

Tobacco tax:

Iraq

■ *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 Iraq?*²

Iraq relies on import duties as the sole means of taxing tobacco. Before 2014, the rate applied to the most sold brand (MSB) of cigarettes was 5% of import (cost, insurance and freight (CIF)) value. This rate increased to 25% of CIF value in 2014 and 2016, and 30% of CIF in 2018.

An excise tax of 100% of CIF value on tobacco has been awaiting implementation in Iraq since 2016.

Duty-free sales of tobacco products have not been banned in Iraq, and there is no earmarking of tobacco tax revenue.

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

To reduce the affordability of tobacco

Cigarettes are becoming more affordable and much cheaper in Iraq than in other countries.

Domestic not customs; excise not general; specific not ad valorem; uniform not differential; and comparable across all tobacco products

Iraq should consider implementing a uniform specific excise tax on all tobacco products. However, implementation of the pending excise tax on CIF value would be a significant improvement.

No duty-free allowances

The duty-free sale of tobacco should be banned in Iraq.

Regularly increased

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

With tobacco tax revenue earmarked

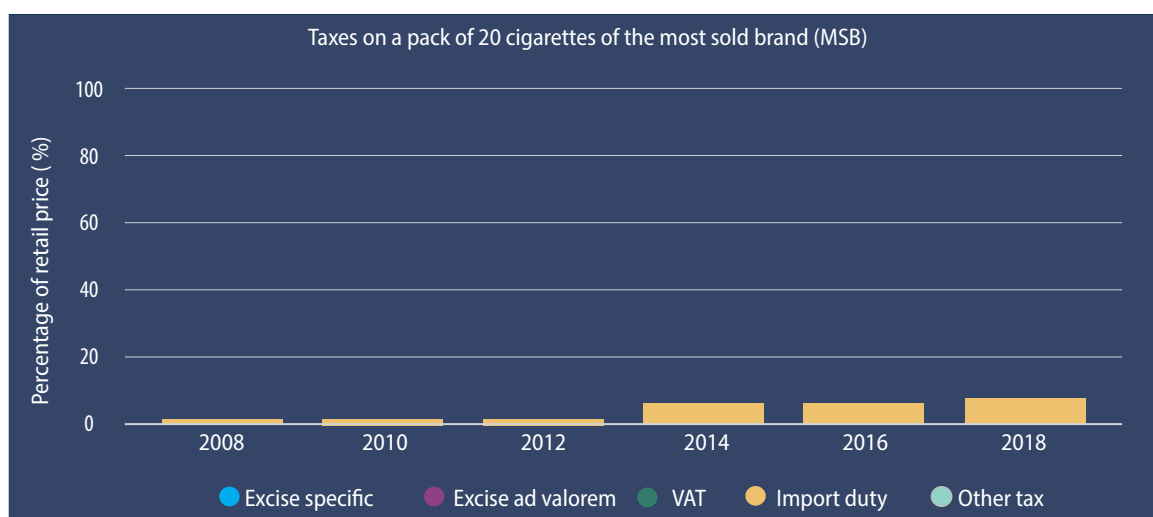
Ideally, a share of tobacco tax revenue should be earmarked for health spending purposes.



World Health Organization

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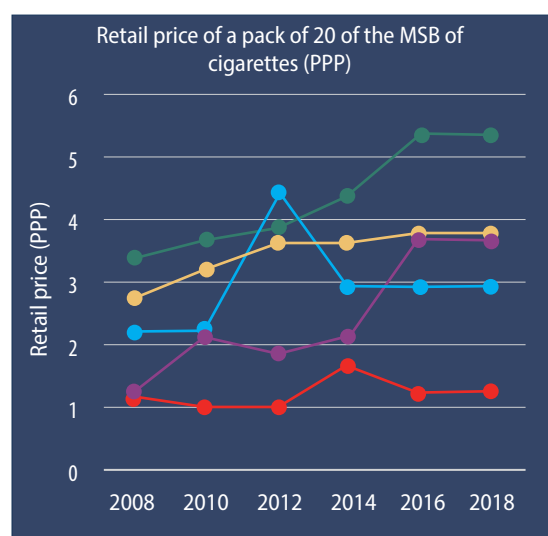
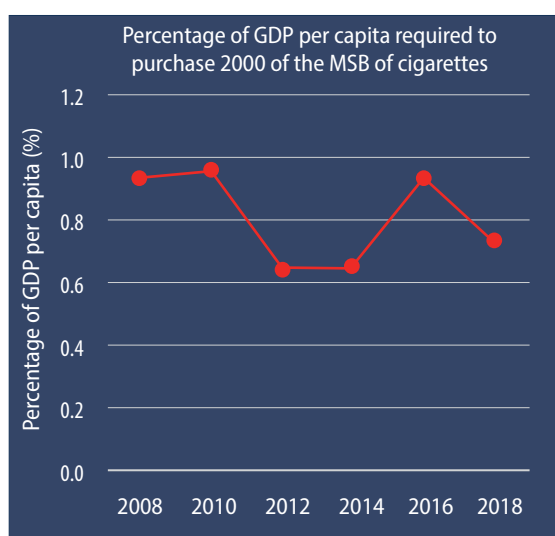
Tobacco tax as percentage of retail price²



Tobacco tax has accounted for an exceptionally low share of the retail price of cigarettes in Iraq over the last 10 years. This share has increased over time due to increases in the rate of import duty applied to the MSB of cigarettes, from 5% of CIF value before 2012, to 25% of CIF in 2014 and 2016, and then 30% of CIF in 2018.

Price and affordability²

Between 2008 and 2018, cigarettes have become more affordable overall in Iraq. Between 2014 and 2016, cigarettes became less affordable; however, this trend has reversed since 2016. Cigarettes have historically been cheaper in Iraq than in other countries, and the trend is worsening over time.



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.