

# Tobacco Taxes in Egypt

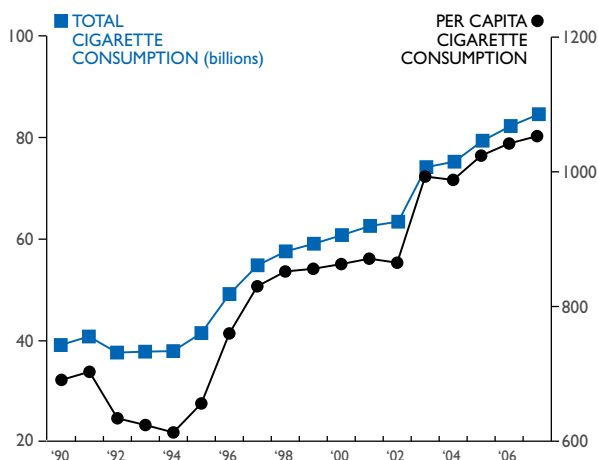
Based on *The Economics of Tobacco and Tobacco Taxation in Egypt*. Khaled Hanafy, Ashraf Salah Eldin Saleh, Mariam Ezzat Badr Eldin Elmallah, Haidy Mohamed Amer Omar, Dina Bakr, Frank J. Chaloupka. 2010.

Egypt's high smoking rate, especially among men, produces alarming health and economic costs. One of the most effective ways to reduce tobacco use in Egypt is to continue to raise the price of tobacco products through tax increases.

## Tobacco use in Egypt

- Almost 10 million Egyptians smoke, and the number of smokers in Egypt more than doubled between 1990 and 2007.
- 37.7% of men smoke. Smoking rates are less than 1% among women. However women and children are exposed to high levels of secondhand smoke at home and in public places.
- Youth smoking is a growing problem; 16% of boys and 8% of girls (age 13-15) use tobacco products.

### Annual cigarette consumption, total and per capita in Egypt, 1990–2007



Source: ERC Group, 2008

## Impact of tobacco use in Egypt

High smoking rates in Egypt contribute to a significant number of early deaths, high healthcare costs and lost productivity.

- In 2004, tobacco-attributable deaths in Egypt were estimated to be nearly 170,000. Over 90% of these deaths were among men.
- Approximately £E 3.4 billion (616 million USD) is spent to treat tobacco-related diseases annually.

- In addition to the sizable healthcare costs resulting from tobacco use, premature deaths and disability caused by smoking result in significant lost productivity.

## Higher taxes reduce smoking

Raising the price of tobacco through tax increases is the most effective way to reduce tobacco use. Higher prices discourage youth and nonsmokers from taking up smoking, encourage current smokers to quit and prevent former smokers from renewing smoking.

## Tobacco taxes in Egypt

In July 2010, taxes on cigarettes were changed significantly. Egypt's current tobacco tax consists of:

- A specific tax of E£1.25 (0.23 USD) per pack;
- An ad valorem tax assessed at the rate of 40% of retail price;
- A "manufacturing and printing" tax applied to foreign brands of 10 piasters (US\$ 0.018) per pack, and;
- An earmarked "health" tax of 10 piasters (US\$ 0.018) per pack applied to all brands.

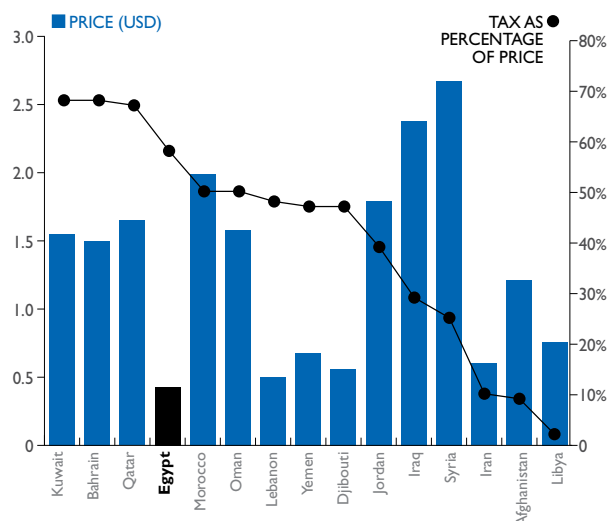
Cigarette taxes currently account for about 65% of the retail sale price. This is still below the level for countries which implement comprehensive tobacco control policies to reduce tobacco use, where taxes account for 70% or more of price.

