Policy Brief | August 2021

Cigarette Tax Scorecard: Spotlight on Bahrain

Key Messages

- In 2018, in the Tobacconomics Cigarette Tax Scorecard, Bahrain scored 3.75 points out of 5. Although this is higher than the average score of countries in its region and income group, there is still room for improvement relative to top-performing counties.
- Of the four components used to calculate the overall score, Bahrain performed best in the cigarette price and affordability change components, receiving the maximum score of 5 points in each. The price of a pack of 20 cigarettes of the most-sold brand is 2.03 Bahraini Dinar ($Intl 10.15), and affordability was reduced significantly between 2012 and 2018.
- Bahrain scores only 2 points for its tax structure, which represents an opportunity for improvement in the country's cigarette tax policies. Instead of the optimal uniform specific excise tax, the country utilizes a uniform ad valorem excise tax.
- The overall score in Bahrain increased significantly between 2014 and 2018 due to improvements in each of the components of the score. Keeping up this momentum will ensure that the Bahrain continues to reap the benefits of effective cigarette taxation.

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.

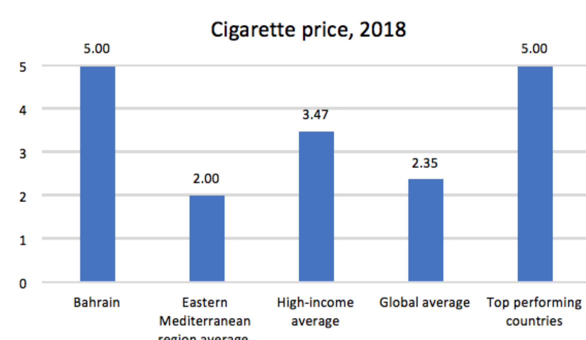
By implementing more effective cigarette tax policies, Bahrain would improve the health of its population, while raising additional tax revenue for the government.

Country Findings

Cigarette Price

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

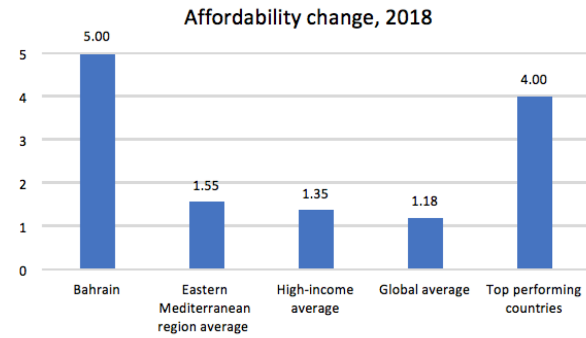
In 2018, Bahrain scored all 5 points in this component due to the high price of cigarettes. A 20-pack of the most-sold brand is 2.03 Bahraini Dinar ($Intl 10.15).



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 must be updated for inflation and income growth.

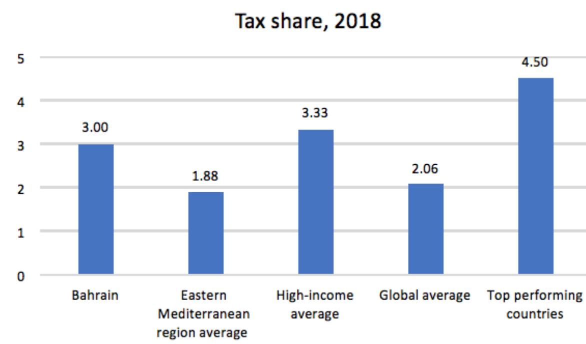
Bahrain significantly reduced the affordability of cigarettes between 2012 and 2018, earning the maximum points in this component.



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.

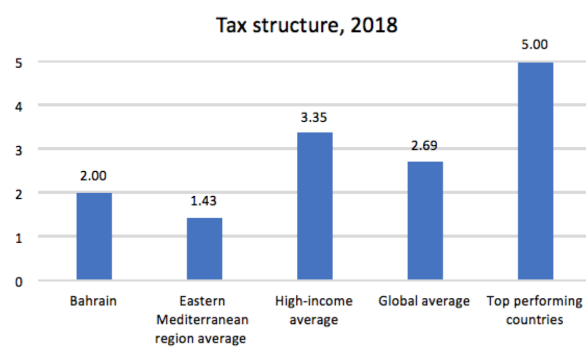
Bahrain scored 3 points out of 5 in 2018. The total tax share of price is 64.5% and the excise tax share is 50%. This is lower than the recommended 75% and 70% total tax share and excise tax share, respectively.



Tax Structure

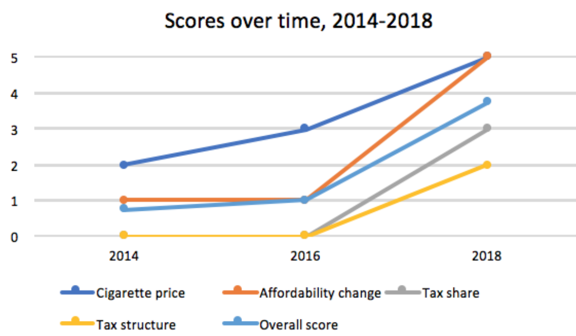
Tax structures vary in their effectiveness when it comes to reducing tobacco use and collecting tax revenues. Uniform specific excise tax systems that at least adjust annually for inflation are generally the most effective and easiest to administer.

Bahrain scored only 2 points for its uniform ad valorem tax system, which is much less effective than a uniform specific excise tax.



Scores Over Time

Bahrain's scores in each of the components increased significantly between 2014 and 2018. The largest improvement is in the affordability change component, as the score increased from 1 point in 2014 to 5 points in 2018. The tax structure component score increased by the smallest margin, from 0 points in 2014 to 2 points out of 5 in 2018. It is important that Bahrain continues to improve their cigarette tax system in the future.



Policy Implications and Recommendations

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

- Bahrain should aim to increase the total tax share of the retail price of cigarettes from 64.5% to at least 75%. The **excise tax share should be increased to at least 70% of the retail price** from 50%.
- Bahrain should replace the uniform mixed excise tax structure with a more optimal **uniform specific excise tax structure with regular increases to outpace inflation and economic growth.**