

# Govt won't liberalise FDI in tobacco sector: Piyush Goyal

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The central government is not inclined to liberalize Foreign Direct Investment (FDI) in the tobacco sector, Union Commerce Minister Piyush Goyal said on Tuesday.

The minister, on the sidelines of an industry event in New Delhi, also indicated that the government is rather considering tightening the norms for FDI in the tobacco industry. The government is considering putting FDI restrictions on any franchise of tobacco products, trademarks and any branding of tobacco and similar substitutes. Currently, FDI in the manufacturing of tobacco products in India is not permitted under government regulations.

The proposal to tighten FDI norms in the tobacco sector is currently under deliberation before the Commerce Ministry and may be sent to the Cabinet for approval once the final proposal is ready.

The tobacco industry considered a sin, often faces reg-



ulatory pressures, including potential tax rises. Tobacco is placed in the highest tax slab of 28 per cent under the Goods and Services tax (GST). In addition to this, a sin of 61 per cent to over 200 per cent is applied to various tobacco products.

In 2020, a parliamentary panel of the Ministry of Commerce and Industry has recommended exploring prospects for permitting regulated Foreign Direct Investment (FDI) in the tobacco sector to boost exports of tobacco products. The panel has also recommended exports-only tobacco farms to

boost tobacco exports.

India is a major net exporter of cigarettes. According to UN Comtrade, it exported over USD 100 million in cigarettes in 2022, compared to nearly USD 26 million in imports. According to IBEF, the tobacco industry in India employs about 36 million people in farming, processing, manufacturing and export activities.

The tobacco industry often faces regulatory pressures, including potential tax increases especially ahead of the union budget. This year the Union Budget will be presented on July 23.