

Roll Back Increase in GST Cess on Cigarettes: Farmers Appeal to Govt.

Farmers' body, the Federation of All India Farmer Associations (FAIFA) appealed to the Union Finance Minister to roll back increase in Compensation Cess Rates on cigarettes to revenue neutral rates thereby help bring in stability in farm prices and farmer earnings.

According to a statement issued by FAIFA on December 7, 2017, the tobacco farmers are under extreme stress due to heavy taxation and adverse regulatory environment on the legal cigarette industry. "During the last six years, the consumption of domestic Flue Cured Virginia (FCV) tobacco has reduced substantially. The excessive taxation on Cigarettes has given a huge boost to Smuggled Cigarettes. This has resulted in drop in earnings of FCV tobacco farmers which have shrunk cumulatively by more than Rs 3300 crore since 2013-14," FAIFA said.

The Federation further added that the entire legal cigarette value chain is reeling under pressure of the punitive taxation on account of year on year increase in taxes on cigarettes. "This trend has hurt the FCV tobacco farmer, their families and 22 of them have committed suicide," the statement reads.

"The latest increase in taxation on account of revision in the Compensation Cess Rates on Cigarettes has further increased the tax arbitrage opportunities available and provided an enormous boost to smuggling syndicates further reducing the demand of home grown tobacco", FAIFA President Javare Gowda said.

While commending Government efforts focused on agricultural growth and seeking doubling of farmer incomes in the country, FAIFA commented that the plight of tobacco farmers whose earnings have reduced sharply in recent years have been completely neglected and no relief has so far been provided. According to FAIFA, in addition to roll back the increase in compensation cess rates on cigarettes, the Government should reinstate duty draw back to help farmers' produce become competitive for exports so that we regain our lost market share in the International trade.

FAIFA also called on the Government to take appropriate measures to protect the livelihood and earnings of farmers in the country so that unfortunate incidents of farmer suicides are not repeated in future.

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FAIFA demands roll back of cess on cigarettes

BY PTI | UPDATED: DEC 07, 2017, 02:49 PM IST

Farmers' body FAIFA today asked the government to roll back hike in compensation cess on cigarettes to revenue neutral rates saying tobacco farmers have suffered Rs 3,300-crore loss in the last four years.

The Federation of All India Farmer Associations (FAIFA), which claims to represent farmers of commercial crops from various states, including Andhra Pradesh, Telangana, Karnataka and Gujarat, said they are "under extreme duress due to heavy taxation and adverse regulatory environment on the legal cigarette industry".

During the last six years, consumption of domestic Flue Cured Virginia (FCV) tobacco has reduced substantially. The excessive taxation on cigarettes has given a huge boost to smuggled cigarettes, the FAIFA said in a statement.

"This has resulted in drop in earnings of FCV tobacco farmers which have shrunk cumulatively by more than Rs 3,300 crore since 2013-14," it added.

Seeking government intervention, FAIFA President Javare Gowda said, "The latest increase in taxation on account of revision in the compensation cess rates on cigarettes has further increased the tax arbitrage opportunities available and provided an enormous boost to smuggling syndicates further reducing the demand of home grown tobacco."

The association's General Secretary Murali Babu said the huge growth of illicit trade of cigarettes is a reflection of the unintended consequences of steep increases in taxation.

"We appeal to the government to roll back the tax increase to 'revenue neutral levels', consistent with the Government's stated objectives," he said.

Such a move will "help curb illicit trade and increase demand of home grown tobacco, save our livelihood and arrest further loss of employment opportunities", Babu added.

In July this year, the GST Council had raised cess on cigarettes to take away an estimated Rs 5,000 crore annual "windfall" manufacturers could have reaped from lower GST rates.



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