

Tobacco Taxation Policies and Affordability in Turkey

The results of the most recent official health survey in Turkey, announced in June 2020, indicate an increase in tobacco prevalence rate.ⁱ With 28 percent of adults smoking daily, Turkey currently has the second-highest smoking rate among OECD countries.^{2 ii} Given that a health indicator in one of the Sustainable Development Goals (SDGs) is related to tobacco use, the recent statistics show that Turkey has already diverged from the respective goal.

The adverse health effects of tobacco use and its subsequent economic burden compels countries to implement tobacco control policies. Although Turkey was the first country to adopt all MPOWER measures (declared by the World Health Organization (WHO) to guide policy making) at the highest level, contrary to expectations its smoking prevalence is not decreasing.

This note is related to the effect of taxes (the only price-related measure) on tobacco consumption in Turkey. Currently, the total tax burden on a cigarette is higher than that in the European Union (EU) countries, on average. Despite the high tax burden on tobacco products, people in Turkey continue to smoke. Although contradictory at first sight, the outcome is consistent with economic theory. Consumption decisions are based on final prices, not on taxes paid. They are also based on disposable income. Therefore, it is necessary to analyze the effect of tobacco taxes on consumption by taking the affordability of tobacco products into account.

In this note, we analyze the recent increase in smoking prevalence in Turkey and its relation to total tax burden and affordability. During the COVID-19 outbreak, many people have experienced a loss in their disposable income. TEPAV has conducted a survey to analyze tobacco consumption during COVID-19. Survey results also confirm the decline in income and reveal a strong relationship between affordability and tobacco consumption in Turkey.

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² Individuals who are 15 years old or older are considered as adults.

1- Background Information on Prevalence Rates and Tobacco Control Policies

The estimated prevalence rates of daily tobacco use in Turkey vary across data sources. Yet, the trends in different sources are similar enough to show an increase in the prevalence rate in Turkey over the years. Table 1 shows the prevalence rates in different datasets compiled by our research team and the estimates reported in the literature. Clearly, the estimates differ across surveys. For example, in 2012, the prevalence rate of daily use was 23.8 percent in the Global Adult Tobacco Survey (GATS) and 23.2 percent in the Turkey Health Survey (THS). Although an assessment is complicated by methodological differences across datasets, a comparison of the different waves of a given survey can give us a hint about the time trend. Until 2012, a decline in the prevalence rate is observed in both GATS and THS. From that year on, no time trend is visible in the prevalence rates. Nevertheless, with a 28 percent prevalence rate of daily use in 2019, it is clear that the current rate is much higher than it was in the past. With this latest information, it is estimated that there are almost 18 million adult daily smokers in Turkey.ⁱⁱⁱ

Table 1 - Prevalence of daily tobacco smoking among adults in Turkey according to different data sources, %, 1988-2019

| Years | Literature | GATS | STEPS | THS |
|----------------------|------------|------|-------|------|
| 1988 ^{iv v} | 43.6* | | | |
| 1993 ^{vi} | 33.6* ** | | | |
| 2003 ^{vii} | 33.8** | | | |
| 2008 | | 27.4 | | |
| 2010 | | | | 25.4 |
| 2012 | | 23.8 | | 23.2 |
| 2014 | | | | 27.3 |
| 2016 | | 29.6 | | 26.5 |
| 2017 ^{viii} | | | 29.2 | |
| 2019 | | | | 28.0 |

Source: CDC, Turkstat, WHO, TEPAV compilations and calculations

Note: * The quoted source doesn't specify whether the rate is for daily smokers or for daily and occasional smokers altogether.

** In 1993 and 2003 the statistics are for adults older than 18 years old; in the rest of the years listed in the table the statistics are for adults older than 15 years old.

Note: The cells with the lowest values in each column are shaded with dark green. The shade of color turns from dark green to light green, from light green to yellow, from yellow to red tones as the prevalence rate increases within the respective column.

Turkey presents an interesting case in tobacco control policies with its high prevalence rate despite the extensive price and non-price related policies enacted. Since tobacco use is associated with the many negative health consequences and addiction, it has been categorized as a public health concern worldwide. Due to the adverse health impacts and its consequent economic burden, almost all countries implement some tobacco control policies to curtail tobacco consumption. The policy toolbox of almost all countries contain varying demand reduction measures and supply-side regulations. Even though each nation has developed its own implementation tools, the tools can be categorized into two general groups as price and non-price measures. These measures are related to controlling different areas and aspects of tobacco use. The World Health Organization (WHO), declared six main policy areas, abbreviated as MPOWER, as the key summary indicators of tobacco control policies. In particular, the policy areas are: Monitoring tobacco use and prevention policies (M),

Protecting people from tobacco smoke (P), Offering help to quit tobacco use (O), Warning about the dangers of tobacco (W), Enforcing bans on tobacco advertising, promotion and sponsorship (E), and Raising taxes on tobacco (R). Raising taxes can be considered as a price measure while the others can be considered as non-price measures. Today, around 5 billion people are subject to at least one complete MPOWER measure in the world, whereas only two countries have adopted all MPOWER related measures at the highest level. Turkey is one of these two countries; moreover it is the first country that adopted all MPOWER measures at the highest level.^{3 ix x}

Although Turkey enacted many tobacco control measures, the recent rise in tobacco use necessitates further attention to each policy tool and implementation practice. This note is based on several data-based policy analyses that the TEPAV Tobacco Control Policy Research Team has conducted on tobacco consumption behavior in Turkey considering supply, demand, health, and policy aspects. We will continue to share our findings in the upcoming days. In this particular note, we will be sharing our findings on how tobacco taxation effects the final price of tobacco products and consequently their affordability.

