

Government notifies new excise duty on tobacco, cess on pan masala from February 1

The new levies on tobacco and pan masala will be over and above the GST rate, and will replace the compensation cess which is currently being levied on such sin goods

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Representational image.

The government on Wednesday notified February 1 as the date from which additional excise duty on tobacco products and a new cess on pan masala will come into force, marking a shift in the taxation framework for these goods.

Under the revised regime, the new levies on tobacco and pan masala will be imposed over and above the applicable Goods and Services Tax (GST) rates, replacing the compensation cess that is currently levied on these sin goods.

According to a government notification, from February 1, pan masala, cigarettes, tobacco and similar products will attract a GST rate of 40 per cent, while biris will be taxed at 18 per cent GST.

In addition, a Health and National Security Cess will be levied on pan masala, while tobacco and related products will be subject to additional excise duty.

The Finance Ministry on Wednesday also notified the Chewing Tobacco, Jarda Scented Tobacco and Gutkha Packing Machines (Capacity Determination and Collection of Duty) Rules, 2026.

Parliament had in December approved two Bills permitting the levy of the new Health and National Security Cess on pan masala manufacturing and the imposition of excise duty on tobacco.

The government on Wednesday reiterated February 1 as the implementation date for these levies. The existing GST compensation cess, currently imposed at varying rates, will cease to exist with effect from February 1.

Source: <https://www.telegraphindia.com/business/government-notifies-new-excise-duty-on-tobacco-cess-on-pan-masala-from-february-1/cid/2140531>