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Cigarettes to Cost 5 Times More by 2018

By Ken Martinez

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Current tax policies on cigarettes could cost the price to jump dramatically, analysts say, raising the price by five times. **Andrei Makhonin**

Smoking in Russia will soon be more expensive, as analysts say current tax plans will cause the price of cigarettes to jump five times higher by 2018.

The average price of a pack of cigarettes would be about 145 rubles ($4.83), experts from the International Tax and Investment Center said, Rossiiskaya Gazeta reported Wednesday.

According to these estimates, middle-income smokers will have to spend about 12 percent of their daily disposable income, while poorer smokers will be spending as much as 28 percent, compared to today's 5 percent and 7 percent, respectively.

Experience from Bulgaria, Ireland, Poland and Romania shows proposed tax policies could result in a market volume collapse in Russia from 369 billion cigarettes per year to 186 billion, while at the same time boosting illegal trade from 11 percent to 35 percent of the market, said Daniel Witt, head of the International Tax and Investment Center.

The Finance Ministry last year said it was considering hiking tax rates to 3,000 rubles ($100) per 1,000 cigarettes by 2015 as part of plans that would seek to add 1.9 trillion rubles ($66.9 billion) to the federal budget over three years. The budget boost from the cigarette tax increase alone was estimated at an additional 100 billion rubles. The tax hike would represent a ten-fold increase over last year's rates, making it similar to the average cigarette tax in European countries, which is 64 euros ($90) per 1,000 cigarettes.

The Health and Social Development Ministry is considering a raft of other bills aimed at convincing Russians to give up smoking, including banning smoking on all public transportation by 2014 and eliminating smoking in cafes, bars and restaurants by 2015. Displaying cigarettes at stores and other points of sale could also be outlawed.

Many of the new regulations are making it tougher for tobacco companies to make an easy profit. Requirements to print health warnings on cigarette packages cost the industry $28 million to implement, and new regulations requiring warning images on packages by 2014 will cost about the same, executive director of the Council for Tobacco Industry Eduard Vorontsov told Rossiiskaya Gazeta. Tobacco opponents say the sum sounds large but that for big tobacco companies, the amount is actually insignificant.

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