

## Cigarette Tax Scorecard: Spotlight on Iraq

### Key Messages

- In 2020, in the second edition of the Tobacconomics Cigarette Tax Scorecard, Iraq scored 0 out of 5 points. This is significantly lower than the average score of countries in its region and income group.
- In each of the four components used to calculate the overall score, Iraq received 0 points out of 5, reflecting Iraq's lack of excise tax structure.
- Implementing a uniform specific excise tax structure with substantially high tax rates would dramatically improve Iraq's scores in all four components, by also increasing tax share of price and reducing cigarette affordability.
- The overall zero score in Iraq has remained constant from 2014 to 2020 demonstrating that poor tobacco taxation has been a longstanding challenge but, at the same time, represents an important opportunity to reduce tobacco use and raise government revenue.

### Introduction

The Tobacconomics Cigarette Tax Scorecard evaluates countries' cigarette tax systems based on a five-point rating system that incorporates international guidance and best practices in tobacco taxation. The five-point index uses data to score countries on the following four components: cigarette price, changes in the affordability of cigarettes over time, the share of

taxes in retail cigarette prices, and the structure of cigarette taxes. The total score reflects an average of the four component scores.

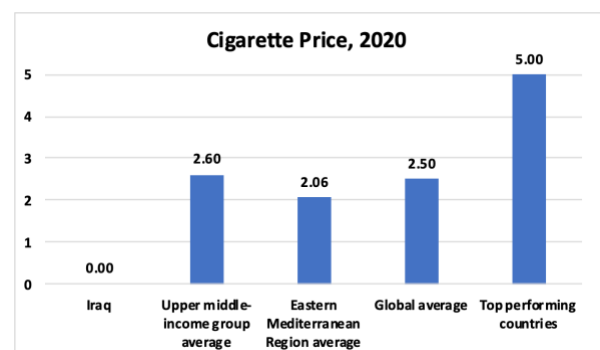
By implementing more effective cigarette tax policies, Iraq would improve the health of its population, while raising additional tax revenue for the government.

### Country Findings

#### Cigarette Price

Price is a key determinant of cigarette use— as the price increases, demand decreases.

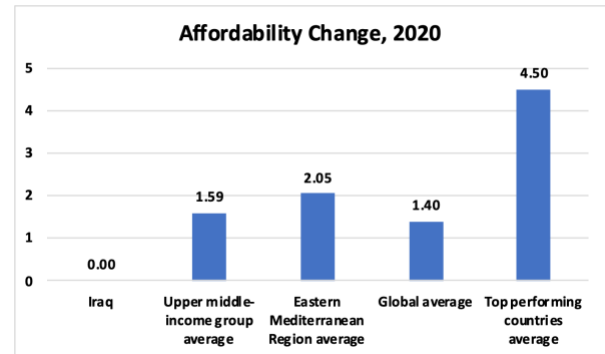
In 2020, Iraq scored 0 points out of 5 in this component. A 20-pack of the most-sold brand is 500 Iraqi Dinar (\$Intl 0.92), among the cheapest in the world. This is significantly less than the recommended minimum of 5,233.11 Iraqi Dinar (\$Intl 10.31).



## Change in Cigarette Affordability

To reduce demand, cigarettes must become less affordable. As cigarettes become less affordable, consumers buy fewer and many will stop buying them altogether. As part of this effort, at a minimum, cigarette prices should be updated regularly for inflation and income growth.

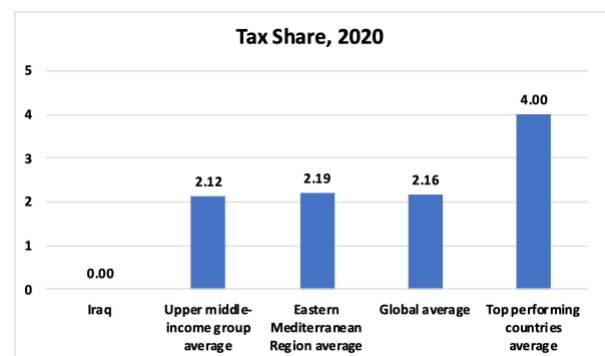
Iraq did not significantly reduce the affordability of cigarettes between 2014 and 2020, earning 0 points in this component out of 5. Significant reductions are needed to reach top performing countries.



## Tax Share

A high tax share of price is generally a good indicator of cigarette tax effectiveness and is essential to raise government tax revenues from cigarettes.

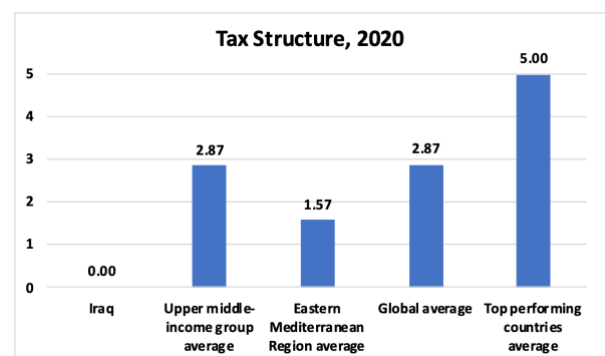
Iraq scored 0 points out of 5 in 2020. The total tax share of price is 7.62% and the excise tax share is 0% because of the lack of an excise tax on cigarettes. There is enormous room for improvement to attain the recommended 75% and 70% total and excise tax share of price minimum benchmarks, respectively.



## Tax Structure

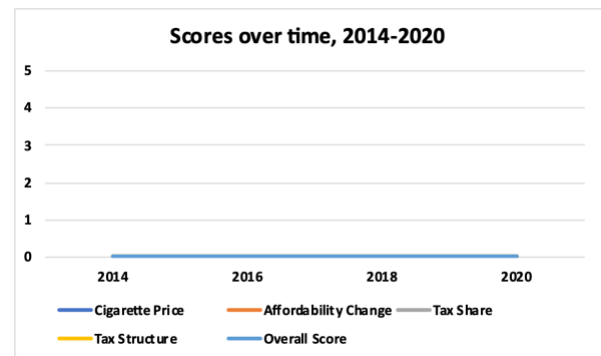
Tax structures vary in their effectiveness when it comes to reducing tobacco use and collecting tax revenues. Uniform specific excise tax systems that at least adjust annually for inflation are generally the most effective and easiest to administer.

Iraq scored 0 points out of 5 due to its lack of excise tax. For maximum efficacy, Iraq should implement a uniform specific excise tax with substantial rates.



## Scores Over Time

Iraq's overall score has remained constant between 2014 and 2020. Such persistent low scores emphasize the urgent need for Iraq to implement an excise tax to raise prices and reduce affordability.



## Policy Implications and Recommendations

In summary, the following cigarette tax policy improvements are recommended as concrete next steps to reduce smoking prevalence in Iraq and improve the health of its citizens, while increasing the tax revenue collected by the government:

- Iraq should implement a new uniform specific excise tax structure for cigarettes that adjusts annually for inflation and economic growth.
- The new excise tax should be substantial in order to **raise the price of cigarettes to at least 5,233.11 Iraqi Dinar (\$Intl 10.31)** and reduce affordability.
- Iraq should aim to **increase the total tax share of price and the excise tax share of price to at least 75% and 70%**, respectively.