

Don't hike taxes on cigarettes: FAIFA

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Says high rates fuel smuggling leading to loss of ₹16,138 cr

OUR BUREAU

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The Federation of All India Farmer Associations (FAIFA), which represents farmers and farmworkers of commercial crops, has asked the Centre not to hike taxes on cigarettes any further.

“Any further increase in taxes will lead to a severe reduction in FCV (flue-cured Virginia) tobacco cultivation and impact the livelihoods of thousands of farmers,” the federation said.

Huge losses

High rates of taxes have fuelled smuggling of illegal cigarettes from across the borders, resulting in huge losses to the exchequer. Quoting a FICCI Cascade's study, it said the total loss to the economy due to cigarette smuggling stood at ₹16,138 crore.

The federation said the



Share of illicit cigarettes has gone up to 27.6% in the last 5 years PTI

volume of illicit cigarettes grew by 44 per cent to 28.1 billion sticks in 2020 from 19.5 billion sticks in 2011.

As a result, the share of illicit cigarettes in the country has gone up to 27.6 per cent in 2020 from 21.3 per cent in 2015.

Drop in demand

This has resulted in a drop of demand for FCV tobacco. This, in turn, adversely impacted the tobacco crop area and production.

The production fell by 39 per cent to 194 million kg a year in 2021-22 from 316 million in 2013-14.

“A reduction of one lakh hectares in tobacco crop area during the period has resulted in loss of 35 million mandays of employment,” it said.

The acreage in India dropped to 1.22 lakh hectares in 2020-21 from 2.21 lakh hectares.

Prices highest in world

The federation said that the

cost of cigarettes is among the highest in the world due to a very high rate of taxation.

“Reduced interest on legal cigarettes is impacting the interests of farmers. Given that India has a huge and widespread dependence on the tobacco crop for livelihood, the government must bring a price parity between cigarettes and other forms of tobacco to check the illicit cigarette market,” Gadde Seshagiri Rao, Ex-Vice-Chairman, Tobacco Board and Vice-President of FAIFA, said in a statement.

No decline in consumption

“The government's approach to make cigarettes unaffordable by high taxation policy to discourage its consumption has put the livelihood of FCV tobacco farmers at risk,” Murali Babu, General Secretary of the federation, said.

He claimed that there was no clear evidence to show that there was a decline in tobacco consumption because of high rates of taxation.