

Tobacco tax:

Bahrain

■ *How does WHO recommend that tobacco is taxed, in general?*¹

To reduce the affordability of tobacco

This reduces consumption of tobacco and improves public health.

Domestic not customs

Customs taxes are eroded in trade agreements and thus do not provide long-term revenue.

Excise not general

Excise tax raises the price of the taxed good relative to all other goods, which discourages its consumption.

Specific not ad valorem

Specific tax leads to higher prices and a lower market share of cheap cigarettes. In an ad valorem system, a minimum specific tax should also be implemented to guarantee minimum price and revenue levels.

Uniform not differential

Uniform tax leads to larger reductions in smoking as there is less opportunity to switch between different tiers and types of tobacco products.

Comparable across all tobacco products

Similar levels of taxation across products reduce tobacco consumption, rather than simply leading to shifts in consumption between different tobacco products.

No duty-free allowances

Duty-free sales increase tobacco consumption due to lower prices of products, and reduce tax revenues.

Regularly increased

Regular tax increases in line with gross domestic product (GDP) ensure that the affordability and consumption of tobacco products reduce. Specific excise tax decreases in real value if it is not increased in line with inflation.

With tobacco tax revenue earmarked

Ideally, tobacco tax revenue should be earmarked for particular health spending purposes, for example on tobacco control strategies.

■ *How has tobacco been taxed in Bahrain?*²

Cigarettes are currently taxed with an ad valorem excise tax and import duty in Bahrain. Like many Gulf countries, historically Bahrain relied on import duties as the sole form of tobacco tax. The import duty represented 100% of the cost, insurance and freight (CIF) value. A minimum import duty was imposed of 10 Bahraini dinars per 1000 sticks, which increased to 20 Bahraini dinars in 2018. Waterpipe tobacco minimum import duty was also increased from 0.6 to 1.2 Bahraini dinars per kilogram.

In 2017, Bahrain implemented the Gulf Cooperation Council (GCC) 2016 agreement to tax tobacco using excise tax. There is now an ad valorem excise tax at the rate of 100% of retail price (minus value added tax (VAT) and excise tax) on cigarettes and waterpipe tobacco.

There is no minimum specific excise tax, and no earmarking of tobacco tax revenues.

■ *What does WHO recommend as the next steps for Bahrain?*

To reduce the affordability of tobacco

Waterpipe tobacco remains affordable, and has a low tax share of retail price.

Specific not ad valorem

As Bahrain has an ad valorem domestic tax system, it should consider implementing a minimum specific excise tax.

Comparable across all tobacco products

Waterpipe tobacco tax has a lower share of retail price than cigarette tax, and the product is more affordable in Bahrain than in neighbouring countries.

No duty-free allowances

Banning the duty-free sale of tobacco products would reduce the affordability and therefore the consumption of products. It would also increase government revenues.

With tobacco tax revenue earmarked

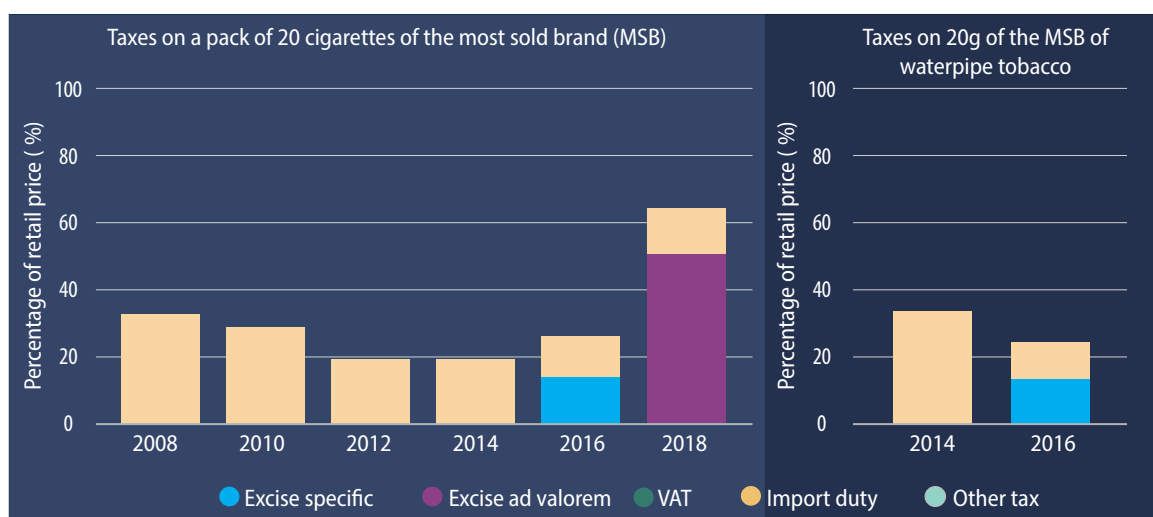
Ideally, a share of tobacco tax revenue should be allocated to a health spending purpose.



