

## **Raising tobacco taxes in Bangladesh in FY 2019-2020: An opportunity to reduce tobacco use**

### **Raising tobacco taxes would:**

- Generate between BDT 67 billion and 120 billion of additional tax revenues from FY 2018-2019.
- Reduce the number of current adult smokers (both cigarettes and biris) by 3.2 million in the next 3 years, preventing at least 1 million premature deaths of current adult smokers over the long term.

## Raising tobacco taxes in Bangladesh in FY 2019-2020

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### **Bangladesh is one of the largest tobacco consuming countries in the world.** <sup>i, ii</sup>

- 35% of people 15 years and older in Bangladesh consume tobacco.
- Smokeless tobacco use is highly prevalent among adults; over 22 million people use smokeless tobacco and the rate of use (21%) is among the highest in the world.

### **Tobacco use in Bangladesh is deadly and costly.** <sup>iii, iv</sup>

- It is a leading risk factor for disease and premature deaths.
- In 2018, tobacco use killed almost 126,000 people.
- The total economic cost of tobacco use from lost productivity and direct healthcare costs of smoking related illnesses was estimated at BDT 305.6 billion in 2017-18, meanwhile tobacco tax revenues were BDT 228.1 billion in 2017-18.

### **The current tobacco tax structure in Bangladesh is complex<sup>v</sup> and is not adequate to discourage tobacco use<sup>vi</sup>:**

- It is a complex multi-tiered ad-valorem excise tax which includes large variations in tax bases and tax rates depending on the type of tobacco product (cigarettes, biris, and smokeless), the product characteristics (filter or without filter) and the cigarette brand type (low, high and premium priced brands);
- The multi-tiered tax system for cigarettes has resulted in:
  - extremely cheap and affordable cigarettes;
  - smokers switching to cheaper cigarettes instead of quitting;
  - rising cigarette sales per adult in recent years;
  - a relatively constant cigarette smoking prevalence in recent years.
- Low taxes and prices on biris and smokeless tobacco keep these products highly affordable.

### **Raising taxes in Bangladesh would save lives and increase Government Revenue**

The most effective way to reduce tobacco use is to raise the prices of tobacco products through tax increases that lower their affordability. Higher prices discourage youth from initiating tobacco use and encourage current users to quit.

If the Government of Bangladesh reforms the current tobacco tax system following the recommendations for FY 2019-2020 proposed in Table 1 to 3 below, it would:

- Encourage nearly 3.2 million current adult smokers to quit (1.3 million cigarettes smokers and 1.9 million biri smokers);
- Reduce the prevalence of cigarette smoking from 14.0% to around 12.5% and the prevalence of biri smoking from 5.0 to 3.4%;
- Reduce premature deaths by 1 million among current smokers in the long term (0.46 million cigarette smokers and 0.53 million biri smokers); and
- Generate between BDT 66.8 billion and 119.8 billion (up to 0.4 % of GDP) in *additional* tax revenue. This additional revenue would be equivalent to almost 15% of the public resources currently destined to health<sup>vii</sup> and could be used to fund programs to reduce the harms of tobacco use, prevent premature deaths and promote healthy lives.

Following these tax recommendations would greatly further economic development and align tobacco tax policy in Bangladesh with global best practices. The main characteristics of the proposed recommendations are:

- Introduction of an equivalent specific Supplementary Duty (SD) across all tobacco products that should be regularly increased over time beyond inflation and income growth to ensure that the affordability of tobacco products continues to decline.
- Reduction of the gaps in SD paid and final prices between cigarettes brands and between tobacco products to limit the ability of tobacco users to substitute between products.
- Simplification of the tax system by reducing the number of cigarette price slabs from four to two and eliminating distinctions between product characteristics for biris and cigarettes.
- Alignment of the tax base for the ad valorem SD to retail price across all tobacco products.

