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Increase in cess on cigarette to escalate its smuggling: Tobacco Institute of India

New Delhi, Feb 1 (PTI) Imposition of additional duty on cigarette by the government would increase pressure on the industry and will encourage its smuggling into India by illegal trade operators, the Tobacco Institute of India (TII) said on Saturday.

While presenting the Union Budget for 2020-21, Finance Minister Nirmala Sitharaman proposed to increase the National Calamity Contingency Duty (NCCD) on cigarettes, hookah, chewing tobacco, snuff and tobacco extracts and essence.

"The increase in NCCD announced in the Union Budget 2020-21 and the resulting escalation in cigarette taxation leading to higher tax arbitrage will serve as a huge incentive to illegal cigarette trade operators, who target India as a preferred destination for smuggled cigarettes," TII in a statement.

It said "in the current economic environment the proposed increase announced in the Union Budget on NCCD will aggravate the pressure on the legal cigarette industry, encourage illegal cigarette trade and adversely impact tobacco farmer earnings whose livelihood is intrinsically connected with legal cigarette value-chain".

According to TII, NCCD was introduced in 2001 as a levy of a special surcharge on central taxes for a limited period. However, while almost all cesses and surcharges were discontinued in the GST regime, levy of NCCD on tobacco products continued.

"TII had also requested the government for the abolition of NCCD on the ground that this levy is against the principles of GST which, inter alia, seeks to eliminate cascading of taxes," it said.

TII claims to be a representative body of farmers, manufacturers, exporters of the cigarettes segment of the tobacco industry in India, whose members account for more than 98 per cent of the country's domestic sales.

According to TII, illegal cigarettes have grown consistently in the country and now account for one fourth of the Indian cigarette market.

Citing a report from the market research agency Euromonitor International, TII said that India is now the fourth largest illegal cigarette market in the world.

The illicit cigarettes has increased from a level of 11.1 billion sticks in 2004 to 25.6 billion sticks in 2018, resulting in an annual revenue loss of Rs 13,000 crore to the government. PTI

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