The Republic of the Union of Myanmar
Ministry of Health

Tobacco Use, Tobacco Industry and Tobacco Taxation in Myanmar, 2024

Nay Pyi Taw, Myanmar
December 2024

Publication Title:

Tobacco Use, Tobacco Industry and Tobacco Taxation in Myanmar, 2024

Citation: Ministry of Health (2024), *Tobacco Use, Tobacco Industry and Tobacco Taxation in Myanmar, 2024*, Ministry of Health, Nay Pyi Taw, Myanmar, December 2024

Contents

Foreword

Myanmar is the earliest signatory to the WHO Framework Convention on Tobacco Control (WHO FCTC) in 2003 and has ratified in April 2004. Myanmar has tried its best to improve its legislative framework for the reduction of consumption of tobacco and tobacco products. Myanmar enacted the "Control of Smoking and Consumption of Tobacco Product Law" (referred later as national tobacco control law) on 4 May 2006.

Article 6 of the WHO FCTC has stipulated that without prejudice to the sovereign right of the Parties to determine and establish their taxation policies, each Party should take account of its national health objectives concerning tobacco control and adopt or maintain, as appropriate, measures which may include: (a) implementing tax policies and, where appropriate, price policies, on tobacco products so as to contribute to the health objectives aimed at reducing tobacco consumption; and (b) prohibiting or restricting, as appropriate, sales to and/or importations by international travellers of tax- and duty-free tobacco products.

Raising tobacco tax is a simple and effective tobacco control measure. In addition to reducing cigarette consumption, tobacco tax typically generates higher tax revenue. A certain proportion of this revenue could be dedicated to use for implementing and enforcing tobacco control policies, and for funding related public health and social programmes.

Several studies on the use of tobacco and its products in Myanmar in the last 25 years highlighted the need for addressing tobacco use issues seriously. All community surveys done in previous decades showed a high prevalence of tobacco use (both smoking and smokeless tobacco) (around 40%) among adults of above 15 years. According to the WHO Non-communicable Disease (NCD) Risk Factor Survey conducted in Myanmar in 2014, it was revealed that 62.2% of adult male (25-64 years) and 24.1% of adult female were smokeless tobacco users. To meet the reduced prevalence of NCDs goal and meet a 30% relative reduction in the prevalence of current tobacco use in persons aged 15+ years by 2025, reducing the prevalence of cigarette smoking among youth are crucial, and therefore, Myanmar should accelerate its comprehensive tobacco control activities with greater focus on youths.

Existing national tobacco control legislation, which covers mainly demand reduction, needs to be upgraded to become a comprehensive legislation in accordance with the international health treaty - WHO FCTC, and its guidelines, and also in harmony with other ASEAN countries.

Consistent favourable economic growth in Myanmar in the last few decades provides an opportunity for strong public support to allocating more financial resources to health sector, including health promotion activities. It gives good ground to reorient and increase quality of life through cost-effective interventions on primary prevention of risk factors, notably tobacco, alcohol, unhealthy diet, obesity and sedentary life styles.

Appropriate price and tax measures are the way forward to raise prices of tobacco products since it is the most effective way to reduce consumption. Price and tax measures should aim at increasing prices across the board for all tobacco products, both local and imported, in order to prevent substitution.

Myanmar's policy on raising taxation of tobacco and tobacco products need to be reviewed in the context of taxation methodology, taxation rates, tax administration, sharing revenue at the Union and Region levels, and sharing collected tax resources for health and other social development.

Present paper provides background information on how Myanmar is trying to implement the guidelines on WHO FCTC Article 6, and highlights a brief update on the current situation of tobacco use, tobacco industry, and tobacco taxation in Myanmar as of December 2024.

Professor Dr Thet Khine Win
Union Minister
Ministry of Health
Myanmar
December 2024

WHO Framework Convention on Tobacco Control (WHO FCTC)

ARTICLE 6

Price and tax measures to reduce the demand for tobacco

The Parties recognize that price and tax measures are an effective and important means of reducing tobacco consumption by various segments of the population, in particular young persons.

Without prejudice to the sovereign right of the Parties to determine and establish their taxation policies, each Party should take account of its national health objectives concerning tobacco control and adopt or maintain, as appropriate, measures which may include:

(a) implementing tax policies and, where appropriate, price policies, on tobacco products so as to contribute to the health objectives aimed at reducing tobacco consumption; and

(b) prohibiting or restricting, as appropriate, sales to and/or importations by international travellers of tax- and duty-free tobacco products.

The Parties shall provide rates of taxation for tobacco products and trends in tobacco consumption in their periodic reports to the Conference of the Parties, in accordance with Article 21.

The Guidelines on implementation of Article 6 of the FCTC, adopted in 2014, had established that effective tax and price policies reduce tobacco consumption, represent an important source of government revenue, are economically efficient and reduce health inequities and should be protected from vested interests. The guidelines recommend that countries should:

- Implement the simplest, most efficient excise tax system to meet health and fiscal needs. Specific or mixed excise with minimum specific floor are recom-mended over purely ad valorem systems;

- Make tobacco products less affordable over time, adjusting taxes regularly for inflation and income growth;

- Establish coherent long-term tax policies in order to achieve their health and fiscal objectives;

- Tax all tobacco products in comparable ways and ensure systems are designed to minimize incentives for users to shift to cheaper products;

- Design tax administration system to collect taxes efficiently and effectively; and,

- Consider dedicating revenue to tobacco control programs. Tobacco taxes can provide a source of funding for tobacco control.

Glossary

WHO FCTC	= WHO Framework Convention on Tobacco Control
WHO	= World Health Organization
Parties	= Parties to the WHO FCTC
MoH	= Ministry of Health
DoPH	= Department of Public Health
NCD	= Non-Communicable Diseases
GST	= Goods and Services Tax
VAT	= Value Added Tax
SGT	= Special Goods Tax
SEATCA	= Southeast Asia Tobacco Control Alliance (SEATCA)
GYTS	= Global Youth Tobacco Survey
GATS	= Global Adult Tobacco Survey
STEPS	= STEPS survey for NCD Risk Factors
GSHS	= Global School-based Student Health Survey
OECD	= Organization for Economic Cooperation and Development

Executive Summary

Raising tobacco tax is a simple and effective tobacco control measure. In addition to reducing cigarette consumption, tobacco tax generates higher tax revenue. A certain proportion of this revenue could be dedicated to use for implementing and enforcing tobacco control policies, and for funding related public health and social programmes.

Several studies on the use of tobacco and its products in Myanmar in the last 25 years highlighted the need for addressing tobacco use issues seriously. Although no national representative survey on tobacco use has been carried out until present date, all community surveys showed a high prevalence of tobacco use (both smoking and smokeless tobacco) (around 40%) among adults of above 15 years. According to the WHO Non-communicable Disease (NCD) Risk Factor Survey conducted in Myanmar in 2014 revealed that 62.2% of adult male (25-64 years) and 24.1% of adult female were smokeless tobacco users. To meet the reduced prevalence of NCDs goal and meet a 30% relative reduction in the prevalence of current tobacco use in persons aged 15+ years by 2025, reducing the prevalence of cigarette smoking among youth are crucial, and therefore, Myanmar should accelerate its comprehensive tobacco control activities with greater focus on youths.

Regarding the tobacco growing in Myamar, there are two main types of tobacco - Virginia tobacco (Nicotiana tabacum) and Myanmar tobacco (Nicotiana rustica), covering less than 0.2% of the net area sown. Mandalay and Magway Regions in central Myanmar are known to have the largest tobacco producers with the annual production of 7.3 million viss and 2.5 million viss respectively. Total annual yield of Myanmar tobacco is around 15 million viss (around 22,500 tons).

Production data, as per Myanmar Statistical Year Book 2016, showed that there was a marked decrease in cheroot production from five billion sticks in late 1990s to around two billion sticks by 2015. Around the same period, the cigarette production is increased from 2.5 billion in late 1990s to nearly 9 billion sticks by 2015-16.

Existing national tobacco control legislation, which covers mainly demand reduction, needs to be upgraded to become a comprehensive legislation in accordance with the international health treaty - WHO FCTC, and its guidelines, and also in harmony with other ASEAN countries.

Consistent favourable economic growth in Myanmar in the last few decades provides an opportunity for strong public support to allocating more financial resources to health sector, including health promotion activities. It gives good ground to reorient and increase quality of life through cost-effective interventions on primary prevention of risk factors, notably tobacco, alcohol, unhealthy diet, obesity and sedentary life styles.

Appropriate price and tax measures are the way forward to raise prices of tobacco products since it is the most effective way to reduce consumption. Price and tax measures should aim at increasing prices harmoniously for all tobacco products, both local and imported, in order to prevent substitution. Policy on raising taxes and prices of tobacco products has been described as the single most effective measure for reducing tobacco consumption.

The policy on taxation of tobacco and tobacco products has to be reviewed with the aim of reducing demand and increasing pricing for populations at risk like the youth and the poorest segments of the population. Taxation measures such as taxation methodology (ad-valorem, specific, mix, tiered, GST, and VAT), taxation rates, tax administration at the Union and Region levels, and raising revenues as part of the Union Tax Law or any other supplement legislation, need to be reviewed and revised periodically. Collected tax resources must be shared for health and other social development.

Present paper is an update with highlights on the current situation of tobacco use, tobacco industry, and tobacco taxation in Myanmar, highlighting the tobacco tax policy, as of December 2024. It provides background information on how Myanmar is trying to implement the guidelines on WHO FCTC Article 6.

Introduction

As of December 2024, there are 183 Parties to the World Health Organization Framework Convention on Tobacco Control (WHO FCTC), covering over 90% of the World population that have committed to continually and substantially reduce the prevalence of tobacco use. They have recognized in WHO FCTC Article 6 that "price and tax measures are effective and important means of reducing tobacco consumption by various segments of the population, in particular young persons".[1] WHO and many international agencies including the World Bank, as well as the Parties to WHO FCTC, have described the tobacco tax increase as a "best buy" intervention that has signifcant public health impact and is highly cost-effective, inexpensive and feasible to implement.[2]

Higher tobacco taxes would lead to higher prices of tobacco products, that could encourage smokers to quit, reduce the number of cigarettes smoked, and prevent initiation among potential new users. Studies in the low- and middle-income countries showed that a 10 percent increase in the retail price of cigarettes would reduce consumption by about 5-8%. Youth, minorities, and low-income smokers are two to three times more likely than older or high-income smokers, to quit or smoke less number of sticks in response to price increases. Since cigarette prices strongly influence smoking initiation in youth, price increases could significantly reduce long-term trends in cigarette consumption. Raising tobacco tax is a simple and effective tobacco control measure. In addition to reducing cigarette consumption, tobacco taxe typically generates higher tax revenue. A certain proportion of this revenue could be dedicated to use for implementing and enforcing tobacco control policies, and for funding related public health and social programmes.

According to the WHO Report on the Global Tobacco Epidemic 2021, only 13% of the world population living in 40 ountries were protected by tax rates at 75% or more of the price of the most popular brand of cigarettes in 2020. The total number of countries that raised tobacco taxes to a level at or above 75% of the price of the most sold brand of cigarettes increased from 38 in 2018 to 40 in 2020. By 2021, middle-income countries constitute more than half of the population (61%) protected by the raised-taxes measure.[3] Countries have made progress in simplifying their tax structures and relying more on specific tax systems. There

---

1 WHO Framework Convention on Tobacco Control (WHO FCTC) (2005), Updated

2 National Institutes of Health, National Cancer Institute and WHO, *The Impact of Tax and Price on the demand for Tobacco Products, in the Economics of Tobacco and Tobacco Control, Monograph 21*, National Cancer Institute, USA and WHO, Geneva (https://cancercontrol.cancer.gov/brp/tcrb/monographs/ 21/docs/m21_ complete.pdf accessed on 21 Jan 2018)

3 WHO (2021), *WHO Report on the Global Tobacco Epidemic 2021*, WHO Geneva (https://www.who.int/ publications/i/item/9789240032095 accessed on 30-January 2023)

are still some countries that have complex tiered taxes, and also that levied lower taxes on some categories of tobacco products.

The Ministry of Health has prepared and produced the present paper– "Tobacco Use, Tobacco Industry, and Tobacco Taxation in Myanmar, 2024", in collaboration with the People's Health Foundation (PHF) and the Southeast Asia Tobacco Control Alliance (SEATCA) in December 2024. The present paper provides background information on how Myanmar is trying to implement the "Guidelines on WHO FCTC Article 6" and other provisions, and also what would be the future directions in dealing with tobacco use, tobacco industries and tobacco taxation.

Myanmar Tobacco Legislation

WHO FCTC and Myanmar

The Republic of the Union of Myanmar (Myanmar in short) started formulating its national tobacco legislation since 2002. In October 2003, Myanmar became a signatory to the WHO FCTC, and later became a Party to the Convention having ratified this international treaty in April 2004. Myanmar enacted the "Control of Smoking and Consumption of Tobacco Product Law" (referred later as national tobacco control law) on 4 May 2006, which came into effect after a year.[4] Under this national tobacco control law, the Government has established a "Central Board of the Control of Smoking and Consumption of Tobacco Products" with the Union Minister of Health as Chairperson, consisting of senior officials from related ministries and departments. The main role of the Board is for policy guidance, coordination, and adoption of rules and regulations.

National tobacco control programme

Myanmar implemented tobacco control activities as an integral part of national health plan, and an intersectoral tobacco control committee by the Ministry of Health (MoH)[5] was established in March 2002. Since then, a series of national tobacco control activities were initiated such as banning smoking at all public establishments (hospitals, movie houses, public transport vehicles and terminals, enclosed public places like restaurants, and sports facilities), restricting sales to minors, banning sales near the vicinity of schools, establishing tobacco-free schools, and organizing annual events on World No-Tobacco Day.

---

4 Ministry of Health (2006), *Control of Smoking and Consumption of Tobacco Product Law, 2006, Myanmar*, (https://www.burmalibrary.org/sites/burmalibrary.org/files/obl/docs15/2006-SPDC_Law2006-05-Control_of_Smoking_and_Consumption_of_Tobacco_Product_Law_en . pdf, accessed on 2 May 2020)

5 Ministry of Health (MoH) was transformed into a new ministry as the Ministry of Health and Sports (MoHS) in April, 2016, and later reverted back to the same name in February, 2021.

Community-based awareness and tobacco cessation campaigns were organized at various levels and places.

Prohibition of tobacco advertisement was also introduced for all electronic and print media such as newspapers, magazines, journals, television, video movies and radio. Prohibition of billboards showing tobacco and tobacco products in any form was also carried out. These activities continued till date as per stipulation of the national tobacco control law, including introduction of health warning text in Myanmar language on cigarette packages. The National Tobacco Control Policy was adopted, and the National Plan of Acions were launched since 2006.

The MoH has established monitoring system including setting up of sentinel sites for effective implementation of tobacco control activities. It has participated in the global tobacco surveillance schemes by conducting various surveys in specific time series, such as the Global Youth Tobacco Survey (GYTS), STEPS survey for NCD Risk Factors, studies on tobacco economics, poverty and tobacco, and national sentinel prevalence surveys for the last decades. MoH had issued two notifications in 2014 on the rules for designation of smoking and non-smoking areas, as well as the guide for showing the warning to be used for identifying no-smoking areas. Ministerial notification for compulsory health messages and pictorial warnings in all packagings of tobacco products was issued on February, 2016. Under the guidance of the Health and Sports Committee of the Union Parliament, the MoHS had reviewed the implementation of national tobacco program in 2019, with a view to make the revision of existing law within a year. Several meetings for drafting a new law is underway to complete the tasks by mid-2023.

Tobacco Use

Prevalence of tobacco use

Tobacco use in any forms kills and sickens millions of people every year. Over 8 million people died from tobacco-relate diseases in 2019. United Nations Sustainable Development Goal (SDG) Target No. 3 is to "strengthen the implementation of the WHO FCTC in all countries, as appropriate." The indicator that demonstrates the progress towards this SDG target is 3.a.1. "Age-standardized prevalence of current tobacco use among persons aged 15 years and older". WHO has been monitoring the progress and reports regularly. According to latest report of WHO, the age-standardized prevalence of current tobacco use among persons aged 15 years and older in Myanmar for 2021 for both sexes, was estimated as 45.1%. The prevalence of cigarette-smoking of the same gae group was 15.5%. Over 76 million people are current users of tobacco and tobacco products.[6] According to the trends analysis, the prevalence of tobacco use among 15 years and older people (non-age standardized) in Myanmar was 60.5% in 2000, 52.4% in 2010, 47.0% in 2015, 43.0% in 2020 and 39.9% in 2025. This trend of reducing the prevalence is in line with that of the global trend.[7]

Several studies on the use of tobacco and its products in Myanmar in the last 25 years have highlighted the need for addressing tobacco control seriously. Although national representative surveys on tobacco use (for adult aged 15 years and older) has not yet been carried out, all surveys showed a high prevalence of tobacco use over 35% among youths and adults.

Myanmar School-based Student Health Surveys conducted as part of the Global School-based Student Health Surveys (GSHS) done in 2007[8] and 2016[9] showed that students that had smoked cigarettes on one or more days during the past 30 days had increased from 3% to 7.2%. Similarly, current use of smokeless tobacco had increased from 5.5% to 8.5% for the respective period. 69% of students in 2016 had tried their first cigarette at the age of 14 years. Around 70% of the students reported that people smoked in their presence on one or more days in the past seven days. Around 38% of students had a parent or guardian who have used some form of tobacco products.

