

Raising Tobacco Taxes in FY 2021-2022

A crucial step towards a tobacco-free Bangladesh by 2040

Raising tobacco taxes would:

Encourage nearly **1.4 million adults** to abstain from smoking and stop more than **74 thousand youth** from starting to smoke

Save the lives of more than **480,000 current adults** and **37,000 current youth** from premature deaths

Generate more than **BDT 300 billion** in tax revenue



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Bangladesh is one of the largest tobacco consuming countries in the world. ^{i, ii}

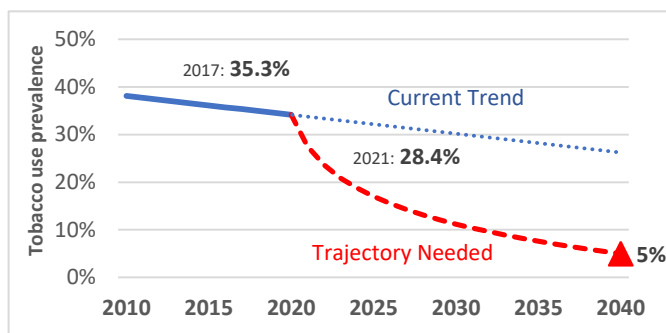
- 35.3% of people 15 years and older in Bangladesh consume tobacco.
- Smokeless tobacco use is highly prevalent among adults; over 22 million people use smokeless tobacco and the rate of use (20.6%) is among the highest in the world.

Tobacco use in Bangladesh is deadly and costly. ^{iii, iv}

- 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 from Supplementary Duty and VAT were BDT 228.1 billion in 2017-18.
- The adverse effect of tobacco cultivation on the environment and the livelihood of farmers is enormous.

To reach a tobacco-free* Bangladesh by 2040, tobacco use prevalence must drop dramatically.

- Tobacco use prevalence needs to decrease by an average of 1.5% each year.
- The likelihood of reaching the 2040 target increases if steep prevalence declines are achieved earlier.
- This means aiming for a tobacco use prevalence of 28.4% by 2021.



*Being "tobacco-free" was defined as having a tobacco use prevalence of 5% or less.

The current tobacco tax structure in Bangladesh is complex^v and is not adequate to discourage tobacco use^{vi}:

- It is a complex multi-tiered ad-valorem excise tax which includes large variations in tax rates depending on:
 - the type of tobacco product (cigarettes, biris, and smokeless tobacco);
 - the product characteristics (filter or without filter); and
 - the cigarette brand type (low, medium, high and premium priced brands);
- The multi-tiered tax system for cigarettes has resulted in:
 - cigarettes remaining cheap and affordable;
 - smokers switching to cheaper cigarettes instead of quitting;
 - stable 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 while increasing 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.

Focusing on the following actions will likely have the most impact in decreasing tobacco use prevalence in Bangladesh:

- Drastically increasing the price of cigarettes in the lowest tier, which comprises the bulk of the market.
- Substantially increasing the price of biris to reduce the gap with the cheapest cigarettes and to discourage switching between products.
- Improving the enforcement of tax policy on smokeless tobacco and exploring other non-tax measures that can amplify its impact, such as standardized packaging.

Recommendations for cigarette tax system

If the Government of Bangladesh reforms the current cigarette tax system following the recommendations for FY 2021-2022 proposed in Table 1 below, it would:

- Encourage nearly 1.4 million adults to abstain from smoking and stop more than 74 thousand youth from starting to smoke;
- Reduce the prevalence of cigarette smoking from 15.1% to 13.9%;
- Save the lives of more than 480,000 current adults and 37,000 current youth from premature deaths in the long term;
- Generate nearly BDT 34 billion in *additional* tax revenues from Supplementary Duty, Health Development Surcharge and VAT on top of the collection for FY 2020-2021, that is an increase by 12% of current tax revenue from cigarettes in the first year.

