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## **Progress report on the Tobacco-Free Initiative**

### **Introduction**

1. This report focuses on increasing taxes on tobacco products, in line with the theme of World No Tobacco Day 2014. This policy, to which Member States have made clear commitments, has been proven to be the most effective and cost-effective measure to reduce consumer demand for tobacco.<sup>1</sup>
2. Article 6 of the WHO Framework Convention on Tobacco Control (WHO FCTC) recognizes the importance of this policy and calls on governments to implement tax and price policies to contribute to the health objectives aimed at reducing tobacco consumption. With the adoption of the WHO FCTC in 2003 by the World Health Assembly and its subsequent ratification by countries at national level, Member States made a clear commitment to implementing such policies. This commitment was strengthened with the adoption of the MPOWER package in 2008, which included raising tobacco taxes as a key measure to reduce the demand for tobacco. The Political Declaration of the High-Level Meeting of the United Nations General Assembly on the prevention and control of noncommunicable diseases included a commitment by Member States to “accelerate implementation” of the WHO FCTC, highlighting that “price and tax measures are an effective and important means of reducing tobacco consumption.”
3. There is a growing body of global evidence that heavy taxation of tobacco is the most important opportunity for national governments worldwide to curb noncommunicable diseases.<sup>2</sup> The World Health Report 2010 indicated that increasing tobacco excise taxes by 50% would generate more than US\$ 1.4 billion in 22 low-income countries. If allocated to health, government health spending in these countries could increase by up to 50%. Recent WHO projections show that raising tobacco taxes to achieve a 10% increase in tobacco prices would reduce consumption by 4% in high-income countries and around 5% in low- and middle-income countries.<sup>3</sup>

### **Regional progress**

#### *Situation analysis*

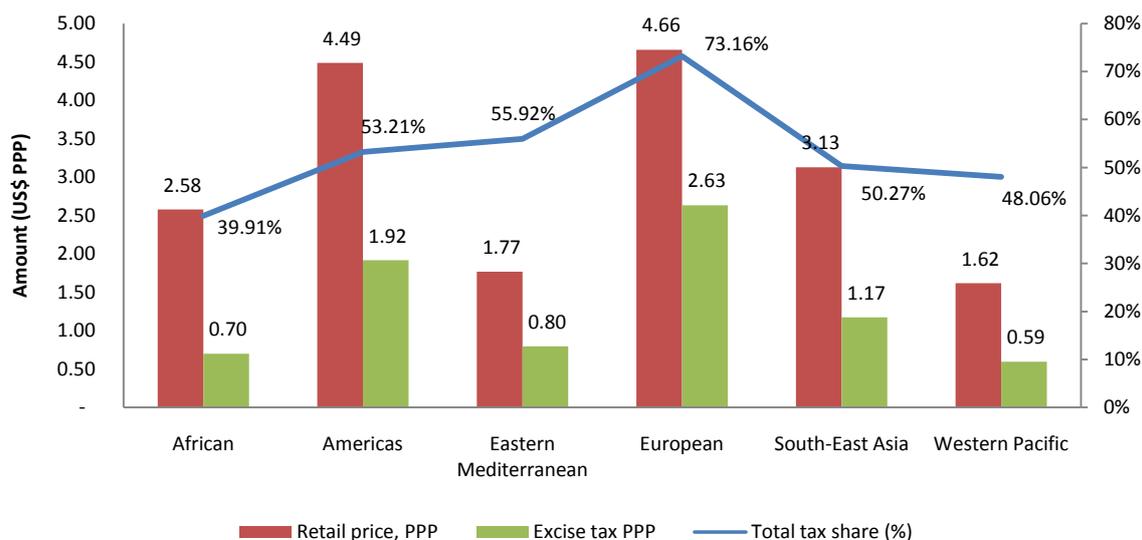
4. The last report on tobacco product taxation was submitted to the 58th Regional Committee for the Eastern Mediterranean in 2011. Since then some progress has been achieved, but in a limited number of countries, while important gaps remain in implementing the recommended actions.
5. The Region has the second lowest average cigarette prices compared to other WHO regions (Fig. 1).

