

# Tobacco tax:

## United Arab Emirates

### ■ *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 United Arab Emirates?*

The United Arab Emirates, like many Gulf Cooperation Council (GCC) countries, used to rely on import duties as the sole form of tobacco tax. The import duty is 100% of the cost, insurance and freight (CIF) value, and a minimum duty of 200 Emirati dirhams per 1000 cigarettes also applies.

Recently, United Arab Emirates implemented the GCC 2016 agreement to tax tobacco using excise tax. There is now an ad valorem excise tax at the rate of 100% of retail price (minus value added tax (VAT) and excise tax) on cigarettes. There are no data on how other tobacco products are taxed in the country.

Cigarettes also face a VAT of 5% on retail price, in addition to the historical import duty and the new ad valorem excise tax. There is no minimum specific excise tax in place, and no earmarking of tobacco tax revenue for any particular spending purposes.

### ■ *What does WHO recommend as the next steps for United Arab Emirates?*

#### To reduce the affordability of tobacco

Cigarettes are very affordable in the United Arab Emirates compared to other Gulf countries such as Bahrain and Saudi Arabia. The recent changes to taxation demonstrate good progress, but the country should follow on by implementing a minimum specific excise tax.

#### Specific not ad valorem

Given the tax system is ad valorem excise, it is a priority to implement a minimum specific excise tax.

#### Comparable across all tobacco products

United Arab Emirates should tax all tobacco products similarly.

#### No duty-free allowances

Banning the duty-free sales of tobacco products will decrease affordability, decrease consumption and increase revenues.

#### Regularly increased

Tobacco taxes should be regularly reviewed and increased, so that the affordability of products does not increase.

#### With tobacco tax revenue earmarked

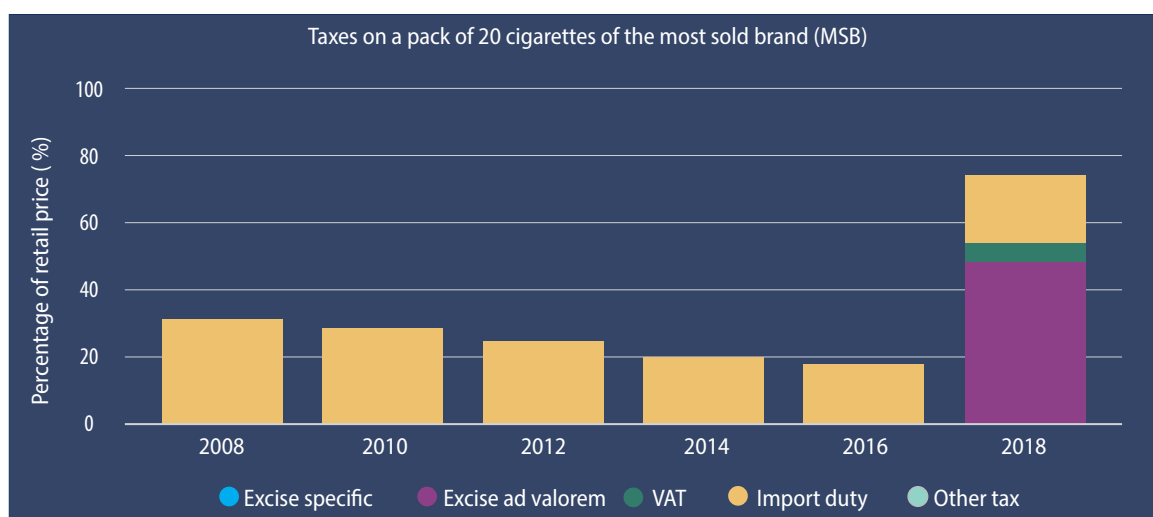
Ideally, a share of tobacco tax would be earmarked for health spending purposes and this share could be increased over time.



**World Health Organization**

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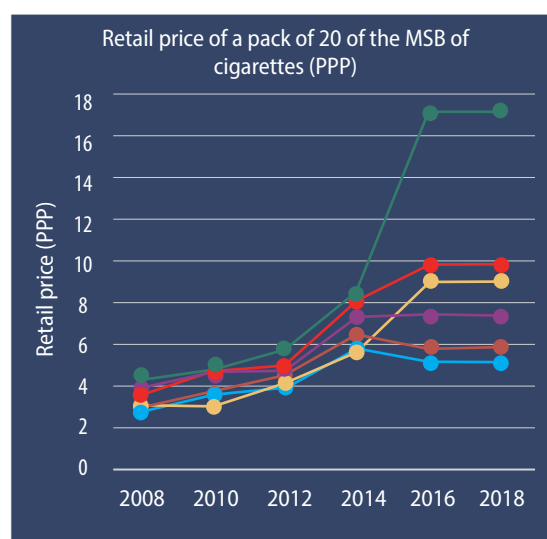
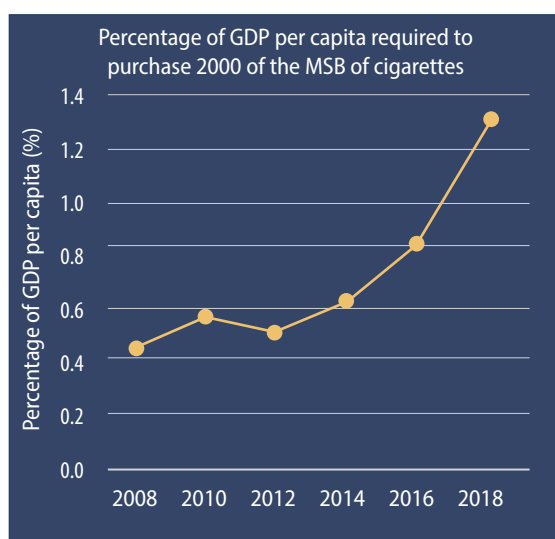
## ■ Tobacco tax as percentage of retail price<sup>2</sup>



The implementation of the GCC agreement increased the tobacco tax share of retail price in United Arab Emirates in 2018. Previously, the import duty minimum rate of 100 Emirati dirhams per 1000 sticks (increased to 200 Emirati dirhams in 2018) comprised a decreasing share of the retail price of tobacco products between 2008 and 2016. This shows the importance of regularly increasing specific tax in line with inflation.

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

Cigarettes are cheap in the United Arab Emirates compared to Bahrain and Saudi Arabia. Cigarettes have become less affordable within the country over the last 10 years.



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

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.