

Centre eases unmanufactured tobacco tax

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Rajamahendravaram: Rajahmundry MP Daggubati Purandeswari has drawn the attention of Prime Minister Narendra Modi to the mounting distress among FCV tobacco farmers in the state following the proposed sharp increase in cigarette excise duty. In a detailed letter, she highlighted the dependence of thousands of farmers in the East Godavari region on FCV tobacco cultivation, carried on for decades in the absence of profitable alternative crops. The MP referred to the notification issued on December 31, 2025, proposing a 73 per cent excise duty hike on cigarettes, effective February 1, 2026. She stated that the announcement caused anxiety among farmers, farm workers, women labourers and tribal communities in her constituency.

She argued that FCV tobacco used in cigarette manufacturing was being taxed disproportionately compared to bidis and chewing tobacco, even though several studies have found these products to be more harmful to health.

Purandeswari pointed out that cigarettes already attract far higher taxes per kilogram than other tobacco products, and the proposed revision would widen this gap further. She warned that steep taxation would reduce demand and production, directly impacting farmers' incomes. As per industry estimates cited by her, growers could face a price drop of Rs 50 to Rs 70 per kg, amounting to a 20–25 per cent loss, making it difficult to recover cultivation costs. She also raised concerns that excessive taxation would fuel the illegal and smuggled cigarette trade, which already accounts for about 26 per cent of the Indian market. Smuggled cigarettes, sold at much lower prices, do not use Indian tobacco, resulting in livelihood losses for domestic farmers while benefiting illegal operators.

In a positive development, the Union Budget has addressed one key concern. As per Gazette Notification No 04/2026 issued on February 1, 2026, excise duty on unmanufactured tobacco that is unbranded and not packed for retail sale has been fixed at nil.

Source: <https://www.thehansindia.com/andhra-pradesh/centre-eases-unmanufactured-tobacco-tax-1044852>