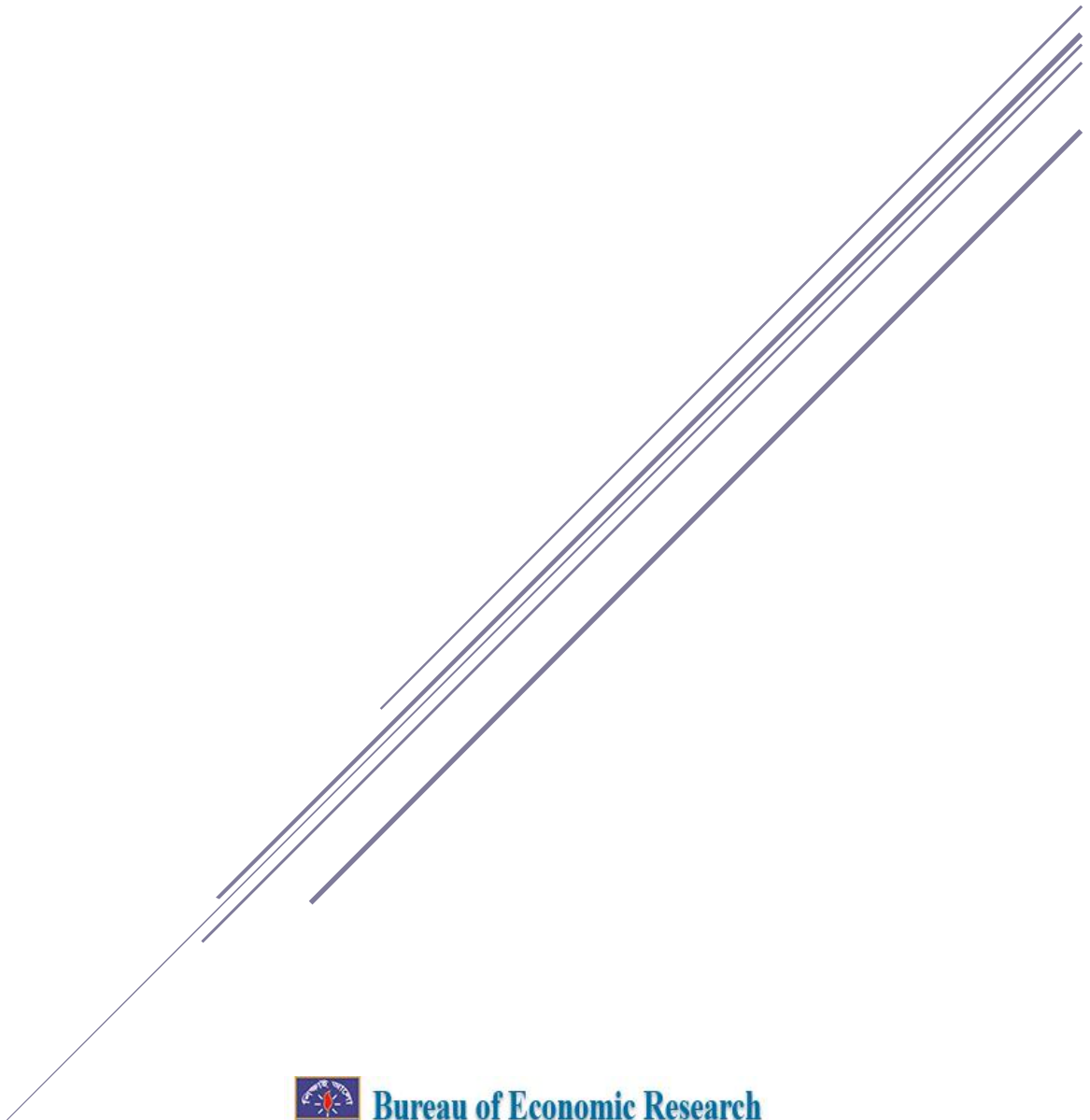


Impact of price and tax changes in the national budget on the retail prices of tobacco products (cigarette): A cross sectional survey



Bureau of Economic Research
University of Dhaka

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Introduction

Bangladesh is one of the countries in the world where tobacco products are available at low prices. As a result, young people's smoking rate is increasing alarmingly. At the same time, the death toll from tobacco-related diseases is on the rise. According to the World Health Organization, tobacco products, including bidi-cigarette smoke, contain more than 7,000 harmful chemicals¹, including DDT, carbon monoxide, arsenic, methanol, alkatra, and nicotine, of which 43 are directly linked to cancer.

Worldwide, smoking kills one person every 6 seconds and more than 8.2 million people every year.² Of these, 7 million people die directly from tobacco use and 1.2 million die from second-hand smoke. Of these, 0.161 million people died in Bangladesh. At present, 80 percent of the world's 1.3 billion tobacco users³ are from low- and middle-income countries.⁴

The World Health Organization (WHO) drafted the International Tobacco Control Convention Framework Convention on Tobacco Control (FCTC) in recognition of the dangers of smoking. It effectively bans all forms of tobacco control campaigns, eliminates all smoking in public places and public transport, issues pictorial health warnings on tobacco products, including cigarettes, actively supports tobacco growers in alternative crop production, and the imposition of high taxes and price increases on tobacco products. According to a study by the World Health Organization, a 10 percent increase in prices would save 42 million people from smoking and save the lives of about 9 million people, especially in developing countries.⁵

At the same time, various international studies have shown that raising taxes on tobacco products increases revenue and reduces government spending on health and smoking. This image has already been noticed in different countries, including Australia, Thailand, Norway, and Singapore. As a result, it is necessary to impose high taxes on tobacco products regularly every year, but it is not possible in Bangladesh. The main reason for this is the non-implementation of a specific taxation system on tobacco products.

