

The Smoking Fiscal Space in Cuba

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Abstract

Smoking is one of the most researched risk factor around the world. This is because the bad consequences of smoking over life quality given by the morbidity and the mortality attributable to smoking. One of the main points to make stronger the smoking control is the use of the fiscal policy specially the tributary one. The implementation of effective fiscal policy to smoking control must begin in the full understand about smoking impact over the society, the health and the economy. Several Cuban researcher had written about smoking epidemiologic consequences but the author who had written about the fiscal consequences attributable to smoking in Cuba are few and the researches too. That's why this paper looks for describing the smoking fiscal space in Cuba. In Cuba smoking reduces the potential possibilities to obtain tributaries income from taxes over salaries because of the labor productivity lose, increase the spends from Public Health and Social Security and create serious uncertain about the foreign tobacco trade to finances the international currency needs from the tobacco sector and the induced needs from smoking to the Public Health.

Keywords

Smoking; Fiscal policy; Control; Public health

Introduction

Smoking as socioeconomic risk factor carries to several costs for societies and economies around the world [1,2]. The fiscal policy over smoking is an important tool to control this risk factor. Then, understand wholly the fiscal space of smoking in the society and the economy constitutes a start point for an effective fiscal smoking control. This had been the case of

several economies in Latin America for example. These economies took account this premise to implement effective fiscal policies to reduce the tobacco consumption and the smoking cost [3,4]. Cuba has several researches about smoking consequences. However, only a reduced number of them had been about the relation between the fiscal policy and the smoking control [5-7]. Then, the objective of this paper is to describe the smoking fiscal space in Cuba.

Smoking and Fiscality in Cuba

The fiscal budget is a balance between incomes and spends. In it smoking is a socioeconomic risk factor in relevant incidence by incomes and spends too. The fiscal incomes can be tributaries or no, while the spends can be currents or of capital [8]. The main tributaries incomes, related directly with smoking like risk factor in Cuba is the taxes over sales in a direct proportional relation to the cigarettes and tobaccos sales in the domestic market. By other side the main tributaries incomes, related indirectly with smoking are the taxes based on salary as tax's base [9]. While the increase in active consumption of cigarettes and tobaccos support the growing of the tobacco sector, this circumstance stimulates the increase in tributaries incomes by tax over tobacco and cigarettes sales too. As consequence the tobacco enterprises will increase the contributions to fiscal incomes by tax over profits and taxes based on salary too [10].

The same increase carries to reduce the labor productivity because of the consequences of smoking over worker health. In consequence all social and economic sectors financed by the state's budget will reduce their own contributions by taxes over profits and over salaries. Then, since the tributaries income point of view, smoking as risk factor has more potential to reduce the tributaries income than to increase it [11].

In Cuba, smoking has an important impact over current public spend too. In this case the Public Health and the Social Security are the socioeconomic sectors more affected because of smoking. Both are induced to increase their own finance needs while increase the tobacco and cigarettes consumption. This situation is given by the mortality and the morbidity attributable to smoking. By a side the Public Health will afford more demands of health services and by the other side the Social Security will afford increases in demand of subsidies to cover common sickness and death costs [12].

In indirect way all socioeconomic sectors are affected by smoking because of labor productivity lose. This opportunity cost because it show in all potential resources didn't obtained attributable to smoking. This situation put limits to own capacity for self-develop of these socioeconomic sectors [13]. Given the whole effect of smoking, the best fiscal control over this risk factor must be pointed in minimize the effect over the economy and the society. Since the sustainable develop point of view this minimization means reduce tobacco consumption until null it. This conclusion is obvious for countries who are net consumer.

Nevertheless, for countries who are net producer like Cuba the analysis is more complex particularly at short time [14].

In Cuba, tobacco is the unique agriculture product that creates more incomes than spends in the international trade. For the Cuban economy means a significant way to obtain international currencies to finance the importations from other socioeconomic sectors. However, in the domestic context it produces important fiscal contradictions related with smoking affecting the human and social development of Cubans [15]. The Cuban economy is very opened to the foreign trade. This situation is applicable to the tobacco sector too. This sector needs to make importations to sustain its own development. The Cuban domestic market for cigarettes and tobacco is controlled by black cigarettes. That's why in the cost structure for a significant part is valued in international currency too. Also, this currency doesn't back by price in the tobacco sector or to fiscal authorities neither. This is because the price is given by the domestic currency and not in the foreign one. Then, the sustainable supply of cigarettes in the domestic market is closely dependent from the tobacco foreign trade [16]. The Cuban people enjoy a free and universal health system. To sustain the health services the Cuban Public Health must import several quantities in goods and services paid in international currencies. Much of these spends are in technology machines highly valued in the international market. A relevant portion of these spends are attributable to smoking because of the morbidity caused by this risk factor. That's why the economic benefits obtained from the tobacco and cigarettes domestic market are questionable too because the internal sales don't back the production cost part paid in international currency and can't afford the international currency needs because of smoking [17].

Smoking like risk factor has influence over the national economy and the society in general because of the social and opportunity costs attributable to smoking. In 2011 the internal sales of tobacco and cigarettes in Cuba were superior to 2523 million of pesos. From this amount an important part corresponds to tax over sales. In the same year the touchable costs attributable to smoking were accounted in 2255.5 millions of pesos. Then, if the cost benefit relation would be in favor to smoking the relative relation would be insignificant taking account the dimension of the estimated cost [18]. Other researches attribute fiscal benefits to the early death of active smokers for the avoided spends in payments to retired people. However the analysis in the time is more complex.

In Cuba the age to begin the tobacco or cigarette consumption is in the teen age being. In this case male people began earlier and more intensively too. This circumstance determined that in 2011 the Cuban male active smokers leave living more than 18 years and more than three years of labor life [19]. Situations like this are preceded by several spends and opportunity costs attributable to smoking. These preceded spends increase while the potential income decrease taking account the money value at time. Thus it makes emphasis in the doubt about the fiscal benefits from the early death of active smoker [20,21].

Conclusion

For the Cuban fiscal authorities, may leave the benefits obtained from the foreign sales of tobaccos and cigarettes should means may leave a significant way to receive international currencies needed to finance partially the national economy. However, the absolute value of net benefits attributable to smoking is few significant, the domestic sales of cigarettes and tobaccos don't back the costs valued in international currencies and the fiscal benefits associated to the early death of active smokers are seriously questionable taking account the money value at time. All these arguments make emphasis in the main role that must assume the Cuban fiscal authorities in the smoking control.

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