According to Global Youth Tobacco Surveys (GYTS) done in Myanmar in 2001, 2004, 2007, 2011 and 2016, the exposure to second-hand smoke at home, inside enclosed public place, and any outdoor public place were reported by student 33.2%, 28.4%, and 29%, respectively, in 2016.[10] Importantly, three in five (64.5%) students saw anyone smoking inside school or near to school premises. In 2016, two in five students who were ever cigarette smokers reported that they first tried a cigarette at the age less than 10 years. Mostly, two in five (40.8%) students initiated cigarette smoking between aged 12 and 13 years, followed by 30.9% of students started between aged 14 and 15 years.

---

6 WHO (2023), Country Profile: Myanmar, WHO Report on the Global Tobacco epidemic, 2023,

7 WHO (2021), *WHO Global Report on trends in the prevalence of tobacco use, 2000-2025, Fourth Edition,* WHO Geneva(https://www.who.int/publications/i/item/9789240039322 accessed on 30-January 2023)

8 MoH (2008). *Myanmar Global School-based Student Health Survey (GSHS), 2007,* Ministry of Health, Myanmar (CDC/WHO GSHS Country Report) (http://www.searo.who.int/nts/publications)

9 World Health Organization (2016), *Report of the second Global School-based Student Health Survey in Myanmar, 2016*. World Health Organization; 2018. WHO Regional Office for South-East Asia and MoHS, Republic of the Union of Myanmar Licence: CC BY-NC-SA 3.0 IGO

10 Ministry of Health and Sports (2016), *Global Youth Tobacco Survey (GYTS),* Myanmar 2016, WHO-SEARO, New Delhi (accessed at http://www. searo.who.int/tobacco/data/mmr_gyts_2016_fs.pdf)

Successive GYTS done from 2001 to 2016, the prevalence of tobacco use among the 8^{th}, 9^{th} and 10^{th} graders (13-15 years old students) was around 35%. The overall current cigarette smoker rate showed an increased from 4.9% in 2007 to 8.3% in 2016. Among males, the rates were increased to double from 8.5% in 2007 to 17% in 2016. (See Figure 1) Rates of ever cigarette smoking significantly increased from 14.7% in 2007 to 22.3% in 2016, and more over, among males, the rate increased nearer to double from 23.4% in 2007 to 41.1% in 2016. In addition, the overall rates for frequent cigarette smoking (smoking on 20 or more days of the previous 30 days) in 2016 were 0.6% and 1.1% among males.

A survey of 300 students of Grade 10 and Grade 11 (aged 14-17) at Nay Pyi Taw, Capital City of Myanmar, carried out in September 2015 also showed that 34.7% were smokers and 28.3% were users of smokeless tobacco. Average age of first use of tobacco was 14 years.[11]

Around 2.4 million youth (aged 13-15 years) (17 million boys and 7 million girls) globally are current smokers of cigarettes. Smoking prevalence among boys and girls (13-15 years) in ASEAN countries showed that youths from Indonesia, Malaysia, the Philippines and Thailand have the highest percentage. (See Figure 1)

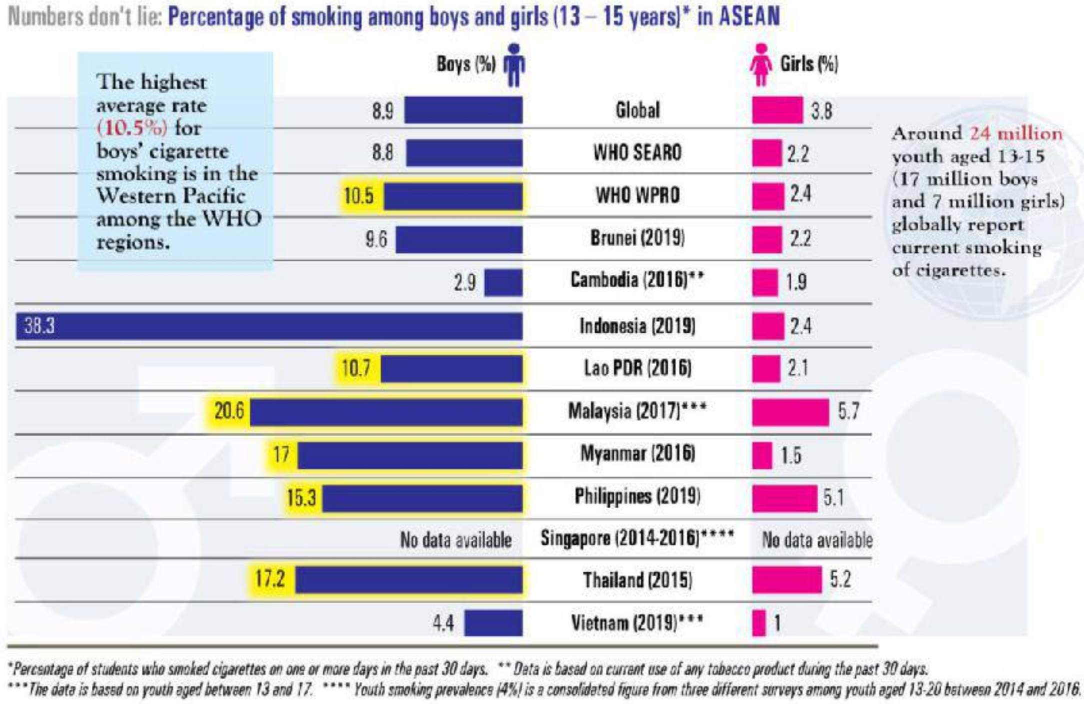
The accessibility of cigarettes and other tobacco products become more than double from 23.7% in 2007 to 54.5% in 2016. Tobacco products seem easily available in Myanmar, because 38.8% of students reported that they purchased cigarettes from a street vendor. Importantly, more than half (62.9%) of current cigarette smokers had not been prohibited from buying cigarette, though they were minors.

About 42% of students had noticed tobacco advertisement at the point of sale, and 83% of students who watched television, videos, and movies, saw someone smoking. Four in five (80.2%) students reported that they noticed anti-tobacco messages in the media and three in five students (59.6%) attended and saw anti-tobacco messages in sports and community events. Two in five (40%) students noticed health warnings on cigarette packages and thought of quitting tobacco. More than three in five (64.2%) students said that they have been taught in school about the danger of tobacco use.

---

[11] Myint MNHA et al, *Knowledge, attitude, and usage pattern of tobacco among high school students in Nay Pyi Taw, Myanmar*, Nagoya J. Med. Sci, 81, 65-79, 2019 (accessed at https://www.med.nagoya-u.ac.jp/medlib/nagoya_j_med_sci/811/06_Myat_Noe_ Htin_ Aung_Myint.pdf)

Figure 1: Prevalence of Smoking cigarettes among youth in ASEAN



Source: SEATCA (2021), Tobacco Control Atlas, ASEAN Region, 6th Edition

A study of 1339 high school students (554 boys and 785 girls) from 2 Regions and 2 States of Myanmar, in November, 2015, showed that 78% of boys and 86% of girls responded that they noticed sale of tobacco products in or within 100 feet from the school, and 83.4% of boys had seen someone selling tobacco products to minors.[12] The majority of students were in favor of banning smoking in public places, and thought that other people's smoking was harmful to them. To meet reduced prevalence of NCDs and meet a 30% relative reduction in the prevalence of current tobacco use in persons aged 15+ years by 2025, reducing the prevalence of cigarette smoking among youth are crucial, and therefore, Myanmar should accelerate its comprehensive tobacco control activities with greater focus on youths.

Smokeless tobacco use

The use of smokeless tobacco (SLT) among adults is a well-known daunting public health challenge, not only in Myanmar, but also in many Asian countries, that results in preventable morbidity and mortality.[13] In WHO South-East Asia Region, there are approximately 246 million smokers and 290 million SLT users, and every year, more than 1.3 million people die as a result of tobacco use. About

---

12 Latt NN et al, *Tobacco Control Law awareness, enforcement, and compliance among high school students in Myanmar*, Nagoya J. Med. Sci, 80(3), 379-389, 2018 (accessed at https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6125651/pdf/2186-3326-80-0379.pdf)

13 Sinha DN, Gupta PC, Ray C, Singh PK. *Prevalence of smokeless tobacco use among adult in WHO South-East Asia*. Indian J Cancer 2012;49:342-6

303 million people globally (from 133 countries), aged 15 years and older, currently use smokeless tobacco. Of these, 248 million smokeless tobacco users live in the WHO South-East Asia region, primarily in India. Prevalence on the use of smokeless tobacco (SLT) in Myanmar is the highest among ASEAN countries, and there is a high incidence of oral and oropharygeal cancers. (See Figure 2)

More than 85% of the smokeless tobacco-related burden was in South and Southeast Asia and the risk estimates for cancers were highest in this region. In 2017, at least 2.5 million DALYs and 90,791 lives were lost across the globe due to oral, pharyngeal and oesophageal cancers that can be attributed to smokeless tobacco.

The SLT use in Myanmar has strong traditional social, cultural and economic links, and with the recent economic development, the SLT market and demand has increased even more.14 Majority of adult SLT users, both males and females, in rural and urban areas wrongly believe that it is breath-refreshing, mouth-cleansing and body soothing. When the parents (both father and mother) are regular users of betel quid with SLT products, their children and other family members are more likely to start consuming SLT. The young users of SLT are more likely to maintain this behavior in their later lives.[15] They believe that consuming SLT product is a way to gain "concentration" and "focus", euphoria and psychoactive, and that use of SLT have helped them work harder and work for longer periods. While the immediate stimulant effects of nicotine cannot be denied, these youths must be educated on the long-term negative health impacts of smokeless tobacco.

According to the WHO Non-communicable Disease (NCD) Risk Factor Survey conducted in 2014 revealed that 62.2% of adult male (25-64 years) and 24.1% of adult female were smokeless tobacco users.[16]

A variety of SLT products are used in the betel quid preparation: dried raw leaves or cured and roasted or fermented tobacco leaves, or tobacco leaves including stems treated with alcohol and honey, or scented tobacco leaves soaked in honey and water, and/or varieties of tobacco mixed with flavours and fragrances. While the majority are locally produced, several popular SLT products, such as 92, 162, Signal 350, Parijat, Baba, and Sagar brands of tobacco mix, are imported from neighbouring India and Bangladesh.

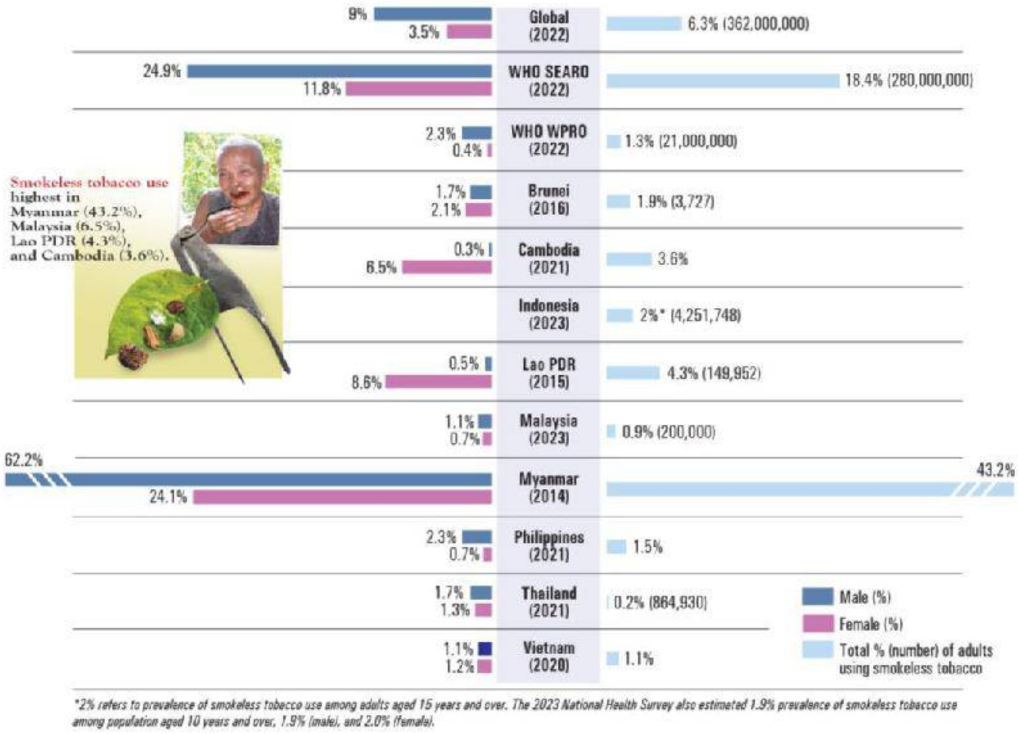
---

14 Sein T., Maung N.S. (2012). *Tobacco legislation and ways of tobacco industry in Myanmar,* Report submitted to WHO SEARO, University of Public Health, Yangon, 2012

15 Sein T., Swe T, Toe MM, Zaw KK, Sein TO. (2014), *Challenges of Smokeless Tobacco Use in Myanmar.* Ind J Cancer, Vol. 51 (Supplement), December 2014

16 Ministry of Health (2015), *Report on National Survey of Diabetes Mellitus and Risk Factor for Non-Communicable Diseases in Myanmar,2014*. http://www.who.int/ncds/surveillance/steps/Myanmar_ 2014_STEPS Report .pdf? ua=1 (accessed on 20 February 2018)

Figure 2: Number and percentage of adults who use smokeless tobacco in ASEAN



Source: SEATCA (2021), Tobacco Control Atlas, ASEAN Region, 6th Edition

Tobacco-related diseases

The trend in tobacco-related diseases had increased steadily in Myanmar for the last 3 decades. A study conducted in 1990, reviewing clinical profiles of 360 patients with acute myocardial infarction (heart attacks), admitted to Yangon General Hospital and New General Hospital, Yangon, from 1987 to 1990, showed that 26% of them were under 45 years of age, and 77% of patients are smokers. Among smokers, 65% use cheroots, 20% cigarettes, and the rest cigars and pipes.[17] The lung cancer cases admitted to Yangon General Hospital increased from around 150 in 1995 to nearly 300 in 2005. It was seen that lung cancer rates were higher among males than females, reflecting higher tobacco use among males. There was a significant decrease in ventilatory function of the lungs with increased cheroot smoking. It was also found that there was a significant rise of serum free fatty acids (major cause of ischemic heart disease) in heavy smokers who used both cheroots and cigarettes.

For those that swallow betel quid instead of spitting have faced a greater risk of developing kidney stones. Recently more and more evidence has shown that betel quid is not only a threat to the consumer, but the vendor as well, since

17 Nyo Nyo Kyaing. (2003), *Tobacco economics in Myanmar*, Economics of Tobacco Control Paper No.14, the World Bank and World Health Organization, 2003

higher incidences prevalence of skin diseases have begun afflicting betel quid vendors.

A study in sub-urban township of Yangon City in 2013 investigated the knowledge and practice of betel quid chewing of the local populace, and compared the prevalence of oral pre-cancerous lesions between betel quid chewers and non-chewers. It was found that over 50% of adult surveyed used betel quid, and 85% of current betel chewers used the SLT products. Nearly 5% of the survey population has oral lesions (pre-cancerous stage), all confined to current betel quid chewers.[18]

Electronic Smoking Devices (ESD)

In recent years, the use of electronic smoking devices (ESD), such as electronic nicotine delivery systems (ENDS) or e-cigarettes, waper-pipe smoking devices (shisha), heated tobacco products (HTPs), etc., is associated with a higher risk of smoking among adolescents who had no prior intention of taking up conventional smoking. They are more than four times more likely to start smoking cigarettes one year later compared to those who did not use ESD.

While the prevalence of ESD use nation-wide in Myanmar is not yet available, informal collection of information showed that this become a challenge. There are shops not only selling ESDs openly in the markets, including on-line sales, in every major cities of the country, but also selling for use flexibly in DJ bars or restaurants. There are even special places like Vape/Vaping Shops, and retail counters in super-markets and malls.