Bringing all tobacco products including white leaf, jorda, gul under the tax and fixing the minimum price of all tobacco products including bidi-cigarettes will have a direct impact on the

consumer. This needs to be implemented quickly. At the same time, keeping in line with inflation, it is necessary to increase the tax on all tobacco including bidi-cigarettes every year. Besides, a policy has to be formulated to increase the tax on tobacco products every year.

Although the prices of nominal tobacco products increase in Bangladesh every year, only tobacco companies are benefitted from it. If the production doubles, the profit increases at least 5 times.⁶ As a result, Bangladesh has not been able to reduce tobacco-related deaths due to faulty and complex tobacco tax structure. The most surprising thing is that in the last few years, though the prices of daily necessities have increased several times, the prices of tobacco products have not increased at that rate. So, it is needless to say that the use of tobacco among people is increasing due to the availability of cheap tobacco products.

In Bangladesh, the price and tax rate of tobacco products are fixed in the budget every year. In this context, there has been no research in the country on how much tobacco companies fix the price of tobacco products and at what price they are sold in the market before the financial year 2021-22. This year BER also conducts a similar study in this financial year 2022-23, considering an attempt to be strong in getting the answers to the previous questions. We think that this has made it possible for the tobacco company to unveil its pricing and marketing strategy.

Objectives of the research

The rate at which the National Board of Revenue imposes taxes on tobacco products every year is not enough to reduce tobacco use. Instead, the conventional four-tiered complex tax structure is helping people to use other tobacco products without reducing tobacco use. In order to present a realistic picture of such a situation, it is important to know the extent to which the increase in the price of tobacco products in the current (2022-23) fiscal year has affected the retail and wholesale markets and consumers. The goals and objectives of this study are generally twofold.

Overall Objective:

Determining the impact of price change in the budget of FY 2022-23 on the market price of tobacco products (cigarettes and bidis).

Specific Objectives:

- Investigating the impact of the budget on the market prices of tobacco products.
- Determining the difference between the Retail Price printed on the package and the actual selling price.
- Exploring the tobacco companies' strategies in resetting the prices of tobacco products in the face of rising tax rates and prices.

Literature Review

The British American Tobacco Company (BAT), which continues to grow its business with various strategies every year, is a giant manufacturing company for cigarettes in Bangladesh. According to a recent study, the company's production is 3 percent lower in the 2017-18 financial year due to various reasons. But they have just taken their profits. Because even though the production is less, their profit has increased by 28 percent that year! In 2009, the British American Tobacco Company Bangladesh had a profit of 2,000 million taka as against the production of 24,701 million sticks. After only 9 years, that is, in 2018, along with the production of 51 million sticks, the company's profit has increased to 10 thousand 10 million taka. This is due to the multi-tier tax structure on cigarettes.⁷

The multinational company controls about 80 percent of the country's cigarette market. Through BAT alone, the government's revenue from supplementary duty and VAT has increased at an average rate of 19.5% since 2015. At the end of the third quarter of 2015 (January-September), the government's revenue from supplementary duty and VAT on sales of BAT cigarettes was 7,394 crore taka, which increased to Tk 16,036 crore taka in the same period of FY 2020-21. At that time, the company's net profit increased from 438 crore taka to 872 crore taka.

After 2015, BAT Bangladesh's cigarette sales increased by 24 percent. However, due to the increase in prices due to supplementary duty and VAT, the sales of BAT cigarettes in Bangladesh have decreased since 2017. A review of the company's audit report shows that in 2017, BAT sold 5,320 crore stick cigarettes in Bangladesh. In 2018, sales dropped slightly to 5,142.50 million sticks. And in 2019, the price of cigarettes increased further and sales came down to 5,074.40 million sticks. Cigarette sales in 2019 decreased by about 5 per cent compared to 2017, but net turnover increased by about 9 percent.⁸

Besides, in the first nine months of 2020, BAT Bangladesh's total revenue from sale and export of cigarettes in the domestic market in the January-September quarter was 20,360 crore taka, which is 4.85 percent more than the same period of the previous year. At that time, the government's revenue from the sale of cigarettes, supplementary duty and VAT has been 16 thousand 35 crore 96 lakh taka. As a result, BAT Bangladesh's net income from cigarette sales stood at 4,344 crore, which is 8 percent more than the same period last year.⁹

Even though the tax is increased in the budget every year in Bangladesh, it is not playing any role in the use of tobacco products.¹⁰ This is because the prevailing Ad-voleram tax system and the four-tier multi-tiered tax structure in the country are now helping people to use low-priced tobacco products easily. As a result, when the price of a tobacco product is increased, they can easily accept the product at a lower price.¹¹

According to a World Bank study, if the people of Bangladesh can control tobacco effectively, job opportunities will increase by 18.7 percent. The money spent by the government and the people in the health sector will come down.¹² On the other hand, a joint study by Work for Better Bangladesh Trust, Health Bridge and MANABIK found that if the price of tobacco increases, smokers will gradually reduce their tobacco use by 60 percent and stop smoking by 26 percent.¹³

A survey on “Evaluate the Impact of Price and Tax Changes in the National Budget on the Wholesale and Retail Prices of Tobacco Products (Cigarette & Bidi)” by Bureau of Economic Research (2021) exhibited that potential loss of government revenue in FY 2021-22 for tax evasion is 4879 crore taka.

The International Agency for Research on Cancer (IARC) found that after increasing the tax and price of tobacco, there was significant reduction in tobacco use because youth are price sensitive and have a limited amount of resources (World Health Organization, 2011).

