

## **NCCD Hike Will Incentivize Illegal Cigarette Trade: TII**

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 1<sup>st</sup> 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 1/4<sup>th</sup> of the Indian cigarette market. According to Euromonitor International India is now the 4<sup>th</sup> 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.*

# Press Coverage on the TII Media Release

## 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.

## 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) compo-

revenue from its cigarette business grew 4.68% y-o-y at ₹5,310.98 crore during the third quarter this fiscal, while operating profit from the segment increased by 5.57 y-o-y at

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 pre-

### सिगरेट का अवैध कारोबार बढ़ेगा

एनडीए-कार्यकर्ता, नई दिल्ली

केंद्रीय बजट 2020-21 में घोषित विधान सभा और लोकसभा के संयुक्त सत्र (एनडीए) में बजट और अन्य का प्रस्तावना के लिए सिगरेट करों में वृद्धि की गई है जिसके परिणामस्वरूप अवैध सिगरेट व्यापार करने वालों को एक बड़ा प्रोत्साहन मिलेगा, जो भारत को सिगरेट की दुनिया के लिए एक प्रमुख निर्यात मानने है। 2012 और 2017 के बीच के वर्षों में कर दरों में वृद्धि और अन्य वृद्धि हुई है और जुलाई 2017 में राजस्व तुल्यक पर से अधिक पर लागू करी लेवी लगाने से कर प्रभावण में वृद्धि जारी है, संकरी करने वाले विधिकरणों में कानूनी सिगरेट उद्योग को पीछे हटाने से कमजोर किया और अवैध उद्योग किसानों के

## Budget 2020: Smokers to pay more on cigarettes, excise duty hiked on tobacco

BY WRITANKAR MUKHERJEE, ET BUREAU | FEB 01, 2020, 07:04 PM IST

Smoking is going to pinch with the government increasing the National Calamity Contingent Duty (NCCD) on cigarettes anywhere between 212% to 388% depending on cigarette stick sizes.

Price of cigarettes will go up by 6-7% in case of lower priced packs where the stick size is small and has borne the maximum increase in duties, while for the larger size sticks in premium packs the price hike will be 4-5%.

The cigarette industry said this increase in duties will boost illegal cigarette sales in the country impacting legal industry sales.

NCCD is levied as a duty on the excise. As per analysts and market trackers, net impact on taxes will be an increase of around 15% in small and regular size cigarettes up to 11mm length and 9-10% for large and king size cigarettes.

"On a blended basis, there is likely to be around 11% tax hike as the 64 mm has seen sharper tax hike of 15% while others have seen tax hike of 9-10%... This would mean around 7% price hike which would impact cigarette volumes by 3-4% year-on-year," said Abneesh Roy, president of the industry.

Amulya Pandit, senior analyst at Euromonitor International, said that if companies decide to pass it on to the consumers, the price of Rs 300. If not, the hike will affect their

ITC, which accounts for every three of the four

### 'Increase in cess on cigarette to escalate its smuggling'

**New Delhi:** 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, FM Nirmala Sitharaman proposed to increase the National Calamity Contingency Duty on cigarettes, hookah, chewing tobacco, snuff and tobacco extracts and essence. "The increase in NCCD announced in the Budget 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. PTI

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

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

INDIA Updated: Feb 02, 2020 07:14 IST

Indo Asian News Service New Delhi

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 proposed to increase the National Calamity Contingent Duty (NCCD) on cigarettes

### अवैध व्यापार को मिलेगा बढ़ावा

नई दिल्ली. केंद्रीय बजट में एनसीसीडी में वृद्धि और उच्च कर मध्यस्थता के लिए सिगरेट करों में वृद्धि की गई है, जिसके चलते अवैध सिगरेट व्यापार बढ़ेगा। देश में अवैध सिगरेट्स का कारोबार लगातार बढ़ता जा रहा है। यूरोमॉनितर इंटरनेशनल के अनुसार भारत का अवैध सिगरेट बाजार विश्व में चौथे स्थान पर है और 2004 में 11.1 बिलियन स्टिक के स्तर से 2018 में 25.6 बिलियन स्टिक के दोगुने से अधिक अवैध सिगरेट के साथ, सरकार को 13,000 करोड़ रुपये का वार्षिक राजस्व घाटा हुआ।

## 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 incentivise 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

bidis. duty by way of National Calamity Contingent the Finance Minister said. health groups have been demanding higher sales and consumption.

cent, cigarettes attract h public health groups have cigarettes to Rs 5,463

POINT BLANK

Finance Minister had to walk the extremely tightrope, balancing a constrained fiscal space

VIBRANT KISLOSKAR, @vibrantk

Imposition of additional duty on cigarette will increase pressure on the industry and will encourage its smuggling to India

TOBACCO INSTITUTE OF INDIA

The budget has nothing in it to increase income from agriculture. The word doubting the income is mere rhetoric

KIRANJANA REDDY, @kiranjanareddy