THE CURIOUS CASE OF UNDER-COLLECTION: THE UNEXPLAINED BRAZILIAN TAX REVENUE LOSSES

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Background
Brazil presents an exception to the uniform tobacco excise mechanism with an excise tax, IPI, and two contributions, PIS and COFINS. Recent losses in revenue collection have raised concerns that increasing tobacco taxes might further complicate this scenario given the risk of an economic recession and illicit trade. However, little analysis has been done on the components of revenue collection.

Methods
• We analyzed the revenue collection figures using official publicly available data.
• Using the PIS-COFINS revenue collection and the fiscal rules in Brazil, we estimated the average implicit price and re-estimated the IPI collection per pack.

Results
Estimated vs observed IPI collection

Discussion
To regain the momentum of the 2011–2014 tobacco tax policy success, Brazil should continue to increase tax rates and minimum prices.

Understanding why the tax revenue per pack of cigarettes has decreased in Brazil will allow authorities to continue fiscal policies for tobacco products and increase control along the tobacco supply chain.

It is unclear why tax revenue per pack has decreased in the past five years in Brazil, but economic recession and illicit trade are not the cause. More research is needed to understand that shortcomings of their tax administration and the tobacco supply chain.

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