

The Health Security se National Security Cess Bill, 2025

Mains: *GS II – Government policies and interventions*

Why in News?

Recently, The Health Security se National Security Cess Bill, 2025 has been introduced to create a clear legal framework for a special excise cess on manufacturing of pan masala and other tobacco products.

What is the need for the bill?

- **About the bill** - The Health Security se National Security Cess -proposes to tax all those people who have machines installed for production of pan masala.
- The machines include fill and seal machines and any packing machine used to fill pan masala in in pouches, tins or other containers.
- **India's tobacco use** - According to the Global Adult Tobacco Survey (GATS-2), nearly 42% of men and 14% of women in India use tobacco.
- Moreover, India amounts to 70% of the world's smokeless tobacco (SLT) users i.e. gutkha, pan masala and among smoked tobacco, bidis are preferred over cigarettes, especially in rural and lower income families.
- As both SLT and smoked tobacco use increase cancer risk in lung, head, neck, stomach, and pancreas, India ranks first globally in male cancer deaths.
- **Increased economic cost of tobacco use** - Experts found that the economic cost of both SLT and smoked tobacco amounted to ₹1.77 lakh crore in 2016-17.
- **Ineffective ban** - Centre's ban on use of gutkha has more or less remained ineffective as the tobacco industry has ensured wide accessibility of its products via policy interference, pricing tactics, targeted marketing and dense tobacco shop networks.
- **Who recommendation** - Though WHO has recommended taxing tobacco products at 75% of its MRP, very few have followed through.
- **Affordability of tobacco products** - Also, study has shown that affordability of cigarettes and bidis remain the main hamper.
- 87% of Indian cigarette vendors sell single sticks, frequently operating near tea stalls, found research.
- This practice is banned in 88 countries but not in India.

What are the theme-based provisions?

- **Goods Covered** - Pan Masala & any other goods as notified.
- **Taxable person**- Any person who owns/operates/controls machines or processes manufacturing specified goods as given, regardless of tax status, as prescribed.

- **Nature of Levy** - machines installed or processes undertaken, in addition to other certain duties/taxes, as prescribed.
- **Basis of Calculation** - Computed by maximum rated speed (pouches/tins per minute) & weight per pack, or manual process flat rate, as prescribed.
- **Monthly Cess Amounts** - or Machine based process: ₹101 lakh/month, as prescribed.
- (cess for item - up to 500 Number of pouches or tins or containers per minute, up to 2.5g)
- For Manual process: ₹11 lakh/month flat, as prescribed.
- **Abatement** - 15+ days continuous stoppage eligible for abatement
- **Use of Proceeds** - Credited to Consolidated Fund of India, for public health & National Security.
- **Registration & Returns** - Registration, Self-declaration of machines, monthly returns & payment by 7th of month.
- **Monitoring & Verification** - Scrutiny, Audit, Inspection/search/seizure.
- **Offences** - Offences & penalties, Confiscation, Arrest, Graded Imprisonment Levels, as prescribed
- **Appeals Structure** - Appeal to Appellate Authority → Tribunal → High Court → Supreme Court.
- **Government Powers** - May increase cess up to 2× in public interest; may exempt taxable persons; may add goods to Schedule I, as applicable & prescribed.

What are the procedural format for effective implementation?

- **Registration** - Any person owning/operating/controlling machines or processes manufacturing specified goods must register with the proper officer.
- **Self-Declaration of Machinery / Process Parameters** - Taxable person must submit self-declaration of machines/processes, including parameters like maximum rated speed, weight per pack, and type of packing.
- **Verification / Calibration** - Details declared may be verified or calibrated by the proper officer (with opportunity of being heard).
- **Cess Computation** - Cess is computed based on machine capacity (pouches/tins per minute) and weight per pack, or a flat monthly rate for manual process.
- **Monthly Payment & Return Filing** - Cess must be paid at the beginning of each month but no later than the 7th, with a monthly return filed by the taxpayer.
- **Abatement for Non-Operation** - If a machine or unit remains inoperative for 15+ days, cess amount may be abated proportionately, subject to conditions.
- **Review, Audit & Assessment** - Provisions for scrutiny of returns, audit, and assessment where cess is unpaid or short-paid.
- **Enforcement** - Includes inspection, search, seizure, confiscation, arrest and penalties for contraventions.
- **Compliance, Enforcement & Appeal Framework** - The Bill establishes a structured compliance framework under which every taxable person must register, self-declare machine and process details, and file monthly returns along with the applicable cess payment.
- The strong compliance framework further strengthens oversight through scrutiny of returns, audits, and the deployment of technological and monitoring mechanisms to ensure accuracy and transparency in reporting.

- Non-submission of returns, failure to maintain required declarations, or non-payment of cess will also attract specified compliance consequences.
- **Other Inclusions** – An Enforcement Framework that includes search, inspection, seizure, confiscation of goods and machinery, recovery of dues, penalties, and arrest in severe contraventions, has been provided to safeguard revenue.
- For effective implementation, the Bill specifies a Graded Penalty Structure based on the nature and scale of the violation.

What lies ahead?

- The Health Security se National Security Cess Bill, 2025 represents a significant step towards establishing a stable and transparent revenue channel dedicated to strengthening India's Public Health Systems and National Security capabilities.
- By adopting a capacity-based levy structure supported by a robust compliance and enforcement framework, the Bill ensures predictability in revenue mobilisation while maintaining accountability through oversight.
- It also offers a balanced approach that is administratively practical, legally coherent, and aligned with National Priorities.

Reference

[PIB| The Health Security se National Security Cess Bill, 2025](#)