In the research on the pricing of tobacco products, Nargis et al. (2020), evaluated the tobacco industry’s pricing strategies in the cigarette market of Bangladesh by observing the difference between market retail prices of cigarettes faced by consumers and government-recommended retail prices (RRP) used as tax base in a four-tiered ad valorem tax structure. The researchers discovered that retail prices for higher-priced brands were higher than RRP, enabling the opportunity of gaining additional profit margin on the high-end brands while simultaneously lowering the relative price of and growing demand for lower-priced brands. The researcher remarked that tobacco companies in Bangladesh used a differential pricing approach, which countered the intended effect of the tax policy shift in reducing cigarette consumption and promoting public health. The tiered excise tax structure aided this pricing technique. They also recommended that this should be replaced by a standardized specific excise tax structure.¹⁴

The fact sheet of Campaign for Tobacco-Free Kids, The Union, Vital Strategies, the World Health Organization, and Tobacconomics discusses the current tobacco tax structure in Bangladesh and finds that imposing a 65% excise tax and increasing the minimum price across all brands would reduce the prevalence of smoking from 15.1% to 14.0% as 1.3 million adults would quit and 895,000 youth would not initiate use. Aside from its impact on public health, this recommendation would generate BDT 396 billion in tax revenue, 30% more than the current tax revenue. Increasing cigarette prices on low-tier brands will discourage smokers who smoke higher-price cigarettes from switching down (substitution) to lower-tier brands. The fact sheet presents a set of recommendations for policymakers in Bangladesh to reap the benefits of effective cigarette tax policies.

Research Methodology

The research has been conducted following quantitative research methods. Information has been collected from the 48 retail outlets (points of sale vendors) and the 24 wholesale outlets of a total of 12 cities/towns. This includes the divisional cities of Dhaka, Barisal, Khulna, and Mymensingh as well as two additional district towns from each of the divisions. Data has been collected from a total of four retail outlets and two wholesale outlets in each city. These retail outlets have been selected from public places as defined by the Tobacco Control Act. In this case, the study has been completed with the information from the Sadar Hospital, judge court, bus stand, market, and retail outlets of each district town or DC office area.

DATA

Sales volume

Analyzing the data obtained from the field level, it was seen that a total of 25 brands of cigarettes were found in 48 outlets. Of these, 5 are premium tier cigarettes, 4 are high tier cigarettes, 5 are middle tier and 9 are low tier cigarettes.

Singlestick cigarettes are the most sold in Bangladesh. 48 sales of points have been selected for the study, 48 retailers sold cigarettes at the highest retail price. At the same time, 20 packs of cigarettes were sold in 48 outlets. Besides, 23 outlets of 10 sticks and 12 sticks of cigarettes (Benson, Benson Light, Benson Switch) are sold in 12 outlets. A total of 384.291 single sticks are sold daily in 48 outlets. On an average, 5.25 packets of 20 sticks, 2.729 packets of 10 sticks and 0.416 packets of 12 sticks are sold daily.

Analysis of Cigarette Prices

Now, we need to observe how much the price increase in the government budget has affected the retail price and the consumer buying price of these products. In the 2022-23 financial year, the price of a 10-stick packet of all the four-tier cigarettes has increased by about 1 to 12 taka to the previous financial year 2021-22. Low and medium-tier cigarettes price become taka 40, 52 and 65 from taka 39, 52, 63 respectively. The price of a 10-stick packet of high-tier cigarettes has been increased from BDT 122.4 to BDT 133.2 and the price of a 10-stick packet of premium-tier cigarettes has been increased from BDT 162 to BDT 170.4.

Cigarettes: Stratified Data Analysis

Premium Tier

The 48 retail outlets selected in our study provided information on the sales of Five different premium-tier brands: Benson, Benson Switch, Benson Blue, Benson Platinum and Marlboro cigarettes were identified among all the cigarettes available in the market. Benson and Benson Switch are the most-sold cigarette of this tier in these outlets. It is reported to be sold in all 48 outlets; besides, Benson platinum was found to be sold in only 1 outlet and Benson Blue was found to be sold in 35 of these outlets. On the other hand, Marlboro cigarettes of this tier are sold in 6 outlets.

These are being marketed in two types of packets- 20-stick and 12-stick. However, we found only the 20-stick packet for the Marlboro brand. In the current financial year, in the national budget the price of a 10-stick premium tier cigarette has been fixed at BDT 142. Accordingly, the price of 12 sticks is BDT 170.4. The retail price of a 20-stick packet has been fixed at BDT 284 which is printed on the packet. But most retailers have to buy these cigarettes at more than the retail price (BDT 284.9058 per pack) from the company. The study shows that the average retail selling price of a 20-stick packet of Benson is BDT 310.625, Benson Blue is BDT 314, Benson Switch is BDT 311.042, Benson Platinum is BDT 310 and Marlboro is BDT 285.