2- Tax Policies and Affordability

Tobacco products are more heavily taxed than other goods in many countries due to the link between tobacco consumption and various adverse health consequences to smokers themselves and to those around them.^{xi} Among the many tobacco control policy measures, taxation has been one of the central policies implemented in many countries.^{xii} The harm induced by second-hand smoke and asymmetric health care cost of smokers on the public health system have been associated with market failures and negative externalities and internalities. These factors have traditionally been the primary economic rationale for taxing tobacco products more heavily than other goods.^{xiii} Notably, excise taxes directly targeting tobacco products are implemented in numerous countries. These taxes can be applied as ad valorem taxes (as a percentage of price) and/or as specific taxes (fixed monetary amounts per quantity sold). While some countries impose excise taxes solely as specific or ad valorem, some countries such as Turkey adopt a mixed system consisting of both specific and ad valorem terms. In addition, in most countries, tobacco products are subject to a Value Added Tax (VAT), which is applied to almost all products and not only to tobacco products.^{xiv}

Through the years, Turkey has changed its tobacco taxation policy several times. Currently, there are two main tax items on tobacco consumption: VAT and Special Consumption Tax (SCT), an excise tax including both ad valorem and specific components. First of all, it should be noted that cigarettes constitute an overwhelming 99.8 percent of the retail sales of the tobacco industry in Turkey.^{xv} Accordingly, further analyses are conducted on cigarettes. Before 2002, cigarettes sold in Turkey were subject to a variety of taxes such as contribution to tobacco fund, defense industry fund, education fund, grazing ground fund, veterans fund, additional tax, and VAT.^{xvi} In 2002, the Special Consumption Tax (SCT) was introduced as an excise tax targeting several goods, including tobacco products. From that year on, four tax components on tobacco products have been used in Turkey: (i) SCT 1- Specific excise tax in Turkish Lira (TL), (ii) SCT 2- Minimum specific excise tax in TL, (iii) SCT 3 - Ad valorem excise tax in percentage terms, and (iv) VAT in percentage terms. The VAT has always been applied in the same manner and at the same rate, but there have been

³ Brazil became the second country that has adopted all MPOWER measures at the highest level in 2019.

changes in the rules about the application of the excise tax components. Appendix 1 presents the full regulation timeline of cigarette taxation, as well as the rates applied and implementation rules in Turkey after the introduction of SCT in 2002.

The current tax components on cigarettes in Turkey can be explained as follows:

- **VAT:** Imposed on all cigarettes as 18 percent of the retail sales price (implying a 15.25 percent share of the retail price the consumer pays).
- **SCT1- Specific Excise Tax:** Implemented on all cigarettes. Unlike the VAT, it is charged as a fixed TL amount per package. Currently, it is 0.4539 TL per package.
- **SCT2- Minimum Specific Excise Tax or SCT3 - Ad Valorem Excise Tax:** SCT2 is charged as a fixed amount per stick. SCT3 is charged as a percent of the retail price. Currently, SCT2 is 0.4569 TL per stick, corresponding to 9.1380 TL for a pack of 20 sticks. SCT3 is implemented as 67 percent of the retail sales price. The tax charged is the higher of the two. A clarifying example is presented in Table 2. Let us suppose that we have two different cigarette brands: “Brand A” and “Brand B”, whose retail sales prices are 18 TL and 12 TL, respectively. Since SCT2 component is a fixed amount per stick, the relevant tax amount is 9.138 TL per pack for both brands. The ad valorem excise tax (SCT3), 67 percent of the retail price, is 12.06 and 8.04 TL for the two brands, respectively. Since 12.06 is greater than 9.138, the ad valorem component (SCT3) will be applied on “Brand A.” On the contrary, since 9.138 is greater than 8.04, the minimum specific excise tax (SCT2) component will be applied on “Brand B.” As a result of the imposition of a specific tax (SCT1) on both brands regardless of the sales price and the conditional framework between SCT2 and SCT3, the tax burden (share of taxes in the retail price) on the two brands will be different.

