

Parliament Passes Central Excise (Amendment) Bill, 2025 to Raise Tobacco Duties

December 4, 2025



The Parliament today passed the Central Excise (Amendment) Bill, 2025 with the Rajya Sabha approving and returning it to the Lok Sabha.

The legislation is aimed to amend the Central Excise Act, 1944, specifically to raise excise duties and cess on tobacco products such as cigarettes, cigars, hookah tobacco, chewing tobacco, zarda and scented tobacco. The amendment is required to give the government the fiscal space to increase the rate of central excise duty on tobacco and tobacco products so as to protect tax incidence, after the cess ends. Minister of State for Finance Pankaj Chaudhary moved the bill.

The Bill is intended to increase central excise duty on unmanufactured tobacco, manufactured tobacco, tobacco products, and tobacco substitutes. While the Central Excise Act, 1944 levies an excise duty ranging between 200 rupees and 735 rupees per thousand cigarettes, the enhanced duty under the Bill ranges between two thousand 700 rupees and 11 thousand rupees per thousand cigarettes. The Bill also prescribes higher excise duties for manufactured tobacco products. For instance, the duty on chewing tobacco will increase from 25 percent to 100 percent. Duty on hookah will increase from 25 percent to 40 percent. For smoking mixtures for pipes and cigarettes, the duty is proposed to be increased from 60 percent to 325 percent. The purpose of the bill is to protect people from the ill effects of tobacco and to discourage them from its consumption.

Replying to the discussion in Rajya Sabha, Finance Minister Nirmala Sitharaman stated that higher duties on cigarettes will be shared with the states. The Minister said this is not a cess but excise duty. She assured that the Bill will not harm tobacco farmers and beedi workers. She added that there are many schemes, including crop diversification scheme, to take care of tobacco farmers, to encourage them to move to other crops from tobacco. The Minister said, more than 1.12 acres of land have been shifted to other crops from tobacco cultivation to other crops between 2017-18 to 2021-22. The Minister added that there are 49.82 lakh registered beedi workers in the country and labour welfare welfare schemes are being implemented across the country through labour welfare organisations.

Ms Sitharaman said India's total tax incidence on cigarettes is around 53 percent of the retail price and the benchmark rate of World Health Organization is 75 percent. She added that the rate fixation has happened keeping WHO's benchmark, and making sure that cigarettes are not affordable. She said, when GST was introduced, tax on tobacco and tobacco-related products even with the cess could not reach the benchmark set by WHO every year. As a result, the affordability index of tobacco products remains high, undermining public health goals.

Replying to allegations made by the Trinamool Congress members, the Minister accused that the Trinamool Congress government is hurting the growth of West Bengal and Industries are leaving the State.

Earlier, participating in the discussion, Pramod Tiwari of Congress expressed concern that the Bill will harm tobacco farmers. He said the Bill should be sent to a parliamentary committee. TMC's Sagarika Ghose opposed the Bill, claiming that raising taxes will not discourage people from consuming tobacco products. She said the government is not taking any steps to control pan masala ads by celebrities. She called for strong public health intervention to address tobacco consumption. AAP MP Sandeep Kumar Pathak said that excessive taxation is not a solution to curbing tobacco use. M Thambidurai of AIADMK said this Bill is a timely and necessary reform aimed at safeguarding the public health and maintaining revenue stability.

After the discussion, the House was adjourned for the day to meet again tomorrow.

[https://www.newsonair.gov.in/parliament-passes-central-excise-amendment-bill-2025-to-raise-tobacco-duties/?noshow=1#:~:text=7%3A23%20PM-.Parliament%20Passes%20Central%20Excise%20\(Amendment\)%20Bill%2C%202025%20to%20Raise,it%20to%20the%20Lok%20Sabha](https://www.newsonair.gov.in/parliament-passes-central-excise-amendment-bill-2025-to-raise-tobacco-duties/?noshow=1#:~:text=7%3A23%20PM-.Parliament%20Passes%20Central%20Excise%20(Amendment)%20Bill%2C%202025%20to%20Raise,it%20to%20the%20Lok%20Sabha)