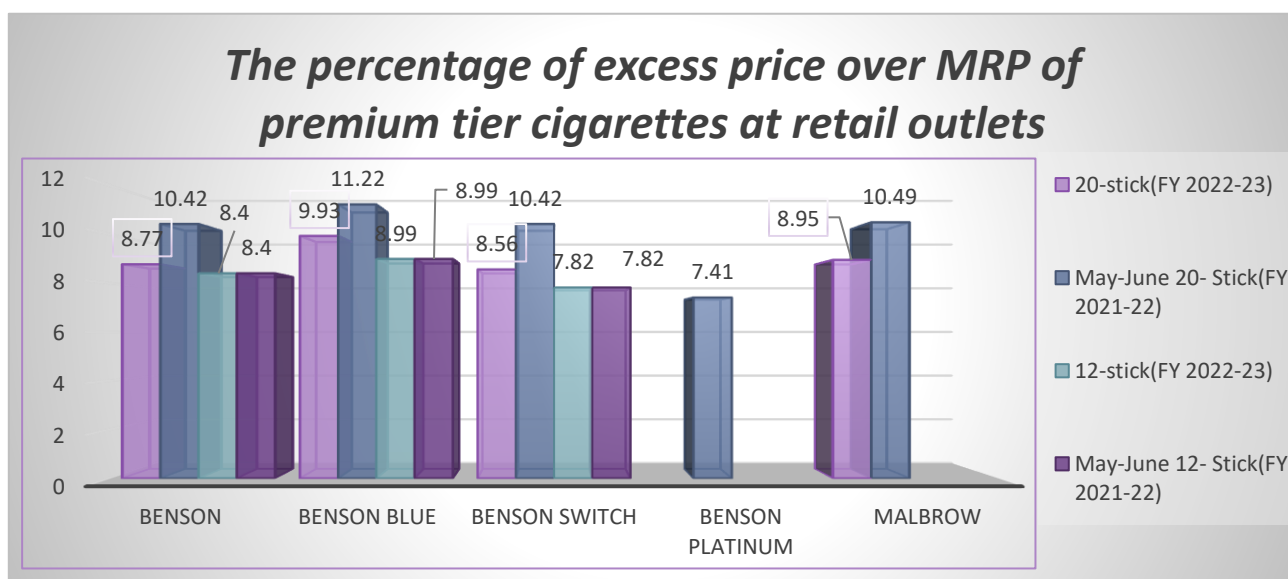
Brand Name	20- Stick Packet							
	2021-22				2022-23			
	Retail Price Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price	Retail Price Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price
Benson	270	270.145	293.687	14.83	284	310.625	284.412	15.791
Benson Blue	270	270.114	296.8	14.9393	284	314	286.397	15.857
Benson Switch	270	270.1458	293.104	14.833	284	311.042	284.39	15.8125
Benson Platinum	270	272	290	15	284	310	285	15
Malboro	270	270.6667	294.1667	15	284	285	284.33	16

Table 1: Average Buying, and Selling Price of 20-Stick Packet of Premium Tier

At the same time, the data shows that in 2021-22, the retail price printed on the packets was BDT 270, but the retailer had to buy them for BDT 270 or higher. The average retail price of this tier of cigarettes was found to be BDT 293.687 for Benson, BDT 296.8 for Benson Blue, BDT 293.104 for Benson Switch, BDT 290 for Benson Platinum, and BDT 294.1667 for

Marlboro. Moreover, in May and June, before the budget was passed, an artificial crisis was created, and the price of a 20-stick packet was increased and sold at an average price of BDT 296.9738. Similarly, the price of a single stick was also increased from BDT 14.83 to BDT 16. As a result, Benson cigarettes are being sold at a rate that is 7.77% higher than the retail price in the current financial year.

The retail price of a 12-stick packet of Benson, Benson Blue, and Benson Switch has been fixed at BDT 170.4 (printed on the packet) in accordance with the budget for the current financial year. But it is being sold to the consumers at an average price of BDT 186, BDT 189.286, and BDT 184.583 respectively. Which is almost 8.99% more than the retail price. Sales at more than these prices already started in May and June of the previous financial year. According to the data obtained, the owners of the retail outlets bought these at an average price of Tk 169.9886. Additionally, cigarettes of Benson Blue and Benson Switch were sold at an 11.22 % and 10.42% higher price than the maximum selling price in May and June of the previous financial year.



Apart from these three premium tier brands, another brand that belongs to this tier is Marlboro. It was found to be sold in 6 out of the 48 outlets. The price of a single-stick cigarette of this brand is BDT 16 which was an average of BDT 15 in the previous financial year. At the same time, it was sold at an increased price of BDT 15.67 in May and June. Although the retail price of a 20-stick packet of Marlboro cigarettes has been fixed at BDT 284 in the current financial year, it is sold at an average of BDT 285. Which is 8.95% higher than the retail price and 10.49% higher than the price of the previous financial year.

Moreover, though the retail price was BDT 270, it was sold at an average price of BDT 298.333 in May and June of the previous financial year. This is 10.49% more than the retail price. No 12- or 10-stick packets of Marlboro cigarettes were found in any of the 48 selected outlets.

On the other hand, even in the 24 wholesale outlets, only these 5 brands (Benson, Benson Blue, Benson Switch, Benson Platinum, and Marlboro) of premium tier cigarettes were found. Of these, all the 24 wholesale outlets sold Benson, Benson Blue, and Benson Switch except 1 outlet that does not sell Benson Switch and 2 outlets that sold Marlboro cigarettes, and 1 outlet for Benson Platinum. In addition, the 12-stick packet of Benson was found in 11 outlets, and both Benson Blue, and Benson Switch were found in 10 wholesale outlets. However, 12-stick packets of Marlboro were not found in any of the outlets and Benson Platinum was sold in 1 outlet.

Though the price of a 20-stick packet of Benson, Benson Blue, Benson Switch, and Benson Platinum cigarettes are supposed to be BDT 284 in the current financial year, the wholesalers themselves sold it at an average of BDT 286.125, 286.292, 286.217, and 285 which is 1.34%, 1.34%, 1.37% higher than the retail price and approximately 4.57% higher than the previous financial year respectively. Moreover, in May and June, it was sold at an average price that is 1.93%, 1.97%, and 2.03% higher than the retail price of the previous financial year. At that time, even though the price of the 20-stick packet was BDT 270, it was sold at BDT 275.208, 275.33, 275.478, and 272.

Besides, though the price printed on the body of a 20-stick packet of Marlboro cigarettes was BDT 270, it is being sold at BDT 283, is 1.83% more than the retail price. At the same time, this rate is 4.73% higher than the previous fiscal year.

High Tier

We have already learned that the price of a 10-stick packet of high tier has been increased from BDT 122.4 to BDT 133.2 in the current financial year. By analyzing the data from the 48 outlets, it was found that the market for cigarettes at this tier is mainly occupied by BATB.

