

TOBACCO FACT SHEET: INDIA

2026



India is the world's
2nd
largest producer of tobacco, with
an annual production of
1,037 million kgs

Tobacco provides direct and
indirect employment to
45.7 million
people, around 70% of whom are in
the agricultural sector



Tobacco products generate
Tax revenues amounting to more than
Rs. 76,000 crores annually

Tobacco exports earn India over
Rs. 17,000 crores
annually, with FCV tobacco
making up
70% of leaf exports

Tobacco sector contributes

Rs. 18 Lakh crores*
to the Indian economy

*Rs. 12 Lakh crores estimated by ASSOCHAM
study in 2016; Adjusted for inflation till 2025

Tobacco is a hardy and disease-resistant
crop, grown largely in semi-arid and
rain-fed areas. No viable and equally
remunerative alternative is available

Legal Cigarettes account for
10% of overall tobacco
consumption. The balance **90%**
consumption is in 29 traditional
forms like chewing, bidis,
khaini etc. and illegal cigarettes

Share of legal cigarettes has reduced
from **21%** in 1981/82 to just **10%** in
2023/24. Overall tobacco consumption,
including illicit cigarettes has increased
by **49%** during this period

Despite just **10%** share of the tobacco consumption, Government collects **80%** of tobacco tax revenue from legal cigarettes

High taxes have made **legal cigarettes in India amongst the most unaffordable** in the world. High taxes provide huge tax arbitrage and fuel illicit trade

Data shows periods of high tax increases have led to an increased share of illicit trade. **Relative tax stability**, on the other hand, **curbed illicit and boosted Government tax revenues**. A global study¹ covering 71 countries, finds that a 1 percentage-point rise in cigarette unaffordability increases illicit trade by 0.8 percentage points

India is the **4th** largest Illegal Cigarette Market in the world with illegal cigarettes capturing **26.1%** of the total cigarette market share

Illicit cigarettes amount to **1/3rd** of Legal cigarettes, causing an annual revenue loss of **Rs. 23,000 crores** to the Government

The growing Illicit Trade severely impacts Indian FCV tobacco farmers as smuggled cigarettes do not use locally grown tobaccos. Drop in FCV crop production in the last decade (2013-23) has resulted in loss of **238 million** man-days of employment in tobacco growing areas

Recent imposition of high excise duty rates and **40%** GST on Retail Sales Price have increased the cigarette tax burden by **~70%²**, due to the tax-on-tax effect

The **unprecedented tax increase** has hugely expanded the tax arbitrage, potentially accelerating the growth of illicit trade

A **balanced, rational taxation policy is essential** to protect the legal value chain, including livelihood of tobacco farmers, and prevent further expansion of illicit trade

THE TOBACCO INSTITUTE OF INDIA

The Tobacco Institute of India (TII) is a representative body of farmers, manufacturers, exporters and ancillaries of the cigarette segment of the tobacco industry in India. Established in 1992, the Institute is recognized as a repository of reliable information on the industry and is privileged to be consulted by Government, Parliamentary Committees, Chambers of Commerce/Trade Associations and Media for information and policy recommendations on Tobacco issues.

As an organization, TII has always supported evidence-based, equitable, reasonable and implementable regulation and recognises the need to create greater awareness regarding tobacco consumption in India.



The Tobacco Institute of India

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