Proposed Tobacco-Tax Policy 2015

Proposed by

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Chapter 1

Background

1.1 Use of Tobacco Products and its Control in Bangladesh: At a Glance

Bangladesh is at the topmost position among the countries of the world using tobacco products. A 43.3 percent adult population (aged 15 and above) of this country use smoke and/or smokeless (cigarettes, *bidis*, cigar, *hukka*, *Jarda, gul*, *khoini*) tobacco products.[1] The use of tobacco products is mostly responsible for premature deaths at a mentionable rate and high health expenditure. The use of tobacco products is responsible for premature deaths of nearly between 76,000 and 100,000 people of this country annually.[2]

The injurious social and economic consequences of the use of tobacco products are a huge burden on the society. High expenditure on health is directly related to the use of tobacco products and, indirectly, it is one of the prominent causes for premature deaths, disability and productivity loss for the economy. The measurable net social and economic loss due to tobacco annually is BDT 16,632 crore or USD 2.14 billion (in financial year 2014–15).[3]

Like many other countries in the world, the indubitable importance of a tobacco control policy, till now, has not been fully realized in Bangladesh. In this background, a relevant and precise discussion on the status of tobacco control is an inevitable necessity.

About the use of tobacco products, many of the medical scientists, since the middle age, were of opinion that it is a permanent enemy of human civilization. In the 1950s, with the discovery of a link between the use of tobacco products and prevalence of cancer, this conception had spread all over the world. This research findings and its wide publicity played a significant role in the formulation of laws at national level in different countries, and in forming a worldwide strong public opinion in respect of controlling the use of tobacco products. In this context, in the 56th conference of World Health Organization (WHO), to discourage smoking and use of tobacco products, an international convention—'World Health Organization Framework Convention on Tobacco Control (FCTC)' was adopted on 21 May 2003. On 16th June 2003, Bangladesh signed this convention and ratified it on 10th May 2004. As continuity, the regulation to control smoking and production of tobacco products, its use, purchase-sell, and advertisement in Bangladesh, smoking and use of tobacco products (control) act, 2005 was formulated. On 15 March 2005, the then Honorable President of Bangladesh gave his kind consent regarding this law and finally, it was published as a gazette to inform common people. Later on, considering the realities, an amendment of this law was deemed logical and necessary. Hence, on 2nd May 2013 'Smoking

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[1] Global Adult Tobacco Survey: Bangladesh Report 2009.

[2] According to research titled 'Impact of Tobacco related illness in Bangladesh (2007)': WHO; Research Paper by Acharya *et. al* (2006); and estimation based on the review of database of census 2011 conducted by Human Development Research Centre (HDRC), the number of premature deaths is about 76 thousand. At the same, according to Center for Tobacco Free Kids 2013 [Global Burden. Institute of Health Matrix and Evaluation 2013 (quoted on 15 august 2013)], this number is around one hundred thousand.

[3] The estimate done by HDRC includes: public expenditure in health sector due to diseases arise from tobacco uses, personal cost of concerned smoker, wage loss due to death and illness, losses related to secondary smoking, and loss of government subsidies on chemical fertilizer which is used in tobacco cultivation. Losses due to hereditary problem by tobacco uses, long term damage of the soil for tobacco cultivation, and cost of deforestation are not included in this estimation. If it is possible to estimate all these losses than the total loss will be annually BDT 32,194 crore and total gain will be BDT 15,562 crore—revenue from tobacco products and wages of the workers involved are included.

and Tobacco Products Usage (Control) (Amendment) Act, 2013 (Act No. 16 of 2013)' was accepted by the National Parliament. At present, this law is treated as a legislation to control smoking and use of tobacco products in Bangladesh.

Some of the most important characteristics in this law are as follows: Banning smoking in the public place and public transport; banning advertisement and publicity of tobacco products and control its patronization; banning the allure of publicity and use of advertisement of tobacco products in the books, leaflet, handbill, posters, billboards and signboards published in Bangladesh; banning installation of automatic vending machine used for selling tobacco products; banning sale of tobacco or tobacco products to minor (under 18 years of age); printing illustrated warnings about health hazards including other hazards of the use of tobacco on the packs of tobacco products; on the principal surface along two sides of cover, cartoon or container of tobacco products or in the packs which does not have two main sides, in those cases, graphic health warnings are to be printed on tobacco pack that covers at least 50 percent of each principal area; discouraging tobacco production and production of crops similar to tobacco and establishing 'National Tobacco Control Cell'.

