

# Tobacco tax:

## Libya

### ■ *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 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 Libya?<sup>2</sup>*

The most smoked brand (MSB) of cigarettes in Libya is subject to value added tax (VAT) (1.05%), import duty (25% of cost, insurance and freight (CIF) value) and other taxes such as river tax and social security tax. Waterpipe tobacco is subject to the same taxes as cigarettes.

There is no minimum excise tax applied in Libya. There is no earmarking of tobacco tax revenues or ban on duty-free sales.

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

#### To reduce the affordability of tobacco

Cigarettes have become dramatically more affordable in Libya in the last 4 years, and are cheaper than in other countries in the Region. Waterpipe tobacco is also cheap compared to neighbouring countries.

#### No duty-free allowances

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

#### Regularly increased

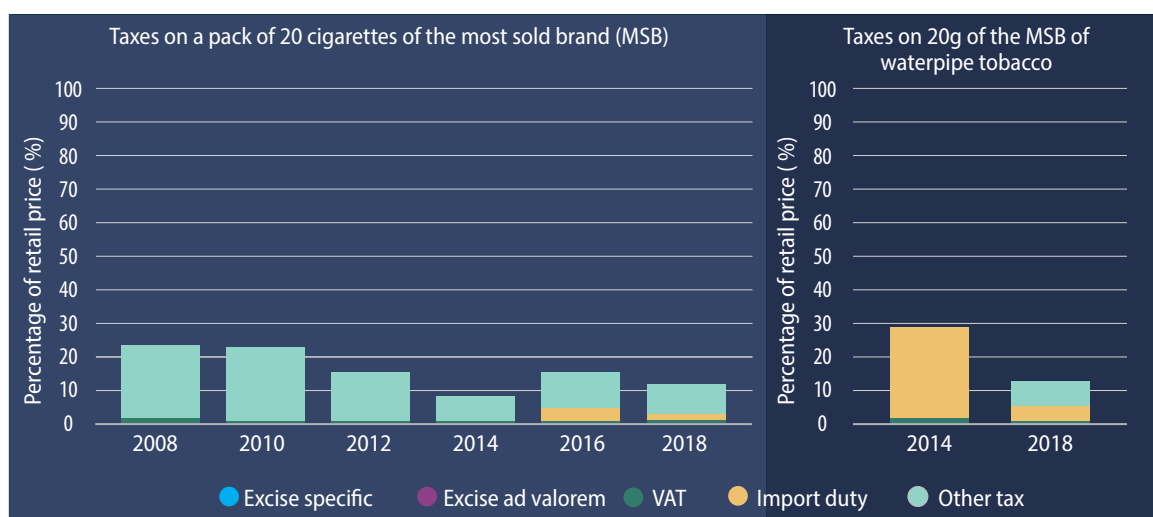
Tobacco tax must be increased in line with inflation and GDP growth to reduce affordability of tobacco.

#### With tobacco tax revenue earmarked

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



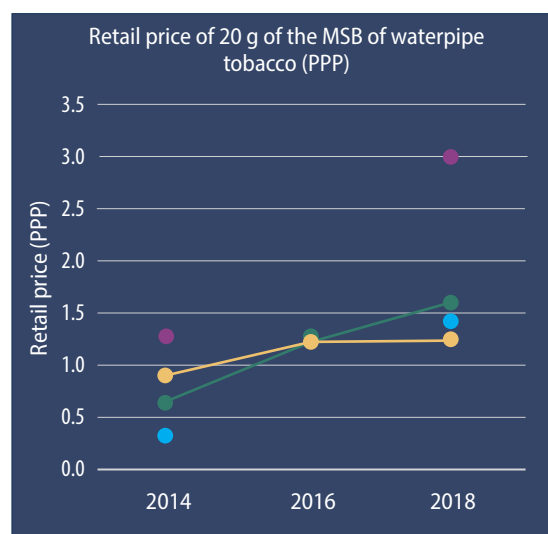
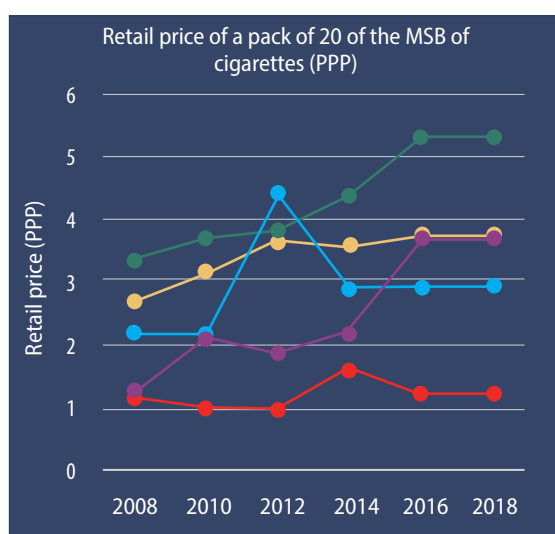
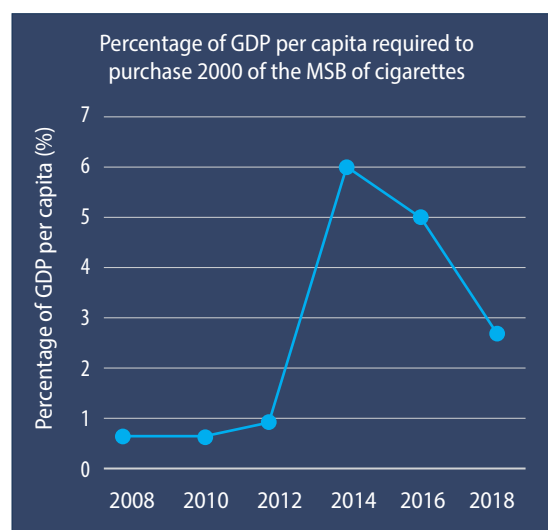
## Tobacco tax as percentage of retail price<sup>2</sup>



The MSB of cigarettes in Libya is subject to VAT (1.05%), import duty (25% of CIF) and other taxes such as river tax and social security tax. Waterpipe tobacco is subject to the same taxes. Changes in the share of tax of the retail price over time have predominantly been driven by changes in prices over the 10-year period.

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

The MSB of cigarettes in Libya became significantly less affordable between 2012 and 2014; however, between 2014 and 2018, the MSB became significantly more affordable. The MSB of cigarettes in Libya are cheap compared to other countries in the Region. Waterpipe tobacco is also cheap compared to other countries.



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.