

# Tobacco tax:

## Djibouti

### ■ *How does WHO recommend that tobacco is taxed in general?*<sup>1</sup>

#### To reduce the affordability of tobacco

This reduces consumption of tobacco and improves public health.

#### Domestic not customs

Customs taxes are eroded in trade agreements and thus do not provide long-term revenue.

#### Excise not general

Excise tax raises the price of the taxed good relative to all other goods, which discourages its consumption.

#### Specific not ad valorem

Specific tax leads to higher prices and a lower market share of cheap cigarettes. In an ad valorem system, a minimum specific tax should also be implemented to guarantee minimum levels of price and revenue.

#### Uniform not differential

Uniform tax leads to larger reductions in smoking as there is less opportunity to switch between different tiers and types of tobacco products.

#### Comparable across all tobacco products

Similar levels of taxation across products reduce tobacco consumption, rather than simply leading to shifts in consumption between different tobacco products.

#### No duty-free allowances

Duty-free sales increase tobacco consumption due to lower prices of products, and reduce tax revenues.

#### Regularly increased

Regular tax increases in line with gross domestic product (GDP) ensure that the affordability and consumption of tobacco products reduce. Specific excise tax decreases in real value if it is not increased in line with inflation.

#### With tobacco tax revenue earmarked

Ideally, tobacco tax revenue should be earmarked for particular health spending purposes; for example, on tobacco control strategies.

### ■ *How has tobacco been taxed in Djibouti?*<sup>2</sup>

The most sold brand (MSB) of cigarettes in Djibouti is subject to ad valorem excise tax (26% of cost, insurance and freight (CIF)), plus value added tax (VAT) (7% of CIF) and surtax (54% of CIF). Before 2012, there was no VAT and the ad valorem excise on the MSB of cigarettes was 33% of CIF.

Cigarettes have become more affordable in Djibouti since 2010, and are cheap compared to other countries in the Region.

### ■ *What does WHO recommend as the next steps for tobacco tax in Djibouti?*

#### To reduce the affordability of tobacco

Cigarettes have become more affordable in Djibouti since 2010, and are cheap compared to other countries in the Region.

#### Specific not ad valorem

As Djibouti has an ad valorem domestic tax system, it should consider implementing a minimum specific excise tax.

#### No duty-free allowances

Banning the duty-free sale of tobacco products would decrease the affordability and therefore the consumption of products. It would also increase government revenues.

#### Regularly increased

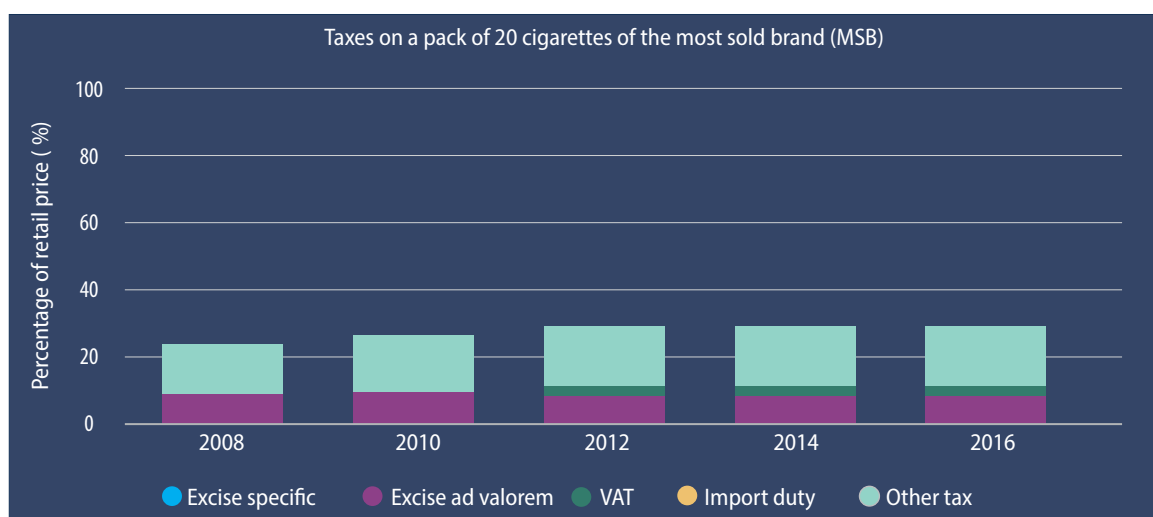
Tobacco tax must be increased in line with inflation and GDP growth to reduce affordability of products.

#### With tobacco tax revenue earmarked

Ideally, a share of tobacco tax revenue should be earmarked for health spending purposes.



## Tobacco tax as percentage of retail price<sup>2</sup>

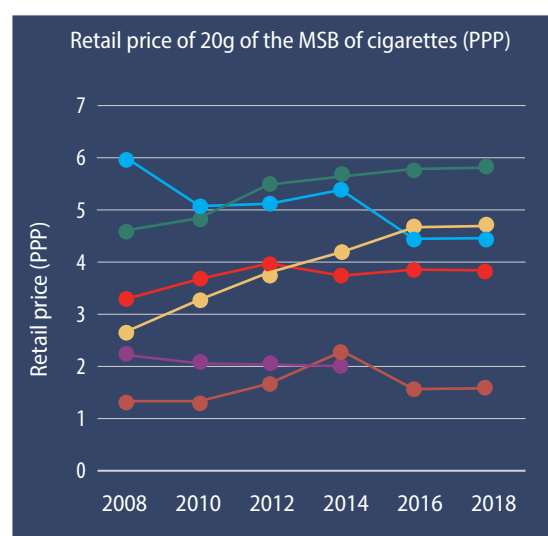
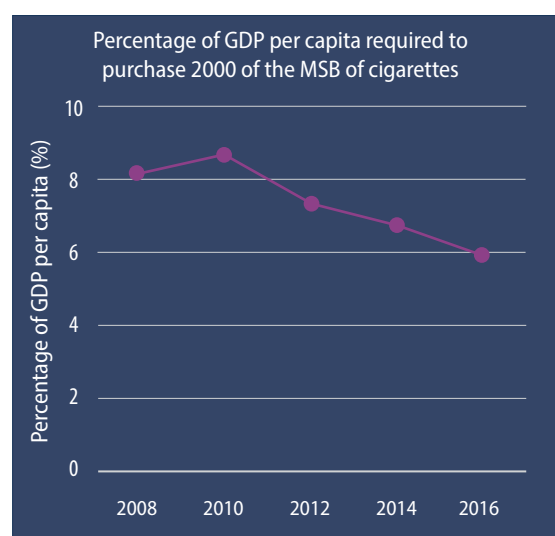


The MSB of cigarettes in Djibouti is subject to ad valorem excise tax (26% of CIF), VAT (7% of CIF) and surtax (54% of CIF). Before 2012, there was no VAT and ad valorem excise tax was 33% of CIF.

Tax has accounted for around 25–28% of the retail price of the MSB of cigarettes in Djibouti over the period.

## Price and affordability<sup>2</sup>

The MSB of cigarettes in Djibouti has become more affordable since 2010. Historically, cigarettes in Djibouti have been cheaper than in other countries of the Region.



● Djibouti ● Egypt ● Morocco ● Pakistan ● Sudan ● Tunisia

PPP: purchasing power parity.

<sup>1</sup> WHO technical manual on tobacco tax administration. Geneva: World Health Organization; 2010.

<sup>2</sup> WHO's series of reports on the global tobacco epidemic, 2009–2019. Geneva: World Health Organization; 2009–2019.