

Tobacco tax:

Oman

■ 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 for 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 Oman?²

Historically, the only tobacco tax in Oman was an import duty. However, a Royal Decree issued in March 2019 introduced an ad valorem excise tax of 100% on tobacco products.

The import duty is 100% of the cost, insurance and freight (CIF) value at import. There is also a minimum specific import duty. In 2018, the Ministry of Finance increased the import duty from 10 to 15 Omani rials per 1000 cigarettes. This means if 100% of CIF levied is lower than 15 Omani rials per 1000 cigarettes then the minimum import duty is levied instead.

The minimum import duty on waterpipe tobacco was 4 Omani rials per kilogram in 2014, which increased to 6 Omani rials per kilogram in 2016.

Tobacco imported into the northern governorate of Musandam is exempted from tax by Royal Decree to assist the people in the area, economically; however, a 1% ad valorem tax is charged as an administration fee.

■ What does WHO recommend as the next steps for Oman?

To reduce the affordability of tobacco

Although the MSB of cigarettes has become less affordable over time, both cigarettes and waterpipe tobacco are cheaper in Oman than in other Gulf Cooperation Council (GCC) countries.

Specific not ad valorem

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

No duty-free allowances

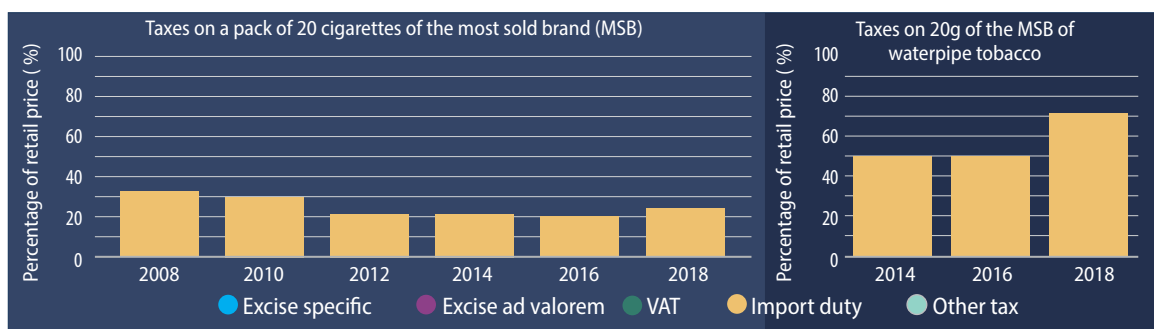
The duty-free import of tobacco into the northern governorate of Musandam should be reconsidered, to prevent illicit trade of tobacco through the governorate and reduce tobacco consumption.

With tobacco tax revenue earmarked

Ideally, tobacco tax revenues should be earmarked for tobacco control spending purposes.

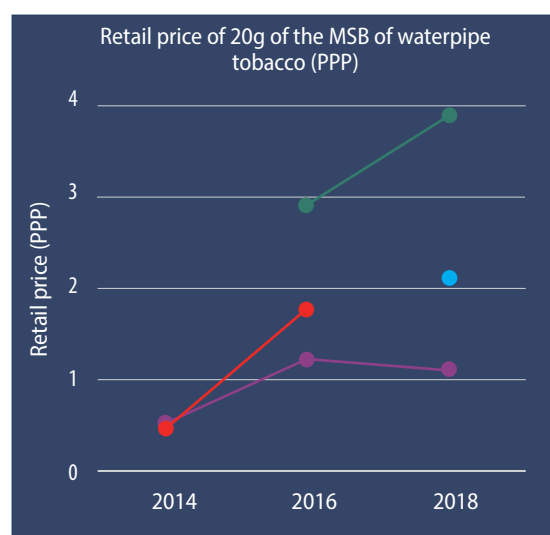
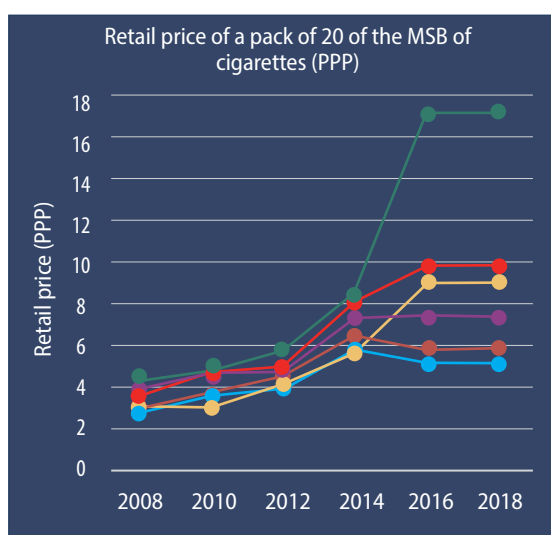
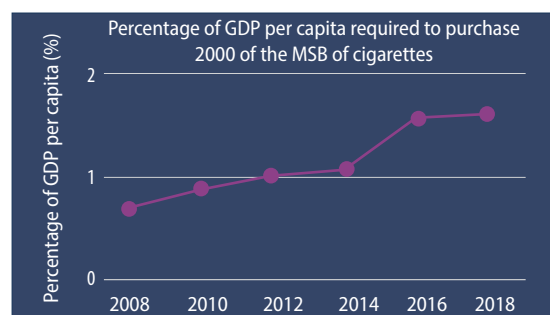


Tobacco tax as percentage of retail price²



Price and affordability²

The most sold brand (MSB) of cigarettes has become less affordable in Oman over the last 10 years. However, the MSBs of cigarettes and waterpipe tobacco are cheap in Oman compared to other GCC countries.

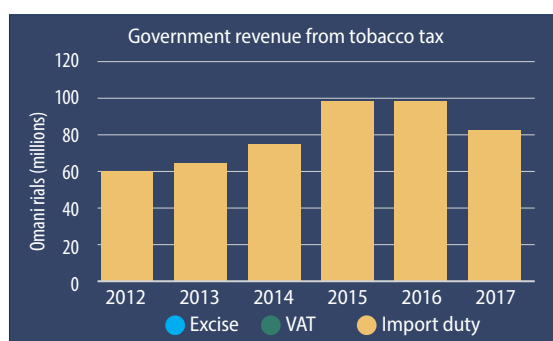


● Bahrain ● Kuwait ● Oman ● Qatar ● Saudi Arabia ● United Arab Emirates

PPP: purchasing power parity.

Tobacco taxation revenue²

Tobacco tax revenues increased in Oman from 2012 to 2016, but have decreased since 2016. The reasons for this remain unclear, but may relate to the illicit trade of cigarettes through Musandam governorate, which is exempt from import tax by order of Royal Decree.



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.