Immediately after Bangladesh ratified FCTC, 'Smoking and Tobacco Products Usage (Control) Law, 2005' and with a view to implementing it 'Smoking and Tobacco Products Usage (Control) Rules, 2006' was formulated. After formulation of 'Smoking and Tobacco Products Usage (Control) (Amendment) Act, 2013 (Act No. 16 of 2013)' these rules lost most of their efficacy. In this regard, a new rule was found necessary and it was formulated on 12 March 2015.

1.2 Need for a Tobacco-Tax policy

In many researches, it has been certainly proved that the increased price of the commodities manufactured from tobacco and high rate of taxes on them play a great role in decreasing its consumption rate. The relationship between consumption of tobacco products and their price is inverse. All the factors remaining unchanged, the consumption of tobacco products become increased with decrease in its price, and vice versa. In Bangladesh, the consumption decreases by 5 percent with 10 percent average increase in the price of cigarette; and in the same way, 10 percent average increase in the price of *bidi*, decreases its consumption level by nearly 7 percent.[4] The high rate of taxes on the tobacco products and proper tax management not only reduce the problems due to spread of consumptions and use of tobacco products; but also, they reduce the current and future government expenditure on the health sectors in resolving health hazards caused due to tobacco. At the same time, government can collect more revenue by increasing the rate of taxes on the tobacco products.

In spite of the fact that law prevails in Bangladesh, the implementation of the law is not satisfactory. There is no specific policy in respect of controlling the use of tobacco products. Till now, no such Tobacco-Tax Policy has been formulated. Recently, decrease in the uses of tobacco products by imposing high rate of taxes on every kind of tobacco product become an important objective regarding tobacco control. However, taxes have not been significantly imposed on every kind of tobacco products till today. Due to this, the tobacco products are cheap and easily available to mass people. At present, taxes are being imposed on different tobacco products at different rates. Even, complexities in the tax structure have been

[4] Abul Barkat. *et al.* (2012). The Economy of Tobacco and Tobacco Taxation in Bangladesh, Paris: The International Union Against Tuberculosis and Lung Diseases (The Union).

increased and its more effective implementation has become futile due to imposing different tax rates based on different price level of such products.

Box 1: Present complex tax structure of tobacco products in Bangladesh

Bangladesh imposes a variety of taxes on tobacco products, including supplementary duties on cigarettes, bidis, chewing tobacco and pipe tobacco, duties on imported tobacco products and on both imported and exported tobacco leaf, and a value added tax (VAT) on the retail prices of all tobacco products.

In Bangladesh, the tax structure of cigarette is complicated—with a tiered structure, different ad valorem taxes based different price slabs on retail cigarette is imposed. This multi-tier tax structure creates hazards and induces tax avoidance and tax evasion. Bidis are taxed at a much lower rate, with the effective rate reduced even further by taxing on the basis of an artificially fixed "tariff value" rather than actual retail price. Compared to other countries in the world, cigarette prices in Bangladesh are the lowest and bidis are even cheaper.

Currently (Financial year 2014–15), there are four price slabs for cigarettes in Bangladesh. In the existing tax structures, the supplementary duty ranges between 43% and 61%. The tax burden (*including* 15% Value Added Tax–VAT) lies between 58% and 76%. Different tax structure is also applicable to bidis by different number of sticks. There is also difference between bidis with filter and without filter; though bidis 'with filter' is few in number.

Existing tax structure by different price slabs for cigarettes in Bangladesh (Financial Year 2014–15)

Price slab	Price range (in BDT; for 10 sticks)	Supplementary Duty (in %)	Tax burden (in %)
1	15.00–16.50	43	58
2	32.5–35.00	60	75
3	50.00–54.00	61	76
4	90.00 and above	61	76

Existing tax structure for bidis in Bangladesh (Financial Year 2014–15)

Stick (Number)	Tariff Value (in BDT)	Total tax burden (in BDT.; including Supplementary Duty and VAT
Handmade (without filter)		
25	4.27	1.87
12	2.05	0.90
10	1.37	0.60
Handmade (with filter)		
20	4.64	2.30
10	2.32	1.15

In the current financial year (2014–15), 60% supplementary duty and 15% VAT are imposed on all types of smokeless tobacco products. In the present system, there are many limitations in the process of collecting tax on smokeless tobacco products. The container of *jarda* and *gul* hardly bear any sign of revenue collection. This is a direct evidence of tax evasion. Besides, the shape and size of the container of *jarda* and *gul* are quite different. This difference makes it easy to evade tax.

Over the past decade, an increase in real income has made tobacco products increasingly affordable. Real prices of tobacco products have been falling over time.

