HOW WE WANT TO SEE THE TOBACCO-TAX

BANGLADESH PERSPECTIVE

USE

TOBACCO PRODUCTS ARE WIDELY USED

- 43.3% adult (age 15+ years) is tobacco consumers.
- 58% men and 29% women consume tobacco.
- 7% youth (age 13-15 years) use tobacco products.

IMPACT

TOBACCO CONSUMPTION CAUSES HUGE ANNUAL LOSS

- Premature deaths (between 76 and 100 thousands).
- Net measurable annual social and economic loss is BDT 16,632 crore (USD 2.14 billion).

OFFICIAL STAND POINT

- Bangladesh, as a party to 'World Health Organization Framework Convention on Tobacco Control (FCTC)' is vowed to control tobacco epidemic.
- There is a Tobacco Control Law and rules.
- The tobacco-control movement is well active.

THE REALITY

- There is law, but specific directives regarding price and tax measures (in line with the FCTC) are lacking; and the law implementation status is unsatisfactory.
- Political ownership is not satisfactory.
- 'Industry influence' over decision making is still pervasive.

WHY ARE WE TALKING ABOUT TOBACCO-TAX?

Taxation in a higher rate in a well-managed system leads to less tobacco consumption, decreases likelihood of addiction among minor and youth—thus saves lives, increases government revenue in the short run, and reduces the government expenditure in the health sectors.

The most effective way to reduce tobacco use is to raise tobacco price through tax increase; but in reality price of tobacco products are among the lowest in the world.

Decreasing real price and increase in real incomes have made tobacco products more and more affordable.

The current tobacco tax structure is complex and tax-management is not efficient enough— leading to evasions and avoidance of tax.

CURRENT TOBACCO-TAX STRUCTURE

A Supplementary Duty (SD) is imposed as a percent of price before Value Added Tax (VAT) to the tobacco products. The SD varies significantly across tobacco products and brands. A 15% VAT is applied to all these.

Cigarette: There is currently different SDs for cigarettes applicable to four different price slabs. The tax (including 15% VAT) lies between 58% and 76%.

Bidi: Bidis are taxed at much lower rate (approximately around 20% including VAT) compared to that for cigarettes, based on an "artificially" fixed tariff value without imposing tax on actual retail price.

Smokeless tobacco products (Jarda, Gul, Sadapata, Khaini): 60% SD and 15% VAT are imposed. But, the containers hardly bear any sign of revenue collection— paving the way for tax evasion.

PROPOSED STRUCTURE OF TOBACCO-TAX POLICY: FOR THE NEXT THREE FINANCIAL YEARS (FYs)

CIGARETTE

Make void the current price-slab based taxation system by imposing unique specific excise tax

- In FY 2015–16, the ongoing four price slabs will be reduced to three price-slabs, and there will be no 'low' price-slab.
- In the FY 2015–16 there will remain three price-slabs (from low to high price), where specific excise tax equal to BDT 40, 60, and 100 is proposed per 10 sticks pack.
- In the FY 2016–17, three price-slabs will be reduced to two price-slabs and for each pack of 10 sticks specific excise tax will be equal to BDT 66 and BDT 110 respectively.
- From FY 2017–18, there will be a unique specific excise tax (different price-slabs will be abolished) on all cigarettes will be imposed, which will be BDT 121 per pack of 10 sticks.

ROADMAP 1: TO VOID CURRENT PRICE-SLAB BASED TAXATION MECHANISM ON CIGARETTES IN THE NEXT THREE FYs THROUGH SPECIFIC EXCISE TAX

Per 10 sticks pack

2015-16		2016-17		2017-18	
Price-Slab	Specific Excise Tax (in BDT)	Price-Slab	Specific Excise Tax (in BDT)	Price-Slab	Specific Excise Tax (in BDT)
Price-Slab 1	40	Price-Slab 1	66	Price-Slab	121
Price-Slab 2	60	Price-Slab 2	110		
Price-Slab 3	100				

BIDI

Make void the current artificially fixed 'tariff value' based taxation by imposing specific excise tax

- In the FY 2015–16, a specific excise tax of BDT 10 will be imposed for a pack of 25 sticks for all types of bidis.
- In the next two FYs (2016–17 and 2017–18), the tax would be gradually increased to BDT 25.

