

# **Streamlining Our Tobacco Policy**

#### What is the issue?

 $n\n$ 

\n

• India is the second largest consumer and producer of tobacco-based products.

\n

 We hence need a more targeted taxation and retail policy on tobacco products to effectively curb their use.

 $n\$ 

### How are the current policies oriented?

 $n\n$ 

\n

 Thus far, a mix of pricing and taxation regimes, awareness campaigns, regulatory laws was used by governments to dissuade tobacco use.

 $n\n$ 

\n

- $\bullet$  Despite multiple contradictory court rulings regarding the pictorial warnings on packs, the SC has presently retained the mandate for 85% space for them. \n
- The judgement recognized that such pictorial warning were one of the approaches for bringing about behavioural changes towards tobacco use, \n
- $\bullet$  Additionally, it also stressed the lack of sufficient coherent pricing policies and taxation measures to aid the cause. \n

 $n\n$ 

## Is the taxation pattern skewed?

 $n\n$ 

\n

- World Health Organisation's (WHO) "Global Adult Tobacco Survey" highlights India's distinct pattern of tobacco consumption.
- The product variant structure of tobacco is complex in India as it is consumed in multiple forms like cigarettes, bidis, chewables and khaini (smokeless).

۱n

 $\bullet$  Notably, while cigarettes form the primary source of tobacco consumption worldwide, it accounts for only 11% of the domestic consumption. \n

 $n\n$ 

\n

- A key reason for this is the variable pricing dynamics for multiple forms of tobacco, which is skewed against cigarettes.
- The average unit price of a bidi or smokeless tobacco is significantly lower than of a cigarette, which makes the former popular among the poorer segments.

\n

 $n\n$ 

## Has GST improved the situation?

 $n\n$ 

\n

• Under GST, all tobacco-related products have been placed in the 28% tax slab.

\n

- Additionally, a National Calamity Contingent Duty (NCCD) and a cess charge have been imposed on cigarettes and smokeless tobacco.
- These have resulted in a considerable price increase for cigarettes, with the highest rise seen in economy packs.
- In contrast, GST has in fact precipitated a marginal price drop for small bidi and Pan Masala packs, and only a marginal rise for other sizes.
- For smokeless tobacco, the maximum price increase has been in the smallest pouch size category and marginal increase was seen in other sizes.
- Hence, it can be concluded that a rational, consistent and impactful taxation regime for tobacco hasn't taken shape under GST, which needs pondering.

#### What is the way forward?

 $n\n$ 

\n

- $\bullet$  Removal of all excise and other tax exemptions irrespective of the size of the unit and restrictions on sales of loose cigarette sticks is needed. \n
- As 89% consumption is non-cigarette category, taxing it further won't produce any positive results towards reducing consumption.
- A significant rise in the taxes on bidis and smokeless tobacco is needed to narrow the gap between cigarettes and other tobacco products.
- While this will be opposed by the large number labourers involved in bidi making, safeguarding the health poor consumers should hold primacy.
- $\bullet$  Also, nudging the workforce dependent on tobacco businesses to other sectors should be taken up with vigour.  $\ensuremath{\backslash} n$

 $n\n$ 

 $n\n$ 

**Source: The Hindu** 

\n