The National Board of Revenue (NBR), an arm of the Ministry of Finance, determines and administers tobacco-taxes in Bangladesh.

In this perspective, a draft for the Tobacco-Tax Policy has been proposed—which is factual, particular, and implementable within a definite time span. An effective tobacco-tax management can be achieved using the policy and necessary rules mentioned below—where the main target would be to reduce the use of each type of tobacco products.

Box 2: The research-based findings considered while drafting this policy
1) The use, spread of tobacco products and problems generated from this is likely to decrease significantly, provided that tax at a high rate on the tobacco products is imposed and implemented.
2) Effective tobacco-taxes are an important source of additional government revenue.
3) High rate of tobacco-taxes are economically effective in terms of revenue collection and tobacco control and it can gradually reduce the government expenditure in the health sectors.
4) Specific excise tax on tobacco-products is easy to implement and administer, compared to the ad valorem taxes.
5) To implement effective tobacco-tax measures, a concern-committed-competent and well-equipped administration is necessary.
6) A strong legal, implementable and preventive measure is required to protect the tobacco-tax policy from vested interest groups and their ill motives.

Chapter 2

Tobacco-tax Policy

2.1 Tobacco-tax Policies: Aim, Objectives, Expected Outcomes, Stakeholders and Implementation Strategy

2.1.1 Aim

The aim of this policy is to give a proper direction regarding tobacco-tax structure in Bangladesh which will facilitate to reduce the consumption of tobacco products and its spread, curb the negative economic and social impacts originating from tobacco, and at the same time, establish a transparent tobacco-tax management. This can be followed as a model policy in providing a way of direction for the next three financial years.

2.1.2 Objectives

1) To cooperate with Government of Bangladesh in implementing an effective tobacco-tax system for resisting the use of tobacco products and its expansion.
2) To create an instance which can be followed by those who are engaged in controlling tobacco in Bangladesh and abroad.
3) To help in developing a transparent and effective tax-system and facilitate in formulating an ideal policy on the basis of authentic information which, in final, will contribute in forming a wider public opinion in this regard.

2.1.3 Expected Outcomes

- **Short-term**
  1) Government revenue will be increased.
  2) Use of tobacco-products will be decreased.
  3) Addiction of minor and youth to the tobacco-products will be decreased.

- **Mid-term**
  1) Increasing expenditure in the public health sector needed to cure diseases due to tobacco will be decreased.
  2) The rate of premature death due to tobacco will be decreased; as a result, national productivity will increase.

- **Long-term**
  1) Amount of tobacco cultivation can be reduced by discouraging tobacco cultivation in the agricultural land; hence, production of food crops will increase and that will be helpful in maintaining food security in Bangladesh.
  2) Amount of agricultural land under tobacco cultivation will be reduced. As a consequence, natural fertility and productivity of land will increase.

2.1.4 Users of the Policy

An effective policy suitable for imposition of a high tax rate on tobacco products will contribute to increase in the prices of all tobacco products. These tobacco products will be costly for the public and as a result, its rate of use will come down significantly. In Bangladesh, this policy will save the users of all types (smoke and smokeless) of tobacco products and non-smokers from inevitable harm caused due to smoking.

Those who are mainly concerned with the policy:

a) All honorable Members of Parliament
b) Ministry of Finance
c) National Board of Revenue
d) Ministry of Health and Family Welfare
e) Ministry of Law, Justice, and Parliamentary Affairs
f) Ministry of Agriculture
g) Ministry of Environment and Forest
h) Ministry of Women and Children Affairs
i) Ministry of Youth and Sports
j) Various Organizations and Alliances (in and abroad) in support of tobacco control
k) Physicians
l) Tobacco products (smoked and smokeless) manufacturing companies in Bangladesh
m) Research organizations
n) Mass media (Print, TV, Radio, and Online).

2.1.5 Implementation Strategy

a) To simplify the present complex structure of tax imposed on tobacco products.
b) To cooperate in formulating laws to implement this policy and the process of employing suitable manpower in this regard.
c) To cooperate for involving all relevant individuals and institutions transparently in the policy implementation process.
d) To give a proper direction for appropriately developing the present structure of tax administration.
e) To assist in adopting an effective monitoring programme with a view to achieve the target within a definite time.