Table 2 - An example to show the tax components on cigarettes with different prices in Turkey, as of July 6, 2020

| Rates | | | | | | |
|--------|--|--|-----------------------------|--|--|--|
| VAT | SCT1- Specific Excise Tax, per package | SCT2- Minimum Specific Excise Tax, per stick | SCT3- Ad Valorem Excise Tax | | | |
| 15.25% | 0.4539 TL | 0.4569 TL | 67% | | | |

| Numeric Examples | | | | | | |
|------------------|-------------------|---------|-----------|----------|----------|------------------|
| Brand | Retail Sale Price | VAT | SCT1 | SCT2 | SCT3 | Total Tax Burden |
| A | 18 TL | 2.75 TL | 0.4539 TL | 9.138 TL | 12.06 TL | 84.77% |
| B | 12 TL | 1.83 TL | 0.4539 TL | 9.138 TL | 8.04 TL | 95.18% |

Applied to both brands

The higher of the two amounts will be applied

Source: 8305 Özel Tüketim Vergisi Kanunu, T.C. Cumhurbaşkanlığı Mevzuat Bilgi Sistemi, T.C. Gelir İdaresi Başkanlığı Mevzuat, Resmi Gazete, TURMOB, Verginet, TEPAV compilations and calculations
Note: Applied tax amounts are highlighted with light blue.

Before we delve into the total tax burden on cigarettes and affordability issues, we list the three takeaways from the cigarette taxation practice in Turkey:

- **Adjusting relative prices of different segment products:** The imposition of a minimum tax amount (via choosing the higher of SCT2 and SCT3), combined with the

specific tax (SCT1) leads to a variation in the tax burden of different segments of cigarettes with different sales prices. The intended aim of such an approach is to regulate the gap in the sales prices between premium and low priced alternatives. Hence this approach enables interventions to limit the possible switching down behavior of the consumers, from higher-priced cigarettes to lower-priced ones in response to a hike in taxes, and thus prices, instead of decreasing smoking or quitting.^{xvii}

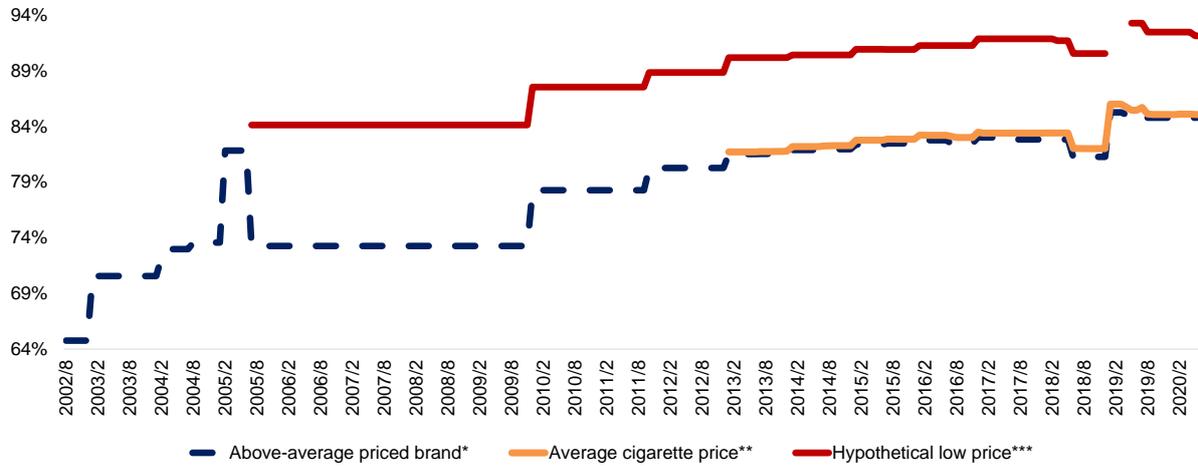
- **An indirect regulation to set the minimum retail price:** With the implementation of SCT1, a fixed tax amount per package is charged regardless of the retail price of the cigarettes. In addition, the rule about choosing the higher of the SCT2 and SCT3 components generates a threshold price below which the SCT2 applies and above which the SCT3 applies. Such an approach indirectly sets a minimum price on cigarettes, assuming that the retail price will at least cover the tax. The minimum price can be calculated as follows, by assuming that the price is composed only of taxes: $(SCT1+SCT2*20)*(1+VAT)$. As of June 2020, the taxation scheme yields a minimum price of 11.32 TL.
- **Non-regular policy changes:** Since some tax components are in fixed monetary terms rather than percentage terms, regular updates are needed in order to offset the effects of changes in prices, which can cause an erosion in the effectiveness of taxation in reducing consumption. For this reason, policy makers in Turkey revised legislation, allowing the specific components of SCT to be automatically adjusted twice a year in January and July according to the producer price index, starting from 2013.^{xviii} However, these regular updates were not realized after 2017. Only some occasional adjustments were made. Moreover, no adjustment was made in 2017 (see Appendix 1 for the full timeline).

Turkey has been one of the countries with the highest tax burden on tobacco products.

