

# Tobacco tax:

## Yemen

### ■ 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 Yemen?<sup>2</sup>

The largest component of tobacco tax on the most sold brand (MSB) of cigarettes is value added tax (VAT), which is 90% of retail price before VAT. There is also a small specific excise tax on cigarettes in Yemen. The revenue from this tax is earmarked for disabled people, youth, culture and city cleaning. Before 2012 the specific excise tax was 11 Yemeni rial, in 2012 it was 13 Yemeni rial per pack and since 2012 it has been 18 Yemeni rial per pack.

Waterpipe tobacco is only taxed using an import duty. The rate of import duty has changed over the last 4 years. In 2014 import duty was 20% of cost, insurance and freight (CIF) value, in 2016 it was 10% of CIF and in 2018 it was 25% of CIF. In 2014 VAT was levied on waterpipe tobacco at 10% of CIF value.

There is no minimum pricing of tobacco products.

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

#### Domestic not customs

Yemen relies solely on import duty to tax waterpipe tobacco. Import duties are at risk of being eroded by trade agreements, which will increase the affordability of tobacco and decrease government revenues.

#### Excise not general

Excise tax raises the price of the taxed good relative to all other goods, which discourages its consumption. Excise tax should account for the majority of tax on cigarettes in Yemen.

#### Comparable across all tobacco products

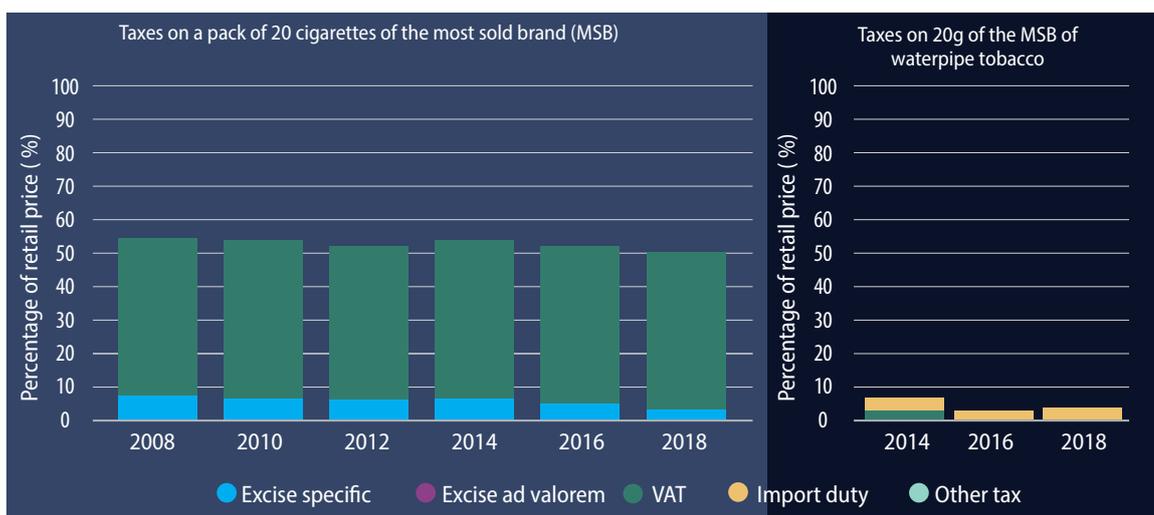
Waterpipe tobacco is not taxed as highly as cigarettes and therefore risks becoming a more affordable tobacco product than cigarettes.

#### Regularly increased

Taxes, especially specific excise taxes, must be increased in line with inflation and GDP growth.



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



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

The MSB of cigarettes in Yemen has become less affordable over the last 10 years. Waterpipe tobacco is cheap compared to Somalia.



● Afghanistan ● Somalia ● Syrian Arab Republic ● Yemen

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.