

Health Authorities Push Through Taxation Guidelines Behind Closed Doors at Moscow WHO summit

“An Alarming Attempt to Erode Countries’ Sovereignty on Taxation Policies”

Geneva, October 16, 2014 – Yesterday at the WHO FCTC’s Conference of the Parties (COP6) in Moscow, guidelines on price and tax measures (Article 6) were hurriedly adopted behind closed doors, further demonstrating the FCTC’s habit of infringing on issues of national sovereignty.

“Public health authorities are not fiscal experts”, said Michiel Reerink, Global Regulatory Strategy Vice President at JTI (Japan Tobacco International). “Yet, one-size-fits-all decisions were rushed in the absence of a vast majority of governments’ taxation experts, who should have the last say on their individual fiscal policies”.

The COP has once again shown a complete lack of respect for several Parties by blatantly ignoring their wish to express their reservations on the guidelines, particularly regarding the minimum benchmark tax of 70% and the allocation of tax revenues to finance tobacco control programs¹. Two years ago, at COP5 in Seoul, Korea, Parties adamantly opposed the same recommendations. Despite this, the draft guidelines remained largely unchanged and were nevertheless adopted at record speed.

“While the guidelines are not binding for governments, Ministries of Finance will be under pressure to adopt them in their national law. Yesterday’s decision not only represents an alarming attempt to erode countries’ sovereignty on taxation policies, but also violates COP6’s own requirement to make ‘every effort’ to reach agreement by consensus”, added Mr. Reerink.

¹ The FCTC’s October 15, 2014 Journal stated: “Several parties wanted to record their reservations concerning the footnote related to section 3.2 stressing their sovereign right to develop their taxation policies. The draft decision contained in FCTC/COP/6/A/Conf. Paper No. 5 was approved without amendment. The agenda item was then closed.”

When making decisions on tobacco tax policies, countries take into account a number of considerations: income growth developments, the impact of price increases on the affordability of tobacco products, the existence of illegal trade (and tax authorities' ability to enforce compliance), inflation and regional sensitivities such as cross-border trade.

"Tax experts around the world recognize that ignoring these considerations is counterproductive and could lead to serious consequences, including a major increase in illegal trade, depriving governments of important tax revenues and undermining other government policy objectives – including public health", Mr. Reerink concluded.

During the October 15 vote on FCTC's Article 6, the public and the media were once again locked-out from proceedings. This move, combined with the last minute decision to cancel press briefings, further confirms the WHO's lack of transparency, accountability and integrity.

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For further information, please contact:

JTI Press Office

Tel: +41 22 703 0291

pressoffice@jti.com

JTI, a member of the Japan Tobacco Group of Companies, is a leading international tobacco manufacturer. It markets world-renowned brands such as Camel, Winston and Mevius (Mild Seven). Other global brands include Benson & Hedges, Silk Cut, Sobranie, Glamour and LD. With headquarters in Geneva, Switzerland, and about 27,000 employees worldwide, JTI has operations in more than 120 countries. Its core revenue in the fiscal year ended December 31, 2013, was USD 12.3 billion. For more information, visit www.jti.com.