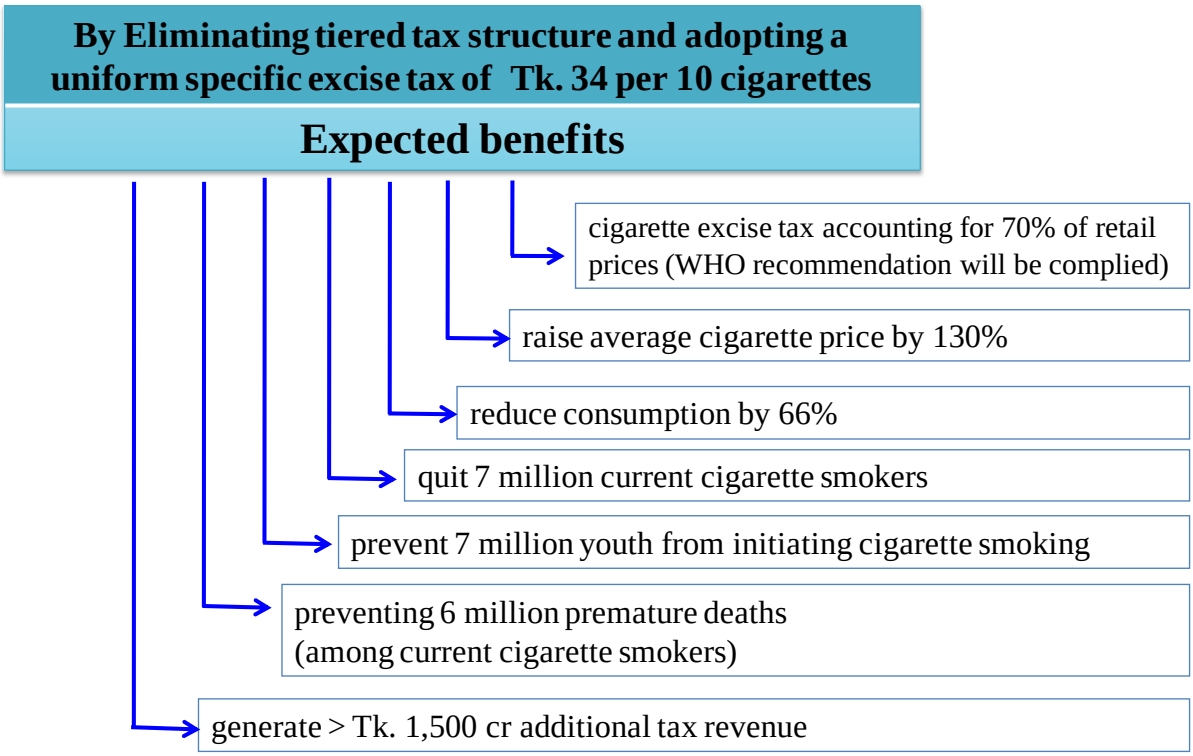
2.2 Tobacco-tax Policies: Tax system of tobacco products

2.2.1 To Void the Price Slab Method of Determining Tax on Cigarette

2.2.1.1 It is an urgent need to void the price slab system of cigarettes currently used and the present method of taxation. According to one estimate[5], making the present price slab system void and imposing specific tax at the rate of BDT 34 on each 10 sticks cigarette derives many benefits. The benefits are as follows:

[5] Abul Barkat. *et al.* (2012). The Economy of Tobacco and Tobacco Taxation in Bangladesh, Paris: The International Union Against Tuberculosis and Lung Diseases (The Union).

Figure 1: Benefits derived from imposition of specific excise tax on cigarettes
(Source: Abul Barkat. et al. 2012)



2.2.1.2 A recent estimate[6] (between financial year 2013–14 and 2014–15) shows: an increase in the price of cigarettes exerts impact on cigarettes of different price slabs. In the last two financial years, the retail price of premium brand has increased by 11.1 percent and its demand has also increased by 8.2 percent (price elasticity[7]: 0.739). That is, a small increase in the price of premium brand could not produce any negative impact on its demand. On the contrary, due to 10 percent increase in the retail price of cigarette (mainly consumed by the middle class) belonging to the category of high-price slab, its consumption has been decreased by 14.9 percent (price elasticity: –1.495). Again, on account of increase in the retail price of cigarettes falling in the category of mid-price slab (which is consumed mainly by the lower middle class), its consumption has been decreased by 27.2 percent, where the price increase was 6 percent on its retail price (price elasticity: –0.452). However, in spite of the increase in the retail price of low price slab cigarettes (mainly consumed by the lower income class) by 60 percent, its consumption has not decreased at all, rather it has increased by 24.2 percent (price elasticity: 0.402). It implies, the base price of the low-price slab cigarettes was so insignificant that even after 60 percent increase in retail price; it could not produce any negative impact on demand. Rather, who were used to smoke *bidi*, now, a large portion of them instead of consuming it, has been inclined to low-priced cigarettes.

