30 Jan, 2023

GS-2 - Health.

1. The tax treatment of tobacco products in the country is preventing its efforts in regulating consumption and protecting public health. Discuss

Research around world and India - gave solution of Imposing tax on tobacco & related products to regulate their consumption. But in India, since goods & services tax imposition, the taxes have not increased. This directly affects public health and our goal of achieving $5 trillion economy

Tax - current rate

Goods and service tax imposes high tax slab - 28% on cigarette & tobacco products. (+) additional duties - brings overall tax - 50-60% < 75% effective tax recommended by world health organisation

Issues in Taxation

1. Increased focus / over use of ad-valorem taxation (Tax based on value) - not effective in regulation

2. Discrepancy between tobacco products in taxation.

Tax - splitup

Cigarette - 15% proportionate use → but - 80% revenue generation other hand - bidis, - out of compensation cess.

~~tobacco & smokeless tobacco~~

tendu leaves, etc → 0/5-18%. tax rate.

Though they are equally harm, tax discrepancy led to less effective regulation.

3. Small manufactures < 40 L annual turnover are exempted from Goods & Service tax. But bidi manufactures, Smokeless tobacco - all comes under informal sector - reduces tax slab.

4. States are not able to levy tax on such products after Goods & Service tax, affecting their revenue also ~~less~~ no regulation.

Way forward

There is a need for uniform tax slab on tobacco & its products. Balance between protection of small manufacturers and public health by exempting protection for tobacco products.

~~The~~ Along with this regular rise in tax rates will increase revenue & also regulate tobacco consumption & promote public health.