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## Scientific studies

### *Track 1 - Stemming the tide: innovations in prevention and screening*

#### *Tobacco control – international efforts and new strategies*

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#### **Assessing the potential impacts of tobacco tax increases in Vietnam by using TaXSiM simulation model**

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**The abstract or summary reports has already been published or presented previously:** No

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**Background:** Tobacco tax and prices in Vietnam are very low in comparison with other countries in the region. In 2014, the excise tax rate was 65% of the ex-factory price. The total tobacco tax accounted for only 41.6% of retail price and much lower than the recommendation of World Bank of 60% - 80% .

In 2014, the Vietnam Government made revisions to the Law on Excise Tax with the intention to increase the excise tax on tobacco products.

**Aim:**

- To assess the potential impact of different tobacco tax increase scenarios on tobacco consumption and government revenue from excise tax.
- To make recommendations on tobacco excise tax rate and structure for revision of the Law on Excise Tax in 2014.

**Methods:** The TaXSiM simulation model of the World Health Organization[1] was used to estimate the potential impacts of changes in the excise tax rates on tobacco consumption and government revenue. Three models were simulated: 1) Applied ad-valorem tax only with four scenarios of excise tax rate for 2015: i) 40%; ii) 45%; iii) 50%; and iv) 55%, and additional 5% for each scenario for 2018. The taxable price is the retail price; 2) Applied ad-valorem tax only with five scenarios of tax rate for 2015: i) 75%; ii) 80%; iii) 85%; iv) 90%; v) 100% and additional 10% for each scenario for 2018. The taxable price is the ex-factory price; and 3) Applied a mix of ad valorem tax and specific tax with six scenarios with excise tax rates of 70% or 75% for 2015 and increasing to 80% and 85% for 2018, and either specific tax of 500VND, 1000VND or 1500VND. The taxable price is the ex-factory price. A retail price survey was conducted to collect the average price of different cigarette brands in Vietnam.

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[1] <http://www.who.int/tobacco/economics/taxsim/en/>

**Results:** For all simulated scenarios, increasing tobacco excise tax will lead to an increase in the government revenue by a minimum of 3,752 billion Dong to a maximum of 22,258 billion Dong between 2014 and 2015, and by a minimum of 3,091 billion Dong to a maximum of 5,953 billion Dong between 2017 and 2018. The tobacco consumption will be reduced slightly for all scenarios, by a minimum of 171 million packs to a maximum of 1,264 million packs between 2014 and 2015 and by a minimum of 76 million packs to a maximum of 174 million packs between 2017 and 2018.

**Conclusions:** Tobacco tax is an effective tool to reduce tobacco consumption while increasing government revenue. The tobacco tax burden on the retail price in Vietnam (41.6%) is far lower than the recommendation of World Bank (60%>80%). There is room for Vietnam to increase its tax rate, and it should do so more frequently. The government should take into account the benefits of applying a mixed tax structure.

**Disclosure of Interest:** None Declared

**Keywords:** Economics, Research, Tobacco