

Agri Business

Tobacco farmers oppose any move to impose extra levy

KV Kurmanath | Hyderabad | October 20, 2021

Demand representation for stakeholders in new tax panel

Farmers growing FCV (Flue Cured Virginia) tobacco have said they will oppose any



move to levy any additional taxes on tobacco products that already attract heavy taxes. They demand representation in the expert panel mooted by the Union Health Ministry to evolve a comprehensive tax policy for tobacco products.

Farmers said tobacco products attract 28 per

cent GST and a few other cesses and impacted their livelihoods. They sought representation in the panel as they were the key stakeholder. Stating that the tobacco products are over taxed already, the growers said any additional tax on them would be detrimental to their livelihoods. The announcement on the formation of the panel on Tuesday had battered tobacco company stocks on the bourses.

Cut in output

“Tobacco farmers are heavily regulated with the Tobacco Board fixing the extent of production every year. And, it is coming down annually,” Yashwanth Chidipothu, a tobacco farmer in Prakasam district of Andhra Pradesh, told BusinessLine.

The production target levels — spelled out by the Tobacco Board that works under the Union Ministry of Commerce — have been pruned to 227 million kg for 2021-22 against 315 mkg in 2013-14. Interestingly, the country produces another 773 mkg of non-FCV tobacco, which doesn’t come under the purview of regulation.

According to the Delhi-based Tobacco Institute of India (TII), tobacco and tobacco products are large contributors to the government’s tax revenue. “The average annual revenue collection (based on last three years data), including GST, Compensation Cess, Excise Duty and National Calamity Contingent Duty (NCCD) from tobacco products, is about ₹53,750 crore.” the Institute said, quoting a government reply in the Rajya Sabha recently.

Boost to illegal players

“The government should focus on illegal cigarette trade that is causing heavy losses to its tax revenues. The fact one in every four cigarettes sold in India is illegal and

that the country consumes over 25 billion illegal sticks (cigarettes) a year show the extent of the illegal trade,” Yashwant, who worked with tobacco associations, said.

“They (illegal operators) don’t pay any tax and don’t follow the strict packaging norms (pictorial representation of ill effects of smoking) that the legal players follow,” he said.

Additional taxes would only benefit the illegal players and tobacco farmers in other countries (such as Myanmar, Malaysia, Indonesia, China and Sri Lanka), he pointed out

“If the taxation increases, it will aggravate the pressure on the legal cigarette industry, encourage illegal cigarette trade and impact tobacco farmer earnings whose livelihood is closely connected with the legal cigarette industry,” a senior functionary of Federation of All India Farmer Associations (FAIFA), said.

While the organised players are taxed nearly ₹40,000 crore, the unorganised sector (chewing tobacco hookah, snuff and bidi) taxed for about ₹10,000 crore, an industry source said.

“We are demanding that the total tobacco production (800 mkg), including the non-FCV varieties) should be under control of Ministry of Commerce and bring it under,” Yashwanth said.

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