[6] Based on the information collected from National Board of Revenue and information from the market survey collected by HDRC.

[7] Price elasticity is the relationship between the amount of price and quantity of demand. Price elasticity expresses the pattern of change in the quantity of demand for goods or services on account of a change in the price of those goods or services. Mathematically, it is the ratio of percentage change in the quantity demanded and a percentage change in price.

All the above analyses, stands as strong arguments to nullify the rule concerning imposition of different price slab based tax on cigarettes. Considering these, at the beginning of coming third financial year (from now) cancellation of price slab based tax system on cigarettes and a unique specific excise tax is being proposed. According to this proposal, at the initial stage, that is, in the financial year 2015–16 three tax-slabs have been proposed which will be transformed into a single tax-tier in the next two financial years. In the financial year 2015–16, there will remain three tax-slabs where, in succession, imposition of specific excise tax equal to the amount of BDT 40, 60, and 100 is proposed which in the next two financial years—2016-–7 and 2017–18—by gradually increasing at a significant rate will be raised to BDT 121[8]. From financial year 2017–18, a specific excise tax on all types of cigarettes—on pack each containing 10 sticks BDT 121 will be imposed and all types of price slab tax system on cigarettes will be void[9]. In this regard, the following stages have been proposed to achieve this aim:

Roadmap 1: To void price slab based taxation mechanism on cigarettes in the next three financial years by imposing specific excise tax (on pack of 10 sticks)					
2015–16		2016–17		2017–18	
Price Slab	Specific Excise Tax (BDT)	Price Slab	Specific Excise Tax (BDT)	Price Slab	Specific Excise Tax (BDT)
Price Slab 1	40.00	Price Slab 1	66.00	Minimum Tax	121.00
Price Slab 2	60.00	Price Slab 2	110.00		
Price Slab 3	100.00				

2.2.2 Imposition of Specific Excise Tax on *Bidi*

2.2.2.1 At present, different taxes on *bidi* are imposed on the basis of number of sticks in each pack. Besides, tax is imposed on *bidi* on the basis of filtered and filter-less types. But in reality, ‘filtered’ *bidi* hardly exists. At a very low rate, tax on *bidi* is imposed. Moreover, as a result of imposition of tax on ‘tariff value’ artificially fixed at a comparatively low level without imposition of tax on actual retail price, actual tax rate decreases further.

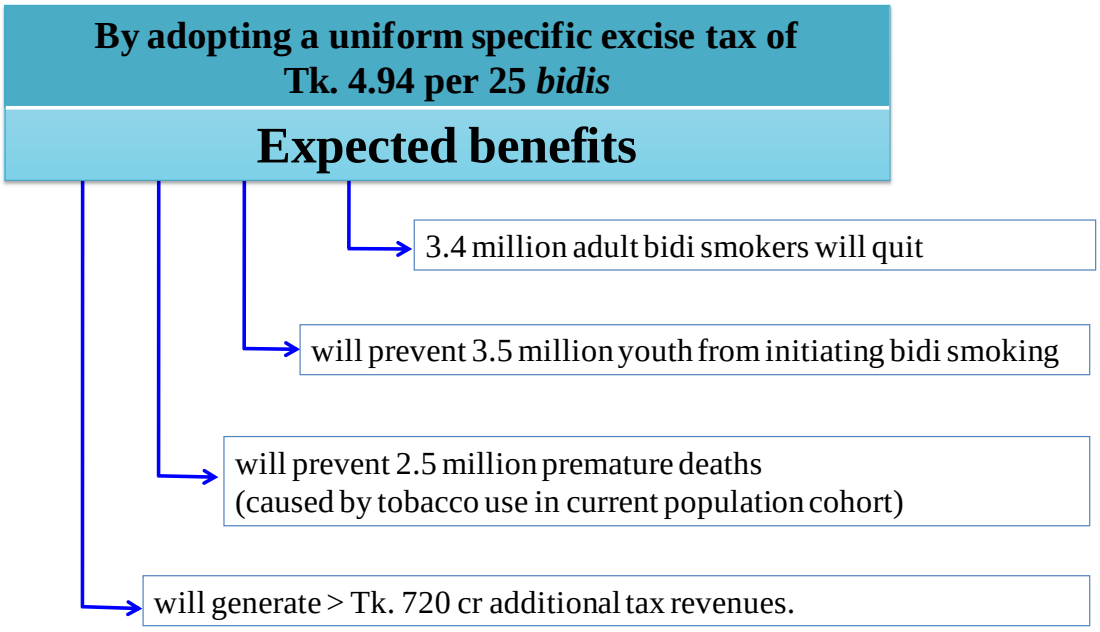
2.2.2.2 According to an estimate[10], making the present tax imposition system void and imposition of specific excise tax at the rate of BDT 4.94 on the pack, all types of *bidi* containing 25 sticks will derive multidimensional benefits. The benefits are:

[8] Obtained by estimating inflation and increase in average real income considering the results obtained from earlier research (i.e., Abul Barkat. *et al.* 2012) in consultation with relevant stakeholders.

