

Cigarette Tax Scorecard: Spotlight on Iran

Key Messages

- In 2020, in the second edition of the Tobacconomics Cigarette Tax Scorecard, Iran scored 2 out of 5 points. This is slightly higher than the average score of countries in its income group, but lower than others in its region, and much lower than top-performing countries.
- Of the four components used to calculate the overall score, Iran performed best in the change in affordability, receiving 5 out of 5 points.
- Iran scored 0 points for its tax share of price: total tax share of price is 15.54% and the excise share is 9.25%. Furthermore, there has been little improvement over time. Increasing tax share of price represents an opportunity for improvement.
- The overall score in Iran increased between 2014 and 2020 from 0 to 2 points as prices rose and cigarette affordability decreased but improving tax structure and raising tax rates would help to increase the score significantly.

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.

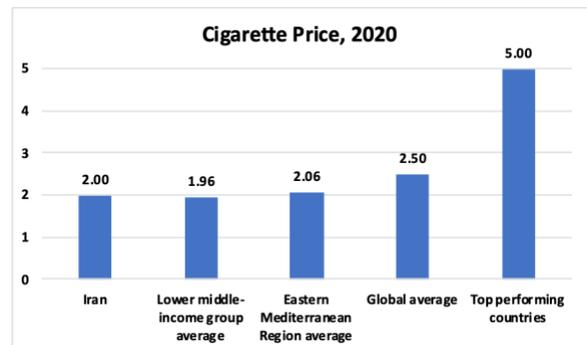
By implementing more effective cigarette tax policies, Iran would improve the health of its population, while raising additional tax revenue for the government.

Country Findings

Cigarette Price

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

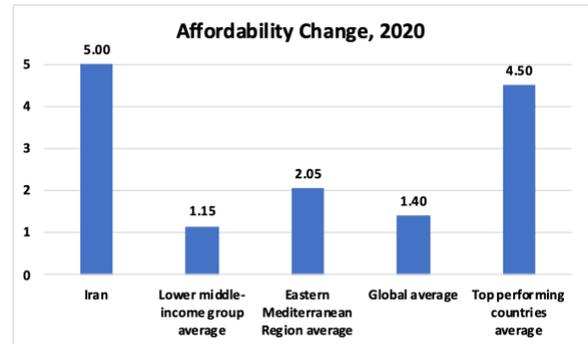
In 2020, Iran scored 2 points out of 5 in this component. A 20-pack of the most-sold brand is 180,000 Iranian Rial (\$Intl 5.83). This is less than the recommended minimum of 309,378.72 Iranian Rial (\$Intl 10.31).



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.

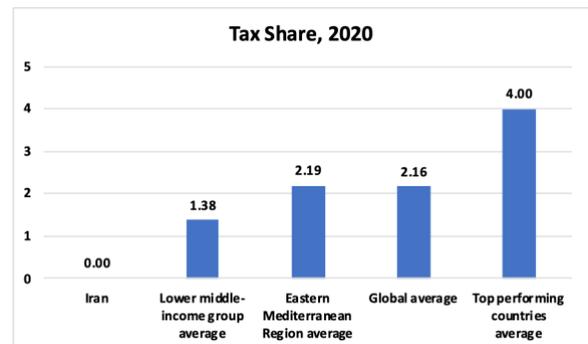
Iran significantly reduced the affordability of cigarettes between 2014 and 2020 by 26.44%, earning 5 points in this component out of 5.



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.

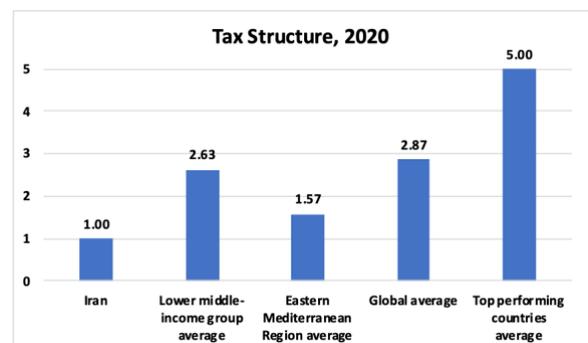
Iran scored 0 points out of 5 in 2020. The total tax share of price is 15.54% and the excise tax share is 9.25%. This is much lower than the recommended 75% and 70% total and excise tax share of price, respectively.



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.

Iran scored 1 point out of 5 for its tiered ad valorem excise tax system, which is less effective than a uniform specific excise tax.



Scores Over Time

Iran's overall score increased between 2018 and 2020, after decreasing slightly between 2016 and 2018. Improvement in the overall score was driven primarily by an increase in price and a reduction in the affordability of cigarettes. Iran's scores for tax structure and tax share of price remained low, signifying the need for Iran to adopt a uniform specific excise tax system and increase tax rates.



Policy Implications and Recommendations

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

- Iran should increase its excise tax to **raise the price of cigarettes to at least 309,378.72 Iranian Rial (\$Intl 10.31)**.
- Iran should aim to **increase the total tax share of price and the excise tax share to at least 75% and 70%**, respectively.
- Iran should adopt a uniform specific tax structure that adjusts annually to outpace both inflation and income growth.