In 1994, before the introduction of the SCT, the total tax burden on cigarette retail prices in Turkey was around 44 percent. In 2000 it went up to 77 percent.^{xix} With the introduction of the SCT framework in Turkey, the total tax burden initially declined to 64 percent, after which the tax burden on tobacco products has been rising. Figure 1 illustrates how the tax burden depends on the retail price and how the burden has changed over time after the introduction of SCT. The tax burden on three different prices are shown in the figure: The average price; an above-average priced brand; and a hypothetical low price half way between the minimum price implied by the tax regime and the threshold price below which the SCT2 will apply. As stated above, the mixed tax regime adopted by Turkey implies that the tax burden on cigarettes depends on their retail prices, thereby imposing a differentiation of the tax burden across product segments. Currently, the total tax burden on an above-average priced cigarette is 84.8 percent. The overall tax burden on a cigarette with a hypothetical low price is much higher at 92.1 percent. As one of its tobacco control policies, WHO has suggested that taxes be set so that they account for at least 70 percent of the retail price of tobacco products.^{xx} According to 2018 statistics, out of 184 countries, 57 states have a total tax burden on cigarettes equivalent to more than 70 percent of their retail prices. Turkey has been listed among the top 20 countries in this list, with the highest tax burden after 2010.^{xxi} In line with the most up-to-date information, the total tax burden on cigarettes in Turkey is higher than the 80.3 percent average in the EU countries. Yet, there are still six EU countries -the United Kingdom (91.6 percent), Estonia

(90.3 percent), Finland (89.9 percent), Ireland (85.3 percent), Bulgaria (85.1 percent), and Greece (84.8 percent)- that have higher tax burdens on cigarettes than Turkey.^{xxii 4}

Figure 1 - Total tax burden on differently priced cigarettes in Turkey after the introduction of the SCT, 2002 August - 2020 June⁵



Source: 8305 Özel Tüketim Vergisi Kanunu, T.C. Cumhurbaşkanlığı Mevzuat Bilgi Sistemi, T.C. Gelir İdaresi Başkanlığı Mevzuat, TURMOB, Turkstat, Resmi Gazete, Verginet, online newspapers, TEPAV calculations

In Turkey, despite high taxes and increases in cigarette prices, cigarettes have not been expensive enough to offset the rise in the average income and therefore the affordability of cigarettes. As was emphasized above, even though the tax burden on cigarettes is high, consumption decisions are affected by the sales prices of the products and the disposable income of consumers. To evaluate the effectiveness of taxation on curbing tobacco consumption, we turn our attention to a comparison of sales prices of cigarettes and average income over the years (Figure 2).⁶

- **Change in real prices:** We consider two groups of cigarettes: above-average priced cigarettes and low-priced cigarettes (i.e. the hypothetical low price as explained above).

⁴ Until the end of the transition period, the United Kingdom (UK) is still subjected to the EU legislation. Therefore, UK is in the EU countries' list for the time being. Taxes on cigarettes in the EU per 20-cigarette pack, as of March 2019, are taken into consideration. The unit of analysis is the weighted average retail sale price.

⁵ Note: * For the period between 1994 and 2004, Turkstat presented the monthly prices of different commodities under the Consumer Price Index statistics. Camel (small), Maltepe (small and long), Marlboro (small and long), Parliament, Samsun (small and long), Tekel 2000, Bafra, Birinci, Bitlis, and Yeni Harman are the cigarette brands with monthly prices within this dataset. While some of these brands are not currently on the market, Camel, Marlboro, Parliament, and Tekel 2000 are still available for purchase. Among these brands, the current prices of Marlboro and Parliament are higher than the average cigarette prices announced by Turkstat. Between these two brands, the market share in terms of sold sticks is higher for Marlboro according to Euromonitor statistics. Accordingly, with its above-average price, availability of time-series information, and high market share, Marlboro (short) is considered as a representative above-average priced brand. The time series of above-average priced cigarettes starts from August 2002. After January 2005, the price information for Marlboro (small) is manually gathered via online searches on newspapers. Between August 2004 and June 2005, the amount of the specific minimum excise tax was tied to the share of oriental tobacco within the cigarettes, with a lower tax amount charged to cigarettes with a higher share of oriental tobacco. For the above-average price brand, the highest amounts of taxes were considered in the calculation of tax burdens for this period.