[9] The existing 4 tiers will be lessened as 3 tiers in the first year, 2 tiers in the second year and there will be no price tier in the third year. The specific excise tax rate has been determined by considering the inflation that is created with time, increase in the average net income, and the easy availability of cigarette due to its comparatively low price in Bangladesh (among the South Asian countries) in consultation with relevant stakeholders.

[10] Including the inflation and the average increase of real income with the previous research done by Abul Barkat. *et al.* (2012)

Figure 2: Benefits from imposition of specific excise tax on bidi at a uniform rate
(Source: Abul Barkat. et al. 2012)



2.2.2.3 Considering all these aspects, at the initial phase, that is, in the financial year 2015–16, a specific excise tax at the rate of BDT 10 is proposed to impose on each 25 sticks pack of all types of bidis, which in the next financial year 2016–17 and 2017–18, by gradually increasing at a significant rate will be raised to BDT 25.[11] From the third financial year, that is, 2017–18, a specific excise tax on all types of bidi— on each 25 sticks pack will be imposed.[12] In order to achieve this aim, the following stages have been proposed:

Roadmap 2: To void current taxation mechanism on bidis and proposed specific excise tax in the next three financial years (on pack of 25 sticks)

2015–16	2016–17	2017–18
Specific excise tax	Specific excise tax	Specific excise tax
10.00	15.00	25.00

2.2.3 Increase in the Tax Rate by Imposing Specific Excise Tax on Smokeless Tobacco Products (*Jarda, Gul, Khoini, Sada pata* etc.)

2.2.3.1 Imposition of tax at a high rate is an effective strategy to discourage smoking significantly. Again, on smokeless tobacco products, imposition of tax at a high rate can also accrue the same benefits. Ultimately, this kind of initiative will lead to a significant reduction in the number of users of smokeless tobacco products.

[11] Obtained by estimating inflation and increase in average real income considering the results obtained from earlier research (i.e., Abul Barkat. *et al.* 2012) in consultation with relevant stakeholders.

[12] The amount of specific excise tax has been determined by considering the average price inflation, increase in average real income and easy availability of bidis due to its comparatively low price in Bangladesh in consultation with relevant stakeholders.

2.2.3.2 In order to make the imposition of tax at a high rate effective, instead of present *ad valorem* tax, it is necessary to introduce specific excise tax. As a result, the tax to be collected from smokeless tobacco products will increase at a significant amount. In the present system, there are many limitations in the process of collecting tax from smokeless tobacco products. By observing the geographical regions which are advanced in the production of tobacco, it has been assured that on the container of *jarda* and *gul*, there is almost no such sign of collection of revenue. This is a direct evidence of tax evasion. Besides, the shape and size of the container of *jarda* and *gul* are quite different. This difference makes it easy to evade tax.

2.2.3.3 Following are the steps in achieving the aim of proposed taxation on smokeless products:

Roadmap 3: Raising tax on smokeless tobacco products through imposing specific excise tax, in the next two financial years

Sl.	Steps	Process	Time Limit
1	Impose specific excise tax on *zorda*, *gul sadapata* etc.	In the current financial year (2014–15), 60% supplementary tax and 15% VAT are imposed on all types of smokeless tobacco products. Instead, BDT 150 specific excise tax on each 100 gm. container is proposed.	Within financial year 2015–16
2	To ensure the use of band roll on each container	Providing necessary cooperation and arranging required manpower necessary for monitoring revenue collection with active coordination with the tobacco control groups, so that those who are involved cannot evade tax revenue.	Within financial year 2016–17

2.2.4 Unification of Packs of Tobacco Products by Amount

2.2.4.1 Variation in packs by amount (number of sticks in case of cigarette and bidis, and weight in case of smokeless tobacco products) creates opportunity for tax evasions and avoidance. Against this backdrop, from the financial year 2016–17, unification of packs of tobacco products by amount (number of sticks in case of cigarette and bidi, and weight in case of smokeless tobacco products) is a necessity. Irrespective of brands this unified form would be as follows:

- **Cigarette:** All the packs will contain 20 sticks
- **Bidi:** All the packs will contain 25 sticks
- **Smokeless tobacco products:** All the containers will contain 100 gms of products.