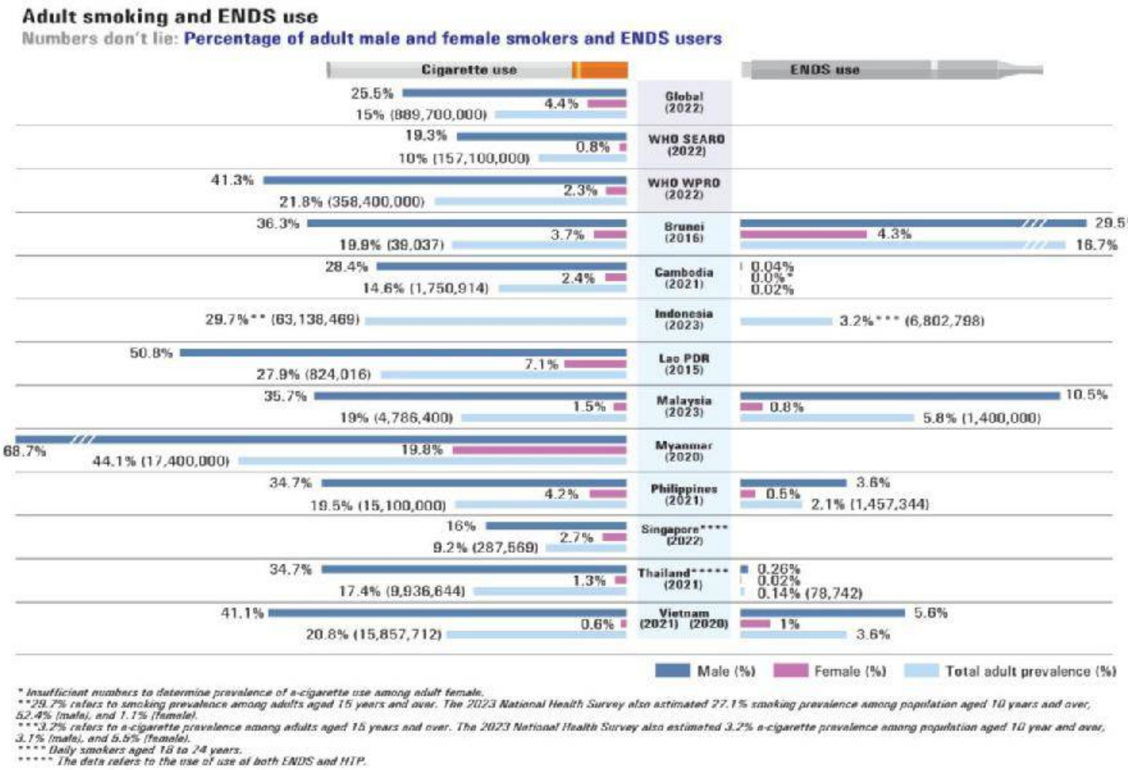
A study on the prevalence of e-cigarette use among tobacco smokers in six states and regions of Myanmar done in 2018 showed that there were 629 tobacco smokers included in the programme evaluation. Among them, 246 (39.2%, 95% CI: 24.0%–56.7%) smokers reported that they had heard of e-cigarettes and 73 (11.6%, 95% CI: 5.1%–24.3%) reported having ever used e-cigarettes.

There was no e-cigarette use among female smokers. The prevalence of e-cigarette use was significantly higher among males, students, young adults aged 18–29 years, heavy smokers (greater than 20 cigarettes per day) and those who lived in the Mandalay region. The study provided preliminary evidence about e-cigarette use in Myanmar and filled an important knowledge gap. It was

18 Zaw K. K., et al, (2014), *Betel Quid Chewing in Dagon (East) Township in 2013*, a paper presented at the Myanmar Medical Research Congress, January 2014, Department of Medical Research (Lower Myanmar), Yangon, 2014

recommended that a national survey is in need to obtain precise and nationally representative information.[19]

Figure 3: Adult Smoking and ENDS use among ASEAN Countries, Selected Years



Source: SEATCA (2024), Tobacco Control Atlas, ASEAN Region, 6th Edition, p30

In 2019, little is known about the perception and use of e-cigarettes by the Chinese (major centre of the global production of e-cigarettes), particularly the young people. A study done in China has revealed the awareness, attitudes, and use of e-cigarettes among young adults, and examined the relationship between smoking behavior and e-cigarette perception and use, and demonstrates the phenomenon of e-cigarette gifting. Among the surveyed young adults, 88.40% were aware of e-cigarettes, and nearly a quarter of all respondents had used e-cigarettes by the time of our survey. Multivariate regression results demonstrated that current smokers with quitting experience were more likely to be aware of and to use e-cigarettes than current smokers with no quitting experience. Smokers with quitting experience also were more inclined to promote e-cigarettes to others by either recommending them or giving them as gifts.

E-cigarettes have gained popularity among young adults in China and smokers, especially those who had tried quitting, were more likely to have known and used e-cigarettes. More empirical research on the relationship between e-

19 Ye Phyo et al, (2020), *Prevalence of e-cigarettes use among tobacco smokers in six states and regions of Myanmar*, Addictive Behaviors Reports (11) January 2020, accessed at https://pubmed. ncbi.nlm. nih.gov/ 32467837/

cigarette use and smoking cessation is warranted to better inform a potential regulatory framework in China.[20] Recently, China Tobacco and China E-cigarette Chamber of Commerce both issued policies to ban e-cigarette sales to youths under 18 years old. Also, e-cigarette smoking in public places has been banned in cities, including Beijing and Hong Kong, and in high-speed trains.

Figure 4: Vape Shop and Celebrity in Yangon, 2019

Photos Source - People's Health Foundation, 2019

Vaping has been popular in Myanmar since 2017, where it has been falsely promoted as a means to quit smoking tobacco. Vape shops have proliferated in Yangon, and smoking pens have become stylish accessories.[21] The camera pans along a row of single-use Flow e-cigarettes, each in a different coloured box to denote a certain flavor, before cutting to a wider shot of celebrity actress, who spends the next minute puffing suggestively and blowing smoke towards the camera. The caption under the Facebook video reads "Let's flow with me", together with a link to the "Flow Myanmar" page. In another Facebook video, actress and singer unboxes products from Flow and another Chinese e-cigarette brand, Relx, before explaining the prices and different flavours. Celebrity-backed promotions like these have helped e-cigarettes that are also known as vapes to gain a large group of youths but loyal particularly among young, middle-class consumers. Vape shops have appeared not only in major cities like, Yangon, Nay Pyi Taw, Mandalay, Taung-gyi and Maw-la-myaing, but also in district towns in

---

20 Wang Xinsong, et al, (2019), *Perceptions and Use of electronic cigarettes among young adults in China*, Tobacco Induced Diseases, published on line in 2019, accessed at https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6751986/

21 Kyaw Min Ye, (2020), Vaping in Myanmar is now illegal – but will that stop anyone? a newspaper article in Yangon Times, 7 August 2020, accessed at https://coconuts.co/yangon/news/vaping-in-myanmar-is-now-illegal-but-will-that-stop-anyone/

all over the countries, offering single-use as well as reusable e-cigarettes and replacement cartridges ranging in price from K15,000 to as much as K1 million. [22]

According to some economic survey,[23] the market is anticipated to witness progressive growth in the upcoming six years on the back of rising adoption of e-cigarettes in place of conventional ones backed by the low use of nicotine in e-cigarettes which is instigating the interest of the majority of the consumers to the product. The increased urge for smoking/vaping in the country along with a variety of flavors available in e-cigarettes is drawing the interest of many consumers and is leading to an increased demand for the product in the country and is further, expected to benefit the potential growth of the Myanmar e-cigarette market in the upcoming years.

There has been attempts for adopting an appropriate legislation for ESD during 2017-2019, through advocacy to legislators and decisions by the Parliament in 2019.

The usage and import of e-cigarettes has been banned in 46 nations, include by five ASEAN member nations. A ban doesn't necessarily mean they will go away – in neighboring Thailand, they remain in widespread use despite being banned six years ago.

Tobacco Industry

Global Tobacco Industries

In the global tobacco market, transnational tobacco companies (TTCs) have been shifting from developed countries and targeting markets in poorer, less developed countries where tobacco control is not as stringent and where tobacco use is significantly high among men and attractively low among women. In 2020, the tobacco market growth in ASEAN is projected to reach a total of 505.65 billion cigarettes sold, primarily in Indonesia, Philippines, Thailand, and Vietnam.

The world's five largest transnational tobacco companies (TTCs) such as British American Tobacco (BAT), Philip Morris International (PMI), Japan Tobacco International (JTI), China National Tobacco Corporation (CNTC) and Imperial Brands (IB), are in control of tobacco market, with around 80.5% of the global cigarette markets including ASEAN countries such as Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

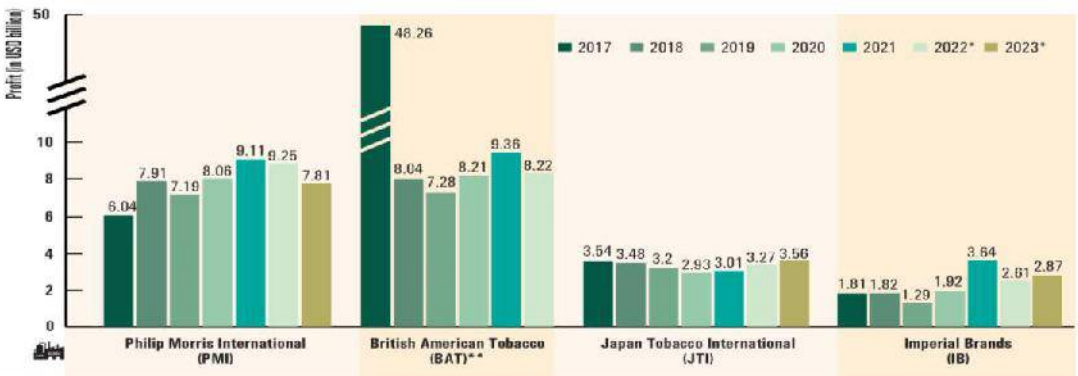
22 SEATCA (2020), *Myanmar: A clouded future for e-cigarettes in Myanmar,* accessed at https://seatca.org /myanmar-a-clouded-future-for-e-cigarettes-in-myanmar/

23 6wresearch, (2020), accessed at https://www.6wresearch.com/industry-report/myanmar-e-cigarette-market-2020-2026

They have also ventured into electronic smoking devices (ESD), to expand their nicotine and tobacco market. The ESD market value in four ASEAN countries (Indonesia, Malaysia, Philippines and Vietnam) reached USD 581.5 million in 2019 and projected to grow by 30% (to USD 756.7 million) in 2023. According to the Tobacco Control Atlas, 6th Edition, the tobacco industry has been making billions in profits from selling cigarettes in ASEAN and worldwide with combined profit of the global top four TTCs (PMI, BAT, JTI, and IB) estimated to be USD 22.7 billion in 2023. (See Figure 5)

In 2020, tobacco manufacturers in seven ASEAN countries (Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) produced 682.47 billion cigarettes. Two ASEAN countries (Indonesia and Vietnam) were among the world's top 10 cigarette markets in 2020. Indonesia, Philippines and Singapore were among the world top 20 cigarette exporters in 2019. Another four ASEAN countries (Indonesia, Lao PDR, Philippines and Thailand) were among world's top tobacco-leaf producing countries in 2019.[24]

Figure 5: Tobacco Industry profit in global market (2017 – 2023)*



	Philip Morris International (PMI)	British American Tobacco (BAT)**	Japan Tobacco International (JTI)	Imperial Brands (IB)
Cigarette and Tobacco-Related Factories	31***	41	39	30
Located in countries		39	29	27

*The tobacco industry profit in 2022 and 2023 is the forecast date.
**No data available in 2023.
***An additional 8 facilities produce heated tobacco products, and 14 other facilities produce other tobacco and nicotine products for a total of 53 factories.

Source: Tobacco Control Atlas, ASEAN Region, 6th Edition, SEATCA, 2024, p5

History and Import Policy

Tobacco is a foreign agricultural product introduced into Myanmar by travelers and traders during First Innwa (Ava) Dynasty of 14 centuries. Tobacco use became more popular in Hanthawaddy Dynasty around 15 centuries. Local Myanmar tobacco product called Hsey Pawt Leik or cheroot, prepared by mixing tobacco with flavours and other ingredients wrapped in local leaves called thanatphet is introduced and popular till today. After the Second World War,

[24] SEATCA (2021), Tobacco Control *Atlas*, ASEAN Region, 5th Edition, SEATCA, 2021

cigarettes, cigars and chewing processed tobacco are imported and became more popular due to heavy advertisement. A few years after the independence in 1950s, the Government introduced wide-scale cultivation of tobacco in central Myanmar, in order to replace importation and also to promote local cigarette industries.

Taxation on import of cigarettes and tobacco leaves was introduced under the sales tax of 1952. Since locally produced cigarettes were not available widely and foreign imports were of high-priced, many people used locally produced hand-rolled cheroots till 1980s. During the 1962-1988, all tobacco curing factories, large-scale cheroot production establishments, and all cigarette factories were nationalized, and the production of tobacco was monopolized under the control of the Government. Meanwhile, betel-quid chewing habits with increasing use of tobacco and other tobacco products had spread throughout the country.

With introduction of economic liberalization policy in early 1990s, the Government in those days allowed the private ownership and expansion of cigarette industries, with the help of local and foreign investors. Raw materials such as processed tobacco, filters, papers and other related products for producing cigarettes were imported. Despite the international pressure and sanctions, the international tobacco giants like Phillip Morris International (PMI) and British American Tobacco (BAT), joined in quickly as join-venture investment taking the advatages of tax incentives and tax holidays for investments.[25]

Tobacco agriculture

Tobacco (known as hsey or hesy–ywet kyee) is a foreign product coming into Myanmar, introduced by travelers and traders during First Innwa (Ava) period of 14-15 centuries to be used for smoking with cheroots, cigars or pipes, and chewing as main ingredient of betel quid. Tobacco use became more popular in Hanthawaddy Dynasty around 15 centuries.

Two main types of tobacco, viz., Virginia tobacco (Nicotiana tabacum) and Myanmar tobacco (Nicotiana rustica), are sown in around 0.2% of the net area of agriculture sown in Myanmar. Myanmar tobacco has more nicotine content than Virginia tobacco. While Myanmar tobacco is grown in almost all States and Regions, two regions in central Myanmar - Mandalay and Magway, are known to be the largest tobacco growers/ producers with annual production of 7.3 million viss (one viss equivalent to 1.63 kilo-grams) and 2.5 million viss respectively. Total annual yield of tobacco is around 29,000 metric tons in 2017-18.

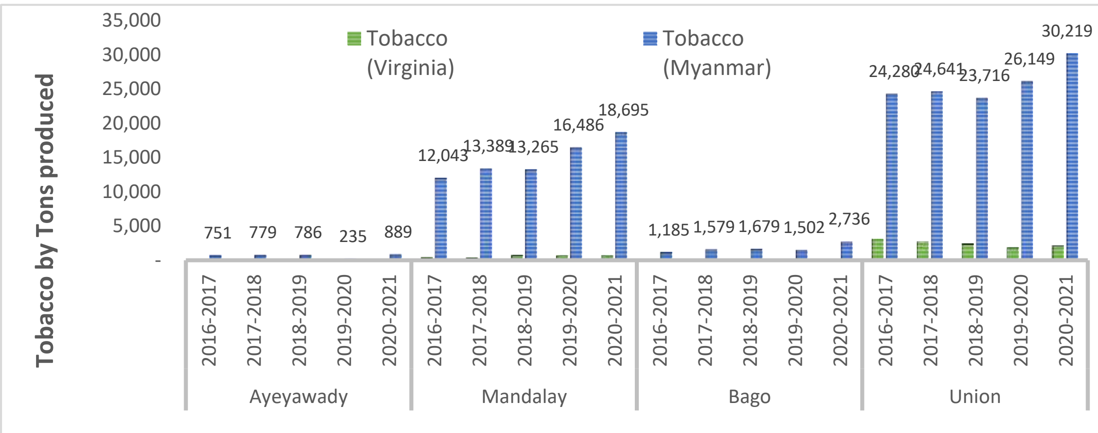
---

25 Ross MacKenzie (2018), *An example for corporate social responsibility: British American Tobacco's response to critism of its Myanmar subsidiary, 1999-2003,* Asia Pacific Policy Study, 2018: 5, 298-312

While the Government has a ban on import of manufactured cigarettes, there is no limitation on importation of raw and processed tobacco leaves or any other raw material for production of cigarettes and cigars. These imports of tobacco have been used for production of cigarettes and cigars. There are subsidies and incentives, both technology, farm inputs and cash, provided by cigarette and cheroots industries in the last decade for improved yields of high quality tobacco leaves, and better quality tobacco products. According to the UNCTAD (United Nations Conference on Trade and Development), tobacco leave production in Myanmar has reduced from 50,900 metric tons in 2000 to 29,000 metric tons in 2012. Similarly, land areas devoted to tobacco growing (% of agricultural land) also reduced from 0.31% to 0.13% for the same period. Meanwhile, the import of tobacco leaf was increased and by 2012, tobacco and its related materials in US$ trade value was 1.45 million.[26]

Tobacco is grown abundantly in Mandalay and Magway Regions, where the two rivers, Ayeyarwady and Chindwin, met. The area is arid, wet, sandy soil, and water supply is also easily accessible. Farmers in the dry zone of Myanmar cultivate paddy, onion, beans and pulses and edible oil crops as well as tobacco plants. They grow two species of tobacco cultivated on the croplands and alluvial land. Farmers must grow tobacco on the croplands in monsoon while cultivate another one species on alluvial lands when the Ayeyawady River subsides in December and January. (See Figure 6)

Figure 6: Tobacco Production by Selected Regions and Union Total, 2016-2021



Source: Myanmar Statistical Yearbook 2022, Central Statistical Organization, Myanmar, 2022

The growing season for Myanmar tobacco (hsey ywet kyee) usually starts around September-October, just after the river water retreats. The land is prepared for plantations and the tobacco seeds are scattered onto the surface of

26 UNCTAD/WHO, *Myanmar Tobacco Agriculture and Trade Fact Sheet, 2014,* available from http://www. who.int/tobacco/country-fact-sheets/mmr.pdf

the soil. Seed beds are then covered with rice straw or tree-branches to protect the young plants from frost damage. The germination is activated by natural sun light. When the plants reach 6-10 inches length after 45-60 days, seedlings are taken out and re-sown in bigger plots, 3 feet apart. There can be about 6,000 plants in each acre of land. Each land owner usually have around 5-10 acres for tobacco growing.