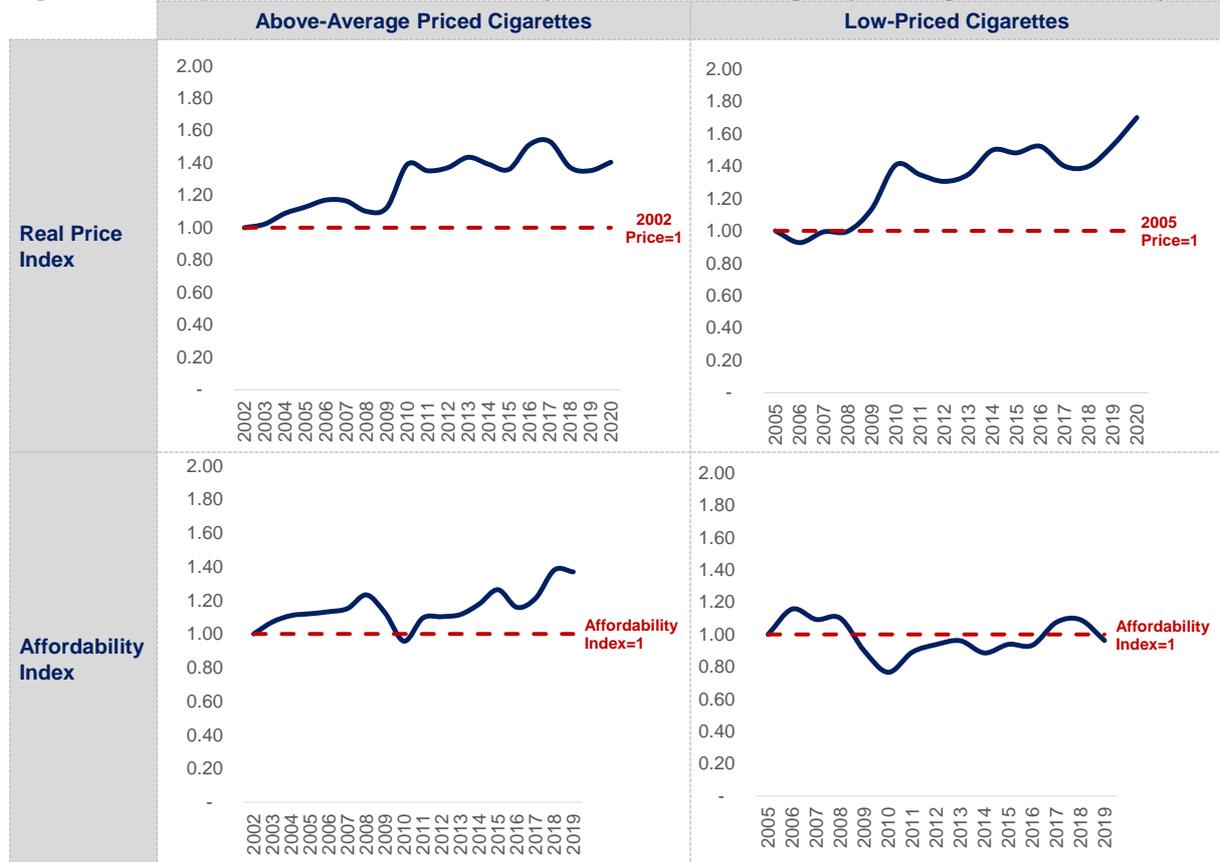
** Turkstat data for average cigarette prices is available after January 2013.

*** The hypothetical low price is defined in the text. The time series of hypothetical low priced cigarettes starts in July 2005 because of data limitations. Since "Minimum Specific Tax" was not employed between January 2019 and April 2019, the threshold price (hence the hypothetical low price) is not calculated for this period.

⁶ For the purposes of this evaluation, the product with the longest time-series price data is chosen in the analyses.

We convert nominal prices of cigarettes to real prices by deflating them monthly; then, we take yearly averages. The time series for the prices of above-average priced group is for 2002 and later, as done in the earlier analyses; the time series for the low-priced group is for 2005 and later, determined by data availability. In each group, the real price is set to 1 in the initial year and a real price index is created by rescaling prices relative to initial year prices. As seen in Figure 2, the real price index has been increasing in Turkey in both groups. Therefore, we can say that cigarettes are much more expensive today than they were in the early 2000s.

- **Change in income:** To evaluate affordability, we calculate the number of cigarettes that can be purchased by Gross Domestic Product (GDP) per capita in a given year. To create an affordability index, we set the number in the initial year to 1 and rescale the number of cigarettes in different years relative to the number in the initial year. We find that above-average priced cigarettes are more affordable in each year, except for 2010. For instance, a person whose income is equal to GDP per capita can purchase 2,367 versus 3,240 packs of above-average priced cigarettes in 2002 and 2019, respectively (corresponding to a sizable increase in the affordability index from 1 to 1.37). The pattern in the affordability of low-priced cigarettes is different. Comparing 2005 to 2019, affordability has somewhat declined, since 5,649 versus 5,438 packs of low-priced cigarettes can be purchased by GDP per capita in these two years (corresponding to a small decline in the affordability index from 1 to 0.96). In years 2009-2016, the affordability index for this group varied between 0.77 and 1.09. Clearly, despite the high tax burden on these products (higher than 90 percent of the retail price), there was no significant long-term decline in the affordability of low-priced cigarettes in Turkey. To sum up, despite the high tax burden and the continual increase in excises, above-average priced cigarettes have become more affordable and the affordability of low-priced cigarettes has not changed much since 2005.
- Combining these two findings on retail prices of cigarettes, and income, it is crystal clear that cigarettes, despite the imposition of high taxes, have not been expensive enough to reduce the affordability of cigarettes in Turkey.