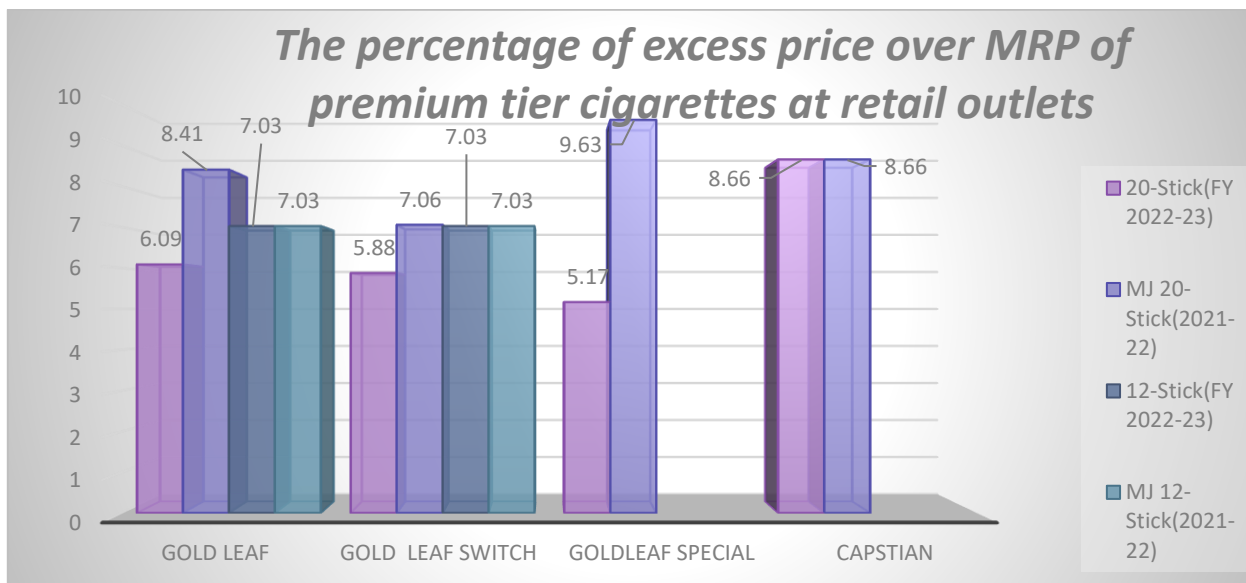
BATB's top tier has 4 brands of cigarettes namely Goldleaf, Goldleaf Special, Goldleaf Switch, and Capstan. Of these, Goldleaf was found in 43 of the 48 outlets. Besides, Goldleaf Special was found at 11 and Goldleaf Switch was found at 27 of the outlets. Capstan was found at 6 outlets. No brand of this tier has a 10-stick packet. However, 12-stick packets of Goldleaf and Goldleaf Switch are only found in 2 outlets.

Even though the retail price of a 20-stick packet of Goldleaf, Goldleaf Switch, and Goldleaf Special should be BDT 222 according to the budget, they were found to be sold at an average price of BDT 236.418, BDT 236.179, and BDT 238.454 respectively. These prices reflect a 6.09%, a 5.88%, and a 5.17% increase from the retail price, respectively. This was 8.41%, 7.06%, and 9.63% higher than the retail prices in May and June, respectively. At the same time, it is 9.24%, 9.34%, and 11.14% higher than the previous financial year respectively.

Brand Name	20- Stick Packet							
	2021-22				2022-23			
	Retail Price Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price	Retail Price Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price
Gold Leaf	204	204.023	216.419	11	222	222.276	236.418	11.977
Gold Leaf Switch	204	204.037	216	11.039	222	222.175	236.179	12
Gold Leaf Special	204	203.1818	214.545	11	222	222.273	238.454	11.909
Capstian	204	204.1667	221.661	11	222	221.33	239.1667	12

Table-2: Average Buying, and Selling Price of 20-Stick Packet of High Tier

No 10-stick and 12-stick packets of Capstan cigarettes of this tier were found in any outlet. Though the price printed on the 20-stick packet of this brand is BDT 222, but it is sold at an average price of BDT 239.1667 at retail outlets. Which is 7.90% more than the retail price. At the same time, it is 7.90 % more than the previous financial year. In May and June, it sold at 8.66% more than the retail price.



On the other hand, only 4 brands of cigarettes of this tier were found in the 24 wholesale outlets. These are Goldleaf, Goldleaf Switch, Goldleaf Special, and Capstan. Of these, 20-stick packets of Goldleaf, Goldleaf Switch, and Goldleaf Special were found in 21, 17, and 6 of the wholesale outlets. And the 12-stick packet of Goldleaf, Goldleaf Switch, and Goldleaf Special was found in 7, 7, and 2 of the outlets respectively. And a 20-stick packet of Capstan brand was found in 3 outlets. However, 12-stick packets were not found in any wholesale outlet.

Goldleaf, Goldleaf Switch, Goldleaf Special, and Capstan, albeit, have a set retail price of BDT 222, they are sold at BDT 224.381, BDT 224.176, BDT 225, and BDT 227 on average at the wholesale outlets. Which is 1.03%, 0.87%, 1.14%, and 2.12% higher than the retail price, respectively. In May and June of the fiscal year 2021-22, all other brands of cigarettes were sold at a slightly higher price than the RETAIL PRICE.

Apart from this, despite the retail price of Goldleaf, Goldleaf Switch, and Goldleaf Special 12-stick packets being fixed at BDT 133.2, they are being sold at an average price of BDT 134 in the wholesale outlets. Which is on average 8.82% higher than the last financial year.