As the plants grow for the next 2-3 months, 2-3 big tobacco leaves from the bottom part of the plants are usually plucked for each plant. It takes 5-6 times per each plant to pluck during the season. Occasionally, leaves at upper portion of the plants have to be plucked away. Usually around 8-12 leaves are left for each plant to grow for the next 2-3 months. The plants with big leaves are kept under the sun light, so that the leaves become greener or yellowish green. The plants are left alone to grow until April/May. During the planting process, watering, weeding, soil preparing and adding supplement fertilizers are done. The plucked leaves are stacked to a bundle of 20-30 pieces, and the central stalks of the leaves are beaten with a wooden stick for softening. These bundles with beaten stacks of leaves are put under the sun for drying for another month. The dried stacks of bundles are then put in a basket (poh) (weighing around 50 or 100 viss). For each acre of tobacco growing, 8-10 manual labours are required to do all jobs related to planting, growing, plucking and stacking leaves, weeding, watering, and bringing leaves to villages for storage. Annual yield per acre for Myanmar tobacco is around 1,000 viss (costing around Kyat 50 lakhs).[27]

"Farmers spend more than MMK 480,000 per acre on cultivation of tobacco on cropland including costs for inputs and farming workers. Tobacco yields about 650 viss per acre. We can sell tobacco at MMK 2,200 to 2,500 per viss at cheroot industries in Myingyan," said a local grower from one village. Some farmers tenant croplands at MMK 200,000 per acre but they can fetch MMK 700,000 per acre as net profit.

Producers of cheroot and smokeless tobacco have made the contracts with the tobacco farmers, and usually paid in advance for the supply of dried tobacco leaves. The leaves are usually collected in bulk at the time of harvesting around April every year.

Cheroots

In early 2000, few community surveys showed that around 60-80% of tobacco smokers used the local version of cigarettes called cheroot or Hsey Pawt Leik. After 2005, the pattern of tobacco use has changed from smoking traditional

---

27 Than Sein, Htay Lwin, Wai Phyo Kyaw and Kyaw Zin Latt (2020), *Case Study on tobacco cultivation and cheroot industry in Myanmar, 2020*, People's Health Foundation, Yangon, 2020

Hsey Pawt Leik to cigarettes as they are easily available and cheaper. Present day data on proportionate consumption of cigarette vs. Hsay Pawt Leik among adult population is not available. Cheroot is a 3-6 inches long, hand-rolled, cigar-like smoking product, thinly wrapped with a tree leaf - thanatphet. It contains a mixture of processed tobacco, chopped tobacco leave stalks, soft wood chips, and other ingredients (flavours and other additives).

Use of thanatphet leaf as the wrapper for Hsey Pawt Leik might have been started around the same period of introducing tobacco by foreigners as smoking product in Myanmar around 14th-15th centuries. Foreigners (traders from east and western countries) might have introduced a smoking roll of tobacco, called Cigar (in Myanmar language - Hsey Pyin Leik, which means heavy-scented rolled of tobacco leaves). Myanmar people at that time might not like the strong taste of burning heavy-scented tobacco leaves, and thus, they modified it by reducing the amount of raw tobacco, mixing with some dried shrub-trees using as burning materials, and wrapped them in any leaf available, e.g., dried leaves of corn, bamboo, betel-nut and thanatphet, etc. and called it as Hsey Pawt Leik. Since new version of the smoking tobacco product wrapped with thanatphet is lighter in taste, stops burning when not smoking, can be re-lightable and smoking again, and also be made with locally available materials, it may have been called as Hsey Pawt Leik (lighter scented hand-rolled product), as other Asians and Westerners called it "Cheroot".

"Cheroot" is actually decended from an Indian word. Traders/travelers from the Southern India might have introduced a smoking product, called as Cheroot, wrapped in similar way to cigarette, i.e., mixture of tobacco and other burning ingredients wrapped with certain tree leaves. Therefore, westerners visiting in those days, and even now, they may have called Myanmar Hsey Pawt Leik as cheroot, but the make of the material in Indian sub-continent and Myanmar is not the same. This smoking product may have been introduced in the 14-15th centuries and still common in both urban and rural areas.

Myanmar Hsey Pawt Leik or cheroot comes with various sizes, from a small 3 inches in size (little finger size), to 6-9 inches in length or a 12" x 1" long product, and it is a cigarette-like smoking product which also included a filter. Each piece is hand-rolled and wrapped with the thanatphet leaf, with filters made up of rolled corn leaves. Regular sizes of cheroots are usually 3-5" long of pointing finger sized. Individual sticks are bundled together into 5, 10. 25, 50 or 100 pieces for retail and whole sale, but usually they are sold to consumers in loose form. Ingredient of each stick contains a mixture of processed tobacco, chopped tobacco-stalks, dried shrub-like tree leaves, wooden chips and other flavours and combustible materials and additives. In some areas of Myanmar, instead of thanatphet leaves, other leaves from corn, coconut, betel-nut, or bamboo trees, or even old newspaper sheets, are used as wrappers.

Thanatphet is the leaf of a tropical tree (Cordia dichotoma or Cordia myxa), a natural product, dried and cured. Cordia, a genus of flowering plants, belongs to the family Boraginaceae, sub-family Cordioideae. The family Boraginaceae composed of about 130 genera and six sub-families: Boraginoideae, Cordioideae, Ehretioideae, Heliotropioideae, Hydro-phylloideae and Lennooideae. The sub-family Cordioideae contains the genus Cordia, which is comprised of evergreen trees and shrubs, and about 300 species of Cordia have been identified worldwide. Cordia dichotoma G. Forst., is a perennial tree, growing wildly mostly in tropical and sub-tropical regions in India, Southern China, and Myanmar. Some scientific studies on the leaves, tree-barks and fruits of thanatphet tree had been carried out in Myanmar, India and China, and elsewhere, especially for the pharmaceutical properties.[28]

Thanatphet trees are naturally grown abundantly in the hilly areas above 2000 feet sea-level and annual rainfall of around 70-100 inches, which fits in with the weather of Southern Shan State of Myanmar. The fruits of the tree are small, rounded and the fruit jelly - thanat has the sticky characteristic and it has been used locally for sticking papers. With this specific characteristic, the fruit is called as "thanat fruit" and the leaf from the tree is called as "thanatphet". Earlier the leaves were plucked from wild trees, dried and used them as natural product, sold as wrappers for Hsey Pawt Leik/Cheroot. The cultivation of the thanatphet trees in Myanmar may have been started more than 200 years ago in the Southern Shan State, especially in Taung-gyi, Kalaw and Loilem Districts, due to high demand for making them as wrappers for Hsey Pawt Leik.

In Southern Shan State, thanatphet trees grow widely on the hillsides and are sometimes found in home gardens as well. Nowadays, thanatphet trees are plentifully cultivated and harvested in the Danu and Pa'O Self-Administration Areas, and other townships of Taung-gyi and Loilem Districts of the Southern Shan State. The leaves are known locally as the "gold" leaves, since each family has a regular annual income of around 25-30 lakhs MMK.[29]

Thanatphet leaves have been produced in the mountainous region of Myanmar and shipped to many parts of Myanmar for making Hsey Pawt Leik/Cheroot. Thanatphet trees have been specifically used as wrappers for Hsey Pawt Leik. Its cultivation and marketing information were often found in the

---

28 Khin Than Oo and Swe Swe Aye, Qualitative and quantitative phytochemical analysis of Cordia Dichotoma G. Forst, *J. Myanmar Acad. Arts Sci. 2020 Vol. XVIII. No.4A* accessed at *http://www.maas.edu. mm/Research/Admin/pdf/6.%20Daw%20Khin%20Than%20Oo(59-70).pdf*

29 Than Sein, Htay Lwin, Wai Phyo Kyaw and Aung Toe Wai (2021). *Case Study on thanatphet production in Myanmar,* People's Health Foundation, Yangon, 2021

descriptions of Government gazetteers published in the 19th century due to its importance as a revenue source for the colonial government. The recent production center is still in the Southern Shan State. Production process is labour intensive, from cultivation to finished product - Thanatphet leaves, ready for rolling for smoking tobacco product, cheroot.

The use of Hsey Pawt Leik is also depended upon the availability and price. Over 2,000 brands of Hsey Pawt Leik/cheroots are available all over the countries, and majority are of local and regional specific.

Photo: thanatphet Garden in Southern Shan State

Only few brands of cheroots are available beyond the regions/states where they are produced. After local- and foreign-made cigarettes became available abundantly and cheaply in the market after 1980s, the cheroot production except for very popular brands has declined year after year. Production data, as per Myanmar Statistical Year Book 2018, showed that there was a marked decrease in cheroot production from five billion sticks in late 1990s to around two billion sticks by 2018. Around the same period, the cigarette production is increased from 2.5 billion sticks to nearly 9 billion sticks by 2017-18. [30]

The Myanmar cheroot industry is home-based cottage industry spread out not only concentrated in and around Myingyan district but also in other parts of the country. The number of cheroot making companies/centres (Hsey Leik Khon) in Myingyan has been gradually increasing for the last few decades. Over 200 cheroot manufacturing companies/ centres are probably operating in Myingyan town. There were at least 60 large-scale companies with their own brand of cheroots with small subcontractors under them. One study had indicated that a

30 Myanmar Statistical Yearbook 2018, Central Statistical Organization, Myanmar, 2019

large-scale cheroot company can produce more than 150,000 cheroots per day.[31] In Myingyan area, most of the cheroot production sites are based in the villages, scattered around and near-by townships.

There are other cheroot production sites in majority of districts in Bago, Mandalay, Ayeyarwady and Sagaing Regions, and Shan State. Many of them have their own brand and local markets, and only a few specific brands are sold beyond their own townships and Regions. The cheroot industry in other regions of Myanmar, in general, has been decreasing or has become a sub-center depending on Myingyan. Mandalay is probably the second largest center of cheroot production and approximately 15 companies were working in 2009, but most owners said that the industry was in a downward trend. Bago was also well-known for cheroot making in lower Myanmar and approximately 20 companies were producing their own brand in 2011; most of them use ready-made materials purchased from the manufacturers in Myingyan. After millions of cigarettes being flooded in the market in late 1990s, the cheroot production, except for popular brands, has been declining year after year. Each company has acquired specific regions as their steady markets. Most of the large companies have continued to purchase cured tobacco leaves from farmers of specific villages, and each company working with different villages.

For producing cheroots, the producers provided tobacco mixture baskets to the rollers. Usually, each basket contains a mixture of coarsely grounded processed tobacco, dried tobacco leave-stalks (hsey yoe), wooden chips and other combustible materials, and other flavours and additives, cheroot wrappers (dried thanaphet leaves), labels, packaging (plastic wrappers) and other packing materials. The cheroot rollers/wrappers are manual labourers, self-employed, and usually village women who would spend their free time for rolling cheroots. Each roller would wrap the cheroot according to the standard size, prescribed by the producer. They are paid according to the number of rolls (sticks) of cheroots they have completed per day. Each roller will make bundles of rolls of cheroots and send back to the producers, who would resend them to various markets for wholesale distribution. There may be 1-2 rollers existed per each rural house and 10-20 households being assigned by the Cheroot Industry Owners in each village. Each family may earn around MMK 20-30,000.- per month on average.

Some home-made cheroots may have been wrapped with dried corn-leaves or coconut-tree leaves, or even with old newspaper sheets. Cheroots rolled with corn- leaves or coconut-leaves or papers are longer and bigger in size, mostly sold in their own locality. Since each producers have used different brand names, it is

---

31 Matsuda Masahiko (2019), *Cheroots in Myanmar: Rural Development behind the Government Policy*, Japan-ASEAN Trans-disciplinary Studies Working Paper Series No.4, January 2019, accessed at https:// repository.kulib.kyoto-u.ac.jp/dspace/bitstream/ 2433/ 236279/ 1/ tdwps_4.pdf

difficult to register them. The cheroot industries are home-based cottage industries, and the business is more of family-based, inherited nature. Majority of cheroot producers are not paying any tax for their businesses for generation. Owners do not want to reveal their production volume, number of workers, their market areas or even income. They also indicated that they have paid for medical expenses of their workers and observed no incidents of any occupational hazards. In addition, although cheroots are taxable item under the Special Good Tax Law, successive Union Tax Laws since 2016 have made exemption for those cheroot industries whose annual production is worth not more than MMK 200 lakhs.

Cheroot industries are usually family-based businesses, and production units are scattered in villages. Most of the products are also sold at specific localities. Another issue is that there is no standard pack for cheroots. Cheroots may be singly wrapped with plastic or transparent paper cover, printed with product name and/or company name. Some packs may have pictorial health warnings and tax stamps. Cheroots are usually sold in the retail market with a pack of 5 or 10 or 12 or 25 or 50, and even 100 pieces per pack. The pack may have covered with plastic or rubber ring or cotton strings. Due to this different sizes of the packs for cheroots, tax stamps have to be made for different package sizes, i.e. 10, 25 or 50. No further update on the prevalence of use of cheroot smoking was available after 2014 survey.

Smokeless tobacco

The most common smokeless tobacco (SLT) product is the raw or cured tobacco, used as part of betel quid. Chewing betel quid (Kunyar in Myanmar language) is well accepted by people of all works, and they are ambivalent to the risk of contracting cancers of the mouth, larynx, and liver.[32] A variety of SLT products are used as the main condiments of betel quid, such as dried raw tobacco leaves (yellow tobacco or hsey wah); cured or roasted tobacco leaves (dark tobacco or hsey me'); tobacco leaves soaked in water, alcohol, lime juices and honey or kept fermented for some period (tobacco water with multiple compounds or hnut hsey or hsey paung); scented tobacco drenched with honey, water, lemon juice and other ingredients (black tobacco water or hsey paung yay); and other tobacco mixtures added with varieties of fragrances (scented tobacco or hsey hmway). Some popular hsey hmway products are imported from neighbouring countries, but nowadays, being produced locally as imitated products.

A few cheroot/tobacco industries in Myingyan and elsewhere have been producing varieties of SLT products, such as dried raw tobacco leaves (yellow

[32] Sein T, Swe T, Toe MM, Zaw KK, Sein TO. *Challenges of smokeless tobacco use in Myanmar*. Indian J Cancer 2014; 51:3-7.

tobacco or hsey wah), cured or roasted tobacco leaves (dark tobacco or hsey me'), tobacco leaves soaked in water, alcohol, lime juices and honey or kept for fermentation for some period (tobacco water with multiple compounds or hnut hsey or hsey paung), scented tobacco drenched with honey, water, lemon juice and other ingredients (black tobacco water or hsey paung yay), and other tobacco mixture added with varieties of fragrances (scented tobacco or hsey hmway).

Some brands of the SLT products available in the market showed the name and place of original producers, while majority of them mentioned only the name of the products, not the sources. Data on chemical analysis of the contents of SLT products in Myanmar has not been available. In addition to the tobacco as main content which is major toxic ingredient, what other chemicals contained in all SLT products in Myanmar is unknown. Although WHO FCTC Articles 9 and 10 have called for regulation of the contents and disclosures of tobacco products, the average implementation rate of Article 9 in all Parties was around 50 per cent and that comprised mostly for smoking.[33]

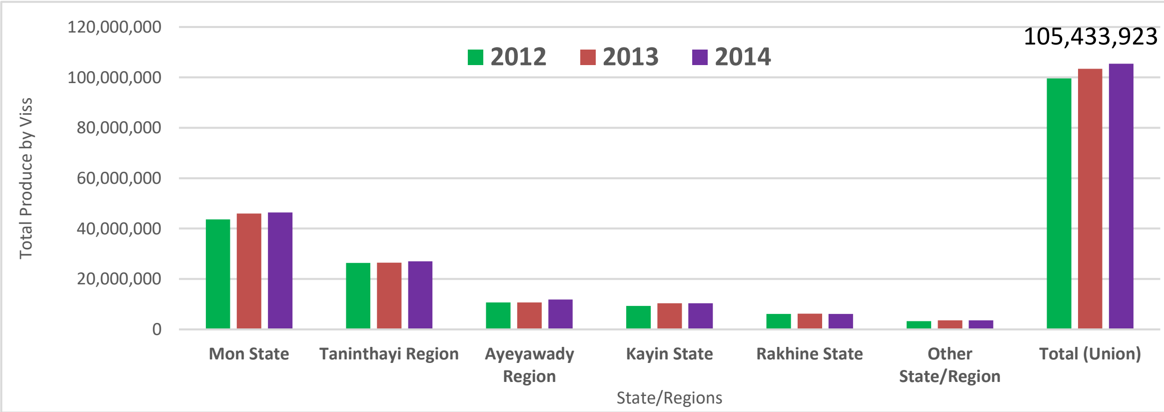
Raw or cured tobacco or other processed tobacco products (used as smokeless tobacco) mixed with areca nut (well-known cancer causing product) and other condiments, wrapped in betel leaves (kun leaves) are used for chewing as main ingredient of betel quid (called locally as Kun-yar). Despite education campaigns and ban on spitting of red-colored staining saliva in public places, many young and old people are chewing betel quid on their everyday lives till date. While the land used for areca nuts (betel nuts) remained around 200,000 acres with annual production of 100 million viss for the last 3-4 years, the land used for betel leaves have almost tripled from 10,000 acres in 2000 to 33,000 acres in 2014. Mon State is the largest producer of betel nuts (almost 50% of the national produce), and Mon State together with 4 other States and Regions (Kayin, Rakhine, Tanintharyi, and Ayeyarwady) are producing betel nuts nearly 96% of the country (See Figure 7).

