

Challenges in Tobacco Tax Collection in Bangladesh: A Policy Brief

Strengthening necessary tax policies by imposing high tax rates and increasing the price of tobacco products has been a proven and effective measure for controlling tobacco consumption throughout the worldⁱ. However, developing only an appropriate tobacco tax policy is not enough to decrease the use of tobacco products, the tax administration also needs to be efficient and capable of implementing the policies. Bangladesh has a complex, multi-tiered ad-valorem excise tobacco tax structure, and the multiple price tiers create many difficulties in the calculation and collection of taxes.

The National Board of Revenue (NBR) is in charge of supervising and implementing all kinds of tax administration procedures and collecting taxes from the tobacco product manufacturers in Bangladesh. Through its VAT and Customs wing, the NBR collects this revenue from tobacco companies and manufacturers in the form of VAT and supplementary duties. However, despite its various efforts and initiatives, proper tax administration and collection still remain a challenge for NBR.

Bangladesh uses the tax stamp and banderole system to collect taxes on cigarettes and bidi. These stamps and banderoles are printed by the Government Security Printing Press. While both are required on cigarette packs, only banderoles are required on bidi packages. These banderoles are purchased from the post office as a tax charge on bidi manufacturers. The security press, on the other hand, delivers banderoles directly to tobacco companies that make cigarettesⁱⁱ. One of the major ways of evading tobacco taxes in Bangladesh is to use fake banderoles or reuse old banderoles. There have been many instances where tobacco companies were found involved in these activities to avoid paying taxes to the governmentⁱⁱⁱ. Banderole fraud is also aided by the absence of a proper mechanism to check their authenticity and the lack of regular monitoring. Since there is no digital system to detect fake banderoles, as a result, it has to be tested by rubbing water on the stamps in an old and old-fashioned way^{iv}.

The lack of regulation is particularly apparent in the informal SLT manufacturing industry, as well as numerous bidi factories in Bangladesh's rural districts. Since they do not publish precise company or factory addresses or relocate on a frequent basis, all of these businesses are tough to track down. In a study conducted between 2016 to 2019, a total of 387 smokeless tobacco products manufacturing companies and 788 different brands of smokeless tobacco products have been found in the market of Bangladesh. However, most of the companies marketing these products do not have any kind of valid registration and the weight of the products are less than the weight printed on the packaging^v.

Recommendations

The following recommendations could be adopted to overcome the challenges related to tobacco tax collection in Bangladesh and to ensure that the tobacco companies are not evading any taxes and causing the government to lose out on valuable tax revenue:

- A specific tax structure should be administered instead of the current ad-valorem system and all the price tiers should be gradually brought down to one uniform level to eliminate the complexities regarding tax calculation and collection.
- Preparing a digital database to register all individuals and establishments involved in the trade of tobacco products to ensure better tracking and monitoring of production, sale, and tax compliance.
- Introducing a digital system for proper surveillance and monitoring.
- Using barcodes on the packaging of tobacco products to eliminate the weaknesses of the monitoring system and the complexity of identifying fake stamps/banderoles.
- Tracking and monitoring the illegal re-use of banderoles.

ⁱ [Raising Taxes on Tobacco, WHO](#)

ⁱⁱ [Confronting Illicit Tobacco Trade, WHO](#)

ⁱⁱⁱ [Prevention of Tobacco Tax Evasion, WBB Trust](#)

^{iv} <https://nbr.gov.bd/uploads/publications/13a.pdf>

^v [Markets of smokeless tobacco products: Challenges and way forward](#)