Medium Tier

In our 48 selected retail outlets, 5 brands of mid-tier cigarettes have been found available. These brands are BATBs' - Star, Lucky Strike, Lucky Strike Switch, Japan Tobacco's Navy, and Black 1 from a different company. In the fiscal year 2022-23, the price of some medium-tier cigarettes (Star, Navy, Black 1) has increased though the price of lucky strike and lucky strike switch is being kept as same as in the previous year. Because of that, the price of a 10-stick packet and a 20-stick packet becomes BDT 65 and 130 in the current fiscal year which was 63taka and 126taka in the previous fiscal year 2021-22

Table 3: Average Buying and Selling Price of 20-Stick Packet of Medium Tier

Brand Name	20- Stick Packet							
	2021-22				2022-23			
	Retail Price Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price	Retail Price Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price
NAVY	126	126	135.767	7.088	126	126.093	135.86	7.088
STAR	126	126.037	134.888	7	130	128.996	138.629	6.9
BLACK 1	126	112.5	125	9	130	117.5	127.5	10
Lucky Strike Switch	164	164	200	10	164	163.94	192.143	10
Lucky Strike	164	164	198	10	164	164.042	195.625	10

Among them, a 20-stick packet of Star, Lucky Strike, Lucky Strike Switch, Navy, and Black 1, Cigarettes was found in 27, 24, 17, 43, and 2 of the retail outlets respectively. In addition, a 10-stick packet of Star Cigarette was found in 9 outlets and the same sized packet of Navy cigarette was found in 7 retail outlets, but no other brands of cigarettes of this tier were found in a 10-and 12-stick packet. The price of a single stick cigarette of the brands Navy and Star is BDT 7 and 6.9. But Black 1, Lucky Strike Switch, and Lucky Strike are sold at BDT 10 per stick.

Accordingly, in May and June, they were sold at a price that was 8.25% and 7.73% higher than the retail price. Which has been sold at 0.46% and 0.32% higher prices in May and June than in the previous financial year. On the other hand, despite the maximum price of a 10-stick packet of these two brands being BDT 63, they were sold at an average of BDT 68.6 and BDT 69.06 respectively. This reflects 8.13% and 7.54% higher prices, just as it was in May and June. At the same time, it was 0.70% and 1.94% more than the previous financial year and in May and June, it was 0.12% and 0.55% higher

BATB's Lucky Strike and Lucky Strike Switch cigarettes are being sold at BDT 195.625 and 192.143 which is 20.88% and 21.95% more than the maximum price. 10- and 12-stick packets of this cigarette were not found in the market. Unlike, Black 1 is sold at an average price of BDT 127.5 at retail outlets which is 4.76% less than the RETAIL PRICE 130taka.

Moving on to the wholesale outlets, these 5 brands of cigarettes (Star, Lucky Strike, Navy, Black-1, and Lucky Strike Switch) belonging to the medium tier were found there too. In this case, a 20-stick packet of the Navy, Black 1 and Star brands are selling at BDT 127.58, 127.583, 128.071, and 103.667, though their fixed retail price is BDT 130. This reflects a 1.12% and 1.08% higher price than the retail price. Which is 0.13% more than the previous financial year. On the other hand, in May and June, these two brands of cigarettes were sold at 1.55% and 0.56% higher prices than the maximum price. Which is about 0.43% more than last year.

Besides, the price of a 10-stick packet of both Navy and Star is fixed at BDT 63 but it is being sold at wholesale outlets at BDT 64.14 and BDT 64.11. Which is 0.71% and 0.69% higher than the retail price, respectively.

Additionally, despite the maximum price of a 20-stick packet of Lucky Strike, being BDT 164, it is selling at an average price of BDT 165.81 at the wholesale outlets.

Low Tier

This is the highest variety sold 9 brands among them, 6 brands belong to BATB named Derby, Derby Style, Royal, Royal Nexus, Hollywood, and Pilot; 3 brands belong to Japan Tobacco JTI named Sheikh, Sheikh 100, and Sheikh White.

The price of a 10-stick packet of low-tier cigarettes in the financial year 2022-23, has raised to 40 taka. Analysis of the data collected from our selected 48 retail outlets shows that low-tier cigarettes are the types of cigarettes that are sold in the highest amount in the market.