Annual production of betel leaves is around 160 million viss and it is increasing each year (See Figure 8). Ayeyawady Region produces nearly 50% of overall national production, and Ayeyawady together with 3 other Regions (Mandalay, Yangon and Sagaing) and Mon State had produced almost four-fifth of the total production. Each garden of betel leaf can produce betel leaves for 3 consecutive years, and total profit of one acre garden of betel leaf is around MMK 48 million. While a small percentage of local betel leaves are exported, the bulk are for local consumption. It can be noted with increasing number of people

33 Amit Kumar, et.al. (2018), Regulation of toxic contents of smokeless tobacco products, Indian J Med Res 148, July 2018, pp 14-24, accessed at http://www.ijmr.org

chewing betel quid with tobacco, and the mushrooming of small and big kiosks selling betel quid in every street corner in both rural and urban areas in Myanmar.

Figure 7: Areca Nut Production by State/Region in Myanmar, 2012-2014

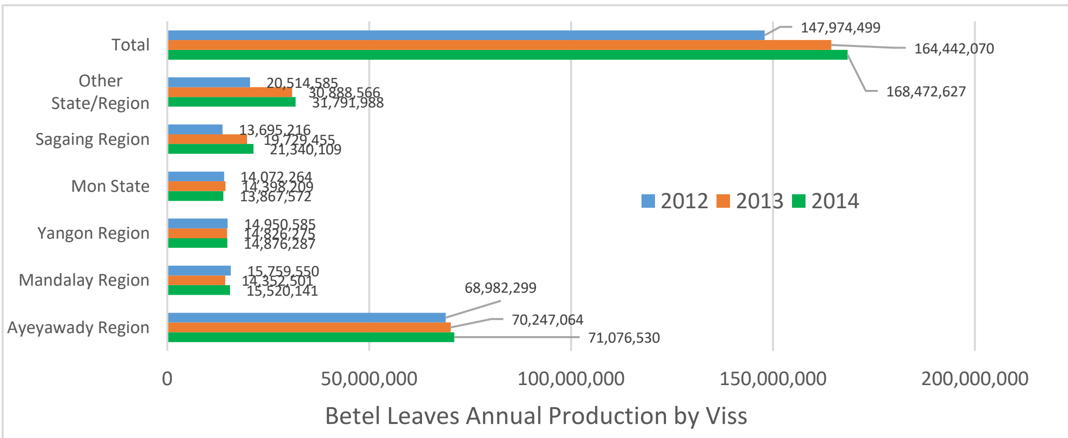


Source: Informal study on agricultural based tobacco and tobacco products, 2015

Local production of cigarettes

Local production of cigarettes started in Myanmar in mid-1960s with two state-owned cigarette factories (one each in Yangon and Pakokku) which produced around 2-3 billion sticks annually till late 1990s. The famous brands in those days were Duya (filtered) and Khabaung (non-filtered). Majority of foreign brands like 555, Marlboro, Benson and Hedges, Mild Seven, London, etc., are easily available in the market in those days through illicit or duty-free imports.

Figure 8: Betel Leaves Production by State/Region in Myanmar, 2012-2014



Source: Informal study on agricultural based tobacco and tobacco products, 2015

British American Tobacco (BAT) initially made a joint venture with Myanmar Economic Cooperation (MEC) by mid-1990s, and established 'Rothmans of Pall Mall Myanmar Ltd.' in 1995, to produce its major brand - London and other brands of cigarettes. It later went off the country due to economic sanction by western nations. A new enterprise - Virginia Tobacco Co.

Ltd., a joint venture subsidy of Myanmar Economic Holding Ltd. (MEHL) and Rothmans of Pall Mall Myanmar Pte Ltd (Singapore-based Company, linked to BAT)[34], with its factory in Industrial Estate, Mingaladon, has produced and distributed through Myawaddy Trading (a subsidy of the MEHL), the most popular brand - Red Ruby and 2 other brands - Premium Gold and Super 5 (mid-price range).

In 2013, BAT came back in Myanmar to have a joint venture with IMU Enterprises Ltd., a unit of Sein Wut Hmon Group, which has the experience of distributing local brands like Vegas and Golden Eagle.[35] This joint venture investment (later 100% foreign owned, as BAT Myanmar) has the production facility in Shwe Than Lwin Industrial Zone in Hlaing Tharya Township, Yangon, and producing major international brands like London, Lucky Strike, Kent and State Express 555 with several flavours, and a low-price brand like Richland.[36]

Japan Tobacco International (JTI) Company, having joint venture with Focus Star Co. Ltd., forming as Myanmar Japan Tobacco Co. Ltd in 2012, has its production facility in the industrial zone at Mingaladon, Yangon, and is producing major international brands like Mevius, Winston and Camel, with various flavours for local market and export.[37]

Since 2012, Hongyun Honghe Tobacco (Group) Co. Ltd. (one of the China's largest tobacco manufacturing enterprises based in Kumming, Yunnan) signed a joint venture agreement to operate the Muse Universal Cigarette Factory (later known as Global Cigarette Factory) at Muse Town in north-eastern Shan State, bordering with Yunnan Province, China, to produce and market around 6 billion sticks of cigarettes with major high price brands like Yun Yan, Hongtashan, Honghe, Xing Xing, mid-priced brand like Yuxi, Gold Land, Modern, and low-priced brand like Win in Myanmar, and also export them to China over the years.[38]

Myawady and Golden Hill (M&GH) International Company[39], with its factory in Mae-ze-gon Street, Hlaing township, Yangon, established in 2009, is producing low-priced cigarette brands like Red and Blue, Villa and Karaweik. Another company, Blue Diamond Manufacturing and Distributing Company Ltd. (subsidy of Htoo Group of companies), situated at No(4), Ngwe Pyithar Yeikthar,

---

34 Accessed at web - https://www.tobacco1.com/tobacco-suppliers/rothmans-of-pall-mal

35 Tim Mclaughlin, *BAT eyes return to Myanmar Market*, Myanmar Times, 8 July 2013 (accessed at https:// www.mmtimes.com/national-news/7417-bat-eyes-return-to-myanmar-market.html)

36 BAT re-enters Myanmar, 8 July 2013, (accessed on web - https://www.bat.com/group/sites/ UK__ 9D9KCY.nsf/ vwPages WebLive/ DO99EHHK? opendocument&SKN=1)

37 Accessed on web on 11 May 2020 - https://focusstar.com/about/

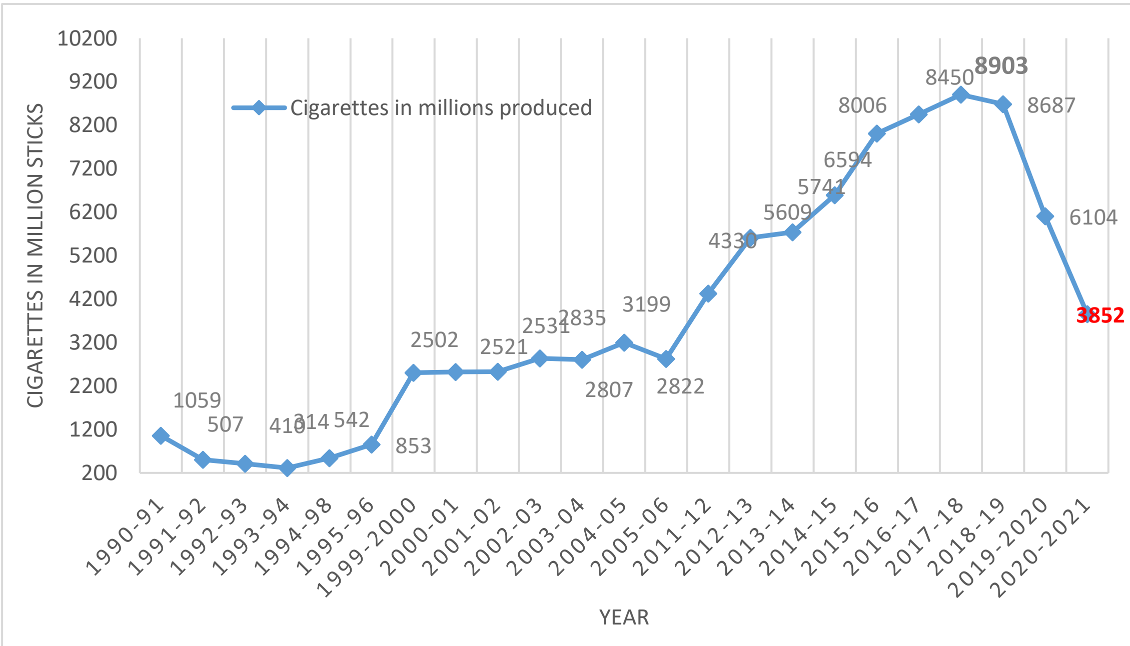
38 Accessed on web - http://english.hyhhgroup.com/en/newsview.php?arcid=273

39 Accessed on web on 11 May 2020 - https://opencorporates.com/companies/mm/154-2009-2010

Thu Mingalar Road, Mayangone, Yangon, is producing low- and mid-priced brands of Blue Diamond, Flavour, Inn-lay, Perfact, and MG (Myanmar Gold).

Myanmar Muse Kokang (MMK) factory[40] at Muse, Northern Shan State, is producing more than 16 brands of low-priced cigarettes, such as Duya, Kabaung, GEM, Golden Elephant, Boss, Lincoln, Hummer, EURO, Marcopolo, Golden Myanmar, Red Bull, etc. Most recent brand is Global. Khine Khant Hein Co. Ltd has its factory in Pakokku, Magwe Region and Myanmar Kokang Cigarette Factory in Lauk-kai, Northen Shan State are producing Kabaung brand that is popular in China.

Figure 9: Cigarette Production in Myanmar, 1990-91 to 2020-21*



Source: Myanmar Statistical Yearbook 2022, Central Statistical Organization, Myanmar, 2022

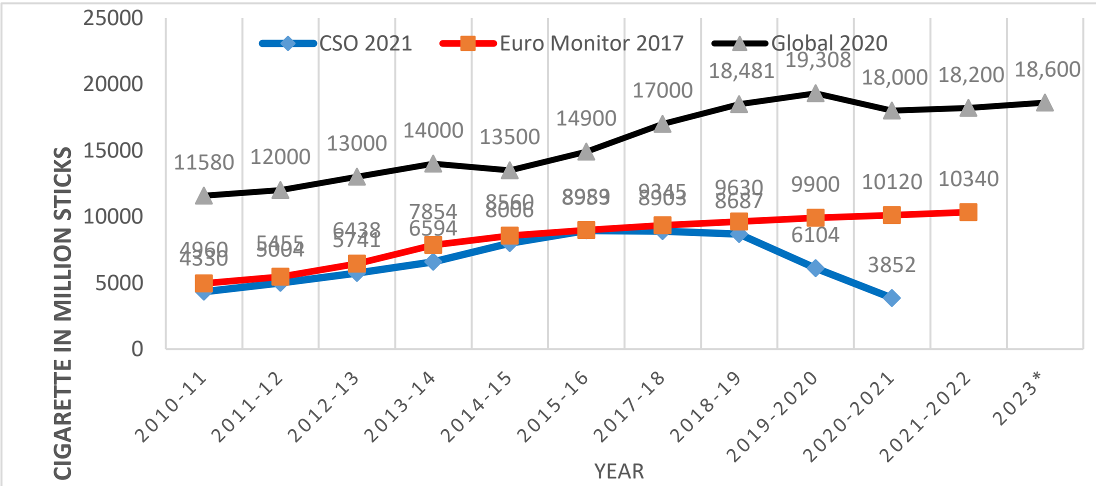
Golden Oriental Leaf Factory, situated in Pyi-Gyi-Tagon, Mandalay City, is producing low- and mid-priced cigarette brands like Duya, Duya Gold, Mount Popa, Valiant, and Valiant Mild. Another factory in Mandalay, known as Yong Fong Cigarette Factory, is producing low-priced Mandalay and Inn Lay brands. Myanmar Pi Oh Ni Co. Ltd in Lashio, Northen Shan State, produced low-priced brands such as 3G, Classy and Manton. In 2022, Royal King Land Co. Ltd in Yangon is producing new brand ORIS (red) and ORIS (blue),which is the original

40 MMK Factory at Muse, in north-eastern Shan State, had used one of its tobacco product with brand name, *Golden Elephant*, to sponsor the mini-marathon race organized by Mandalay City Mayor in December, 2017, in disguise of the same brand name for mineral water. {Note: Myanmar Tobacco Law of 2006 prohibited such sponsorship.}

product of UAE. This factory also produces new products like Lord and Capital as well.

The estimates of the cigarette production and consumption in Myanmar showed that the annual production/consumption was over 15,000 million or 15 billion sticks in 2017 and beyond. Recent estimates done by the Global Data in 2019-2023 showed that it was over 18 billion sticks per year. (Figures 9 and 10)[41]

Figure 10: Actual and Estimated Cigarette Production and Consumption in Myanmar by years and by various sources, 2010-2023*



*Source: Myanmar Statistical Yearbook 2022, Central Statistical Organization, Myanmar, 2022 and SEATCA

As of 2023, over 90 brands of cigarettes are produced by around 14 factories in major cities Myanmar. According to the global study on tobacco industry in Myanmar, London and Lucky Strike (produced by BAT) is the most sold brand by volume (around 49%). It is followed by Mevius and Winston (produced by JTI) (21.4%), Honghe brands (5.8%) and others (24.2%).[42] All major foreign brands produced locally have the cost around MMK 4000-6000/- (around 1.0-2.0 USD) per pack. The average costs of cigarette pack range from around MMK 2000-3000 (around 0.5-1.0 USD) per pack for low-end brands (3G, Classy, Karaweik or Villa), to MMK 6000-8000/- (USD 1.5-2.0) per pack for high-end illegally imported brands (Malboro or Dunhill).

Tobacco market in Myanmar was worth Myanmar MMK 200 billion in 2019. According to the official report of the Government, the quantity of cigarettes produced was around 500 million in early 1990, and had gone up to around 900 million (450 million pack of 20 sticks) by 2017-18 due to increasing number of cigarette factories in Myanmar. If this quantity of cigarettes is combined with the estimated annual production of 2-3 billion sticks of cheroots, the total annual sale

41 SEATCA (2020), *Tobacco Production in Myanmar from Global Data*, 2019

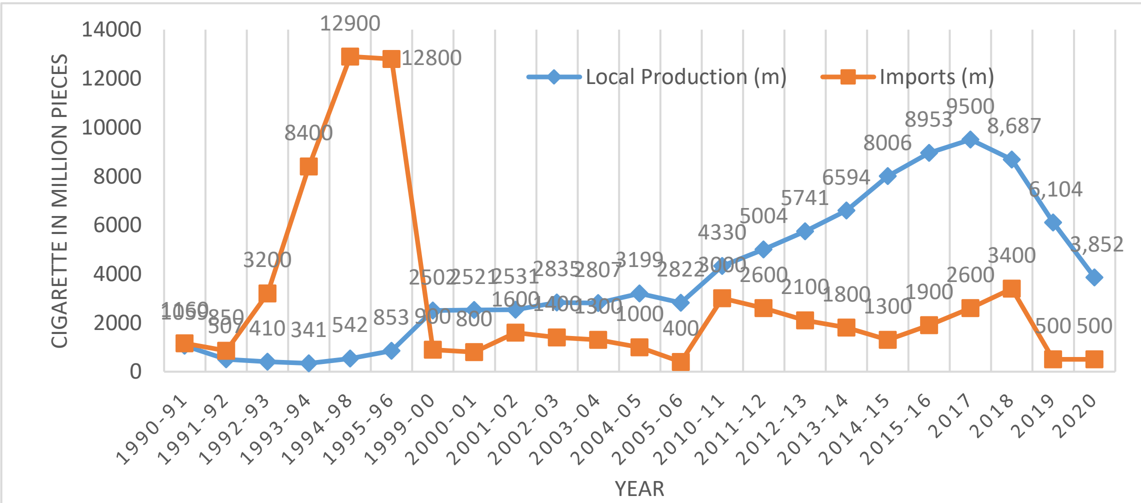
42 SEATCA (2024), *ASEAN Tobacco Atlas, 6th Edition, 2024, p3*

of smoking tobacco will be around 12 billion sticks in 2018. Some informal data showed that actual production could be double this amount.

Importation of cigarettes

Although the Government has issued a total ban on import of cigarettes, except those to be sold at Duty-Free Shops (opened at International Airports, and Hotels), many international brands like Marlboro, State Express 555, Benson and Hedges Gold, Dunhill, Oris, Degree, Viceroy and Esse (all without Myanmar tax stamp or with stamps from China, RO Korea or elsewhere) are widely available in the retail stores..

Figure 11: Cigarette Production (Local and Imports) in Myanmar, 1990-2020*



Source: Myanmar Statistical Yearbook 2022, Central Statistical Organization, Myanmar, 2022 and SEATCA

Till to date, importation of cigarettes is allowed for certain ministries, notably the Ministry of Hotels and Tourism, to arrange for selling tourists at Duty-Free Shops, and thus the importation of cigarettes increased in the 1990s and then, reduced, probably due to increased availability of locally produced cigarettes, the peak being 3,400 million sticks by 2018. (See Figure 11) Local production of cigarettes rose tremendously from 2010 onwards, reaching a capacity of nearly 10 billion sticks by 2017. During COVID-19 epidemic period, there is restricted travel for foreign travellers and thus the import on cigarettes has been dropped significantly. Singapore, China, Hong Kong SAR, Lao PDR, and Thailand are major sources for imports.

