Streamlining Our Tobacco Policy

What is the issue?

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- India is the second largest consumer and producer of tobacco-based products.
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- We hence need a more targeted taxation and retail policy on tobacco products to effectively curb their use.
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How are the current policies oriented?

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- Thus far, a mix of pricing and taxation regimes, awareness campaigns, regulatory laws was used by governments to dissuade tobacco use.
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- Despite multiple contradictory court rulings regarding the pictorial warnings on packs, the SC has presently retained the mandate for 85% space for them.
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- The judgement recognized that such pictorial warning were one of the approaches for bringing about behavioural changes towards tobacco use,
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- Additionally, it also stressed the lack of sufficient coherent pricing policies and taxation measures to aid the cause.
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Is the taxation pattern skewed?

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- World Health Organisation’s (WHO) “Global Adult Tobacco Survey” highlights India’s distinct pattern of tobacco consumption.
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- The product variant structure of tobacco is complex in India as it is consumed in multiple forms like - cigarettes, bidis, chewables and khaini (smokeless).
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- Notably, while cigarettes form the primary source of tobacco consumption worldwide, it accounts for only 11% of the domestic consumption.
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- A key reason for this is the variable pricing dynamics for multiple forms of tobacco, which is skewed against cigarettes.
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- 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.
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Has GST improved the situation?

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- Under GST, all tobacco-related products have been placed in the 28% tax slab.
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- Additionally, a National Calamity Contingent Duty (NCCD) and a cess charge have been imposed on cigarettes and smokeless tobacco.
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- These have resulted in a considerable price increase for cigarettes, with the highest rise seen in economy packs.
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- 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.
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- For smokeless tobacco, the maximum price increase has been in the smallest pouch size category and marginal increase was seen in other sizes.
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- Hence, it can be concluded that a rational, consistent and impactful taxation regime for tobacco hasn’t taken shape under GST, which needs pondering.
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What is the way forward?

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- 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.
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- As 89% consumption is non-cigarette category, taxing it further won’t produce any positive results towards reducing consumption.
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- A significant rise in the taxes on bidis and smokeless tobacco is needed to narrow the gap between cigarettes and other tobacco products.
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- While this will be opposed by the large number labourers involved in bidi making, safeguarding the health poor consumers should hold primacy.
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- Also, nudging the workforce dependent on tobacco businesses to other sectors should be taken up with vigour.
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Source: The Hindu

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