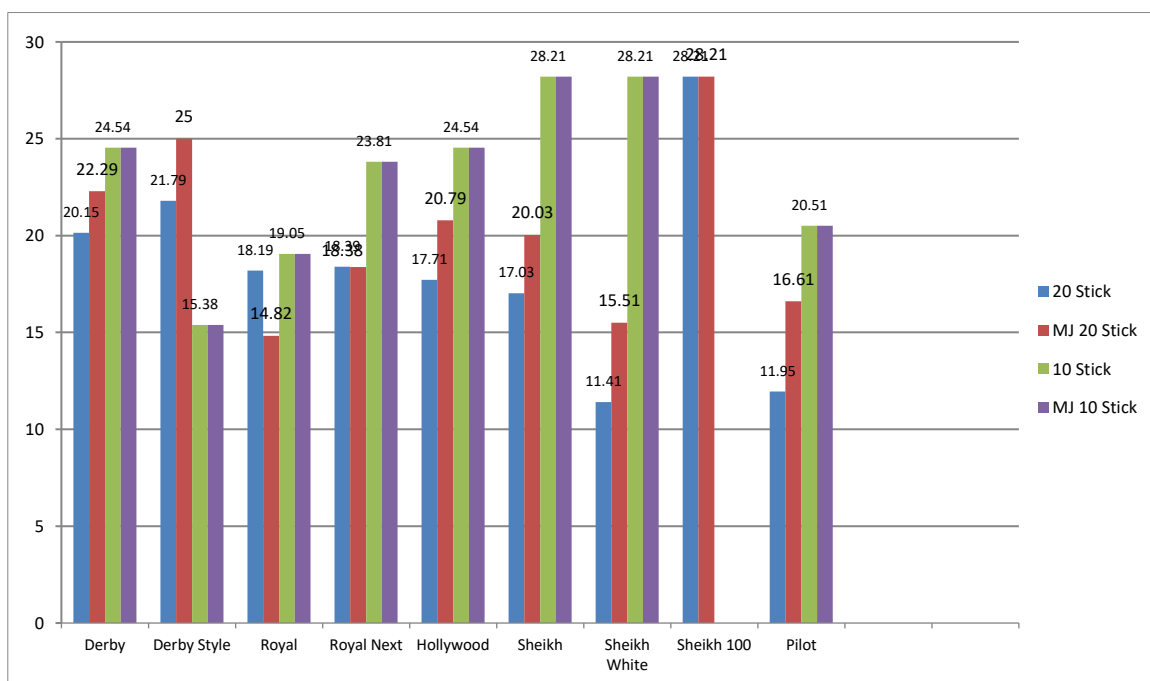


Figure 1 The rate of difference between RETAIL PRICE and selling price

None of the 9 low-tier brands have a 12-stick packet. The highest-selling brand of this tier is Derby and Hollywood' 20-stick packets, found in 32 retail outlets and 10-stick packets were found in 14 and 3 retail outlets. The next best-selling brand is Royal 20-stick packets sold at 29 retail outlets and 10-stick packets were sold at 12 retail outlets. Others are found in some of the outlets.

Similar to the other brands of the rest of the three tiers, discrepancies in the retail sale price were also observed in the brands of low-tier cigarettes. In the case of Derby and Derby Style, the maximum price of a 20-stick packet of both brands is fixed at BDT 80. But they are being sold at an average of BDT 97.355 and BDT 99 respectively, in the current fiscal year. They were sold at the price of 78 taka which signifies that the selling price surged by 3.88% and 4.21% in terms of the fiscal year 2022-23 and 2021-22. The maximum price of a 10-stick packet of cigarettes for these brands is fixed at BDT 40. However, it is being sold at retail outlets for BDT 50 which are 2.94% and 11.11% higher than the retail price compared to the previous year.

Brand Name	10- Stick Packet					
	2021-22			2022-23		
	Retail Price Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Retail Price Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers
Derby	39	38.429	48.571	40	40.3535	50
Derby Style		37	45	40	39.5	50
Royal	42	42	50	52	52.163	60
Royal Next	42	42	52	52	52	60
Hollywood	39	39	50	40	40	50
Sheikh	39	39	48.57	40	39.857	50
Sheikh White	39	39	50	40	39.75	50
Pilot	39	39	47	40	40	50

Table 4: Average Buying and Selling Price of 10-Stick Packet of Low Tier

The retail price of a 20-stick packet of both Royal and Royal Nex brands is BDT Rs 104 but they are sold at BDT 116.276 and BDT 117.77 respectively. Which is 18.19% and 18.39% more than the fixed retail price and increased by 19.05% and 23.81% for 10-stick cigarettes as they are sold at is BDT 60.

Besides, though the maximum price of a 20-stick packet of Sheikh, Sheikh White, and Sheikh 100 cigarettes is BDT 80, they are being sold at an average of BDT 95.4, BDT 9, and BDT 100 respectively which is 17.71%, 11.41%, and 28.21% higher than RETAIL PRICE, respectively, and shows a 3.91% and 4.72% rise compared to the last financial year. In this case, according to the survey data, Sheikh was sold at 21.45% higher and Sheikh 100 was sold at 28.21% higher prices in May and June. On the other hand, no 10- or 12-stick packets and single sticks of Sheikh 100 were found in the market. However, despite the maximum price of a 10-stick packet of Sheikh and Sheikh white cigarettes being BDT 40, it is being sold at BDT 50 like last May and June, exhibiting an increase of 24.54% and 28.51% more than the retail price.

Moving on to the brands Pilot and Hollywood, the retail price of a 20-stick packet of them is set at BDT 80. But it was observed that on average, Hollywood at BDT 95.406, and Pilot was sold at BDT 93.45. These prices are 17.03% higher for Hollywood, 11.95% higher for Pilot from the retail price.

In the case of 24 selected wholesale outlets, information was found on the sale of 9 low-tier cigarette brands. These are Derby, Derby Style, Royal, Royal Nex Sheikh, Sheikh White, Sheikh 100, Hollywood, and Pilot. Among them, information of sale of a 20-stick packet of Derby was found at 17, Derby Style at 1, Royal at 15, Royal Nex at 11, Sheikh at 8, Sheikh White at 6, Sheikh 100 at 1, Hollywood at 15, and Pilot at 8 of the wholesale outlets. Of these, 10-stick packets of Derby at 10, Derby Style at 1, Royal at 7, Royal Nex at 4, Sheikh at 2, Sheikh White

at 2, and Hollywood at 2 of the wholesale outlets. No data was found on the sale of 10-stick packets of Pilot and Sheikh 100 cigarettes.

Despite the retail price of a 20-stick pack of Royal and Royal Nex cigarettes being BDT 104, they are being sold at wholesale outlets for BDT 103.267 and BDT 102.636 respectively. Which is 1.51% and 1.62% more than the retail price. The selling price notably increased more than the last fiscal year is 21.11% and 20.23%. In May and June, they were sold at 1.51% and 2.14% higher prices than the retail price. On the other hand, the maximum price of a 10-stick packet of Royal Cigarettes is BDT 52, but it is being sold at an average price of BDT 53. in the wholesale outlets. It is selling at 1.53% and 1.19% more price than the maximum price just as in May and June. Unlike Royal and Royal Next, other low-tier 20-stick packet cigarettes' retail prices are fixed at 80, but Derby is being sold at BDT 81.53, Derby Style at BDT 82, Sheikh at BDT 81.5, Sheikh White at BDT 81.33, Sheikh 100 at BDT 81, Hollywood at BDT 81.77, and Pilot at BDT 81.5 in the wholesale outlets. Compared to the previous financial year, the selling price of Derby was 2.44%, Derby Style was 2.50%, Sheikh was 2.84%, Sheikh White, Sheikh 100, and Hollywood these three were increased by more than 2.51% and Pilot was 2.68% higher. No remarkable change was seen in May-June for the low-tier cigarettes in the wholesale outlets.