Export of cigarettes

According to the Foreign Investment Law, international and national companies are supposed to make export of cigarettes. Detail on export data is not yet known, and there is some data collected from receiving ends. It showed that the export number was increasing year after year from 2015 onwards. The export of cigarettes reached around 2,000 million sticks by 2018, and Sigapore, UAE and Cambodia are major importers of cigarettes from Myanmar.

Illicit Trade on cigarettes

Estimates of illicit trade on cigarettes or other tobacco products are controversial, as some reports indicated low incidence, while some said an increasing trend. Several brands like Marlboro, State Express 555, Benson and Hedges Gold, Dunhill, Oris and Esse, etc., are available in the open market. It was indicated that Myanmar is a transit trade place for smuggling of international cigarette brands from Middle East, China and South Korea to neighbouring countries. There was an extensive smuggling of locally manufactured cigarettes from Myanmar to China, India and Bangladesh.[43] Illicit trade is estimated to be around 15% of total consumption of cigarettes. The illicit import is at both ends of low-priced and high-priced one. High-income consumers are attracted by imported global brands such as Marlboro, Kent, which are only available illegally within the country. Myanmar has not yet ratified the Protocol for Illicit Trade Control, a protocol adopted under WHO FCTC.

Cigars and Cigarillos

Production of Cigars and Cigarillos came in around 2015, and Davidoff & Cie, Genève is the major producer/importer, and majority of these tobacco products are sold at duty-free shops and hotels. Sale is limited to western expatriates and tourists and the very richest Myanmar consumers.

Economic burden

Total estimated cost of tobacco use in Myanmar is around MMK 2.62 trillion in 2016, which is equivalent to 3.3 per cent of Myanmar's GDP that year.[44] Tobacco users usually spend a considerable proportion of their hard-earned income on tobacco and related products. They have spent more money on tobacco than the actual amount they would spend on basic necessities such as health, education, food, clothing and shelter. This tobacco expenditure could be shifted to basic food and other necessities to improve health, nutrition and wellbeing. A significant shifting of tobacco expenditure to food could greatly reduce the prevalence of malnutrition and improve the nutrition status of families.

Several studies in Myanmar during previous decades showed that poor families would benefit greatly if they shifted their tobacco expenditure to essential food and clothing. Less household spending on tobacco products and

---

[43] World Bank Group (2019), *Myanmar Overview of Tobacco Use, Tobacco Control Legislation, and Taxation*, Country Brief, World Bank, Washington

[44] RTI, MoHS, UNDP, WHO FCTC Secretariat and WHO. (2018), *Investment case for Tobacco Control in Myanmar: The Case for Investing in WHO FCTC Implementation*, UNDP and WHO, 2018

tobacco-related attributable diseases can unclock resources for the poor to potentially invest in nutritional food, children's education, better housing and other productive purchases for the household.[45]

Rough estimates in 2016 showed that with the amount of money spent on a 20-stick pack of cigarette (MMK 800.- for Red Ruby), a family of five members could buy two kilo of rice; and this could add 1100 calories per person a day which is nearly half the daily requirement.[46] Alternatively, nearly 300gm of cooking oil, 300gm of fish, chicken or beef, 6 eggs and 3 kg of lentils could be bought with the money spent on tobacco products for a day. The average consumption of tobacco per person was about 5 cigarettes/cheroots per day with a range of 2 to 35 cigarettes/cheroots.

Children as young as 8 years old are seen buying and consuming cigarettes and betel quid, prepared and sold at road-side stalls. Many young children and youths themselves are also road-side vendors, and they sell pre-packed betel quid and loose cigarettes at major traffic junctions in the cities. The availability of extremely cheap tobacco products serves to encourage their use by the poor and youths. The cheapest cigarettes in the market costed as little as MMK 250-300 per pack, while betel quid with tobacco is sold for just MMK 100 for four pieces.[47]

These are within the affordable range of low-income earners, even for teenagers. Average daily income from selling betel quid will range from MMK 10,000 to 100,000. Some SLT users chew up to 100 pieces of betel quid per day (MMK 2000/-), spending large portion of their daily income (Note: average minimum daily wage is around MMK 4000/-). If the average consumer used 20 pieces of betel quid, he or she would have been able to purchase 5 eggs or 1 kilo of rice instead. People could easily buy cigarettes and smokeless tobacco products (both domestic and imported) even in very remote villages, while they may not have easy access to basic goods and services such as essential medicines, purified drinking water, family planning materials or vaccines. Since there are an estimated of 10 million adult male and 2 million adult female, who are on average consuming betel quid worth MMK 1000/- a day, they actually would be spending MMK 12 billion a day, just for chewing and spitting out betel quid fluid.

Affordability for tobacco products

The tobacco use rate (either smoked or smokeless) among youths remained above 10% and the overall ever tobacco users (ever taking either smoked or smokeless) were more than double in 2016. Around 39% of students reported that

---

45 MoHS, UNDP, WHO FCTC Secretariat and WHO. (2019), *Policy Brief on Benefits of Tobacco Control for the Poor in Myanmar*

46 SEATCA (2018) *The Tobacco Control Atlas, ASEAN Region, 4th Edition*, September, 2018

47 MMK = Myanmar Currency, and One USD equals approximately MMK 1,350/- in June, 2020.

they had purchased cigarettes from a street vendor. Importantly, more than half (62.9%) current cigarette smokers not prohibited from buying cigarette though they were minors. Three in five (61.9%) current cigarette smokers purchased loose cigarettes as individual sticks.[48]

With the growing growth of GDP per capita in Myanmar, cigarettes are cheaper and more affordable. Majority of cigarette brands are of low- and middle-priced range (less than MMK 700/- or between MMK 700-900/-). Enforcement action on selling loose form (less than 20 sticks in pack) is also inadequate, especially at the retail level, and thus cigarette is easily accessible to youths. According to the Youth Opinion Survey on Cigarette Prices in Myanmar 2017,[49]

- 39% of youths said that cigarette price is reasonable (comparable price like any other consumable items), and 41.6% had indicated that cigarette prices are cheap;
- Majority of youths (79.4%) believed that raising cigarette price (especially price per pack of 20 sticks above MMK 1500/) will have an impact on their consumption;
- The price of rice (daily consumption of 250gm) is around MMK 150 and one egg is also at the same price. Average price of one meal for lunch is MMK 1,000. Instead of daily required meal, youths are spending on cigarettes and smoking.

Availability and Price

Measure for raising taxes and prices of tobacco products has been described as the single most effective measure for reducing tobacco consumption. Various studies around the world have shown that an increase in the price of tobacco products (especially cigarettes and betel quid) can encourage tobacco users to quit or reduce consumption. It can also prevent poor people and young adults from starting. Data showed that there is a possibility for a substantial increase in nominal retail prices of tobacco products like cigarettes from MMK 400-600 per pack to over MMK 1100 per pack.

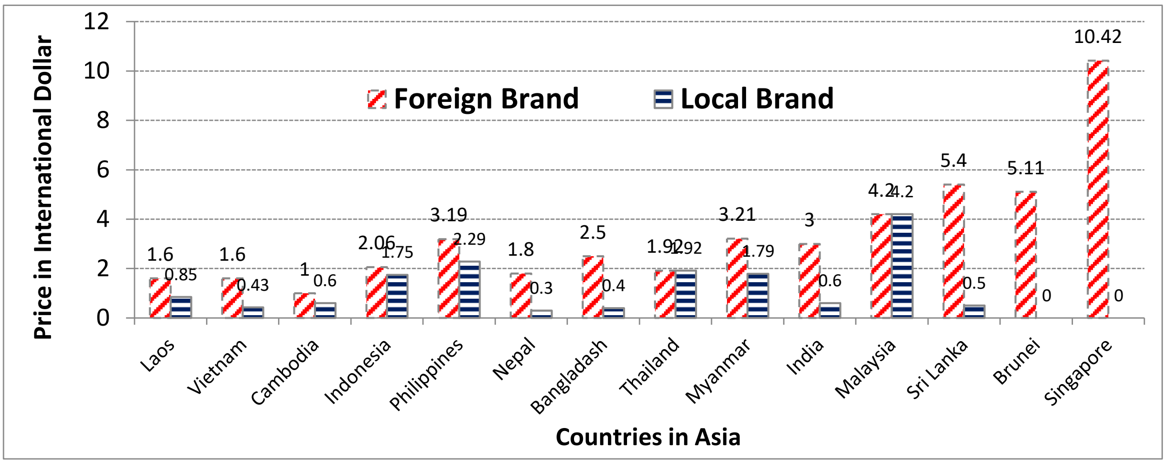
The prices for most popular local brand are also very low in many low-income countries in Asia. In these countries, when the retail price of a 20-stick pack of foreign brand was compared with local products, the foreign brands were still 2-5 times more expensive It should be noted that the tax rates of cigarettes in developed or high-income countries like Singapore are often above 65% of the

[48] Nyein Aye Tun, et.al (2017), *Tobacco Use among Adolescents in Myanmar: Global Youth Tobacco Survey*, Indian Journal of Public Health, India, 2017: 61:S54-9 (Accessed at http://www.ijph.in on September 15, 2017)

[49] People's Health Foundation (2018), *Youth Opinion Survey on Cigarette Prices in Myanmar 2017*, part of the study of Five ASEAN countries, supported by SEATCA, PHF/SEATCA, 2018

retail price, while it was between 30-70% of the retail price of cigarettes in many low-income countries. (Figure 12)

Figure 12: Retail Price in International Dollar of 20-cigarette Pack of the most popular Foreign and Local Brands in ASEAN and selected Asian Countries in 2021



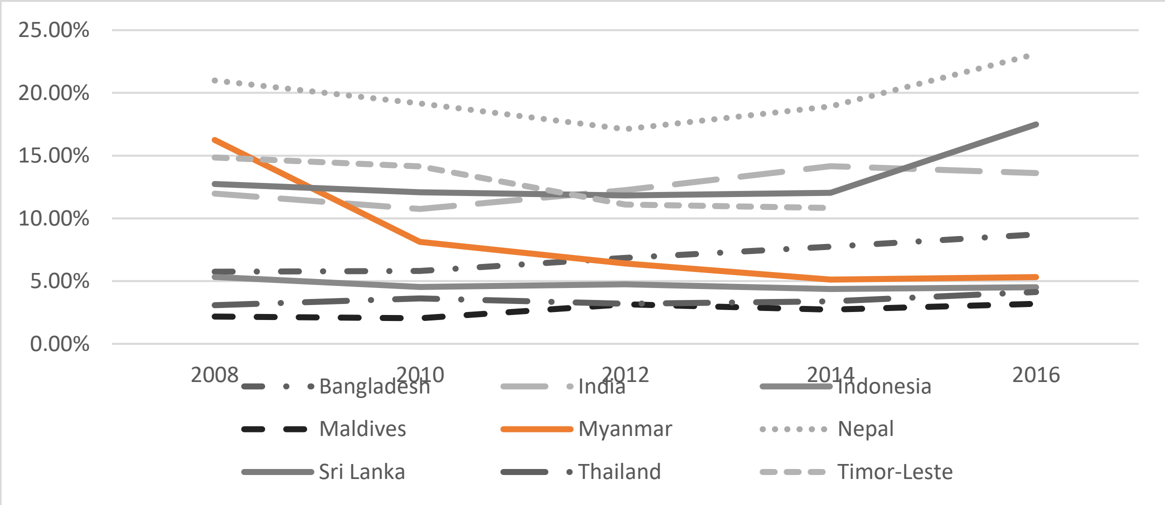
Note: The Price of Foreign Brand means the international dollar converted price of a 20-cigarette pack of Marlboro or similar high-price premium brand. The Price of Local Brand means the international dollar converted price of a 20-cigarette pack of locally available cheapest local product.

Source: ASEAN Tobacco Atlas, 5th edition, SEATCA, 2021 and World Report on the Global Tobacco Epidemic, 2015, WHO-Geneva

Two of the major economic factors driving the demand for tobacco products is the price of said products and average income levels. These two factors jointly determine the affordability of tobacco products. A change in the tobacco excise tax structure and level is a tool often used by policy makers to affect the price level of tobacco, but rarely takes into account changing average income level within the country. Increasing cigarette price are not likely to decrease demand, if the price increase is smaller than the average growth in income, making cigarettes more affordable.

Figure 13 illustrates how cigarettes become more affordable over time in Myanmar between 2008 and 2016. The y-axis reflects a measure of relative affordability, namely the percentage of GDP per capita required to purchase 2000 cigarettes of the most affordable brand (the measure of affordability used by the WHO in their bi-annual Global Tobacco Epidemic Reports). This measure takes into account differences in buying power between countries, making comparisons across the region possible. A higher value means that a product is less affordable.[50]

Figure 13: Cigarette affordability: % of GDP per capita required to purchase 2000 cigarettes of the most popular brand



Source: Data for above Figure created from World Report on the Global Tobacco Epidemic, 2015

The data showed that cigarettes became more affordable between 2008 and 2016, and that by 2016 cigarettes in Myanmar was among the most affordable in the region, similar to levels in Thailand, Indonesia and Maldives. This increase in affordability could have been driven by a rapid increase in the economic growth rate of Myanmar, coupled by a slow increase in the retail price of cigarettes. A proper analysis and decomposition is necessary to determine the precise driving factor.

Transparency on comprehensive information related to tobacco-related industries is required for effective control measures. Information about registered companies,

- how much they earned (tobacco industry profit),
- how much they pay for tax (tax payment),
- where are their main offices and factories,
- what is the annual production target and actual amount of produce (production volume and target),
- what and from where they have imported tobacco related materials,
- what proportion of this factory products sold within and exported, etc., is required for taxation policy and illicit trade control.

50 SEATCA, PHF, WHO, The World Bank Group, WHO FCTC University of Cape Town Knowledge Hub On Taxation (2018), *Myanmar Tobacco Tax Reform Proposal, 2018,* submitted at the Seminar on Tobacco Taxation, 2018, held on July 4-5 2018, Nay Pyi Taw

Tobacco Taxation

Background

In Myanmar, tax on cigarettes and other tobacco products is levied under manufactured goods based on the Burma Income Tax Act 1922 and Cigarettes Duty Act 1931 during the British Colonial period. After independence in 1948, tax on cigarettes and tobacco products was collected under successive legislation at different times, i.e., General Sales Tax Act 1949; Sales Tax Act 1952; Income Tax Law 1974; Goods and Services Tax Law 1976; Profits Tax Law 1976; Commercial Tax Law 1990, and Union Tax Law since 2014.

Under the General Sales Tax Act, 1949, local production of tobacco and tobacco products was not taxable, but importation of cigarettes and tobacco for pipes was taxed at one pence per one MMK on the proceeds of sale. Under the Sales Tax Act, 1952, tobacco products become taxable items both for sales and imports.

In 1972, the Revolutionary Council Government, in order to fit with new Constitution, had initiated reforms on various tax administrative agencies/directorates dealing with Income Tax, Commercial Tax, Stamp Duty, State Lottery, Salt Revenue, Excise, the Revenue Section of the General Administration, and the Office of the Financial Commissioner, which were existed separately, into one responsible unit by establishment of a new Department – Department of Internal Revenue (IRD), under the Ministry of Planning and Finance. From 1972 till 1976, the IRD administered NINE different types of taxes and duties, viz., (1) income tax, (2) commercial tax, (3) excise duty, (4) customs duty, (5) State Lottery tax, (6) stamp duty, (7) land revenue, (8) embankment tax and (9) tax on extraction of minerals. In 1976, the Government introduced the Goods and Services Tax (GST) Law, where all manufactured and imported cigarettes and other tobacco products were levied at 125% and 60% respectively based on the factory price or CIF value. In the same year, the Profit Tax Law was introduced and all manufacturers of tobacco products were levied accord-ing to their income and profits.

From 1976 to 1988, 10 types of taxes and duties such as income tax, goods and services tax (GST), profit tax, stamp duty, State Lottery tax, land revenue, water tax and embankment tax, excise duty, mineral tax and tax on fisheries were administered by IRD. In 1989, the Government of the Union of Myanmar (State Law and Order Restoration Council) transferred the duties of collecting five types of taxes and duties(water tax, embankment tax, excise duty, mineral tax and tax on fisheries) to other relevant departments. The Profit Tax Law, which was enacted in 1976, was revoked by the Pyidaungsu Hluttaw (Union Parliament) Law

No 1 in 2011. By 2012, IRD has been collecting only 4 ypes of taxes and duties, namely, income tax, commercial tax, stamp duty and State Lottery tax.

Commercial Tax and Union Tax

In 1990, the Government of the Union of Myanmar, after adopting the trade liberalization policy, enacted the Commercial Tax Law (Law No.8/1990) to revise its taxation on all commodities of commercial values covering local production, importation, and services. According to Section 5, Sub-section (c) of the Commercial Tax Law, special goods like cigarette, Virginia tobacco, cured tobacco, cheroot, cigar, pipe, materials for pipe, betel chewing preparations, are covered for taxation.

