

Cigarette Tax Scorecard: Spotlight on Jordan

Key Messages

- In 2020, in the second edition of the Tobacconomics Cigarette Tax Scorecard, Jordan scored 3.38 out of 5 points. This is significantly higher than the average score of countries in its region and income group.
- Among the four components used to calculate the overall score, Jordan received the most points in affordability change, with a score of 5 points. The average annual reduction in cigarette affordability between 2014 and 2020 was 11.5 percent.
- In contrast, Jordan scored just 1 point out of 5 in the tax structure component. While the country uses a specific excise tax structure, it has tiered rather than uniform rates.
- Jordan's overall score improved from 2014 to 2020, but there remains room for improvement.

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.

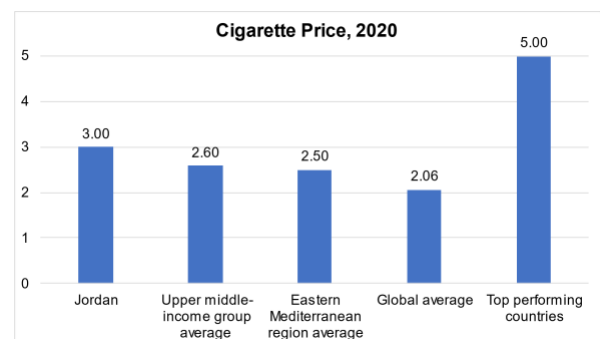
By implementing more effective cigarette tax policies, Jordan would improve the health of its population, while raising additional tax revenue for the government.

Country Findings

Cigarette Price

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

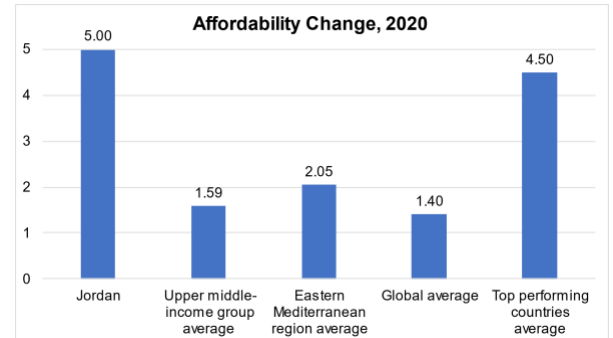
In 2020, Jordan scored 3 out of 5 points in this component. A 20-pack of the most-sold brand is 2.25 Jordanian Dinar (\$Intl 7.38), less than the recommended minimum of 3.03 Jordanian Dinar (\$Intl 10.31).



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.

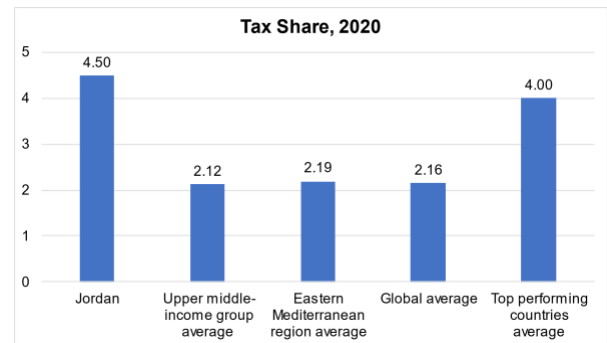
Jordan scored well in this component, scoring all 5 possible points in 2020. However, the price component discussed above suggests cigarettes are still affordable for many people.



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.

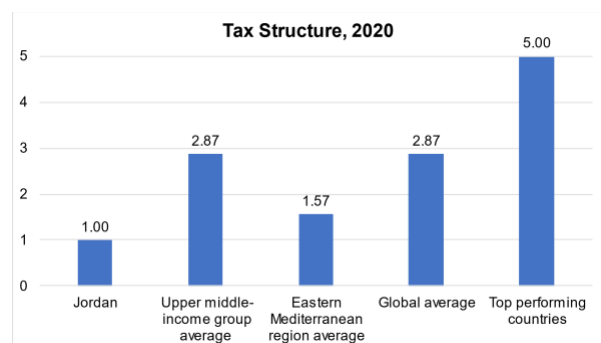
In 2020, Jordan scored 4.50 points out of 5 in this component. The total tax share of price is 78.02 percent, meaning the country has passed the minimum benchmark of 75 percent. However, the excise tax share is 64.22 percent, indicating room for improvement to attain the recommended 70% minimum benchmark.



Tax Structure

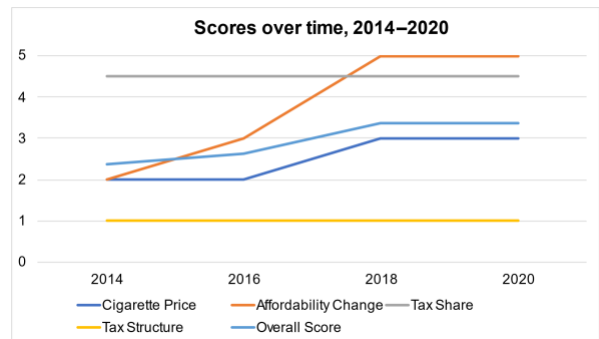
Tax structures vary in their effectiveness when it comes to reducing tobacco use and collecting tax revenues. Uniform specific excise tax systems that at least adjust annually for inflation are generally the most effective and easiest to administer.

Jordan scored just 1 point out of 5 due to the tiered design of its specific excise tax. For maximum efficacy, the country should switch to a uniform structure.



Scores Over Time

Between 2014 and 2020, Jordan has maintained a relatively high tax share of price and shown significant improvement in cigarette price and affordability change, leading to an increase in overall score. However, the country's tax structure has remained constant, signifying room for improvement.



Policy Implications and Recommendations

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

- Jordan should implement a new **uniform** specific excise tax structure that adjusts annually to outpace inflation and economic growth.
- Jordan should increase the tax on cigarettes to **raise the price of cigarettes to at least 3.03 Jordanian Dinar (\$Intl 10.31)** and reduce affordability.
- At the same time, the government should aim for excise taxes to account for at least 70% of retail price.