

Cigarette Tax Scorecard: Spotlight on Tunisia

Key Messages

- In 2020, in the second edition of the Tobacconomics Cigarette Tax Scorecard, Tunisia scored 1.75 out of 5 points. This is lower than the average score of countries in its region and World Bank country income group, and much lower relative to the scores of top-performing countries.
- Of the four components used to calculate the overall score, Tunisia performed best in the tax share and tax structure components, receiving 3 out of 5 points in each. Within Tunisia's mixed excise tax structure, total tax share of price is 69.57% and the excise share is 42.99%.
- Tunisia scored 0 points for its affordability change, which represents a major opportunity for improvement. Since 2014, there has been no increase in tax, prices remain low and there has been no change in affordability.
- The overall score in Tunisia remained constant between 2014 and 2020 as all four component scores remained unchanged.

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.

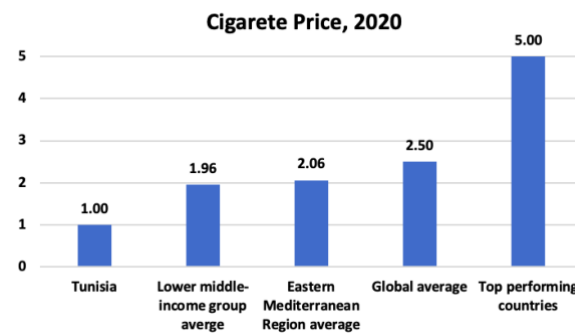
By implementing more effective cigarette tax policies, Tunisia would improve the health of its population, while raising additional tax revenue for the government.

Country Findings

Cigarette Price

Price is a key determinant of cigarette use— as prices increase, demand decreases.

In 2020, Tunisia scored 1 point out of 5 in this component. A 20-pack of the most-sold brand is 3.50 Tunisian Dinar (constant 2018 \$Intl 3.78). This is less than the recommended minimum of 9.38 Dinar (\$Intl 10.00).

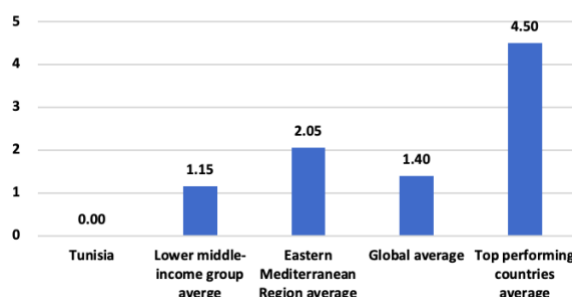


Change in Cigarette Affordability

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.

Tunisia has not significantly reduced 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.

Affordability Change, 2020

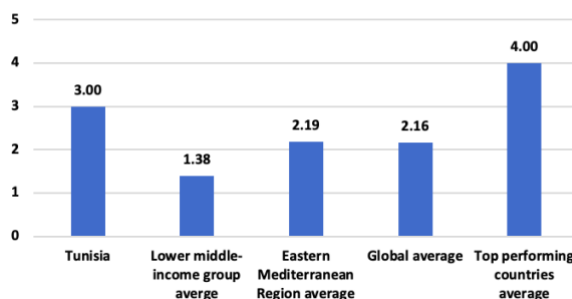


Tax Share

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.

Tunisia scored 3 points out of 5 in 2020. The total tax share of price is 69.57% and the excise tax share is 42.99%. These are lower than the recommended 75% and 70% total and excise tax share of price, respectively.

Tax Share, 2020

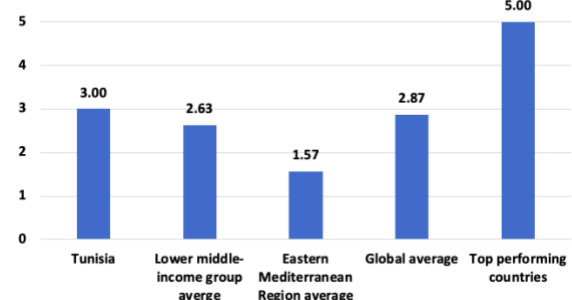


Tax Structure

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.

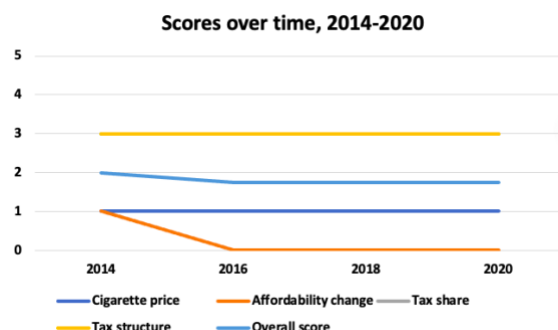
Tunisia scored 3 points out of 5 for its uniform mixed excise tax system that relies more on the ad valorem component, which is less effective than a uniform specific excise tax.

Tax Structure, 2020



Scores Over Time

Tunisia's overall score decreased slightly between 2014 and 2020. Reduction in the overall score was driven primarily by a failure to reduce the affordability of cigarettes. Cigarettes prices also remained low, signifying the need for Tunisia to increase taxes 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 Tunisia and improve the health of its citizens, while increasing the tax revenue collected by the government:

- Tunisia should adjust its mixed excise tax system to **rely more on the specific tax component** and include an **annual adjustment in the specific tax for inflation and economic growth**.
 - It should **make retail price the base for the ad valorem component** of the tax.
- Tunisia should **significantly increase its excise tax to raise the price of cigarettes to at least 9.38 Tunisian Dinar (constant 2018 \$Intl 10.00)** and reduce affordability.
- Tunisia should aim to **increase the total tax share of price and the excise tax share of price to at least 75% and 70%, respectively**.