

Tobacco tax:

Islamic Republic of Iran

■ *How does WHO recommend that tobacco is taxed, in general?*¹

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 price and revenue levels.

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 the Islamic Republic of Iran?*²

Tobacco taxation has been historically low in the Islamic Republic of Iran; however, increases were seen in the last 3 years. Excise

taxes (specific and ad valorem) and other taxes (license fees) are tiered, with lower rates for domestic brands, and rates increasing for domestic brands owned by an international brand and for imported brands. Commercial profits tax is imposed on imported tobacco products.

Excise taxes are the largest component of cigarette tax in the Islamic Republic of Iran. A specific excise tax was imposed for the first time in 2016, but later removed when an ad valorem excise tax was imposed. A tiered specific excise tax was reinstated in March 2018. A higher rate of value added tax (VAT) is applied to tobacco products (12%) than to other products (6%), functioning as an additional ad valorem excise tax.

Revenue from the specific excise tax on cigarettes and the ad valorem excise tax on waterpipe tobacco is earmarked for the ministries of sports and youth, education, and health and medical education, to spend on tobacco control.

There are duty-free sales of cigarettes in the Islamic Republic of Iran. Unofficial reports state that there has been no importation of cigarettes since March 2018.

■ *How does WHO recommend that the Islamic Republic of Iran taxes tobacco?*

Domestic not customs

High import duties are not recommended as they encourage domestic production of tobacco. No incentives should be provided to domestic or international brands.

Excise not general

The Islamic Republic of Iran should increase excise tax and be less reliant on other indirect taxes.

Specific not ad valorem

There should be greater reliance on specific excise rather than ad valorem excise tax. In the short term, a minimum specific excise tax should be implemented.

Uniform not differential

Uniform tax rates are recommended to avoid product switching.

Regularly increased

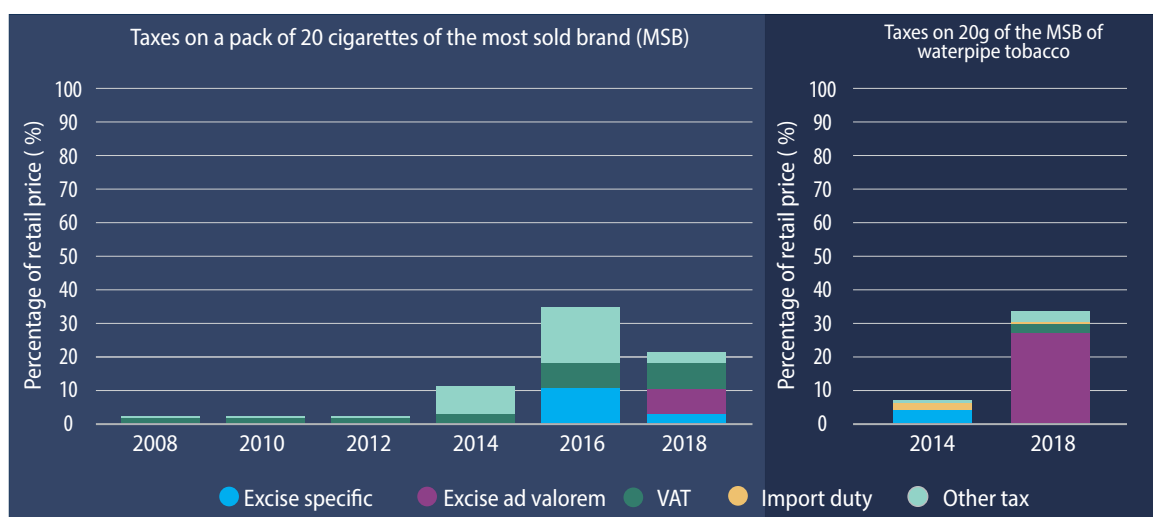
Specific taxes should be regularly increased in line with inflation. In countries with high rates of inflation, such as the Islamic Republic of Iran, this is particularly pertinent to prevent the real value of specific tax being eroded.



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■ Tobacco tax as percentage of retail price²

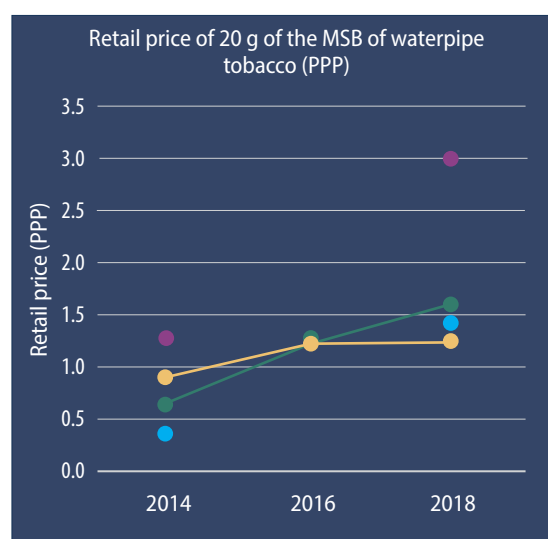
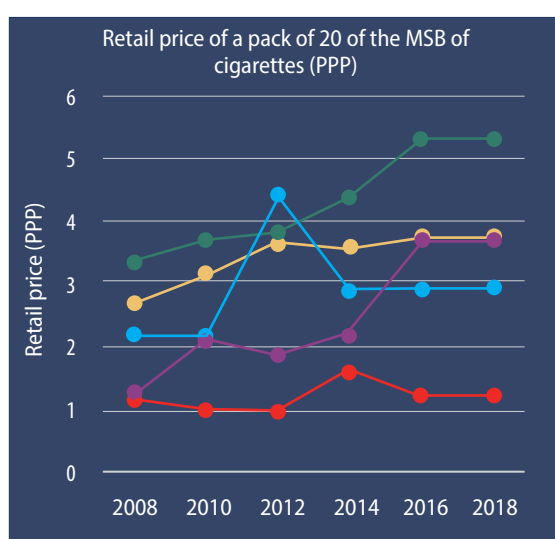
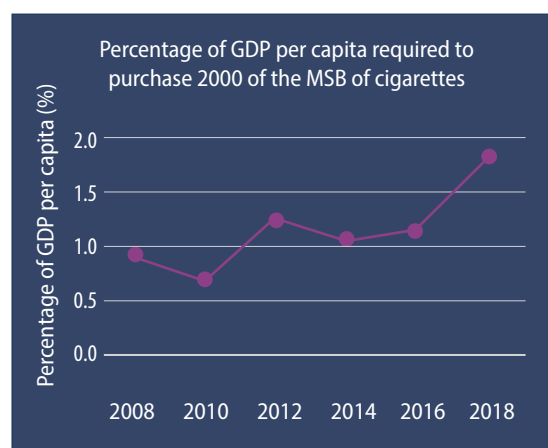


In the Islamic Republic of Iran, there has been a decrease in tobacco tax as a percentage of the retail price of the MSB of cigarettes. This is largely due to the retail price of the MSB of cigarettes increasing by 150% between 2016 and 2018. However, there has been an increase in tobacco tax as a percentage of the waterpipe tobacco retail price.

■ Price and affordability²

The affordability of cigarettes in the Islamic Republic of Iran has fluctuated over the last 10 years. Overall, cigarettes have become less affordable, particularly since 2018.

Historically, cigarettes have been cheap in the Islamic Republic of Iran compared to other countries in the Region. However, in 2018 cigarettes and waterpipe tobacco were expensive compared to other countries.



● Iran (Islamic Republic of) ● Iraq ● Jordan ● Lebanon ● Libya

PPP: purchasing power parity.

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

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