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<sup>1</sup> WHO Technical Manual on Tobacco Tax Administration. Geneva: World Health Organization; 2010.

<sup>2</sup> The Lancet Commission on Investing in Health (2013). Global Health 2035: A world converging within a generation, Lancet. 2013; 382:1898–955.

<sup>3</sup> International Agency for Research on Cancer. IARC Handbooks of Cancer prevention. Volume 14. Effectiveness of Tax and Price Policies for Tobacco Control. Geneva: World Health Organization; 2011.

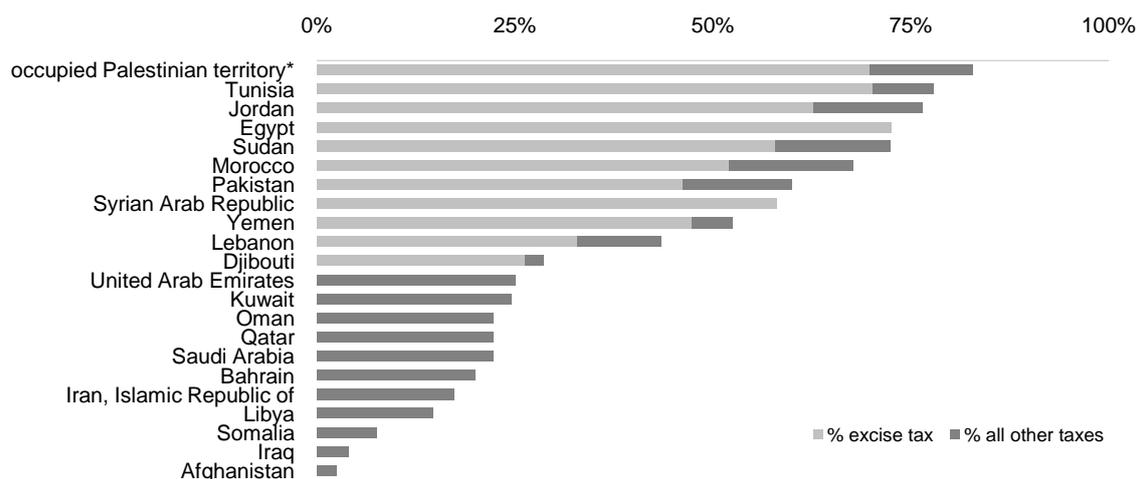


Source: WHO Report on Global Tobacco Epidemic 2013. Geneva: World Health Organization; 2013.

**Fig. 1. Weighted average price of the most sold cigarette brand, excise tax per pack, and total tax share by WHO region, 2012**

6. There is considerable variation in price and tax incidence among countries, reflecting a lack of harmonization of policies at regional level. 10 countries impose no excise tax but apply import duties which they are expected to phase out due to international bilateral trade agreements signed with other countries.

7. Not all tobacco products are equally taxed. This situation provides incentive for consumers to shift from one product to another due to differences in price (Fig. 2).



\* Data apply only to West Bank.

Source: WHO Report on Global Tobacco Epidemic 2013. Geneva: World Health Organization; 2013.

**Fig. 2. Share of total and excise taxes in the price of a pack of the most sold brand of cigarettes, 2012**

8. The WHO Global Report on Tobacco Epidemic 2013 shows that Morocco, Pakistan, occupied Palestinian territory and Syrian Arab Republic have increased excise taxes on tobacco since 2010. Djibouti has introduced a value added tax (VAT) on cigarettes for the first time. In Libya, however, the total tobacco tax rate has effectively been reduced as a result of the removal of the excise tax on tobacco products in 2010.

9. Taxes on tobacco products in eight countries (Afghanistan, Bahrain, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and United Arab Emirates) have remained unchanged. In five countries (Egypt, Somalia, Sudan, Tunisia and Yemen), taxes have increased.

10. Egypt, Jordan, occupied Palestinian territory, Sudan and Tunisia are applying taxation levels close to 70% or above, in line with the MPOWER recommendations.

11. The tobacco industry continues to take action to undermine the efforts of governments to increase taxes on and prices of tobacco products, using the argument that such efforts will decrease revenues and increase smuggling, which has proven to be misleading.