In 2012, the Union Parliament enacted the Union Tax Law, in which taxation on tobacco and tobacco products were included under items of special goods. Taxation rates for different tobacco products varied with the price-ranges of the products. Taxation is based on the certain percentage (as approved by the Parliament) on the ex-factory price of the commodities (ad valorem). The taxation on tobacco products since 1976 till 2015 is shown in the Table 1 below.

Table 1: Commercial Tax* on Tobacco Products, from 1976 to 2015

No	Tobacco Products	197-1990	199-1991	199-2009	200-2012	2012-2014	2015
1	Virginia Tobacco Cured	--	--	--	25	50	60
2	Raw Tobacco	--	--	--	25	50	60
3	Cigarettes	125	125	75	75	100	120
4	Cheroots	30	10	10	10	50	60
5	Cigars, pipes, all sorts	30	20	20	20	50	60
6	Piped tobacco	60	20	25	25	50	60
7	Tobacco for Betel chewing	60	30	25	25	50	60

Note: *Commercial Tax as Percentage of factory sale price value or CIF for imports
Source: Internal Revenue Department, Ministry of Finance (2017)

Globally, almost 90% of the countries levy various types of taxes on tobacco products, either as excise taxes or tobacco-specific taxes. In most countries, excise taxes account for a larger share of the price of tobacco products than any other forms of taxes. In Myanmar, taxes on tobacco products are levy as 'ad-valorem', meaning excise tax based on value of the product (usually ex-factory price or CIF value), untill the "Special Goods Tax (SGT) Law" introduced in 2016, at which tobacco taxation was done with specific tax rate on market price of the products, and there were some ad-valorem taxation system for some specific products of tobacco.

As per the global experience on ad-valorem taxation system, companies have greater opportunities to avoid higher taxes and to preserve or grow the size of their market by manufacturing and selling lower priced brands. This also makes government tax revenues more dependent on industry pricing strategies, and increases the uncertainty of the tobacco tax revenue stream. When ad valorem taxes are levied early in the distribution chain, opportunities arise for companies to set prices artificially low at the initial point where the tax is levied to reduce their tax liability, and then, they raised sale prices later in the distribution chain (known as "transfer pricing"). This has led some governments that rely on ad valorem excises to include a minimum specific excise tax to reduce this type of tax avoidance. Using retail price for taxation as the base could help solve the problem of "transfer pricing", but it creates its own challenges given the difficulties of monitoring retail prices. And, ad valorem taxation usually is based on a measure of quantity rather than value, while specific taxes are not subject to this type of abusive "transfer pricing", again increasing their effectiveness in achieving the health goals of tobacco taxation.[51]

In Myanmar, the ex-factory price of a 20-cigarette pack of most consumed brands, like 'Red and Blue', 'Red Ruby' or 'London', are ranging from MMK 60, 190 and 440 respectively in 2014, while the actual retail sale prices of these brands are MMK 250, 600 and 800. Based on available evidence for the financial year of 2013-14, the level of tobacco tax was just MMK 68/pack or only 11% of the retail price. This is well below the tax levels in neighboring ASEAN countries which have an average of above 40% except Cambodia and Lao PDR. It is also well below the average for all low income countries (LIC) globally, where excise tax accounts for 37% of the retail price of cigarettes on average.[52]

Low cigarette taxes leading to low prices have contributed to an alarming expansion in consumption by youths. The quantity of cigarettes for local consumption increased by 45% from 475 million to 693 million packs between 2012 and 2014. Latest estimates for cigarette production showed around 10 billion sticks (around 500 million packs of 20 sticks) by 2018. Furthermore, the use of traditional tobacco products such as cheroots and betel quid remains very high in Myanmar, that make challenging tax collection from this informal sector.

In January 2016, the Union Parliament has passed two laws on taxation, i.e. Special Goods Tax Law (Law No.11), and the Union Tax Law (Law No. 22), that made changes on taxation (rates and administration) for tobacco and alcohol products as special goods. There are 7 items on tobacco products, i.e. (1)

---

51 World Health Organization (2010), *WHO Technical Manual on Tobacco Tax Administration*. Geneva (http://www.who.int/ tobacco/publications/tax_administration/en/index.html)

52 World Health Organization, *WHO Report on the Global Tobacco Epidemic, 2015: Raising tax on tobacco*. WHO, Geneva, 2015

cigarettes, (2) tobacco (raw), (3) Virginia tobacco, (4) cheroots, (5) cigars, (6) tobacco products for pipes, and (7) tobacco products for betel quid. These products are levied based on the retail price, some specific and some ad valorem. Cigarettes are taxed with specific price for each stick in 4 tiers, classified on retail price per 20 sticks pack. In 2017, the tax rates had been increased with minor adjustment only, and introduced specific tax rate for cheroots in 2 tiers of prices.

With the Union Tax Law of 2018, the tax rate for cheroots has changed from 2 tiers to a single tier with 25 pyar (0.25 MMK) per stick as specific tax rate. Other products were still collected on specified tax rates based on retail price with some changes. Retail prices for each item of specific good have been established by a committee in the IRD, according to the prescribed procedures ruled under the Special Goods Tax (SGT) Law. Table 2 showed the taxation rates for different tobacco products levied under the Union Tax Laws of 2018 to 2024.

Import duties

For imported tobacco, the import duty (customs tax) differs for various types of tobacco products. Import of cigarettes to Myanmar is not allowed, except those imported for sale at duty-free shops and hotels. Customs duty is payable for the import of raw materials used in the production of cigarettes including tobacco leaf, paper, filter, etc. An import tariff of 30% on the CIF value of imported Virginia and cured tobacco, and the cigarettes is levied (note: before 1997, this tariff was 300%). In addition to customs duty, commercial taxation is also applied to imported cigarettes and raw tobacco, levied at 7.5% on landed costs (the customs tariff plus CIF value of the imports). Under ASEAN Free Trade Area (AFTA) Agreement, tariff of 5% for cigarettes and 3% for tobacco have been set currently and negotiations are underway to arrive at zero tariff.

Income tax

Any industry that produces cigarettes/cheroots, being registered under the Company Act, is liable to pay both commercial tax and income tax. State-owned or other domestic companies (local owners and multinational companies residing in Myanmar) that produce cigarettes are subject to 30% income tax, while non-resident foreign-owned companies are subject to 35% income tax. Cheroots, cigars, piped tobacco and tobacco leaves are produced by small-scale cottage enterprises, while tobacco product for betel quid is produced by local factories. Commercial tax and income tax are levied on all tobacco products sold by these enterprises ranging from 0%-50%, depending on the total sales value (cost of production plus overhead expenses).

Table 2: Tax Rate on Cigarettes and other tobacco products under the Union Tax Laws, 2018 to 2024*

Sr No	Description of Specific Goods	Market Price Level*	Specific Tax Rate (2018)	Specific Tax Rate (2020)	Specific Tax Rate (2021 to 2024)*
1.	(a) Cigarettes of all sorts	Sale price of packet containing 20 sticks not exceeding 400 MMK (2016 & 2017) or 500 (2018), 600 (2020), or 700 (2021) (2024)	4 MMK per stick	9 MMK per stick	10 MMK per stick
	(b) Cigarettes of all sorts	Sale price of packet containing 20 sticks from 401 to 600 MMK (2016, 2017 & 2018), 601 to 800 MMK (2020), or 701 to 900 (2021-2024)	9 MMK per stick	18MMK per stick	19MMK per stick
	(c) Cigarettes of all sorts	Sale price of packet containing 20 sticks from 601 to 800 MMK (2016, 2017 & 2018), 801 to 1000 MMK (2020), or 901 to 1100 MMK (2021-24)	13 MMK per stick	23 MMK per stick	24 MMK per stick
	(d) Cigarettes of all sorts	Sale price of packet containing 20 sticks from 801 – 900 MMK and above (2016, 2017 & 2018), 1001 MMK and above (2019), or 1101 MMK and above (2021) (2024)	16 MMK per stick	26 MMK per stick	27 MMK per stick
2.	Cheroots	2016, 2018, 2020, 2021 & 2024	25 pya per stick	0.80 MMK per stick	ONE MMK per stick
3.	Tobacco Raw	2018, 2020, 2021 & 2022-24	60%	60%	60%
4.	Virginia Tobacco	2018, 2020, 2021 & 2022-24	60%	60%	60%
5.	Cigars	2018, 2020, 2021 & 2022-24	80%	80%	80%
6.	Piped tobacco	2018, 2020, 2021 & 2022-24	80%	80%	80%
7.	Tobacco products for betel quid	2018, 2020, 2021 & 2022-24	80%	80%	80%

*Note: Union Tax Law 2024, State Administrative Council Law 23/2024, 29 March 2024

Tax exemption

One important clause in the Union Tax Law 2017 (similar clauses are also in 2018, 2019 and 2020)[53] is the exemption given to the producers of tobacco leaves, cheroots and cigars, that they could be exempted from paying the Special Goods Tax, if the cost of total production is not more than MMK 200 lakhs (USD 15,000/-). There is also an exemption clause given to given to the producers of tobacco leaves, cheroots and cigars, that they could be exempted from paying the commercial tax, if the cost of total production is not more than MMK 500 lakhs (USD 37,500/-).

This tax exemption practice provided to the local tobacco industries is conflict to the principle laid down in WHO FCTC Atricle 5.3, i.e., "In setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law."

WHO FCTC Article 5.3 Implementation Guidelines specifically recommended that the Parties should not provide incentives, privileges or benefits to the tobacco industry to establish or run their businesses, and provide any preferential tax exemption to the tobacco industry. The exemption clauses of the Union Tax Law are conflicting these principles guided by WHO FCTC and they also provide opportunity for the industries to avoid/evade taxation by dividing the companies under different names.

Tax stamp

In Myanmar, the tax labels (tax stamps) have been used on commodities (spirit/ liquor, beer, wine, cigarette and other tobacco products, and imported purified water) since April 2007, in order to identify the quantity of their sales and to control tax evasion and smuggling. All foreign-brand cigarette packs legally imported and all tobacco products produced locally, must carry the tax stamps. Present tax stamps are paper-based and they are issued free to the companies, who will later reported to respective tax administration of the quantity they have used, and paid necessary tax. Myanmar has introduced new tax stamps with QR code for track and trace since April 2021, in order to strengthen tax administration. New Tax stamps are put on cigarettes, cheroots and cigars, not on other tobacco products.

Tax administration

The Internal Revenue Department (IRD) under the Ministry of Finance is directly responsible for collection of taxes in 5 areas: (1) income tax; (2) profit tax; (3) customs duties; (4) commercial tax; and (5) lottery. General Administration

53 Union Tax Law 2017 (Law No. 14 of the Union Parliament, 2017), dated March 1, 2017, Article 12

Department under the Ministry of Home Affairs is responsible for tax collection for land, mining, excise (for alcoholic beverages), electricity and water supply, etc.; and there are other ministries responsible for taxation on forest and rubber products, licensing for transportation, road tax, etc. under their jurisdiction. Tax collected annually from 2009 to 2014 for 3 tobacco products is shown in Table 3, which indicates that the tax revenue has increased every year. Tobacco companies pay taxes on their products in advance for the whole year. The total declared amount of cigarette packs to be produced in 2014-15 financial year was around 461.8 million packs, up 27% compared to 2013-14 Financial Year (FY). The IRD had collected MMK 30.96 billion in taxes for the 362.5 million packs produced in 2013-14 FY.

Table 3. Tax Collection on the Producer of Cigarette, Cheroot and Tobacco 2013-2014 to 2016-2017 Fiscal Years (MMKs in Million)

	Types of Tax	**Types of Goods**	**2013-2014 Fiscal Year**	**2014-2015 Fiscal Year**	**2015-2016 Fiscal Year**	**2016-2017 Fiscal Year (Until July)**
A	Commercial Tax	Cigarette	6594.355	8184.899	15572.387	81.850
		Cheroot	77.540	76.355	77.779	19.295
		Tobacco	0.357	0.429		
Total			6672.252	8261.683	15650.166	101.145
B	Income Tax	Cigarette	177.616	307.215	429.462	7.937
		Cheroot	32.71	35.616	34.260	1.224
		Tobacco	1.728	0.842	0.063	
Total			212.054	343.673	463.785	9.161
C	Specific Goods Tax	Cigarette				22117.348
		Cheroot				
		Tobacco Products				26.136
Total			0.000	0.000	0.000	22134.483
Sum of Tax			6884.306	8605.356	16113.951	22253.79

Source: IRD/Myanmar

Rothman of Pall Mall Myanmar Pte. Ltd, the producer of locally popular cigarette brand, Red Ruby, had produced 329 million packs in 2013-14, and paid MMK 300.6 billion in commercial and income taxes. For 2014-15 FY, it had used 344 million tax stamps and paid MMK 31.3 billion for tax stamps alone. Myanmar-Japan Tobacco Co. Ltd. that produces Mild Seven cigarette brand in Myanmar had paid in advance taxes of MMK 262.5 million for 2014-15 FY, while BAT Myanmar, that produces London and Lucky Strike brands, had paid MMK 4.55 billion in advance for tax stamps.[54] According to this, tobacco companies had paid more in commercial tax and income tax than in tax stamps. Thus, the taxation authority

54 Htun Htun Minn (2014), Tobacco production in Myanmar to go up 27pc in 2014-15 FY, *Myanmar Business Today*, Vol. 2 Issue 32, August 2014

needs to collect more on tax stamps, by not giving tax holiday to certain companies.

Other taxation

There is no agricultural taxation specific to tobacco and its products, except for general land and water use taxation, which is very minimal. Ministry of Finance in Myanmar is planning to introduce the value added taxation (VAT) system in a phased manner over 10 years period. Myanmar Internal Revenue Department is involving on rising taxes on tobacco products by transforming current commercial tax into a new form, which is a mix of turnover tax and some features of VAT and GST or VAT alone whichever is appropriate with national economy.

Dedicated Taxation

For over 30 years, OECD countries such as Australia, Rep. of Korea and the United States have adopted different forms of earmarked or dedicated taxes from a certain proportion of general tax revenue, usually from the tax levied on tobacco, alcohol, lottery and/or gambling (sin-tax[55]), in addition to the usual allocation of funds for public health interventions.

While the main purpose of the dedicated tax is to increase the general revenue to be used for general public health expenditure, in many cases earmarked taxes have been used to reduce or eliminate the consumption of harmful consumer products (usually alcohol, tobacco and sugar). In the ASEAN region, Thailand has applied a 2% surcharge tax on tobacco and alcohol products since 2001 to be used as Thai Health Promotion Fund managed by Thailand Health Promotion Foundation (Thai Health). Vietnam and Lao PDR have established tobacco control fund, generated from the revenue collected as specific tax on cigarettes since 2016.

The rationale for this extra-taxation is that excessive consumption of harmful products is detrimental to one's self, and also incurs additional expenses and burden for families, the government and society as a whole. The revenue collected is therefore spent on health promotion including tobacco control, social welfare, sports and education.

Some argue that dedicated taxes place an extra burden on the poor rather than helping them. However if the overall tax is sufficiently high and reflected in more expensive tobacco products, it will discourage the poor from purchasing them. In many cases, ministries of finance are reluctant to earmark taxes for a

55 *Sin-tax* is the tax levied on items that are culturally disfavoured but are nonetheless legal and widely consumed. In many countries it is almost exclusively referred to taxes levied on tobacco, alcohol, and lottery and gambling. Attempts are made to expand the taxable items to include unhealthy food, including high sugar food items.

particular purpose.[56] The main problem hampering governments in developing countries from doing more for public health is the lack of funds and resources. Thailand's experience in dedicated tobacco taxes has demonstrated that it works to secure sustainable funding for supporting long-term health promotion programs. WHO has also advocated for the introduction of dedicated tax or sin-tax in Myanmar, more than two and half decades ago, to generate additional revenue for health, especially for health promotion and prevention and control of priority diseases.[57]

Myanmar has some experience in introducing specific tax earmarked for development activities. It relates to the taxation of transfer of property in Yangon and Mandalay cities, where 2% of property transfer tax has been retained by the respective City Development Authorities for developmental activities of their respective cities. Similarly, 5% of the revenue collected for transfer of property in other places has been kept for local development. In addition, there are instances for establishing special funding mechanism(s), managed by a specific body.

With this experience, there is a possibility of advocating on the introduction of specific surcharge taxation on tobacco products and a proportion of such surcharge could be dedicated towards the prevention and control of tobacco use and other health promotion activities. In 2016, the Union Government has used the revenue, generated from the commercial tax of 5% of sales and services from telecommunication, for education development. To control tobacco use, an integrated social, cultural and economic policy that includes taxation, must be developed so that a systematic set of effective measures can be implemented.

Marketing and Sale

Myanmar Tobacco Control Law of 2006 stipulates a total ban on advertisement, free distribution, handing out or giving as present goods and sponsoring or rendering service to hold athletic game, funfair or exhibition or any welfare activity. The total number of smokeless tobacco users and cigarette smokers has rapidly increased even after the law, reflected by mushrooming small and big kiosks selling cigarette and betel quid (with tobacco) on every street corner and cigarette stands in every tea-shop both in rural and urban areas.

These kiosks have posters on sale promotion for various brands of cigarette and other tobacco products. Unlike other countries, tobacco products are freely displayed and sold openly with different way of advertisements at the points of sale. With 4-5 kiosks at each street corner in the busy parts of the town, these

56 EP Mach & B. Abel-Smith (1983), *Planning the finances of the health sector - A Manual for Developing Countries,* WHO Geneva, 1983

57 Abel-Smith B. (1994), *Health Financing in Myanmar,* Assignment Report, October 1994, WHO SEARO (SEA/Econ/12)

kiosks/vendors are the sources of constant advertisement and sales promotion, usually controlled by the wholesalers.

