

Tobacco tax:

Saudi Arabia

■ *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 Saudi Arabia?*²

Saudi Arabia, like many of the Gulf Cooperation Council (GCC) countries, used to rely on import duties as the sole form of tobacco tax.

Recently, Saudi Arabia followed the 2016 GCC agreement to tax tobacco using excise tax. There is now an ad valorem excise rate at 100% of retail price (minus value added tax (VAT) and excise tax) on tobacco products.

There is also 5% VAT on retail price, as well as the previous import duty of 100% on cost, insurance and freight (CIF) value.

There is a minimum import duty, but no minimum excise tax. There is no earmarking of tobacco tax for particular spending purposes and no ban of duty-free sales.

■ *What does WHO recommend as the next steps for Saudi Arabia?*

Specific not ad valorem

A minimum specific excise tax should be imposed in addition to the ad valorem tax to ensure prices for some brands are not too low and to guarantee minimum revenue levels.

No duty-free allowances

Reducing or banning duty-free sales of tobacco would further decrease the affordability of tobacco products, reduce consumption and increase tobacco tax revenues.

Regularly increased

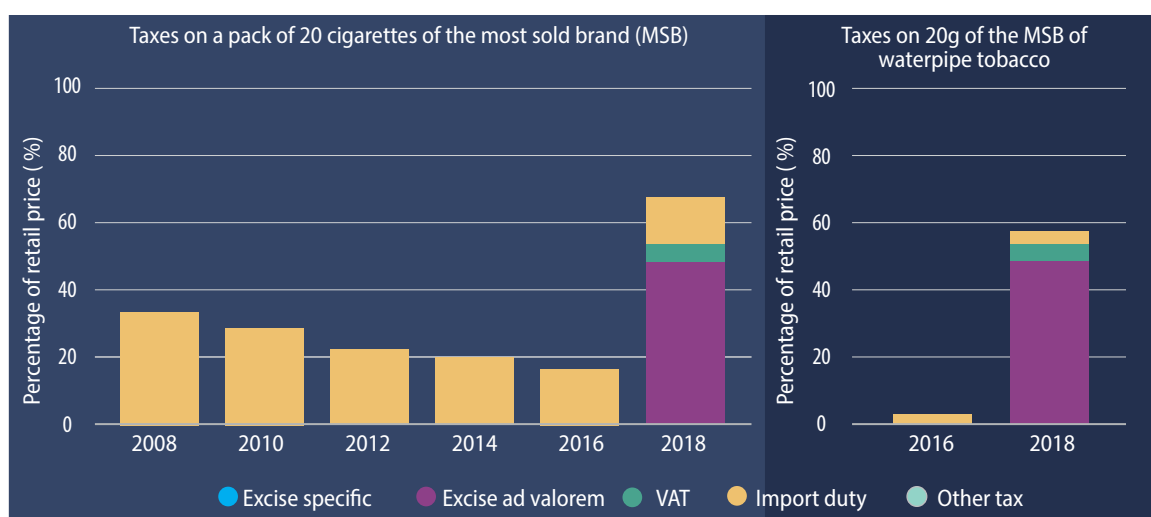
Taxes should be regularly increased to ensure that tobacco products do not become more affordable over time.

With tobacco tax revenue earmarked

Ideally, Saudi Arabia would allocate a small share of tobacco tax revenue to a particular health spending purpose and increase this share over time.



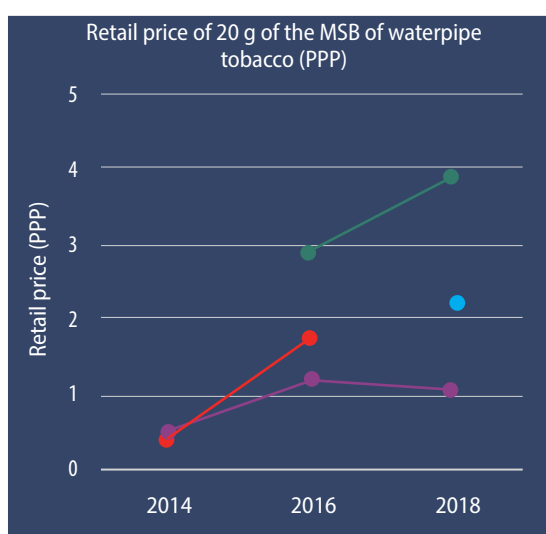
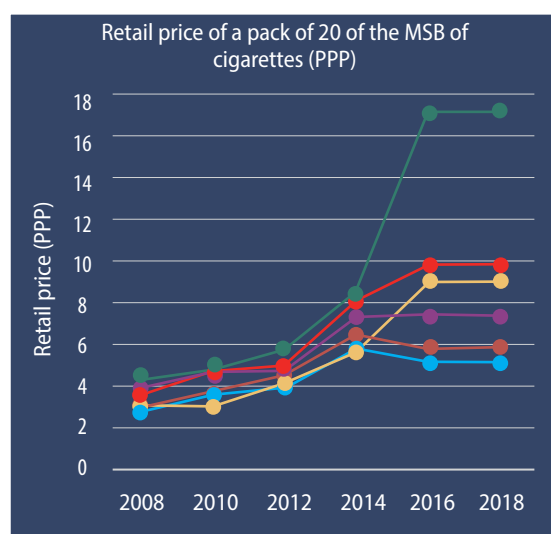
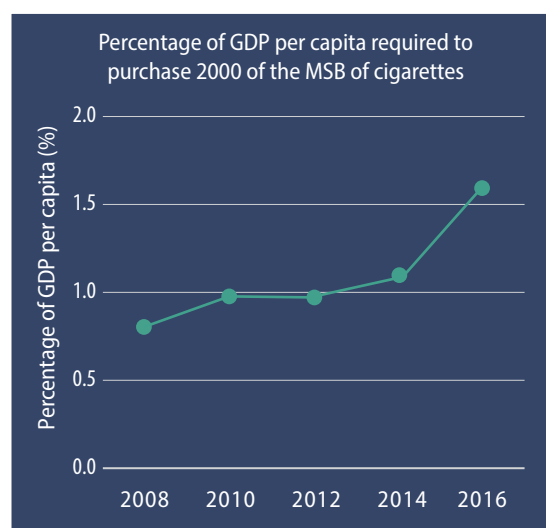
Tobacco tax as percentage of retail price²



Saudi Arabia used to rely solely on import duties to tax tobacco. This was a low rate and an ever-decreasing share of retail price. The adoption of the GCC 2016 ad valorem excise tax (100%) is a positive development.

Price and affordability²

The affordability of cigarettes has decreased over time in Saudi Arabia, and cigarettes and waterpipe tobacco are less affordable than in neighbouring countries. This difference has increased rapidly since the implementation of the ad valorem excise tax, as agreed by GCC countries.



● Bahrain ● Kuwait ● Oman ● Qatar ● Saudi Arabia ● United Arab Emirates

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.