2.2.4.2 Unless all the packs are given unified form (by amount of product within the pack), revenue collection will be done by making necessary adjustment in line with the policy suggestion (According to sub-section 2.2.4.1 of the policy).

2.2.4.3 In case of inability to give the suggested unique form in packs (by amount of product within the pack) within the given time period, there will be provisions for postponement of license for a certain period and/or cancellation of license for the producers.

2.2.5 Prohibition on Selling of Single Stick Cigarette, Bidis

2.2.5.1 The provision of selling single stick cigarette and bidi makes it possible for an individual consumer to buy these frequently—which increases the consumption of such products. Therefore, if there is ban on selling single stick cigarette and bidi, smokers will be compelled to buy the whole pack; which will decrease the rate of frequent buying of these products. Consequently, the purchasing of these products will decrease and smoking will be reduced.

2.2.5.2 From the financial year 2015–16 selling of single stick cigarette, bidi will be prohibited.

2.2.5.3 None will be able to sell single stick cigarette and bidi by the financial year 2015–16. Easily administrable provisions will be made for making a reasonable amount of monetary fine and/or other punishments for violating this rule. The monetary amount of fine would be BDT 5,000 for the 1st time violation. For the 2nd time violation it would be BDT 10,000 and selling of such products would be barred at that selling point in case of 3rd time violation. From Financial Year 2017–18 and onwards, in every year, necessary increment should be made to the amount of monetary fine.

2.2.6 Annual Adjustments to the Specific Excise Tax Rates

2.2.6.1 In a vibrant economy like Bangladesh, price level of commodities, as well as per capita income increases over time. The specific excise taxes need to be adjusted annually, so that they retain their real value over time (i.e., they result in increase in product prices that are at least as large as increase in real income adjusted to inflation).

2.2.6.2 Annual adjustment to the specific excise tax will be started as follows:

- For **smokeless tobacco products**, annual adjustment to the specific excise tax will be started from the financial year 2016–17.
- For **smoking tobacco products**, annual adjustment to the specific excise tax will be started from the financial year 2018–19.

2.2.7 Strengthening Tobacco-tax Administration and Improving its Enforcement

2.2.7.1 For maximizing the effectiveness of tobacco-tax management, the National Board of Revenue will have to take initiatives, namely—control of production and storage facilities, imposing excise taxes at the point of manufacture, and intensive monitoring at the points of selling.

2.2.7.2 An efficient revenue collecting mechanisms using the use of modern information technology should be set up so that it can minimize the distance between taxpayers and tax authorities and enhances the scope for revenue collection.

2.2.7.3 Improving the enforcement of tax administration, appropriate authoritative powers should be delegated to the relevant authorities. For doing so, an efficient

coordination mechanism should be set up between the tax management and law enforcing authority.

2.2.7.4 Efficiency of tax revenue-collection mechanisms needs to be increased through regular training and orientation sessions; aided with adequate human resources and logistic supports.

2.2.7.5 The tax administration mechanism should be fully transparent and accountable to the peoples of Bangladesh. The detail revenue collection data and information of tobacco products (including the production data) should be made open as electronic version in web site of the National Board of Revenue of Bangladesh with regular updating in every quarter. All laws which prohibit peoples' access to information as basic right will be disregarded, according to the Section 26 (1) of the Constitution of Bangladesh. All the prohibitory laws in making the tax data transparent including the VAT related laws will have to be amended accordingly.

2.2.7.6 The Tobacco Tax Cell (TTC) of the National Revenue Board should be turned into an active and progressive department by regular updating the data and information to ensure its commitment to the people. To implement this, proper coordination is required between National Tobacco Control Cell (NTCC) and Tobacco Tax Cell (TTC). Potential steps should be taken so that the TTC and NTCC may run with the total financial aid of the government rather than the donors.

2.2.7.7 Bangladesh, as a party to the 'World Health Organization Framework Convention on Tobacco Control (FCTC)', and according to its Section 5.3; is promise-bound to protect this policy from the grip of the business communities manufacturing tobacco products and related interest groups by applying the established legal system of the country. To cope with this promise, highest transparency should be ensured between the relationship of the tax collection authority and the businesses communities manufacturing tobacco products and other related interest groups.

2.2.7.8 It is necessary to ensure the end of all kinds of irregularities[13] of the personnel related with the tax collection process and implement accountability for any irregularities to make the tax management system more effective.