World Health Organization

REGIONAL OFFICE FOR THE Eastern Mediterranean

Tobacco tax as percentage of retail price²



Tobacco tax comprised a decreasing share of cigarette retail price in Bahrain from 2008 to 2014. This demonstrates how a constant specific rate of import duty (minimum rate) is reduced over time by inflation. The tax share of the retail price of cigarettes has increased substantially since 2018, following the introduction of the excise tax.

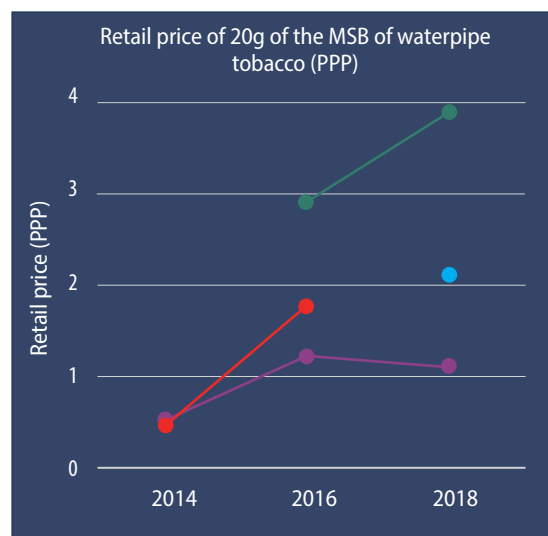
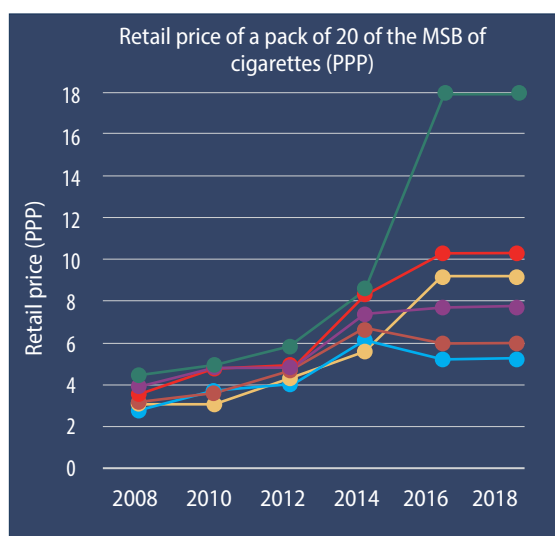
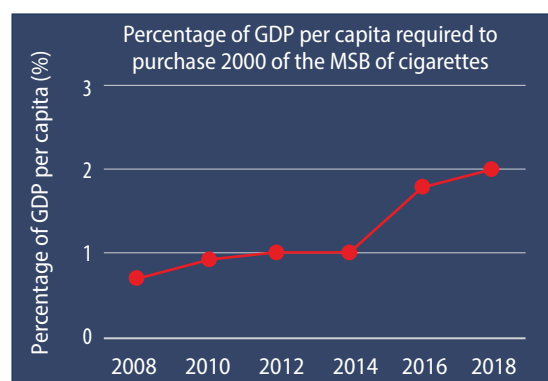
Although tax on waterpipe tobacco increased from 2014 to 2016, the price of waterpipe tobacco more than doubled, and thus the share of tobacco tax decreased. This highlights the importance of increasing tobacco tax in line with inflation and GDP growth.

In 2016, specific excise tax was levied on the MSB of cigarettes; this was followed by ad valorem excise tax in 2017, which is now the main share of taxation on the MSB of cigarettes.

Price and affordability²

Cigarettes have become less affordable in Bahrain since 2008, particularly since 2014.

Cigarettes are relatively expensive in Bahrain compared to other Gulf countries, but historically waterpipe tobacco has been affordable in Bahrain compared to other Gulf countries.



● Bahrain ● Kuwait ● Oman ● Qatar ● Saudi Arabia ● United Arab Emirates

PPP: purchasing power parity.

¹ WHO technical manual on tobacco tax administration. Geneva: World Health Organization; 2010.

² WHO's series of reports on the global tobacco epidemic, 2009–2019. Geneva: World Health Organization; 2009–2019.