## Cigarettes in Egypt are cheap and became more affordable over time

- Even though tax as a percentage of price may seem relatively high compared to other countries in the Eastern Mediterranean region, Egyptian cigarettes are among the cheapest in the region.

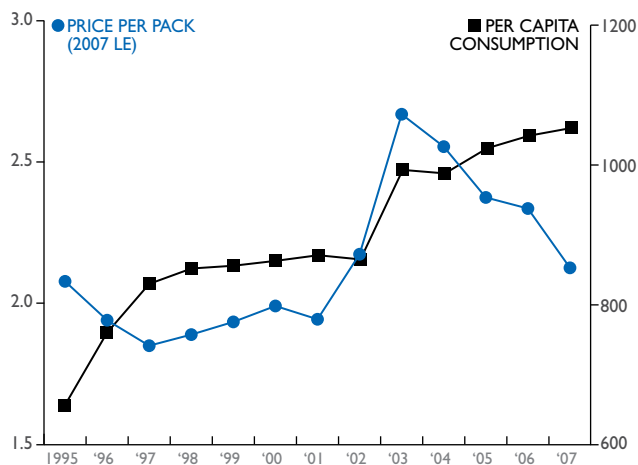
# Tobacco Taxes in Egypt

**Cigarette prices, and tax as a percentage of price, Eastern Mediterranean Region, 2006**



Source: WHO, 2008.

- Between 2003 and 2007, rising inflation and stable taxes resulted in a more than 20% decline in real cigarette prices and, as a result, rising consumption.



Source: ERC Group, 2008 and authors' calculations.

## Tobacco taxes save lives and increase government revenue

- While prices have risen as a result of the tax increase in July 2010, there is still room for raising cigarette prices through additional cigarette tax increases.
- The recent tax increase that increased cigarette taxes to 65% of retail price is estimated to reduce cigarette consumption by 19% while increasing cigarette tax

revenues by nearly £E 3.5 billion (630 million USD). This tax increase will prevent nearly 1.6 million Egyptians from smoking and can save over 450,000 lives.

- If Egypt raises cigarette taxes further so they account for 70% of the retail price, cigarette consumption could be reduced by 25% and total increase in revenues could reach up to £E 5.2 billion (939 million USD). This tax increase would prevent over 2.1 million Egyptians from smoking and could save 600,000 Egyptians lives.

### Impact of the 2010 tax and an additional tax increase

	2010 tax	Additional tax
Tax as a percent of retail price	65%	70%
Reduction in number of current smokers	810 thousand	1.09 million
Reduction in number of future smokers	790 thousand	1.04 million
Lives saved (current and future smokers)	450 thousand	600 thousand
Additional tax revenues	£E 3.5 billion	£E 5.2 billion

## Recommendations

- Increase cigarette taxes to at least 70 percent of the average retail price of cigarettes.
- Increase the specific component of the cigarette excise tax so that it accounts for a greater share of the total excise tax.
- Implement annual adjustments to the specific tax rates so that they retain their real value over time.
- Implement annual adjustments to tobacco tax rates so that they result in increases in tobacco product prices that are at least as large as increases in incomes.
- Increase taxes on water pipe tobacco and other smokeless tobacco products to reduce their use.
- Earmark a portion of the new revenues resulting from the higher cigarette and other tobacco product taxes for poverty alleviation programs, tobacco cessation and prevention programs, and other efforts to promote health targeting the economically disadvantaged.