

Illegal cigarette trade grown significantly in India : TII

By Daily Excelsior - June 05, 2022

Hyderabad, June 4: Illegal cigarette trade in India has grown significantly and declined in legal cigarettes due to high cigarette taxation and extreme tobacco control regulations such as the 85 per cent Pictorial warning on Tobacco product packs in the country.

Illegal cigarettes have reached an annual volume of more than 28 billion sticks in 2020, accounting for 1/3rd of the Indian legal cigarette market, making India the 4th largest illicit cigarette market in the world, according to the Tobacco Institute of India (TII).

High taxation on Cigarettes and extreme regulations do not reduce demand but merely shift the demand from the legal tax-paid and regulation-compliant products to illegal tax-evaded and non-compliant products, it said.

International cigarette brands smuggled into India do not carry the mandated pictorial warnings and absence of this warnings creates an impression amongst the consumers that they are safer than the legal cigarettes which bear the mandated warnings, TII said.

High taxation on cigarettes over the years have impacted the legal cigarette industry and provide a huge fillip to the illegal cigarette trade in the country, the institute said Cigarette taxes in india (as percentage of per capita GDP) are almost 17 times higher than in the USA; 10 times higher than Japan; 7 times more than China and Germany; 6 times higher than Canada and Russia; 4 times more than Thailand and Malaysia and 3 times high than Pakistan and UK.

Excessive taxation has made Legal Cigarettes in India amongst the least affordable in the world (as per WHO Report 2021). This has fuelled the growth of illicit cigarette trade in the country.

Illicit operators have benefited from the pandemic led disruptions, which presented several challenges to the legal cigarette industry. While the domestic tobacco industry continues to deal with numerous challenges posed by the pandemic, the illegal cigarette trade grew rapidly, it pointed out.

India is the world's second largest tobacco producer and a leading exporter with exports of leaf tobacco and tobacco products generating annual foreign exchange earnings of around Rs 6,500 crore.

Flue Cured Virginia (FCV) is the main exportable tobacco produced in the country with more than half exported and the rest used in domestic cigarette manufacturing.

As non-cigarette products and illegal cigarettes account for 92 per cent of tobacco consumption in India, non-cigarette varieties dominate tobacco production in the country.

Despite a small and shrinking share of tobacco consumption in the form of legal cigarettes (8%), FCV tobacco exports alone garner foreign exchange earnings of around Rs 3,000 crore annually.

Although India currently produces more than 13 percent of the world's tobacco, its value share of the US\$11 billion global tobacco leaf export trade is only 5 per cent due to exportable varieties FCV tobacco, accounting for less than 30 per cent of India 's leaf tobacco production. (UNI)

Source: <https://www.dailyexcelsior.com/illegal-cigarette-trade-grown-significantly-in-india-tii/>