizes the harm associated with any use of any tobacco product⁵².

The Local Cheroot Manufacturers and Distributors Association successfully lobbied the reduction of special goods tax (SGT) on cheroots. In March 2018, the Myanmar parliament reduced the SGT on cheroots to MMK0.25/unit, down from the previous MMK0.50-1.00/unit. However, as the average cheroot stick price is 15 MMK and the current SGT is only 1.7% of the price, recent tax reduction could hardly rescue the cheroot consumption. Recently, cheroots have become much more affordable in Myanmar (see Table 7), but their consumption reduced anyway.

The government has a much better option: to substantially increase the SGT for cheroots, for example to 4 MMK per stick, which is currently the excise rate for the cheapest cigarettes as cheap cigarettes and average cheroots have similar retail prices. The average cheroot stick price will increase to about 20MMK or by 30%, and such a price increase can only partly compensate for the increase of cheroot affordability over recent years. The World Bank study conducted in 2004 [47] estimated price elasticity of demand for cheroots as -0.36; a 10% cheroot price increase would decrease cheroots consumption by 3.6%. Results of the estimation by income groups show that low-income individuals are the most responsive to a price increase. An increase of 10% in the price of cheroots would reduce cheroot consumption by 5% among the poorest users. So, the increase of cheroot taxes would be most beneficial for poor users.

Then the government can use cheroot excise revenue to support the economically viable alternatives for those women who currently work in cheroot factories in line with Article 17 of the FCTC.

⁴⁸ <https://www.mmtimes.com/lifestyle/27203-will-the-cheroot-tradition-go-up-in-smoke.html>

⁴⁹ <https://www.tobaccoreporter.com/2017/09/costs-taxing-cheroot-makers/>

⁵⁰ <https://www.mmtimes.com/lifestyle/27203-will-the-cheroot-tradition-go-up-in-smoke.html>

⁵¹ <https://www.nst.com.my/news/2016/01/123701/cheroot-making-business-drying>

⁵² http://www.who.int/tobacco/communications/events/wntd/2006/Tfi_Rapport.pdf

Cigarettes

Annual cigarette sales in Myanmar increased from about 3 billion sticks in 2005-2010 to about 10 billion sticks in 2015-2016. The following factors promoted this increase:

- An increase of population income made cigarettes more affordable;
- Some part of smokers switched from cheroots to cigarettes;
- Transnational tobacco corporations re-entered the country in 2013 and used different promotional activities to increase sales;
- Cigarettes in Myanmar are much cheaper than in neighboring countries, and this situation encourages cigarette smuggling from Myanmar to India, Thailand, and Bangladesh, while cigarette smuggling into Myanmar is very low. Actual cigarette consumption in Myanmar is much lower than the volume of cigarette sales in the country.

The taxation policy can discourage cigarette smoking epidemic in Myanmar. The increase of cigarette taxes in 2015-2017 already had some positive results: (1) cigarette affordability did not increase in recent years (see Table 7); (2) in 2017 cigarette sales reduced (see Table 4); (3) cigarette excise revenue increased.

Unfortunately, the cigarette taxation policy is not consistent. In 2018, cigarette excise rates were actually decreased, and this can make cigarettes more affordable again and increase their consumption and smuggling. In 2019, the excise rates were increased by 31% for expensive cigarettes and by 50-56% for cheaper cigarettes.

The governmental officials already claimed that the goal was to collapse the four specific tiers into one tier [47]. It is possible to achieve in three years, eliminating one tier each year, starting from the lowest one. However, excise rates for remaining tiers should substantially increase, because the current tax share in cigarette price is only 30-47%. It means that Myanmar smokers pay only one-third of the money they spend on cigarettes to the government, and the transnational and local tobacco corporations receive the rest.

For example, if the tax rate for most expensive cigarettes is increased by 100% (from 19 to 38 Ks per stick), it will increase the price of the most popular brand Red Ruby from 1000 Ks to 1400 Ks per pack (by 40%), but the tax share will increase from 43% to 59%, provided the industry does not change its part of the price. Even after such price increase, cigarettes in Myanmar will still be cheaper than in neighboring countries, and so, they will be smuggled out of the country.

According to the World Bank estimates [47], the price elasticity of cigarettes for the whole population of Myanmar is -0.25. The income groups most sensitive to a price increase in cigarettes are the middle groups, which have the highest prevalence of cigarette smoking compared to the other two groups. So, if after the proposed excise increase the average cigarette price increases by 40%, cigarette consumption will decrease by 10%. As the proposed SGT rate increase is about 100%, it means that the government revenue will increase by about 90%.

Smokeless tobacco

The third important component which defines the tobacco epidemic in Myanmar is smokeless tobacco predominantly used in the form of betel quid. The analyzed surveys show that the use of smokeless tobacco is very high and is still growing. However, currently, it is not clear whether this form of tobacco use is subject to any governmental regulation and if tobacco taxes are applied to all kinds of smokeless tobacco products available at the market. It is obvious that the use of smokeless tobacco by rural people

who grow it is difficult to regulate. Still, as smokeless tobacco use is also prevalent among the urban population, some market relations probably exist between those who produce and those who consume this product, and smokeless tobacco sellers might be obliged to pay taxes similarly to other tobacco products. If the administration of smokeless tobacco taxation does not appear realistic, the first step of regulation could be the requirement of placing graphic health warnings on posters at points of smokeless tobacco sales.

Conclusions

Overall, the use of smoking tobacco did not change much over recent years, while the structure of the use did change: smoking of traditional cheroots declined, while cigarette smoking increased.

The governmental tobacco control policies, especially new cigarette health warning and the increase of tobacco taxes managed to stop the increase in cigarette sales observed in 2010-2016.

The raised tobacco tax rates substantially increased government revenue over recent years.

In 2019, the government increased tax burden for cheroots and cigarettes, and this can have positive consequences for both public health and government revenues.

Recommendations

- The number of specific tax tiers for cigarettes should be annually decreased to tax all cigarettes by the unified tax in three years. The unified tax makes the tax administration much easier as the government has to control only the number of cigarettes and not their prices.
- Specific excise rates for cigarettes should be increased annually by at least 50% in the first three years and by at least 20% later, to ensure the reduction in tobacco affordability and the increase in the excise revenues.
- Tax rates for cheroots and other tobacco products (including smokeless tobacco) should be substantially increased to further discourage their consumption and use the additional revenue to support economically viable alternatives for those currently employed in cheroot and other tobacco production.
- Tobacco use surveillance and monitoring should further develop in Myanmar, including a regular collection of information on smoking prevalence, tobacco consumption, licit and illicit cigarette sales, prices and other economic indicators.
- Effective policies to counteract tobacco smuggling and other kinds of illicit tobacco sales should be implemented in line with the provisions of the FCTC Protocol to Eliminate Illicit Trade in Tobacco Products, which should be ratified by the country.

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