

Track and Trace Mechanism to aid in curbing illicit trade: Tobacco industry

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The Government Has Proposed Insertion Of New Section 148A In The Central Goods And Services Tax Act 2017 For A Track And Trace Mechanism For Certain Goods. Photo: Reuters

The introduction of a "track and trace mechanism" for certain goods announced in the Union Budget 2025-26 will assist in controlling the menace of illegal trade, especially in cigarettes, and help the industry grow, tobacco industry said on Saturday while welcoming the proposed changes.

Finance Minister Nirmala Sitharaman in her Union Budget on Saturday proposed to amend the Central Goods and Services Tax Act, 2017, enabling a mechanism for 'Track and Trace', aimed at curbing tax evasion in high-risk commodities.

"The proposed amendments in The Central Goods and Services Tax Act, 2017, enabling a mechanism for Track and Trace, will help in controlling the illicit cigarette trade in the country, thereby helping the enforcement agencies to take corrective action against the perpetrators of this crime," Tobacco Institute of India (TII) said in a statement.

This will also help the 'legal industry' to gain from the illicit market, said TII which represents farmers, manufacturers, exporters and ancillaries of the cigarettes segment of the tobacco industry in India.

Under the mechanism, the packages will affix a unique identification marking, containing information and details as time, details of the machinery installed in the place of business of manufacture of such goods, including the identification, capacity, duration of operation.

The mark will be "unique, secure and non-removable" for track and trace mechanism. "The tobacco industry welcomes this much-needed initiative/measure, which will assist in controlling the illicit menace in the country," it said.

The country is facing a "huge problem of illicit cigarette trade" with increasing volumes over the years, and illicit trade undercuts legitimate businesses and funds organised crime groups and terror organisations with its proceeds, often compromising national security.

"Illicit cigarettes are one-fourth of the Indian cigarette market and amount to as much as one-third of legal cigarette volumes in the country," said TII.

The industry, on the basis of the current duty rates, estimates that the illicit trade results in an annual revenue loss of Rs 21,000 crore to the government.

"In addition, the domestic tobacco growers are adversely impacted as smuggled cigarettes do not use Indian tobacco. This has resulted in loss of earnings and livelihood in the tobacco growing areas," TII said.

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