ROADMAP 2: TO VOID CURRENT TAXATION MECHANISM ON BIDIS IN THE NEXT THREE FYs THROUGH SPECIFIC EXCISE TAX

Per 25 sticks pack

2015-16	2016-17	2017-18
Specific excise tax: BDT 10	Specific excise tax: BDT 15	Specific excise tax: BDT 25

SMOKELESS TOBACCO PRODUCTS (JARDA, GUL, SADAPATA, KHAINI)

Make void the current ad valorem taxation mechanism by imposing specific excise tax

ROADMAP 3: RAISING TAX ON SMOKELESS TOBACCO PRODUCTS IN THE NEXT TWO FYs THROUGH IMPOSING SPECIFIC EXCISE TAX

STEPS	PROCESS	TIME LIMIT
Step 1: Impose specific excise tax	Imposing BDT 150 specific excise tax on each 100 gm. container.	FY 2015–16
Step 2: Ensure the use of band-roll on each container	Ensuring necessary cooperation and arranging required human resource for monitoring revenue collection in close coordination with tobacco control groups.	FY 2016–17

LOGICAL USE OF THE HEALTH SURCHARGE

Increase the current health surcharge on tobacco products from 1% to 2% in FY 2015-16

The revenue collected from health surcharge can be spent as follows. With the passage of time, the proposed structure of expenditure may be changed in the public interest.

ROADMAP 4: PROPOSED PATTERN OF SPENDING OF REVENUE INCOME COLLECTED AS HEALTH SURCHARGE

THE SECTORS IN WHICH IT WILL BE SPENTALLOCATION	Allocation (%)
Health protection	25
Implementation of tobacco control related programmes (including research and campaign)	20
Implementation of cessation programmes	15
Economically viable alternative employment for farmers and workers engaged in tobacco cultivation and production	40
Total	100

OTHER POLICY SUGGESTIONS

1. Adjust the specific excise tax annually to retain the value of the real price of tobacco products over time.
2. Maintain uniformity of tobacco products pack by FY 2016–17 (Cigarette: 20 sticks per pack; Bidi: 25 sticks per pack; Smokeless tobacco products: 100 grams per container).
3. Ban selling of single stick Cigarette and Bidi by FY 2015–16.
4. Prohibit duty-free sales of tobacco products.
5. Take appropriate measures to stop illicit tobacco trade.
6. Impose punitive export duty on tobacco leaf and on tobacco products.
7. At least 5 percentage-points more corporate tax should be imposed on tobacco producing companies as compared to other corporate sectors.
8. Ensure institutional participation of tobacco control groups in the tobacco taxation and related budget process.
9. Strengthen tobacco tax administration by using modern technology, providing necessary powers to the authorities, and arranging regular training with the support of adequate human resources and logistics.
10. Ensure transparency among the tax collection authority, the tobacco industry, and other related interest groups.
11. Make the Tobacco Tax Cell (TTC) of the NBR into a more proactive and progressive department. This needs well coordination between National Tobacco Control Cell (NTCC) and Tobacco Tax Cell (TTC). The TTC and NTCC should run with a regular formal budgetary allocation of the government, not by donor's aid.
12. Ensure stop of the irregularities done by relevant tax collection personnel and ensure accountability.
13. Make public in the National Board of Revenue (NBR) web site the detail of the revenue collection data of tobacco products. Data should be updated every quarter. The laws that prohibit making tobacco production and tax related data public need to be amended, in line with the spirit of the Constitution of Bangladesh.
14. Immediately conduct a countrywide census to identify the producers and potential tax payers (including home-based units) of tobacco products.

Definitional Note:

Specific excise tax is a fixed amount imposed as a tax for a specified amount of goods or services.
Ad valorem tax is a proportion of value of a good or service imposed as a tax.
Tariff value is the base price on which the tax is determined.

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HDRC Human Development Research Centre
www.hdrc-bd.com

Campaign for Tobacco-Free Kids

PROGGA Knowledge for Progress

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