

# Business Standard

## Tobacco Institute urges review of tax hike on cigarettes, tobacco products

*The Tobacco Institute of India calls on the government to reconsider the steep excise and GST hike on tobacco, warning of hardships for farmers, MSMEs, retailers and a surge in illicit trade*

BS Reporter | **Mumbai**



Representative image of cigarette smoking. (Pixabay/Alexas\_Fotos)

The Tobacco Institute of India (TII) said in a statement that it is surprised by the unprecedented increase in duty announced on Wednesday on tobacco and related products. It noted, “...Given the statements made by the government on more than one occasion, that the overall impact of the transition of taxes will be revenue neutral.”

### **What are the potential impacts on farmers and businesses?**

TII added, “Such a massive increase will cause immense hardship and loss to millions of farmers, MSMEs, retailers and local value chains nurtured by the Industry, besides providing a huge fillip to illicit industry and damaging national enterprises.”

### **What does the TII request from the government?**

“TII requests the government to review the computations behind this extremely severe tax increase and reconsider the enormous hike given the huge implications. This imposition will have a debilitating and crippling impact on the entire value chain of more than four crore

farmers, MSMEs, retailers and local value chains, besides dealing a body blow to legitimate Indian industry whilst promoting illicit trade,” the statement said.

### **What are the details of the new tobacco duties?**

The Ministry of Finance, on December 31, notified additional excise duties would be levied on chewing tobacco and related products, in addition to the 40 per cent Goods and Services Tax (GST) rate, effective February 1.

### **How does illicit trade factor into the concerns?**

The statement added that for every three legal cigarettes, one smuggled or illicit cigarette is sold in the country. The high tax increase is expected to further boost illegal activity, depriving the National Exchequer and promoting anti-social behaviour.

### **What global evidence supports TII’s concerns?**

A study covering 71 countries across 17 years (2005–2022) notes, “...when illicit trade gets embedded and established in a marketplace it becomes difficult to reduce it...” and “... Governments cannot rely solely on enforcement to control illegal trade and disregard the more important influence of taxation and affordability...”

### **How heavily taxed are cigarettes in India?**

Legal cigarettes constitute only 10 per cent of total tobacco consumption while contributing 80 per cent of tobacco tax revenue. Cigarette taxes in India as a percentage of per capita GDP are among the highest in the world, according to WHO data.

### **What lessons from other countries are relevant?\**

TII cited Australia, which has implemented high taxes and strict regulations on tobacco, noting that unintended consequences include an expanding black market and criminalisation of trade. Australian parliamentarians are now calling for a rollback of taxes to restore legitimate trade. The statement stressed the importance of balancing taxation with global lessons.

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