**TABLES 1 to 3: Taxation and Maximum Retail Price (MRP) of tobacco products  
Current FY 2018-2019 and Proposal for FY 2019-2020**

Table 1: Cigarettes												
CURRENT Tax Structure 2018-2019					PROPOSED Tax Structure 2019-2020							
Tier	Retail price of 10-stick pack (Taka)	SD*	VAT*	Health Development Surcharge*	Tier	Retail price of 10-stick pack (Taka)	SD Specific Component (Taka per 10 sticks)	SD* Ad valorem	VAT*	Health Development Surcharge*	Total tax share on retail price (%)	
Low tier	35	55%	15%	1%	Lower tier	50.00	5.00	60%	15%	1%	86.0%	
Medium tier	48.00+	65%			Upper tier	105.00 +	5.00	65%				
High tier	75.00 +	65%										
Premium tier	105.00 +	65%										

\*Tax base: Maximum Retail Price

Table 2: Biris											
CURRENT Tax Structure 2018-2019					PROPOSED Tax Structure 2019-2020						
Tier	Retail price (Taka per pack)	SD*	VAT*	Health Development Surcharge*	Tier	Retail price (Taka per pack)	SD Specific Component (Taka per pack)	SD* Ad valorem	VAT*	Health Development Surcharge*	Total tax share on retail price (%)
Without filter, 25 stick pack	12.5	30%	15%	1%	Without filter, 25 stick pack	35	6	45%	15%	1%	78.1%
Without filter, 12 stick pack	6				Without filter, 12 stick pack	16.8	2.88				
Without filter, 8 stick pack	4				Without filter, 8 stick pack	11.2	1.92				
With filter, 20 stick pack	15	With filter, 20 stick pack			28	4.8					
With filter, 10 stick pack	7.5	35%			With filter, 10 stick pack	14	2.4				

\*Tax base: Maximum Retail Price

**Table 3: Smokeless Tobacco**

CURRENT Tax Structure 2018-2019					PROPOSED Tax Structure 2019-2020						
	Tax base	SD <sup>#</sup>	VAT <sup>#</sup>	Health Development Surcharge <sup>#</sup>		Tax base (Retail Price Tk/10gm)	SD Specific Component (Taka/10g)	SD** Ad valorem	VAT**	Health Development Surcharge**	Total tax share on retail price (%)
<b>Zarda</b>	Tariff value: 12 Tk/10 gm	100%	15%	1%	Zarda	35.00	5.00	45%	15%	1%	75.3%
<b>Gul</b>	Tariff value: 6 Tk/10 gm	100%			Gul	20.00	3.00				76%

<sup>#</sup>Tax base: Tariff Value

<sup>\*\*</sup>Tax base: Maximum Retail Price

## Way forward

Bangladesh has expressed its commitment to achieve tobacco-related targets under the Global Action Plan for the Prevention and Control of NCDs and the Sustainable Development Goals (SDGs)<sup>viii</sup>. Raising taxes on tobacco is a cost effective way to reach those targets. It is also a major step towards achieving the vision of a tobacco free Bangladesh by 2040.

At the same time, tobacco tax reform will generate significant additional revenue to finance Bangladesh health and development priorities. This is a clear ‘win-win’ for the Government and people of Bangladesh.

<sup>i</sup> World Health Organization. Report on the Global Tobacco Epidemic 2017. Country profile Bangladesh. Available at: [http://www.who.int/tobacco/surveillance/policy/country\\_profile/bgd.pdf?ua=1](http://www.who.int/tobacco/surveillance/policy/country_profile/bgd.pdf?ua=1)

<sup>ii</sup> Global Adult Tobacco Survey, Bangladesh, 2017.

<sup>iii</sup> Global Burden of Disease Study. Country profile Bangladesh 2018. Available at <http://www.healthdata.org/bangladesh>

<sup>iv</sup> Faruque GM, Wadood SN, Ahmed M, Parven R, Huq I, Chowdhury SR. The economic cost of tobacco use in Bangladesh: A health cost approach. Bangladesh Cancer Society. February 23, 2019.

<sup>v</sup> Budget documents of Government of Bangladesh 2011-2018.

<sup>vi</sup> Nargis N, Hussain AKMG, Goodchild M, Quah ACK, Fong GT. A decade of cigarette taxation in Bangladesh: lessons learnt for tobacco control. Bulletin of the World Health Organization. Available online at: [https://www.who.int/bulletin/online\\_first/18-216135.pdf?ua=1](https://www.who.int/bulletin/online_first/18-216135.pdf?ua=1).

<sup>vii</sup> Current health expenditure as % of GDP was 2.64% in 2015, World Bank Indicators. Available at <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=BD>

<sup>viii</sup> United Nations. Transforming Our World: the 2030 Agenda for Sustainable Development. New York, United National General Assembly; 2015.

<sup>viii</sup> World Health Organization. Health in 2015: From MDGs, Millennium Development Goals to SDGs, Sustainable Development Goals. Geneva, World Health Organization; 2015.

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