

Case Study of Croatia: Establishing research- based evidence for effective tobacco tax reform – Successes and Remaining Challenges

**Accelerating Progress
on Effective Tax Policies in
Low-and-Middle –Income
Countries**

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Croatia country profile (2017)

Region	Europe and Central Asia
Income Category (2017-2018)	Upper-middle
Population (proj., 000)	4,125
Surface area (sq km)	56,594
Capital city population	Zagreb; 802,338



as of July 1 2018 Croatia  high-income category

Legislation summary

FCTC ratification (year)	Minimum smoking age (years)	Tar cap (max mg)	Verbal pack health warning	Graphic pack health warning
Yes (2008)	Yes (18)	Yes (10mg)	Yes	Yes

Advertising ban or restriction	Retail point-of-sale restrictions	Public smoking ban	Restaurant/bar public smoking ban
Yes	Yes	Yes/No	Yes

Summary of MPOWER measures

M	P	O	W		E	R	
MONITORING	SMOKE-FREE POLICIES	CESSATION PROGRAMMES	HEALTH WARNINGS	MASS MEDIA	ADVERTISING BANS	TAXATION	CIGARETTES LESS AFFORDABLE SINCE 2008
							YES

Structure of the tax burden on the retail price of cigarettes

- mixed excise system: excise duty (ED) = specific ED + *ad valorem* ED
- standard value-added tax (VAT) = 25%

	2017	2014	2012
Specific excise (value in EUR per 1,000 sticks)	41.55	27.52	23.94
Specific excise (value in EUR per pack of 20 sticks)	0.83	0.55	0.48
Specific excise (as a percentage of retail price)	26%	19%	19%
Ad valorem excise (%)	34%	37%	33%
VAT (as a percentage of retail price)	20%	20%	20%
Total Tax Burden, as a percentage of price ("premium price band")	80	76	72
Average price in EUR	3.21	2.90	2.50