2.2.8 Prohibition of Mechanisms for Tax Evasion and Avoidance

2.2.8.1 A comprehensive census should be conducted immediately to identify all the potential tax payers among producers of the tobacco products (especially, the home-based, small scale manufacturing units should be focused here).

2.2.8.2 The Accounting Mechanism and the Registrars of the tobacco product companies should be brought under transparency and accountability. Different rules should be made in setting the norms in this case.

[13] Time misused, for implementing the policy, creating obstruction, avoiding the policy/showing disinterest or failure to implement the policy, benefitting personally by not abiding by the policy guideline will be treated as irregularities.

2.2.8.3 To prevent tax evasion and avoidance, the concerned officials involved in the revenue collection mechanism should be provided with regular training and orientation to increase their level of efficiency.

2.2.8.4 Along with that, removing all obstacles in national law and making new framework for administrative cooperation are also necessary. In this regard, active participation of the tobacco control activist organizations of Bangladesh should be ensured.

2.2.9 Discouraging tobacco export and repeal duty-free advantage

2.2.9.1 Land under tobacco cultivation is gradually increasing in Bangladesh. In 2013–14 seasons there was 70,000 hectares of land under tobacco cultivation, whereas it increased more than 54 percent to 108,000 hectares in 2014–15.[14] Export of tobacco leaf from Bangladesh is playing a major role for this increase. Tobacco export earned USD 7 million as revenue in financial year 2005–06. However, the revenue has increased about 7 times to USD 407 million in 2013–2014.[15] Currently export duty on tobacco leaf is 10 percent. If the negative impacts of tobacco on public health and environment are considered then this low rate is negligible. Export duty needs to be increased substantially in order to discourage the tobacco cultivation.

2.2.9.2 Duty-free sales of tobacco products should be prohibited, and specific excise tax should be imposed on the products sold at the duty-free shops. Besides, private import of tobacco products by the travelers should have quantitative limits; which would not be more than 200 sticks of cigarettes, and private import of any other tobacco products should be prohibited.

2.2.10 Imposing Tax in High Rate for the Tobacco Company

2.2.10.1 It cannot be denied that, the tobacco companies are producing commodities extremely harmful for the public health and environment. Besides, the extensive use of the agricultural land for the tobacco production is also a major threat for the food security of the country. These impacts are wide-ranging and also harmful for the future generation. It causes many kinds of hazards to the public health and increases the government expenditure in health sector. By considering all these multi-dimensional dangerous-harmful nature of the companies manufacturing tobacco products, it is very logical to ascribe high tax rate on them. Hence, there should not be any discount or favour while imposing taxes on these companies.

2.2.10.2 At present, the rate of Corporate Tax on the Companies producing cigarettes is 45 percent, which is 40 percent for the listed companies in the share market. This advantage should be stopped in case of the companies producing commodities from tobacco. Apart from this, by considering the level of harms, at least 5 percentage-point more tax should be collected from the companies producing commodities from tobacco than the other sectors (for example: if the corporate

[14] PROGGA (2014). *Tobacco Companies' Aggression and Ill Tactics to Boom Tobacco Cultivation in Bangladesh.* May, no.10, p. 2 available at http://progga.org/wp-content/uploads/2011/04/TI-Aggressions-Tactics-to-expand-Tobacco-Cultivation-in-Bangladesh_Final.pdf [Accessed at 30 August, 2014]

[15] Ibid. p.3.

tax for the banks is 45 percent, the tax for the companies producing commodities from tobacco should be at least 50 percent).

2.2.11 Justified Use of the Health Development Surcharge applicable to the Tobacco Products

2.2.11.1 At present rate of health development surcharge imposed on tobacco products is 1 percent. From financial year 2015–16, we propose to increase this health development surcharge to 2 percent. It is to be mentioned that at financial year 2014–15 the amount of revenue collected from health development surcharge is estimated about BDT 2.34 billion and if this rate is increased to 2 percent then revenue will be around BDT 5.0 billion in financial year 2015–16.[16]

2.2.11.2 The additional revenue income due to imposition of health surcharge can be spend by following the way of direction as given below. With the passage of time, the proposed structure of expenditure may be changed in the public interest.

Roadmap 4: Proposed pattern of spending of money collected as health development surcharge

The sector in which it will be spend	Allocation (as % of collected total amount of surcharge)
1. Implementation of tobacco control related programmes (including campaign and research)	45
2. Programmes for economically viable alternative employment for farmers engaged in tobacco cultivation and workers engaged in the production of tobacco products	40
3. Implementation of cessation programmes	15
Total	100

[16] Estimations are made based on information from NBR and HDRC's market survey.