

‘Govt’s losses surged in past decade on illicit trade of tobacco products, alcoholic beverages’

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Tobacco products, and alcoholic beverages, account for nearly 49% of the overall tax loss to the government. (Stock Image)

SYNOPSIS

Estimated tax loss to the government due to illicit goods in five key industries including mobile phones, FMCG, tobacco products, and alcoholic beverages was ₹58,521 crore in the past decade

New Delhi: The Centre’s loss on taxes on tobacco products and alcoholic beverages rose over three times during 2010-20 due to illicit trade of the products, as per a FICCI-CASCADE’s 2022 report.

Tax losses rose from ₹8,750 crore in 2010 to ₹28,593 crore in 2020, the report said.

Titled ‘Illicit Markets: A Threat to Our National Interests’, the report said that the estimated tax loss to the government due to illicit goods in five key industries including mobile phones, FMCG, tobacco products, and alcoholic beverages was ₹58,521 crore in the past decade, as per the latest report.

Tobacco products, and alcoholic beverages, account for nearly 49% of the overall tax loss to the government, said the report.

In India, the trade of illegal and contraband cigarettes is on rise and has grown enormously over the last few years, according to the report.

Increasing tax arbitrage has made India the fourth largest illicit cigarette market in the world. The overall market for illegal cigarettes in India, as per 2022 FICCI Cascade study

is estimated to be at ₹22,930 crore. The total loss to the Government estimated for 2022, on account of the illicit markets in the tobacco industry is ₹13,331 crore, up from ₹6,240 crore in 2012 an increase by 46%.

According to the report the rise of illegal and contraband cigarettes is a result of extremely high taxation and extreme regulation on legal cigarette industry in the country.

Internationally smuggled and domestically manufactured tax evaded cigarettes are cheap and attractively priced because these evade the payment of GST or any other applicable tax and offers higher trade margins to retailers.

These smuggled packs also doesn't carry the mandatory graphical and textual health warnings. These cigarette packs create the impression that these products are safer.

PC Jha, advisor, FICCI CASCADE, said, "An alarming situation about the large-scale availability of illicit goods has been created over the years because this important issue is not able to receive the desired attention from the concerned stakeholders."

He added that consumers lack awareness about the harms they suffer, government also is unable to realize the huge losses of revenue that is caused by illicit trade, there is also less supply of legal goods at affordable prices to meet the demands in respect of many communities.

"Coupled with this, the other factors which incentivize illicit trade are lack of prohibitive punitive provisions in law for such crimes, court proceedings taking unduly long time, and efficiency of the concerned enforcement agencies not being high. As a result, there is absence of deterrence for checking proliferation of this trade," he said.

Source: <https://www.livemint.com/news/india/govts-losses-surged-in-past-decade-on-illicit-trade-of-tobacco-products-alcoholic-beverages-11671262153544.html>