

# ‘Increased cess on cigarettes will hit industry, farmers’

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## *Tobacco Institute of India asks GST Council to roll back hike*

The steep revision in compensation cess rates on cigarettes under the Goods and Services Tax (GST) will pressurise the industry in the country and adversely impact tobacco farmers, the Tobacco Institute of India (TII) has said.

“The GST Council, at its meeting on July 17, effected a steep increase in compensation cess rates on various segments of cigarettes ranging from Rs. 485 to Rs. 792 per 1,000 cigarettes. Under the ‘Others’ category, a 31% increase in the ad valorem component of the cess has been levied,” said Syed Mahmood Ahmad, director at TII, in a statement.

Mr. Ahmad said that the incidence of tax as per the revised levy on cigarettes was not in keeping with the fundamental GST principle of revenue neutrality.

### **Revenue neutrality**

“The additional tax burden caused by an increase in compensation cess rates will exacerbate pressure on the entire legal cigarette value chain in the country, which is already reeling under a huge tax burden,” he added.

“We request the GST Council to review its decision and roll back the tax increase to the revenue neutral level, consistent with the government’s stated objectives,” Mr. Ahmad added. Mr. Ahmad also said that an increase in taxation would have a debilitating impact on the country’s tobacco farmers, whose livelihoods are inextricably linked to the legal cigarette value chain.

### **Decreased earnings**

“Tobacco farmers are already under severe pressure due to the fall in demand for tobacco as contraband products do not use the locally-grown product. In fact, since 2013-14, the annual earnings of tobacco farmers have shrunk by more than Rs. 1,500 crore due to drop in offtake of tobacco for manufacturing domestic legal cigarettes,” he said.

**Source:** <http://www.thehindu.com/todays-paper/tp-national/tp-otherstates/increased-cess-on-cigarettes-will-hit-industry-farmers/article19311523.ece>