

## Cigarette Tax Scorecard: Spotlight on Oman

### Key Messages

- In 2020, in the second edition of the Tobacconomics Cigarette Tax Scorecard, there were insufficient price data to calculate Oman’s overall score. In the tax share and tax structure components of the score, Oman scored similarly to regional and country income group averages. The country scored higher than region, income group, and global averages in affordability change.
- Among the four components used to calculate the overall score, Oman received the most points in affordability change, with a score of 5 points. The average annual reduction in cigarette affordability between 2014 and 2020 was 19.74 percent.
- In contrast, Oman scored just 2 points out of 5 in the tax structure component, due to its use of a less effective ad valorem excise tax structure.
- Oman’s scores in the affordability, tax share, and tax structure components have improved from 2014 to 2020, but there remains room for improvement.

### 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.

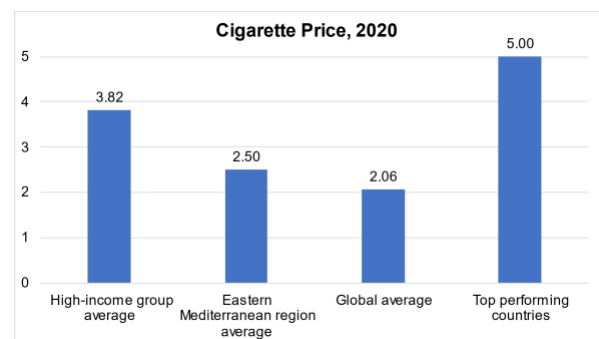
By implementing more effective cigarette tax policies, Oman would improve the health of its population, while raising additional tax revenue for the government.

### Country Findings

#### Cigarette Price

Price is a key determinant of cigarette use— as the price increases, demand decreases.

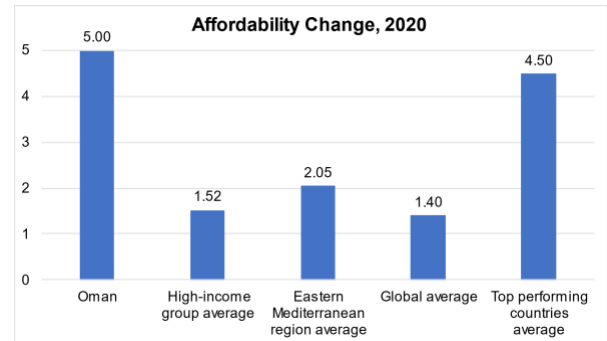
In 2020, there were insufficient data to assign Oman a score in this component. However, the price of a 20-pack of the most-sold brand in Oman is 2.20 Omani Rial (\$Intl 11.89) in 2020, higher than the recommended minimum of \$Intl 10.31.



## 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.

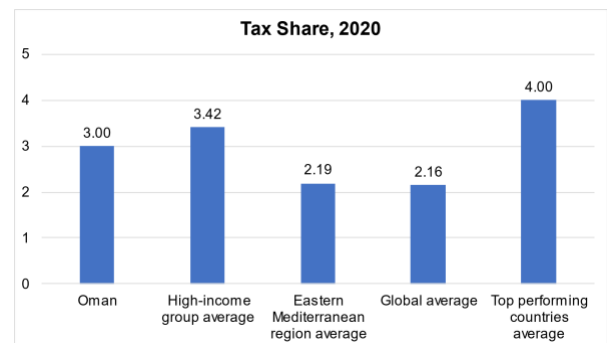
Oman scored well in this component, scoring all 5 possible points in 2020.



## 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.

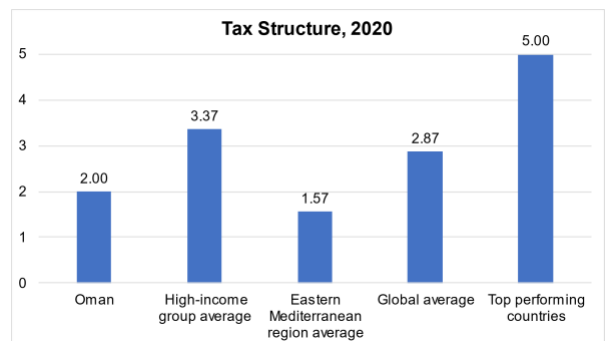
In 2020, Oman scored 3 points out of 5 in this component. The total tax share of price is 63.64 percent, and the excise tax share is 50 percent. There is significant room for improvement to attain the recommended 75 percent and 70 percent total and excise tax share of price minimum benchmarks, respectively.



## Tax Structure

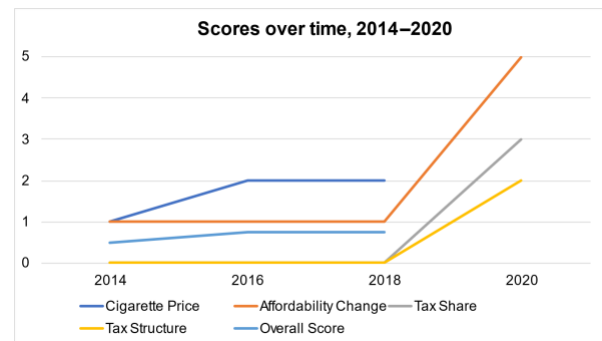
Tax structures vary in their effectiveness when it comes to reducing tobacco use and collecting tax revenues. Uniform specific excise tax systems that at least adjust annually for inflation are generally the most effective and easiest to administer.

Oman scored 2 points out of 5 for its uniform ad valorem excise tax structure.



## Scores Over Time

Between 2014 and 2020, Oman significantly reduced the affordability of cigarettes and improved its tax share and structure. Despite insufficient data to determine Oman's price score in 2020, its current prices are higher than the recommended minimum, marking progress since 2018. However, there is room to improve tax share and structure to keep up with regional, income group and global averages as well as to reach recommended total and excise tax shares of price.



## Policy Implications and Recommendations

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

- To improve its tax structure, Oman should replace its uniform ad valorem excise tax with a uniform specific excise tax on cigarettes that adjusts annually to outpace inflation and economic growth.
- Oman should increase the tax on cigarettes in order to reduce affordability, and should aim for total and excise tax shares to account for at least the recommended 75 percent and 70 percent of retail price, respectively.