Expressing concern at the steep increase in National Calamity Contingent Duty (NCCD) on cigarettes in the Union Budget for 2020-21, The Tobacco Institute of India (TII) issued the following Media Statement on 1st February 2020:

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.

The debilitating and relentless increases in tax rates in the years between 2012 and 2017 and the imposition of GST levy at a higher than Revenue Neutral Rate in July 2017 provided continued rise in tax arbitrage to smuggling syndicates severely undermining the legal cigarette industry and adversely impacting tobacco farmers and the revenue objective of the Government.

Illegal cigarettes have grown consistently in the country and now account for 1/4th of the Indian cigarette market. According to Euromonitor International India is now the 4th largest illegal cigarette market in the world with illicit cigarettes more than doubling 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 crores to the Government.

The increase in taxation over the years and the resultant drop in legal cigarettes has had a debilitating impact on the Indian FCV tobacco farmers who are under severe pressure due to the fall in demand for tobaccos grown by them as smuggled cigarettes do not use locally grown tobaccos.

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 continues. 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.

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 the legal cigarette value-chain.

Enforcement machinery of the Government is seizing illegal cigarette consignments across India on almost a daily basis. The proposed tax increase will further strengthen the illicit supply chain and lead to long-term irreversible implications.

In the interest of the FCV tobacco farming community and the Legal Cigarette industry which is reeling under huge pressure we appeal to the Finance Minister to reconsider the proposal and withdraw the NCCD levy.
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 Contingent 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 said in a statement.

Budget impact: For ITC, tax hikes likely in range of 9-15% due to rise in excise duty on cigarette

MITHUN DASGUPTA
Kolkata, February 2

WITH FINANCE MINISTER Nirmala Sitharaman proposing to raise excise duty on tobacco and cigarettes, analysts on Saturday said that for ITC, India's largest cigarette maker, the increase in the National Calamity Contingent Duty (NCCD) could result in hikes in 9% to 15%.

"ITC, which accounts for 20-30% of the total cigarette market, may see a hike in revenue from its cigarette business grow by 4.6-9% year-on-year during the first quarter this fiscal, while operating profit from the segment increased by 3.5-7% year-on-year in 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," the report said.

Smokers to shell out more as govt proposes increased excise duty on cigarette

Bharatwaj, February 2

"Besides being in the highest GST slab of 28 per cent, cigarettes attract higher compensation cess under the new indirect tax regime," an analyst said.

INDIA

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Industry group Tobacco Institute of India (TII) said that illegal cigarettes have grown consistently in the country and now account for 1/4th of the Indian cigarette market. (Getty Images iStockphoto)

Smokers will have to shell out more as the government has proposed to raise excise duty on the sin item.

Presenting the Budget 2020-21 in Lok Sabha on Saturday, Finance Minister Nirmala Sitharaman said: "The increase in excise duty on cigarettes by way of National Calamity Contingent Duty (NCCD) on cigarettes raised by 9% to 15% for the year 2020-21 will hit the illegal cigarette market and will lead to an increase in the prices of legal cigarettes.

"The Finance Minister had earlier said that the government is committed to increasing the excise duty on cigarettes to tackle the illegal market. The increase in the excise duty will affect the illegal market significantly and will lead to an increase in the prices of legal cigarettes.

Tobacco Institute of India raises concerns on hiked NCCD on cigarettes

New Delhi | Updated on February 02, 2020

Tobacco Institute of India said that India may become a preferred destination for "smuggled cigarettes" as the increase in National Calamity Contingent Duty (NCCD) will incentivize illegal cigarette trade operators.

"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," it said in a statement.

It pointed out that illegal cigarettes have grown consistently in the country and now account for one-fourth of the Indian cigarette market.

"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 the legal cigarette value-chain," the institute said.

Press Coverage on the TII Media Release