Figure 2 - Real price index and affordability index for the two groups of cigarettes in Turkey

Source: T.C. Cumhurbaşkanlığı Mevzuat Bilgi Sistemi, 8305 Özel Tüketim Vergisi Kanunu, T.C. Gelir İdaresi Başkanlığı Mevzuat, Resmi Gazete, Verginet, TURMOB, Turkstat, online newspapers, Euromonitor, TEPAV calculations

Note: * The time series of above-average priced cigarettes starts from August 2002, as in the previous analyses. The time series of 2005 cheap segment cigarette prices starts in July 2005 because of data limitations. Also, 2020 covers the period until June.

3- Impact of COVID-19 on Tobacco Consumption

Since the first confirmed COVID-19 case in Turkey in March, many households have lost at least part of their income or lost their jobs because of the contraction of economic activity. Furthermore, such adverse developments are believed to have increased the level of stress and anxiety that people feel. In order to assess the change in tobacco consumption behavior under these conditions, TEPAV has conducted a survey. More than 1,700 people participated in the survey between May 21-25, 2020. The detailed background information on the survey and the demographic distribution of participants is presented in Appendix 2. The following key points related to taxes and affordability aspects of tobacco consumption are identified and presented here:

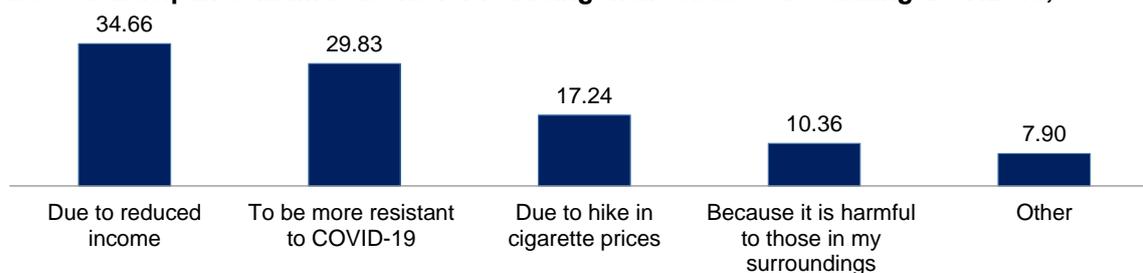
- 53.4 percent of all participants experienced a loss, and only 2.3 percent experienced an increase in their household income, whereas 44.3 percent reported no change.
- 10 percent of daily smokers switched from daily smoking to occasional smoking, and 2 percent of daily smokers quit all together during the COVID-19 pandemic.
- 15 percent of occasional smokers quit smoking during the COVID-19 lockdown.

- 77.7 percent of daily smokers who continued their daily smoking habit during the COVID-19 stated that they decreased their tobacco consumption.^{xxiii}

In addition, participants who claimed that they have reduced their tobacco consumption during the COVID-19 period were asked about their primary motivation. 34.66 percent said that the reason was the decrease in their household income, 29.83 percent said it was to be more resistant to COVID-19, and 17.24 percent said that it was the increase in cigarette prices. 10.36 percent said that the reason was to reduce harm to others, whereas 7.9 percent had other reasons.

To sum up, in our survey, we find that people who suffered an income loss decreased their tobacco product consumption, which emphasizes the crucial role of the affordability of tobacco products in determining smoking behavior. Moreover, among those who reduced consumption, income loss was the most often stated reason behind the change in behavior. Another intriguing finding in the survey was that people directly pointed out the hike in cigarette prices as their primary motivation to decrease their tobacco consumption during COVID-19. Yet, there was in fact no retail price change during the period, even though the Minimum Specific Excise tax was raised within this period.^{xxiv}

Figure 3 - Participants' main reasons for reducing their tobacco use during COVID-19, %



Source: TEPAV Tobacco Products Use Survey During COVID-19, TEPAV calculations

4- Conclusion

As part of the SDGs, tobacco control policies are employed worldwide to manage the adverse health consequences, addiction, and follow-up market externalities of tobacco products. In particular, under “Goal 3. Ensure healthy lives and promote well-being for all at all ages”, “3.a.1” indicator is related to adults’ tobacco prevalence rates.^{xxv} Accordingly, one of the Noncommunicable Disease (NCD) targets, developed by WHO, quantifies 3.a.1 SDG indicator as 30 percent reduction in the prevalence of tobacco use in persons aged 15 or over between 2010 and 2025.^{xxvi} Yet, between 2010 and 2019, Turkey had a 2.6 percent point increase in its adult daily smoking prevalence rate, instead of a decrease to achieve the SDG target.