TABLE 1: Proposed Scenario of Taxation and Maximum Retail Price (MRP) of Cigarettes (per pack of 10)									
CURRENT Tax Structure 2020-2021			CURRENT Indicators		PROPOSED Tax Structure 2021-2022			PROJECTED Indicators	
Tier	Retail Price (BDT)	SD (Ad Valorem-% of Retail Price)	Excise Tax Share in Retail Price	SD Amount (BDT)	Tier	Retail Price (BDT)	SD (Specific - BDT)	Excise Tax Share in Retail Price	SD Amount (BDT)
Low	39+	57%	57%	22.23	Low	50+	32.50	65%	32.50
Medium	63+	65%	65%	40.95	Medium	70+	45.50	65%	45.50
High	97+	65%	65%	63.05	High	110+	71.50	65%	71.50
Premium	128+	65%	65%	83.20	Premium	140+	91.00	65%	91.00

TABLE 2: Proposed Scenario of Taxation and Maximum Retail Price (MRP) of Biri (per pack of 25 and 20)									
CURRENT Tax Structure 2020-2021			CURRENT Indicators		PROPOSED Tax Structure 2021-2022			PROJECTED Indicators	
Products	Retail Price (BDT)	SD (Ad Valorem-% of Retail Price)	Excise Tax Share in Retail Price	SD Amount (BDT)	Tier	Retail Price (BDT)	SD (Specific - BDT)	Excise Tax Share in Retail Price	SD Amount (BDT)
Without filter, 25 stick pack	18+	30%	30%	5.40	Without filter, 25 stick pack	25+	11.25	45%	11.25
With filter, 20 stick pack	19+	40%	40%	7.60	With filter, 20 stick pack	20+	9.00	45%	9.00

TABLE 3: Proposed Scenario of Taxation and Maximum Retail Price (MRP) of Smokeless Tobacco (Per 10gm)									
CURRENT Tax Structure 2020-2021			CURRENT Indicators		PROPOSED Tax Structure 2021-2022			PROJECTED Indicators	
Product	Retail Price (BDT)	SD (Ad Valorem-% of Retail Price)	Excise Tax Share in Retail Price	SD Amount (BDT)	Tier	Retail Price (BDT)	SD (Specific - BDT)	Excise Tax Share in Retail Price	SD Amount (BDT)
Zarda	40+	55%	55%	22.00	Zarda	45+	27.00	60%	27.00
Gul	20+	55%	55%	11.00	Gul	25+	15.00	60%	15.00

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 tiered specific excise in place of ad valorem excise system for cigarettes.
- Reduction of the gaps in final prices and tax rates between cigarettes brands by increasing cigarette prices more at the LOW tier to help relatively lower income smokers in the LOW tier to quit and at the same time limit the ability of smokers to substitute to cheaper brands when prices increase in the higher price tiers.

Way forward

Bangladesh has committed to achieve tobacco-related targets under the Global Action Plan for the Prevention and Control of NCDs and the Sustainable Development Goals (SDGs)^{vii viii}. 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.

ⁱ 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

ⁱⁱ Global Adult Tobacco Survey, Bangladesh, 2017.

ⁱⁱⁱ Nargis N, Faruque GM, Ahmed M, Huq I, Parven R, Wadood SN, Hussain AG, Drope J. comprehensive economic assessment of the health effects of tobacco use and implications for tobacco control in Bangladesh. Tobacco Control (forthcoming).

^{iv} Hussain AKM Ghulam, Rouf ASS, Shimul SN, Nargis N, Kessaram TM, Huq SM, Kaur J, Sheikh MKA, Drope J. The economic cost of tobacco farming in Bangladesh. International Journal of Environmental Research and Public Health. 2020, 17, 9447; doi:10.3390/ijerph17249447.

^v Budget documents of Government of Bangladesh 2011-2018.

^{vi} 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.

^{vii} United Nations. Transforming Our World: the 2030 Agenda for Sustainable Development. New York, United National General Assembly; 2015.

^{viii} 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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