

Tobacco Board urges finance minister Nirmala Sitharaman to revisit tax hike in interest of farmers, workers

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NEW DELHI: Tobacco Board, under the administrative control of the Department of Commerce, has written a letter to finance minister Nirmala Sitharaman highlighting the adverse impact of the unprecedented increase in excise duties on cigarettes on the industry, as well as on millions of farmers and workers. The excise hike effective February 1 has resulted in a price increase of up to 60 per cent in real terms.

Steep tax increases heightened risk of accelerated illicit cigarette trade, which has emerged globally as a serious economic and governance challenge.

The unregulated market deprives governments of substantial tax revenues, undermines legitimate businesses, fuels organised criminal networks, and poses risks to public health and security.

"Considering the urgent industry situation and the significant impact on the farming community, I request you to intervene and revise the excessive duty rates on tobacco products," Tobacco Board Chairman Yashwanth Kumar Chidipothu said in a letter dated February 10.

The chairman, who is also a senior BJP leader, stated that he was writing on behalf of FCV (Flue-Cured Virginia) tobacco farmers who had approached it to express their serious concerns over the tax hike.

He further reiterated that, as reported in the media, farmers have begun staging protests and submitting representations to their respective Members of Parliament.

"High tax and price differentials create strong incentives for smuggling, particularly when enforcement capacity is constrained. Weak border controls, fragmented oversight, and the absence of effective tracking and tracing mechanisms allow illicit operators to exploit policy gaps, while illicit cigarettes increasingly serve as a conduit for organised crime and money laundering," he said.

The consequences extend beyond revenue loss, with global evidence suggesting that billions in excise and tax revenues are diverted annually to the illicit economy, reducing funds available for public services, the representative said.

At the same time, legitimate manufacturers face shrinking market shares, job losses, and plant closures, while consumers are exposed to products that bypass health regulations, lack age-verification safeguards, and are often linked to other illegal goods such as counterfeit cigarettes, illicit vapes and nicotine pouches, he added.

The Tobacco Board Chairman stressed that addressing the illicit cigarette trade requires a balanced and coordinated policy approach, including strengthened enforcement,

effective track-and-trace systems, coherent and enforceable regulations, and enhanced international cooperation.

"The unprecedented increase in excise duties on cigarettes has created serious distress across the tobacco value chain, affecting millions of farmers, workers and small shops who depend on this sector for their livelihoods," he said.

The tax hike is expected to severely depress farmer incomes, as the legal cigarette industry, the primary domestic buyer of FCV tobacco, is likely to sharply curtail its offtake, he said, adding, this would leave farmers unable to recover even the basic cost of cultivation, currently estimated at around Rs 200 per kilogram.

"There is widespread concern that market prices could collapse, pushing farmers into acute and potentially irreversible debt. Farmers point out that a 22 per cent tax increase in 2014 resulted in a price decline of Rs 20 to 30 per kilogram," he said

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