Despite the fact that Turkey enacted all tobacco control measures as pointed out by WHO, and had an overwhelming performance in adopting all MPOWER measures, the rise in prevalence rate indicates a need for a new approach to combat the tobacco pandemic. In this particular note, we have focused on taxes and, consequently affordability aspects. Even though policy research conducted world-wide has clearly demonstrated the effectiveness of higher tobacco product taxes and prices in reducing tobacco use, the current situation in Turkey requires a new angle to design effective policies.^{xxvii} In particular, even though the tax burden and real cigarette prices have been increasing, because of the increase in average income, buying

cigarettes has become more affordable in Turkey. The fact that retail prices and affordability of tobacco products is the main determinant in consumer behavior, rather than the tax burden on cigarettes per se has been reinforced with the results of “The Survey of Tobacco Use During COVID-19”. In the survey, reduced income was stated to be the most common reason for smokers to decrease their tobacco consumption during COVID-19. This finding also confirms that monitoring affordability of cigarettes should be one of the leading indicators to keep track. Clearly, focusing only on taxes and prices in formulating Turkey’s tobacco control policies will not be sufficient.

These findings further reveal the need for a revision of the current automatic-adjustment mechanism in specific taxes to cover the increases in income, and not just inflation.^{xxviii} Yet, even the automatic updating mechanism for inflationary pressures have been interfered with in the last couple of years.^{xxix} This reminds us that tobacco control policies require a multi-objective policy setup considering that it crosscuts multiple policy areas. For instance, in the case of tax policies, the other constraints/considerations in policy design are: (i) sizeable tax revenue generation capability of tobacco consumption, (ii) inflationary pressures of tax increases, and (iii) threat of a demand shift to contraband products in the short-run. In that sense, when other aspects of this complex problem are taken into account, taxes should not be used as the only policy tool. Accordingly, we will continue to share our data-based policy analyses on other components of the tobacco control policy toolbox to contribute to the policy-making process in the future.

Appendix 1 - Regulation timeline of the cigarette* taxation in Turkey after 2002 with the Special Consumption Tax (SCT)

| Implementation Start Date | Excise Duties (Special Consumption Tax) | | | |
|--------------------------------|---|----------------------------------|--|----------------------|
| | Both are applied | | The higher one is applied | |
| | VAT, % (**) | Specific Excise, TL, Per Package | Minimum Specific Excise, TL, Per Stick | Ad Valorem Excise, % |
| August 2002 ^{xxx} | 15.25 | | | 49.50 |
| January 2003 ^{xxxi} | 15.25 | | | 55.30 |
| February 2004 ^{xxxii} | 15.25 | 0.025, 0.050, 0.080 (***) | | 55.30 |
| August 2004 ^{xxxiii} | 15.25 | 0.350, 0.450, 0.600, 1.000 (***) | | 28.00 |
| August 2004 ^{xxxiv} | 15.25 | 0.350, 0.535, 1.000 (***) | | 28.00 |
| January 2005 ^{xxxv} | 15.25 | 0.350, 0.534, 1.000 (***) | | 28.00 |
| February 2005 ^{xxxvi} | 15.25 | 0.376, 0.800, 1.350 (***) | | 28.00 |
| July 2005 ^{xxxvii} | 15.25 | | 0.0600 | 58.00 |
| March 2006 ^{xxxviii} | 15.25 | | 0.0600 | 58.00 |
| February 2007 ^{xxxix} | 15.25 | | 0.0700 | 58.00 |
| November 2007 ^{xl} | 15.25 | | 0.0750 | 58.00 |
| January 2008 ^{xli} | 15.25 | | 0.0775 | 58.00 |
| July 2008 ^{xlii} | 15.25 | | 0.0775 | 58.00 |
| June 2009 ^{xliii} | 15.25 | | 0.1025 | 58.00 |
| December 2009 ^{xliiv} | 15.25 | | 0.1325 | 63.00 |
| February 2011 ^{xlv} | 15.25 | | 0.1325 | 63.00 |
| October 2011 ^{xlvi} | 15.25 | | 0.1450 | 69.00 |
| October 2011 ^{xlvii} | 15.25 | | 0.1450 | 65.00 |
| January 2013 ^{xlviii} | 15.25 | 0.0900 | 0.1575 | 65.25 |
| July 2013 ^{xlix} | 15.25 | 0.0922 | 0.1613 | 65.25 |
| January 2014 ^l | 15.25 | 0.1300 | 0.1875 | 65.25 |
| July 2014 ^{li} | 15.25 | 0.1366 | 0.1971 | 65.25 |
| January 2015 ^{lii} | 15.25 | 0.1866 | 0.1971 | 65.25 |
| July 2015 ^{liii} | 15.25 | 0.1968 | 0.2103 | 65.25 |
| January 2016 ^{liv} | 15.25 | 0.2468 | 0.2210 | 65.25 |
| July 2016 ^{lv} | 15.25 | 0.2546 | 0.2280 | 65.25 |
| December 2016 ^{lvi} | 15.25 | 0.3246 | 0.2280 | 65.25 |
| March 2018 ^{lvii} | 15.25 | 0.3246 | 0.2429 | 65.25 |
| June 2018 ^{lviii} | 15.25 | 0.4200 | 0.2800 | 63.00 |
| January 2019 ^{lix} | 15.25 | 0.4200 | - | 67.00 |
| May 2019 ^{lx} | 15.25 | 0.4200 | 0.2679 | 67.00 |
| July 2019 ^{lxi} | 15.25 | 0.4539 | 0.2895 | 67.00 |
| August 2019 ^{lxii} | 15.25 | 0.4539 | 0.3899 | 67.00 |
| May 2020 ^{lxiii} | 15.25 | 0.4539 | 0.4569 | 67.00 |