At present, labeling on all tobacco products with picture and text warnings on health is regulated under the ministerial notification issued in February, 2016, and the new ministerial notification on standardised packaging and labeling was issued in April 2021. All tobacco products carry labels indicating that the sale of cigarettes to under-18 years is prohibited. According to the Myanmar Tobacco Control Law, the notice indicating that "the sale of cigarettes to under-18 years is prohibited" should be displayed at the front desk of all sale counters at point of sale. Cigarettes and SLT products are sold in loose form, without any information on the origin of the product or the disclosure of contents. In some supermarkets, ready-made betel quid preparations wrapped in plastic pouches in metal containers are sold as refrigerated items.

Tobacco Taxation Loss

Tobacco Tax Modeling developed by WHO and the WHO FCTC Knowledge Hub is based on the well-established economic relationship between the demand for cigarettes and cigarette prices, as well as the epidemiological link between cigarette consumption and premature death. As such it can predict the impact of higher taxes on cigarette consumption, the tax revenue and public health. There are several tobacco tax models developed by WHO and WHO FCTC Knowledge Hubs.

The analysis was made for Myanmar using the TETSiM model developed by an economist at the University of Cape Town (UCT), one of the WHO FCTC Knowledge Hubs. It is a simple tax simulation model programmed in Excel software, where all model parameters such as the smoking prevalence, the population size, the GDP growth, inflation, existing tax rates, etc. are user-determined. Using the price and income elasticities of demand, the model calculates the likely changes in cigarette consumption, smoking prevalence and excise tax revenues due to an excise tax change. The model is also applicable to other countries that levy specific, ad valorem, or mixed (specific and ad valorem) excise taxes. Tax Administration personnel from the Internal Revenue Department and the staff of the Tobacco Unit of the Department of Public Health have been trained to use this model, to be applied for Myanmar. The country-specific TETSiM models for Myanmar, Cambodia, and Indonesia were developed by the UCT staff, specifically for this analysis organized by SEATCA to review the revenue loss.[58]

58 Ross, H. (2021). *Lost Funds: A Study on the Tobacco Tax Revenue Gap in selected ASEAN countries.* Southeast Asia Tobacco Control Alliance (SEATCA), Bangkok, Thailand

Cigarette Tax Loss

Myanmar relies on a complex tax structure with 4 tiers that leaves room for the industry to avoid taxes by simply changing prices, or by convincing the government to increase the price tier brackets, ever since the Special Goods Tax (SGT) Law and the Union Tax Law passed in 2016. The presence of the multiple tiers also promotes brand substitution in response to a price/tax increase as opposed to quitting smoking. This not only leads to lower tax revenue, but also jeopardizes the public health of the population and results in many premature deaths.

Even though the Special Goods Tax (SGT) rates for cigarettes have been increasing annually since 2016 with the exception of 2018, the changes in the price tier brackets resulted in lower tax for some cigarette brands. The 2019 tax increase signaled an attempt to bring the 4 tiers closer together as the tax doubled for the cheapest cigarettes and went up by 56% for the most expensive brands. However, the price tier brackets have also increased. There seems to be no plan to update or amend the 2016 SGT Law in terms of the tax structure.

The sale of imported cigarettes is officially illegal in Myanmar with the exception of those imported for duty-free shops and hotels. These imported cigarettes are levied import duty of 30% of CIF, the SGT, a Commercial Tax of 5% and an Advance Income Tax of 2%. All imports are also subject to a license fee and 0.5% special landing charge. The license fee is payable on the CIF value at a minimum of MMK 250 for a value up to MMK 10,000, and at MMK 50,000 for a value over MMK 10 million, although during the COVID-19 emergency, this rate was changed to a minimum of MMK 30,000 to raise funds.

To calculate the impact of the 2018 tax freeze accompanied by the increase in price tier brackets, here is an example of the most popular cigarette brand Red Ruby. Red Ruby costed about MMK 850 per pack in 2018. As a result of the 2018 tax change, this brand moved from the top 4th tier to the 3rd tier where it paid only MMK 13 per stick as opposed to MMK 16 per stick in the previous year. The tax difference of MMK 60 per pack was multiplied by the market volume of Red Ruby to obtain the revenue gap.

The analysis showed the impact of the 2019 tax increase that was accompanied by the increase in the price tier brackets. The price increase on Red Ruby brand was (MMK1000 – 850= MMK 150) per pack. The tax for this brand went up by (MMK 22 –13= MMK 9) per stick, or MMK 180 per pack. However, the tax change in 2018 provided MMK 60 of extra profit to the Ruby Red due to the tax decrease. This extra profit was decreased by MMK 30 per pack in 2019, even though there was still MMK30 extra profit for each pack compared to 2017. The 2019 tax loss on Red Ruby was similar to the 2018 tax loss.

To estimate the revenue loss due to the failure to simplify the tax system, a tax simulation model TETSiM was employed to study the impact the tax changes proposed by the tobacco control advocates. These changes consist of higher SGT taxes and a reduction from the current 4 tiers to 3 tiers in 2019, and reduced to 2 tiers in 2020. The model starts with year 2018 using the 2018 tax rates and the size of cigarette market by tiers. It then applies tier specific price elasticities of demand (ranging from -0.5 for the lowest tier to -0.2 for the highest tier) and the income elasticity of demand (+0.5) to calculate 2019 and 2020 cigarette consumption following a tax simplification path. The economic growth as reported by the World Bank serves as a proxy for the income.

The impact of the 2018 change in price tier brackets on the revenue gap for Red Ruby brand showed that it was levied (16*20= MMK 320) tax in 2017, but only (13*20= MMK 260) tax in 2018. Despite the tax reduction, the price of the brand remained unchanged in 2018. Since Red Ruby accounts for about 40% of the market by volume, this change resulted in MKK 10.83 billion revenue loss (USD 8 million) for Red Ruby alone.

The impact of the 2019 tax change on the revenue gap for Red Ruby brand showed that it was levied (22*20= MMK 440) tax in 2019. If it would stay in the top tier, it would have been levied (26*20= MMK 520) tax in 2019. Since Red Ruby accounts for about 40% of the market by volume, this change resulted in MKK 14.44 billion revenue loss (USD 9.5 million) for Red Ruby alone. The model reveals that the combined tax loss in 2019 and 2020 was MMK 440.18 billion (USD 309.5 million) compared to the year 2018, the baseline.

Cheroot Taxation Loss

Cheroots remain the main alternative to the manufactured cigarettes, and still popular in rural and peri-urban population. Most recent estimates was around 25 billion sticks annually. There are at least three sources of cheroots tax revenue gap.

The first occurred due to the 2018 tax reduction. Keeping in view of the cheroot market volume of 25 billion pieces per year and two assumptions (the average tax rate of MMK 0.75 in 2017 and no pass through of the tax cut as observed in the case of Red Ruby) to calculate this revenue loss. The second source of the tax revenue gap is the low tax rate. To calculate the revenue gap, the cheroots market volume and the 2020 tax rate of MMK 0.80 per stick (the tax represents about 5.3% of the retail price given the average cheroot price of MMK 15 per stick) are applied and the excise tax was calcukated that represented 70% of the cheroots price as recommended by the WHO. While calculating the tax gap, it was noticed that the actual SGT revenue from cheroots of MMK 786.34 million (Table 9) was much lower than the expected tax revenue in 2019. By subtracting the expected and the actual tax revenue on cheroot, the third source of the tax gap due to inadequate tax administration was obtained. The revenue loss due to 2018 tax reduction on cheroots was MMK12.5 billion (USD 9.3 million).

This was calculated as:

Volume of 25 billion sticks per year x Tax reduction of MMK 0.50 per stick = MMK 12.5 billion (USD 9.3 million)

The revenue loss due to low tax rate reaches MMK 547.5 billion (USD 385 million). If Myanmar imposes the WHO recommended tax on cheroots, it could have collected as much as MMK 567.5 billion (USD 399 million) in SGT on cheroots in 2020.

The actual SGT revenue from cheroots in 2019 was MMK 786.34 million. However, the tax authority should have collected about MMK 18.75 billion given the market volume and the 2019 tax rate of MMK 0.75 per stick. This means a tax gap of MMK 17.96 billion (USD 11.75 million) compared to the amount expected if all cheroots are taxed according to the current law (Table 7). It means that only 4.2% of the cheroots sold in Myanmar are being taxed according to the law.

Total Tax Loss

The cheroots market is the source of the largest revenue gap in Myanmar. This is due to the failure to impose the WHO recommended tax rate of 70% of retail price that leads to MMK 547.5 billion (USD 385 million) revenue loss every year. Additional loss is due to the inability to collect the applicable taxes on the cheroots. Here the tax gap reaches MMK 17.96 billion (USD 11.75 million) per year, because only about 4% of cheroots are being taxed properly. The lowering of the cheroots tax rate in 2018 costs the government additional MMK 12.5 billion (USD 9.3 million) in that year.

Despite the relatively low popularity of cigarettes in Myanmar, the tax loss amounted to MMK 440.2 billion (USD 309.5 million) in 2019 and 2020. The size of the tax loss in the cigarette market reflects higher prices compared to that of cheroots as well as the failure to follow the best practice in cigarette taxation that would make cigarette smoking less affordable. Additional tax loss of at least MMK 25.3 billion (USD 17.5 million) occurred due to changes in the cigarette tiers prices.

Combining the cheroots (MMK 565.5 billion) and cigarette (MMK 327.3 billion) tax loss in 2020 results in an annual tax revenue gap of MMK 892.8 billion (USD 625.9 million), or about 0.8% of Myanmar's GDP.

Myanmar is currently in the process of developing a tobacco tax roadmap as a long-term tobacco control strategy.[59] This roadmap is projected to lead to a unitary specific tax rate for cigarettes and to a higher share of GST in retail price for all tobacco products. The sooner Myanmar adopts this roadmap, the earlier it can start collecting the much-needed tax revenue for national development and reduce the human suffering from tobacco use.

Policy Shift on Taxation

Policy reforms that simplify the commercial tax for cigarettes would offer wins for revenues, tax administration and health. The current ad valorem commercial tax is not effective at efficiently raising revenues and curbing smoking. The low incidence of taxation in the final retail prices suggests that either the basis of taxation is too low due to under-declaration of the ex-factory price, or that significant parts of sales are not taxed.[60]

Both global and regional experience shows that specific taxes are more productive and easier to administer, especially where tax administration is a challenge. Myanmar should implement a unitary specific rate for cigarettes under the Union Tax Law for the coming Budget years. These unitary specific tax rates should be revisited to catch up with inflation and economic growth. It is fully consistent with the guidelines for implementation of Article 6 (tax and price measures) of the WHO FCTC. Preliminary analysis suggests that a unitary rate would both significantly increase revenues, but also have a positive health impact by curbing smoking. A transition to a simpler unitary rate would also allow Myanmar to manage taxation across both the traditional cheroot sector and white cigarettes.[61]

Conclusion

Similar to the experiences of ASEAN and other Asian countries, Myanmar too has a long tradition of tobacco use introduced by weatern foreign travellers since 15th century. Tobacco use, especially among youths is still very high in Myanmar. While extensive education campaigns have been conducted since 2002, and especially after the national legislation on tobacco control came into effect in 2007, more works need to be done to curb the tobacco epidemic.

---

59 SEATCA (2019). *SEATCA Tobacco Tax Index: Implementation of WHO Framework Convention on Tobacco Control Article 6 in ASEAN Countries, 2019*. Bangkok. Thailand.

60 Mark Goodchild (2015), WHO, Personal discussions at *National Seminar on Tobacco Taxation Modelling and Taxation Reform in Myanmar, 22 May 2015*

61 SEATCA (2017), *Maximizing Tobacco Tax Reform in Myanmar, Policy recommendations from the Southeast Asia Tobacco Control Alliance (2017),* submitted to the concerned ministries and discussed at the Seminar on Tobacco Taxation, 2018, held on July 4-5 2018, Nay Pyi Taw, Myanmar

Strengthening tobacco legislation

Existing national tobacco control legislation, which covers mainly demand reduction, needs to be upgraded to become a comprehensive legislation in accordance with the international health treaty - WHO FCTC, and its guidelines, and also in harmony with other ASEAN countries.

Demand reduction measures such as raising taxation on tobacco products, improving the regulation of tobacco products contents and disclosure, and providing large pictorial warnings on tobacco packs (as per relevant WHO FCTC Guidelines) need to be strengthened. Additional measures relating to the reduction of the supply of tobacco and tobacco products such as elimination of illicit trade in tobacco products, provision of support for economically viable alternative activities to tobacco farmers, are needed. To ensure that the advertisement and promotion of tobacco products at the points of sale are banned, the legislation needs to be strengthened to include clauses on proper packaging and labeling, a total ban on pack display, and a more visible warning on tobacco products at points of sale.

Raising tax to promote health

Consistent favourable economic growth in Myanmar in the last few decades provides an opportunity for strong public support to allocating more financial resources to health sector, including health promotion activities. It gives good ground to reorient and increase quality of life through cost-effective interventions on primary prevention of risk factors, notably tobacco, alcohol, unhealthy diet, obesity and sedentary life styles.

Appropriate price and tax measures should be implemented to raise prices of tobacco products, because it is the most effective way to reduce consumption. Price and tax measures should aim at increasing prices harmoniously for all tobacco products, both local and imported, in order to prevent substitution.

In addition to price and tax measures, sale of smokeless tobacco products should also be brought under regulatory measures, including creating awareness about the dangers of using these products, and licensing. Myanmar has to explore potential feasibility to establish innovative sustainable financing for health promotion by introducing earmarked taxation of tobacco and its products, necessary for effective implementation of tobacco control measures.

Myanmar needs to consider increasing investment for health promotion utilizing general public revenue and specific taxation. Although the health sector plays a key role in providing leadership to frame policies and build partnerships for health, the core responsibility for addressing the determinants of health rests with other ministries and whole of government.

7.Recommendations

The following policy and strategic actions are recommended:

1) Effective policy and legislation: National policy as well as appropriate amendment of legislation on effective tobacco control on use of all smoking and smokeless tobacco products, aiming to end its use, need to be developed, within the guidelines of WHO FCTC. The amended national legislation should include such clauses on raising taxation on all tobacco products, improving the regulation of tobacco products contents and disclosure, providing standarzed pictorial health warnings on tobacco packs, a total ban on pack display including at point of sale, and also to cover ban on all electronic smoking devices.

2) Evidence for policy: There is a need to develop concept papers to support multi-sectoral discussion for development of policies, strategies and programmes on tobacco control. Evidence on tobacco use and economics of tobacco control, more in-depth, is vital for:
   a) generating knowledge and facts on the need for higher investment and effectiveness of health promotion in the reduction of morbidity and mortality of tobacco-related chronic diseases;
   b) experience of use of the dedicated tax and alternative financing; and,
   c) sharing experience and lessons learnt from other middle- and low-income countries.

3) Licensing and Registration: Those involved in the whole process of production cycle, from agriculture to industries, to local retail outlets, should be registered and necessary licenses have to be given. Licensing is for companies undertaking manufacture, distribution, import, export, and retail. This is typically bundled with registration which is for the tobacco products themselves. These measures will ensure for effective taxation coverage, and also for effective control measures.

4) Raising tax on tobacco products: Policy on raising taxes and prices of tobacco products has been described as the single most effective measure for reducing tobacco consumption. Myanmar's policy on raising taxation of tobacco and tobacco products need to be reviewed in the context of raising revenue, taxation methodology, taxation rates (reducing tier-systems), tax administration, and sharing collected tax resources for health and other social development.

5) <u>Action-oriented Research</u>: Latest national representative data on the prevalence of tobacco use (on different types of smoking and smokeless) and the disease burden on tobacco related diseases need to be ascertained. Health researchers should not concentrate their efforts on just doing research on behavioural aspects of tobacco use, but more on research-cum-action intervention studies for reducing use of tobacco both smoking and smokeless.

6) <u>National institutions</u> responsible for health policy and health systems research and strategic studies are essential for playing such role. Public health specialists and tax reform policy developers are the prime movers to observe the window of opportunities, through networks and coalition partners and especially using the opportunity which usually open during the transition to new governments, and to formulate public opinion towards increasing taxation on tobacco products and effective use of such taxation for investment in health promotion.

Acknowledgement

"Tobacco Use, Tobacco Industry, and Tobacco Taxation in Myanmar, 2024" is published by the Ministry of Health, in December 2024. Major sources of data and information are based on updated information collected during the period 2009 to early 2024, in collaboration with the People's Health Foundation (PHF) and the Southeast Asia Tobacco Control Alliance (SEATCA). The Ministry of Health would like to acknowledge the valuable contributions and support of all local and international partners, including those valuable inputs from the staff of the Internal Revenue Department, Ministry of Planning and Finance, Myanmar. in the preparation and production of this publication. The background material and the technical analysis in this paper are mainly drawn from the documents enlisted as references and other sources.

Main Contributors

Dr Kyaw Kan Kaung, Deputy Director-General, Department of Public Health

Dr Daw Thida Win, Director (NCD), Department of Public Health

Dr Ye Phyo, Assistant Director (NCD), Department of Public Health

Dr Than Sein, President, People's Health Foundation

Dr Thein Tun, EC Member, People's Health Foundation