

Tobacco tax:

Pakistan



■ 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 Pakistan?²

Pakistan has a tiered specific excise tax system for tobacco. In 2017, a third tier was created and the lowest tier was decreased. This changed the most sold brand (MSB) of cigarettes and decreased government revenues.

Tiers as of 18 July 2018

| Retail price | Excise tax per pack |
|---------------------------|------------------------|
| < 58.50 Pakistani rupees | 1708 Pakistani rupees |
| 58.50–90 Pakistani rupees | 35.52 Pakistani rupees |
| > 90 Pakistani rupees | 79.40 Pakistani rupees |

There is a minimum pricing law in place of 40.50 Pakistani rupees, excluding value added tax (VAT). VAT is applied to cigarettes and was increased from 16% to 17% in 2012. Since 1 July 2015, a tax specifically for filtered sticks has been imposed of 0.75 Pakistani rupees per stick.

Chewing tobacco is a popular tobacco product in Pakistan, but remains completely unregulated.

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

To reduce the affordability of tobacco

Cigarettes are very cheap in Pakistan compared to neighbouring countries, and they have become significantly more affordable since 2016.

Excise not general

The falling share of excise tax as a share of tobacco tax is concerning. Ideally, this share should increase and become the majority, if not all, of tobacco tax.

Uniform not differential

The addition of a new tier and the decrease in the lower tier unfortunately caused mass product switching. Gradual increases and merging of tiers are recommended.

Comparable across all tobacco products

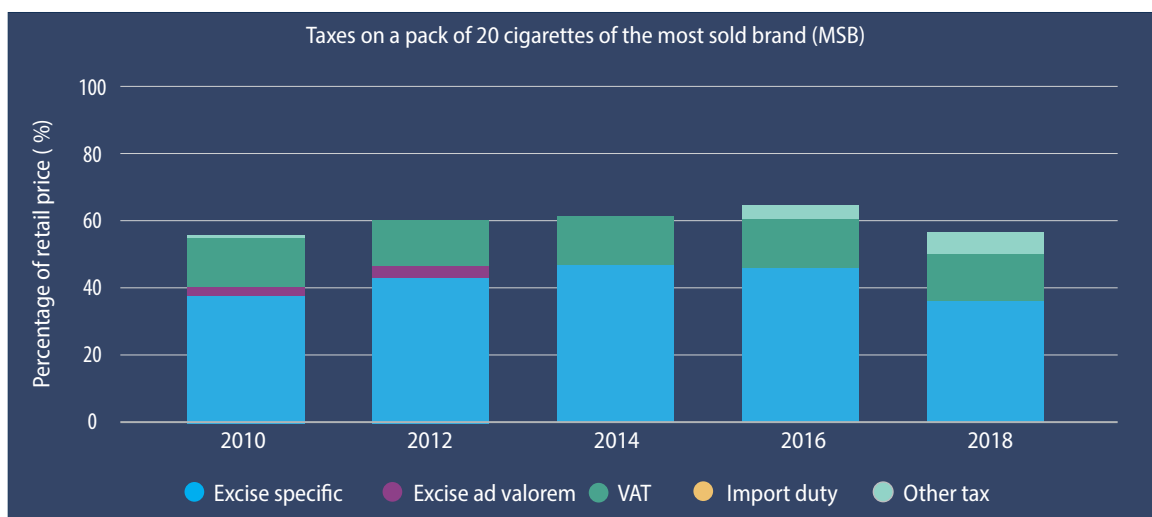
It is concerning that snuff is not taxed in Pakistan. All tobacco products and qualities should be taxed consistently to effectively control tobacco.

With tobacco tax revenue earmarked

The proposed health levy would earmark tobacco tax for health spending.



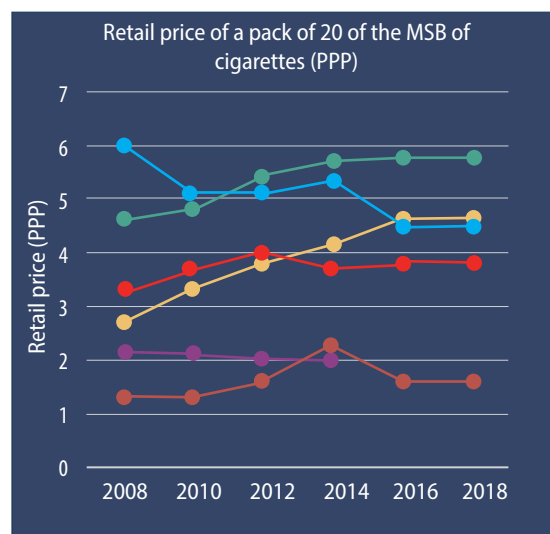
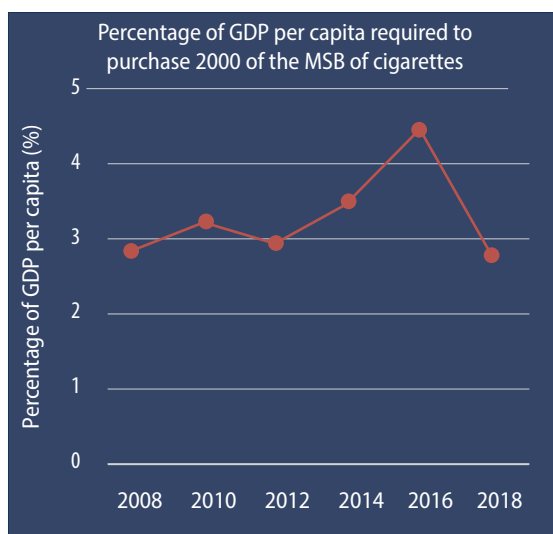
Tobacco tax as percentage of retail price²



Tax has accounted for over 50% of the retail price of the MSB of cigarettes in Pakistan over the last 10 years. Snuff (chewing tobacco) is untaxed, which weakens the effectiveness of tobacco taxation as a means of tobacco control.

Price and affordability²

The MSB of cigarettes has become significantly more affordable in Pakistan since 2016. The MSB of cigarettes is very cheap in Pakistan compared to neighbouring countries, a difference that has existed over the last 10 years.



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

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.