12. The recent experience of Jordan provides an example of tobacco industry interference with tax and price policies. In 2013, the industry reduced the prices of its products on the market for the first time in the Region, using the argument that illicit trade was very high, and thereby flooded the market with inexpensive cigarettes. The industry's aim was to pressure the government not to increase taxes but rather to reduce them. Under the leadership of the Ministry of Health and with the support of WHO, multisectoral actions were taken to successfully offset the tobacco price reduction by increasing a specific component of the mixed excise taxation system.

13. It is expected that the tobacco industry will continue its efforts to undermine tobacco product price and taxation increases in the Region.

#### *WHO efforts*

14. During 2008–2014, WHO stepped up its support to countries in the area of tobacco pricing and taxation and provided technical assistance through many activities, including supporting successful collaboration between ministries of health and ministries of finance.

15. Between 2008 and 2014, WHO worked with Bahrain, Egypt, Islamic Republic of Iran, Jordan, Kuwait, Libya, Oman, Pakistan, Qatar and Yemen. Country missions took place to Egypt, Islamic Republic of Iran, Jordan, Lebanon and Pakistan. In addition, national training was conducted in the same countries addressing both taxation and smuggling of tobacco products.

16. In partnership with Gulf Cooperation Council (GCC) three subregional meetings addressing taxation were held with a special focus on the situation in GCC countries. One regional meeting was held with the involvement of all countries in the Region to address Article 6 and its related document for the Conference of Parties to the FCTC.

17. The Regional Office has produced several factsheets and guidance documents and made them available to support countries in designing effective tobacco tax policy. Support to activities addressing the taxation of tobacco products continues to be an integral part of collaborative plans between WHO and countries in the Region.

#### **Challenges and the way forward**

18. The main challenges that the Region faces in regard to tobacco products taxes are: low or nonexistent tobacco taxation in some countries, using instead customs fees; use of outdated taxation

systems that do not address the changing market rules; and lack of harmonized prices on different tobacco products.

19. Strategies to address these challenges depend on the current tobacco tax structure in countries.
20. For countries with very low tobacco taxation rates, there is urgent need to move to higher tax schemes based on international best practice and WHO recommendations. Countries should adopt at the same time multisectoral mechanisms to counter tobacco industry actions.
21. For countries with good taxation levels, it is important to adopt administrative measures that ensure continuation of the same price levels and strategies that do not allow broader economic changes, such as changes in inflation rates, to undermine the increase of taxes. Countries should also continuously monitor and control the market. Having a high tax share is equally as important as ensuring that prices of tobacco products are high and are increasing over time. For example, although Egypt and Jordan have high tax shares in tobacco product prices, their prices are lower than the average price in countries with similar income levels globally.
22. For countries that apply customs fees rather than excise taxes on tobacco, it is strongly recommended that an excise system be applied for tobacco products that is in line with WHO recommendations. The two reliable excise taxation modules on tobacco products as recommended by WHO are: specific taxes levied on a given quantity of tobacco, such as a tax paid per pack or carton of cigarettes; and *ad valorem* taxes, a percentage imposed on a value, ideally the retail price.
23. There are measures that all countries need to consider.
  - Conduct national research on existing and scaled-up taxation systems, and their impact on tobacco consumption. There is a need to make available market data on tobacco products and to build national capacity to conduct the research needed.
  - Reduce tax differentials among tobacco products through applying similar tax rates across all tobacco products.
  - Curb illicit trade by ratifying and implementing the WHO FCTC protocol to eliminate trade in illicit tobacco products and encourage harmonized price policies at regional level.
  - Rely on excise taxation to secure revenue, especially for health programmes, and increase taxes on a regular basis.
  - Adopt a mechanism that will automatically adjust tax rates relative to inflation rates (for countries that apply excise taxes) in order to maintain or increase prices of tobacco products.
24. Increasing tobacco taxes and prices is a policy that requires the leadership of the Ministry of Health working in strong partnership with Ministry of Finance. Review of taxation policies must be undertaken in parallel with the other national obligations under the WHO FCTC. Successful tobacco control can only be achieved if all tobacco control demand and supply measures are implemented comprehensively.