Source: 8305 Özel Tüketim Vergisi Kanunu, T.C. Cumhurbaşkanlığı Mevzuat Bilgi Sistemi, T.C. Gelir İdaresi Başkanlığı Mevzuat, Resmi Gazete, TURMOB, Verginet, TEPAV compilations

Note: * 2401.20 coded item according to HS classification under the SCT legislation (III)-B list is shared.

** The actual VAT rate is 18 percent; here the share of VAT in the retail price is expressed.

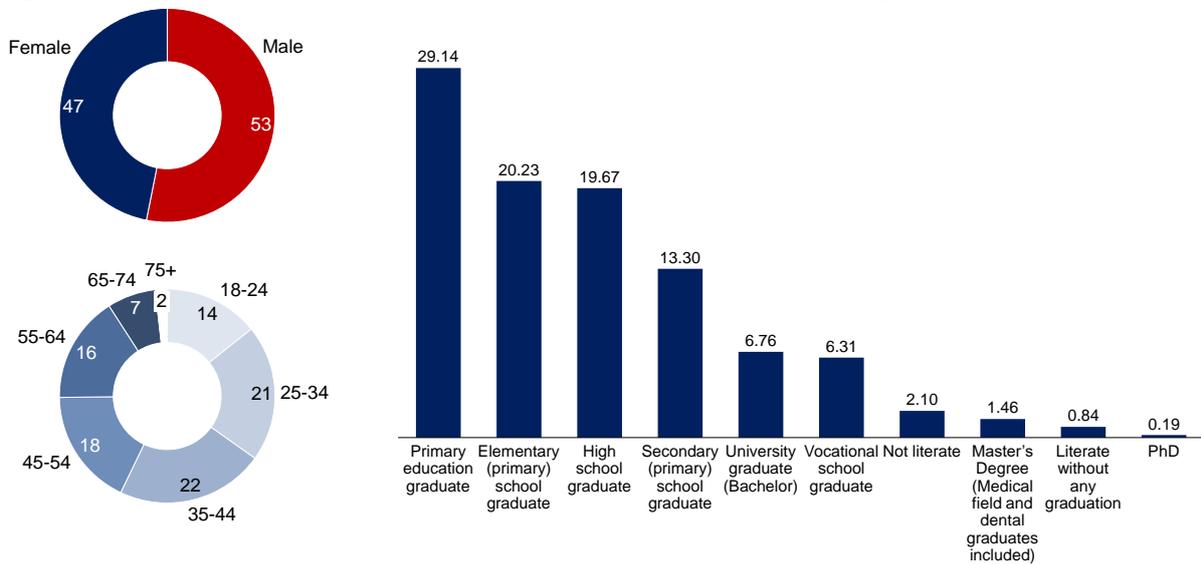
*** For these specific years, even though the applied tax is referred to as "Minimum Specific Excise" in the regulation and it was initially announced per stick, the implementation rule was different from the current "Minimum Specific Excise" rate. In particular, "Minimum Specific Excise" between February 2004 and February 2015 was charged on all cigarettes, as today's "Specific Excise". To follow the current terminology, "Minimum Specific Excise" taxes between February 2004 and February 2005 are reported under the column titled "Specific Excise" in the table.

*** These specific excises were applied according to different criteria over time. In the regulation in February 2004, the tax amount was based on the retail price. In August 2004, January 2005, and February 2005, the amount was based on the share of oriental tobacco.

Appendix 2 - Notes on TEPAV’s “Tobacco Use During COVID-19 Survey”

TEPAV prepared the “Survey of Tobacco Use during COVID-19” to investigate the effects of the pandemic on tobacco consumption. Usually, the most preferred survey method by TEPAV is to conduct face-to-face interviews; however, because of the restrictions brought on by the pandemic, the survey was conducted via phone calls. In particular, the Computer Assisted Telephone Interviewing (CATI) method was deployed. The Istanbul Economy Research Company interviewed 1721 participants from 12 provinces (Adana, Ankara, Balıkesir, Bursa, Diyarbakır, Erzurum, İstanbul, İzmir, Kayseri, Malatya, Trabzon, and Zonguldak - to represent Turkey’s 12 NUTS1 regions) of Turkey between May 21st and 25th, 2020. The random sample was designed and weighted to represent the Turkish population according to education, age, and gender breakdowns. The survey had a 95 percent confidence interval and +/- 2.5 margin of error. The detailed demographic breakdown of the participants is shown in Figure 4.

Figure 4 - Distribution of survey participants according to their demographics, %



Source: TEPAV Tobacco Products Use Survey During COVID-19, TEPAV calculations

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