

Cigarette Tax Scorecard: Spotlight on Morocco

Key Messages

- In 2020, in the second edition of the Tobacconomics Cigarette Tax Scorecard, Morocco scored 2.63 out of 5 points. This is higher than the average score of countries in its region and World Bank country income group, yet much lower than top-performing countries.
- Of the four components used to calculate the overall score, Morocco performed best in the tax share and tax structure components, receiving 4.5 and 4.0 out of 5 points, respectively. The total tax share of retail price is 76% and the excise tax share is 60%.
- Morocco has a mixed excise tax system, with a greater tax share for the specific component but does not employ the best practices of using retail price as the base of the ad valorem component or updating the specific component for inflation.
- Morocco received 0 points for its failure to reduce cigarette affordability between 2014 and 2020.
- The overall score in Morocco increased between 2014 and 2020, largely due to a significant improvement in the excise tax structure. The country shifted from a tiered mixed excise tax system to a uniform mixed system.

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

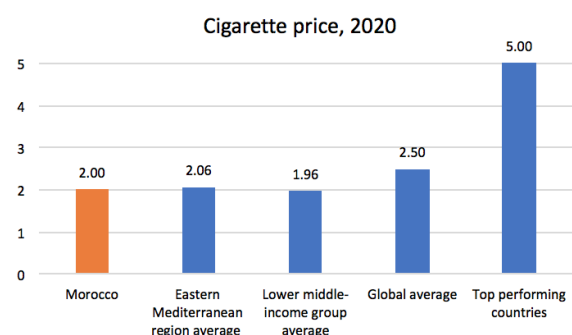
taxes in retail cigarette prices, and the structure of cigarette taxes. The total score reflects an average of the four component scores.

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

Country Findings

Cigarette Price

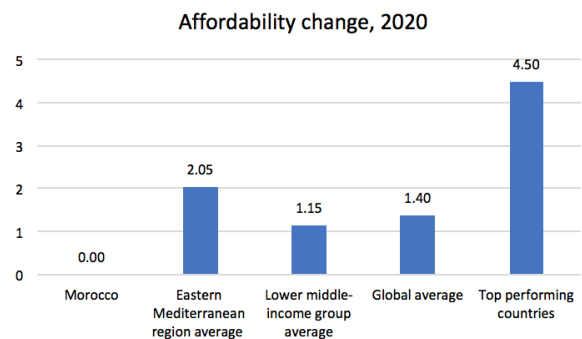
Price is a key determinant of cigarette use— as the price increases, demand decreases. In 2020, Morocco scored 3 points out of 5 in this component. A 20-pack of the most-sold brand is 21 Moroccan dirham (constant 2018 \$Intl 5.23). This is less than the recommended minimum of 40.15 dirham (\$Intl 10.00).



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 taxes should be updated regularly for inflation and income growth.

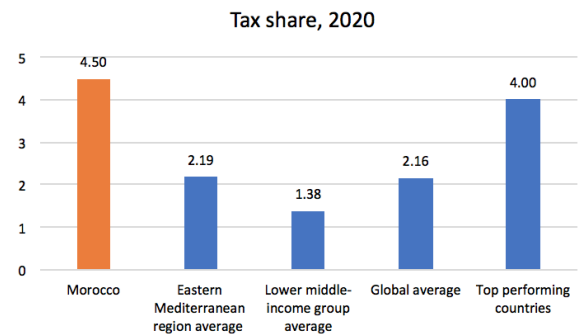
Morocco received 0 points in this component because there was no significant reduction in the affordability of cigarettes between 2014 and 2020.



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.

Morocco scored 4.50 points out of 5 in 2020. The total tax share of price is 76%, which is sufficiently high. The excise tax share, on the other hand, is 60% of retail price, somewhat lower than the recommended 70%. Finally, one important caveat is that because prices are low, the high tax shares are less impressive.

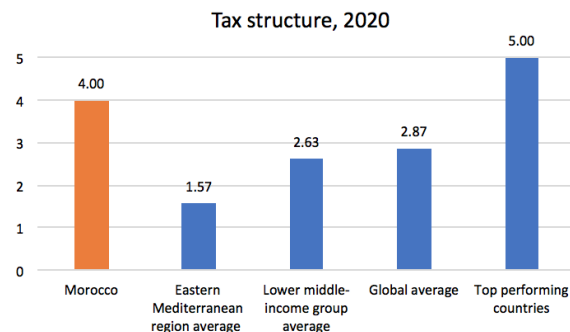


Tax Structure

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.

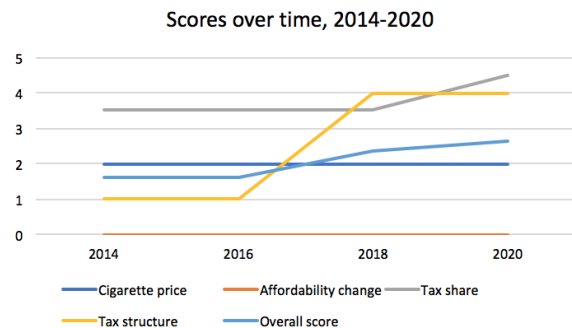
Morocco scored 4 points in 2020 for its uniform mixed excise tax system, with a greater tax share for the specific component. To improve, the country should automatically adjust the

specific component for inflation and use retail price as the base for the ad valorem component.



Scores Over Time

Morocco's overall score increased between 2014 and 2020. Improvements in the overall score were driven by the tax structure component. Morocco replaced its tiered excise tax structure with a much more effective uniform one. There was also an increase in the total and excise tax share of retail price in that time period. The affordability change and prices components on the other hand remained unchanged and represent significant opportunities for improvement of Morocco's cigarette tax policy.



Policy Implications and Recommendations

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

- To improve its cigarette tax structure, the government should implement the best practices of using **retail price as the base of the ad valorem component** and **updating the specific component for inflation and economic growth**, which will help to raise prices and reduce affordability of cigarettes over time.
- Morocco should **significantly increase its excise tax to raise the price of cigarettes to at least 40.15 Moroccan dirham (2018 constant \$Intl 10.00)** and to reduce the affordability of cigarettes over time.