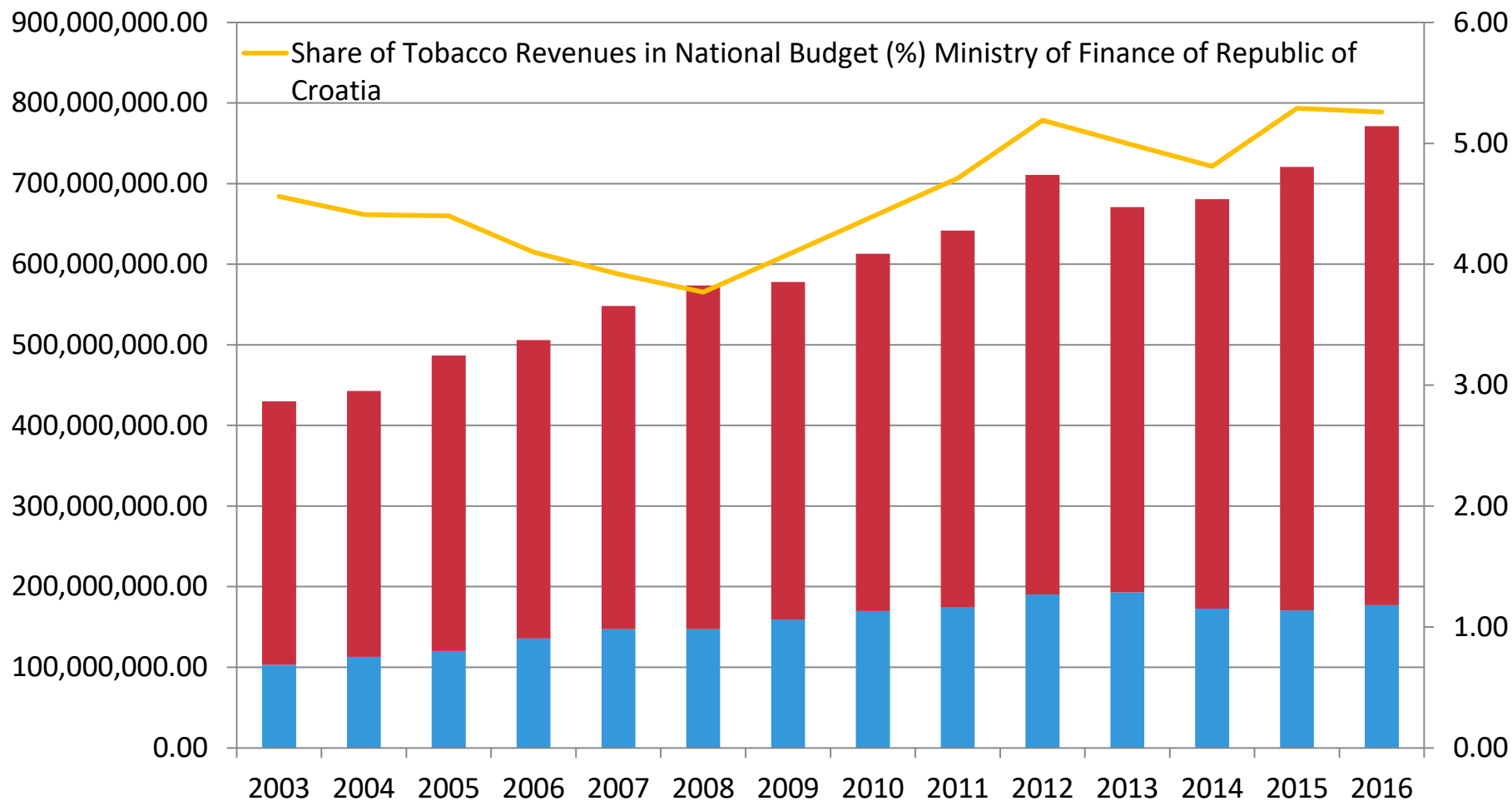
EU-28 average price 4.80 EUR

Tobacco Revenues to National Budget

■ Tobacco Revenues to National Budget - excise duties (EUR)

■ Tobacco Revenues to National Budget - VAT (EUR)

— Share of Tobacco Revenues in National Budget (%) Ministry of Finance of Republic of Croatia



Policy Dialogue

Policy dialogue goals

Short term goal:

to put tobacco taxation issues on the policy agenda, to create dialogue between researchers and policy makers and to produce recommendations that will result in sustainable and systemic policy impact.

Long term goal:

to create effective tobacco tax policies and develop a strategic plan for research, policy and communications in order to reduce the harm from tobacco use in the Croatia.

Outputs

- Meetings with stakeholders
- National policy brief
- National round table
- Press materials

Working group members

- Ministry of Finance - Customs Administration
- health care professionals
- Ministry of Science and Education
- Ministry of Tourism
- Academia
- Students' Union

Identified obstacles

- non-efficiency of the criminal justice system
- illicit trade
- harmful effects of smoking and passive smoking to children's and youth's health as well as human health in general

Recommendations

- further increase in excise duties that will result in a higher retail price of cigarettes
- target allocation of collected funds to the healthcare system and education system primarily for the smoking prevention actions purposes

Concluding remarks

- ✓ cigarette price policy could be used as a very effective government tool for reducing tobacco use Croatia
- ✓ the government should increase taxes on tobacco and related products, especially in the component of specific excise duties
- ✓ collected budget funds should be targeted to the healthcare system and education system to compensate negative effects and costs caused by smoking
- ✓ a commitment to regional harmonization of fiscal policies is needed to limit incentives for cross-border transactions with European Union countries and western Balkan countries
- ✓ increased excise duties should result in increased budget tax revenues, healthcare savings, and improving the health of the population

December 6, 2018

Ordinance on Excise Duty (Official Gazette of the Republic of Croatia, No 106/2018)

Specific excise per 1,000 sticks = 335 HRK (+10%)