

# Tobacco tax:

## Palestine



### ■ 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 Palestine?<sup>2</sup>

Cigarettes have specific and ad valorem excise taxes in Palestine. The specific tax rate is NIS 395 per 1000 sticks. Between 2010 and 2014, this specific tax was increased three times. After 2014, it was slightly decreased to the current rate. Waterpipe tobacco has a specific excise rate of NIS 296.62 per kilogram.

Cigarettes are also taxed with an ad valorem rate of 270% of the wholesale price. In 2010, the rate of ad valorem tax was 260% and in 2012 it was 278.6%.

In Palestine, both cigarettes and waterpipe tobacco are taxed with value added tax (VAT) of 16% on a base of "wholesale price and excise tax". VAT has increased gradually over the last 10 years.

There is a minimum excise tax for cigarettes of NIS 15.32 per 20 sticks.

There is no earmarking of tobacco tax revenues.

### ■ What does WHO recommend as the next steps for Palestine?

#### To reduce the affordability of tobacco

Waterpipe tobacco is affordable in Palestine compared to neighbouring countries.

#### Regularly increased

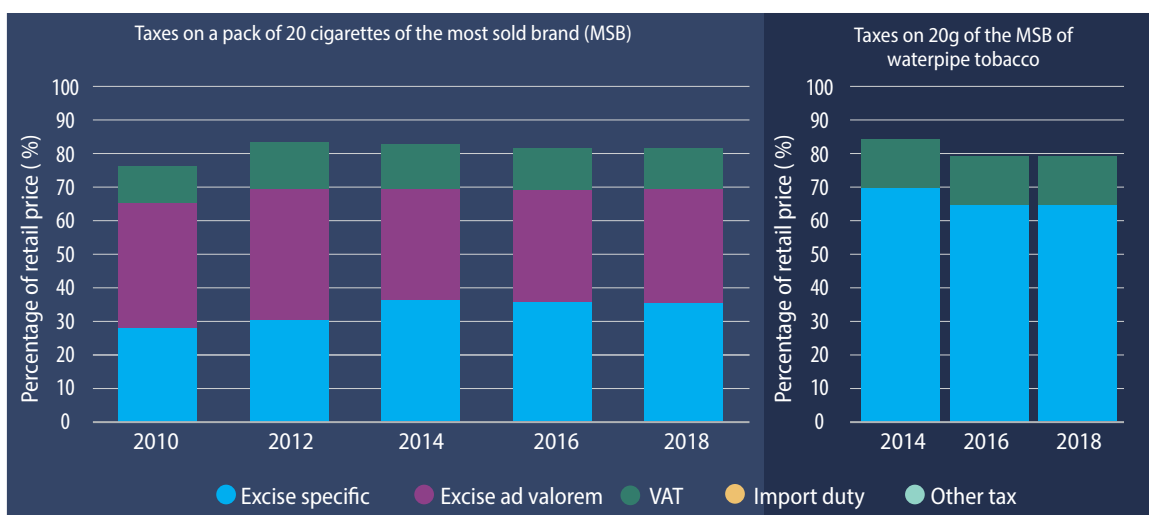
Specific excise tax should account for most of the total excise tax, and should be regularly increased to account for inflation and to make tobacco products less affordable.

#### With tobacco tax revenue earmarked

Ideally, a share of tobacco revenue should be earmarked for a health spending purpose, and this share could be increased over time.



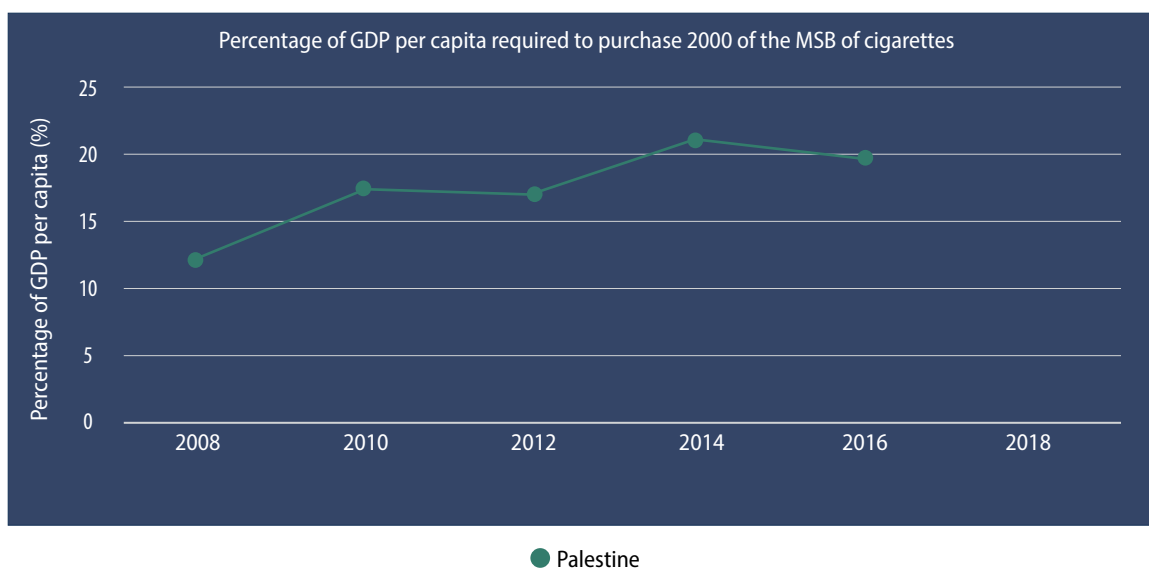
## Tobacco tax as percentage of retail price<sup>2</sup>



In Palestine, cigarettes have been taxed such that tobacco tax accounts for a large share of the retail price of tobacco products. Cigarettes and waterpipe tobacco are taxed at similar levels.

## Affordability<sup>2</sup>

Overall, cigarettes have become less affordable in Palestine since 2008. However, they became more affordable between 2014 and 2016; there are no data for 2018. This is a potentially worrying trend.



<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.