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Press Release

Reaction to Budget by the anti-tobacco organizations

The Budget will Cause Multifaceted Profits for Tobacco Companies while Harming the Government & Public Health

The tobacco tax structure proposed in the budget for the fiscal year 2022-23 will not play any role in reducing tobacco use. On the contrary, this tax system will help tobacco companies create new smokers and encourage old smokers to keep on smoking. Continuing to levy taxes on tobacco as a percentage of prices and not imposing a specific tax will encourage tax evasion and, inevitably, result in massive profits for the tobacco industry. This was stated by the Bangladesh Anti-Tobacco Alliance (BATA) and Bangladesh Network for Tobacco Tax Policy (BNTTP) in response to the tax recommendations on tobacco products in the budget proposal announced by the Honorable Finance Minister in the budget session of Parliament today.

Noting that the proposed prices and taxes on tobacco products are disappointing, they remarked that about 72% of the people in Bangladesh smoke low-tier cigarettes. However, only a slight increase in price without raising the tax rate at this tier will expand the prevalence of smoking in the country. Adolescents and young people will be encouraged to start smoking as cigarettes become cheaper and more readily available in the face of rising purchasing power and inflation. At the same time, as the prices of zarda, gul and bidi have not increased as expected, the number of users of these products will also increase significantly, which will pose a serious threat to public health. This will result in serious illness and death caused by tobacco use. At the same time, the government will lose a huge amount of revenue if it does not introduce a specific taxation system. In contrast, tobacco companies will continue to profit and their profits will increase manyfold.

According to anti-tobacco organizations, the health risks, especially among the poor, will skyrocket as the prices of low-tier cigarettes, zarda, gul and bidis have not changed as per their expectations. Simultaneously, morbidity and mortality from tobacco-related diseases will increase. The country will face huge economic losses as a result of increasing diseases and deaths due to tobacco use.

They also stated that most of the cigarettes in Bangladesh are sold as single sticks. As the prices of a 10-stick pack of cigarette in the premium tier increase by 7 taka, in the high tier by 9 taka, in the medium tier by only 2 taka, and in the low tier by only 1 taka; this infinitesimal increase will only bring about a negligible rise in the prices of single stick cigarettes. This will increase the per stick price of the most selling low-tier cigarettes by only 10 paise or 2.56%. Similarly, at the medium tier, the price per stick will increase by only 20 paise or 3.17%. Although the rate of price increase in the high and premium tier is slightly larger, but since the consumers at these tiers are usually the upper class of the society, this small increase in price will not have a significant effect on reducing the use of cigarettes in these tiers. While the per capita income of the country has increased by about 9% in the last year as claimed by the Bangladesh Bureau of Statistics; this small increase in the price of tobacco products will make the products cheaper. As a consequence, the number of tobacco users will rise, jeopardizing the Honorable Prime Minister's commitment to attaining a smoke-free Bangladesh by 2040.

They further added in their response that the government has lost more than 5,000 crore taka in revenue in the current fiscal year due to the sale of cigarettes at prices higher than the maximum retail price. The tobacco companies are manipulating and increasing the prices of cigarettes before the budget announcement almost every year, evading crores of taka in revenue and making huge unsolicited profits. This year too tobacco companies have started selling cigarettes at exorbitant prices from May 17 to June 9 before the budget was announced. These prices are 15 to 31 taka higher for different tiers than the proposed price in the budget. Through this, the tobacco companies have illegally embezzled around 480 crore taka in the last 24 days at a rate of around 20 crore taka daily. It is easy to estimate from the experience of the past years that they will continue to sell at these increased prices in the next fiscal year too. If this trend of selling cigarettes at a higher price than the one fixed on budget as in previous years

is maintained, the tobacco companies will continue to make huge profits in the next fiscal year too and the government will lose at least 5,600 crore taka in revenue. The budget does not reflect the proposals made by the country's anti-tobacco organizations to the government on prices and taxes, including demands for imposing specific taxes on tobacco products.

Dhaka University's Professor of Economics and BNTTP convener, Rumana Haque said that in addition to increasing the per capita income of the people in Bangladesh, inflation has also increased at a rate of about 5.6%. Thereby, the prices of other essential commodities are constantly rising, but in view of the fact that the prices of tobacco products have not been raised as expected in this year's budget, these have become cheaper and more readily available than at any time in the past. Concurrently, the government will lose hundreds of crores of taka in revenue by not imposing specific taxes and not banning the sale of single-stick cigarettes.

She added that the tobacco companies would benefit more from the ad-valorem system and a negligible price increase in the budget. Due to not implementing the price and specific tax rates proposed for each tier of cigarette by the tobacco control organizations in this year's budget, the tobacco companies are going to make an additional profit of about 705 crore taka in the low tier, about 114.5 crore taka in the medium tier, about 97 crore taka in the high tier and about 90 crore taka in the premium tier. According to a multinational tobacco company, its production has doubled in just 10 years from 2009 to 2018, but at the same time, its profits have increased fivefold. And this has been possible because of our flawed tobacco tax system.

In 2020, 1 lakh 62 thousand people died of tobacco-related diseases in the country. The number of deaths will increase further in the coming fiscal year as the prices of tobacco products have not increased as expected in the budget. Therefore, considering the protection of public health and increase in revenue, she hoped that this proposal of the Honorable Finance Minister would be changed and a specific taxation system would be introduced in the great national parliament as per our proposal and reasonable price and tax would be fixed on all tobacco products.

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