Of these brands, only Sheikh 100, Hollywood, and Pilot cigarettes were not found in the 10-stick packet. In the case of the rest of the brands, though their retail price is BDT 40, on average Derby is being sold at BDT 40.8, Derby style is being sold at BDT 40.5, Sheikh is being sold at BDT 40.25, Sheikh White is being sold at BDT 38.5, Royal is being sold at BDT 52.86, and Royal Next is being sold at BDT 52.75. Almost all of them are sold at 2% higher than RETAIL PRICE. It needs to be mentioned that these cigarettes were sold at higher prices by the wholesalers in the months of May and June too.

Tax Evasion by Cigarette Companies:

The government is losing a huge amount of revenue every year due to this ill strategy of marketing tobacco products by the tobacco companies. The amount of this revenue loss could be almost 5 thousand crore BDT in the current financial year.

Tier	Retail Price Printed on the pack	Average Retail Sale Price	Price Difference	Price Difference Rate	Total tax Rate (SD+VA T+HDS)	Govt. Part from Excess Price	Amount of Sale in FY 2020-21 (20 stick pack in crore)	Tax Evasion (in crore BDT)
Premium	284	306.13	22.13	7.8%	81%	17.93	34.46	617.87
High	222	237.55	15.55	7%	81%	12.6	19.48	245.45
Medium	130	136.96	6.96	5.14%	81%	5.64	32.25	181.89
Low	80	95.96	15.95	20%	73%	11.64	292.03	3399.23
Total								4444.44

Table 1 Potential loss of government revenue in FY 2022-23

In order to calculate the revenue loss from the data collected in the study, the sales of cigarettes at different tiers in the fiscal year 2021-2022 have been taken as the estimated sales volume of the current financial year. The total number of sticks sold here has been converted into 20-stick packets as 20-stick packets are the highest-selling packet size in the market.

Initially, the National Board of Revenue was asked to provide information regarding cigarette sales in accordance with the Right to Information Act. However, as there was no response to this request, an appeal was made under the same law to obtain the required information.

The difference between the retail price printed on cigarette packets and the retail sale price of different tiers of cigarettes found in the study is calculated as the taxable (SD+VAT+HDS) amount the government is rightful to get and the estimated revenue loss for the current financial year.

It was observed in the study that though the retail price printed on a 20-stick packet of a premium tier cigarette is BDT 284, it is being sold at a higher price. Its average retail price is BDT 306.13. As such, if the tax could be levied on the highest retail price that is operational in the market, the government could get a further tax of about BDT 617.87 crore from the premium tier cigarettes. Similarly, it would have been possible to collect about BDT 245.45 crore from the high-tier cigarettes, about BDT 181.89 crore from the medium-tier cigarettes, and another BDT 3399.23 crore from the low-tier cigarettes. It would have generated a total additional revenue of around BDT 4444.44 crore a year. If these cigarettes are to be sold to the general consumer at the retail price printed on the packet, the tobacco companies would have to supply them in the market at a reasonably less price or with a commission. Since the retailer has to buy them at

almost the same price as the retail price from the company's suppliers, he is selling at a higher price for natural reasons. Therefore, it is clear that the companies are deliberately resorting to this unethical approach for extra profit. Since the company is making these profits in an unethical way, there is no room for doubt as to whether they are reporting these profits and evading taxes or not.

Result

Despite the significant increase in price due to indirect tax, it is levied on the consumer ultimately. The wholesalers of tobacco have to buy it close to the retail price. Consequently, they sell it to retailers at higher than the price written on the packet. The increase was disproportionately larger for more expensive brands. The affordability of bidis increased over this period as well.

The tax increases that were implemented, were not enough to increase tobacco product prices sufficiently to outweigh the effect of income growth and to reduce tobacco consumption. In spite of decreasing sales, high taxation will not have much impact on revenue. Rather, it will help diminish the number of tobacco users and discourage young people. The findings from this research inform policymakers that in countries experiencing rapid economic growth, significant tax increases are needed to counteract the effect of income growth, in order for the tax increases to be effective in reducing tobacco use.

Conclusion

The government seems to be quite sincere in realizing the declaration made by Honorable Prime Minister Sheikh Hasina to make Bangladesh tobacco-free by 2040. However, we are far behind in taking the necessary initiatives that should be taken in achieving this goal within the expected timeframe. There is no alternative to adopting and implementing a tobacco tax policy as soon as possible to eliminate the use of tobacco by 2040. Divestment of government shares in a prominent transnational tobacco company and reinstatement of 25 percent export duty on tobacco. Government bodies need to be sensitized that they do not accept any support from the tobacco industry. The government needs to ban tobacco companies' corporate social responsibility activities and amend the existing tobacco control act in line with the FCTC. Youth-focused creative policies are necessary, and more priority must be given to tobacco prevention in youth. Tobacco control should be a social, public health, and quality-of-life concern rather than a business and trade issue.

Recommendations

1. Cigarettes should be categorized under two tiers, instead of the existing multiple tiers.
2. Mentioning the maximum retail price on the packet of cigarettes should be made mandatory. Simultaneously, it should be ensured that cigarettes and bidis are being sold at the maximum retail price. The violators should be brought under punishment as well as charges should be levied for previous illegal business strategies.
3. Adoption and implementation of digital methods with emphasis on market monitoring.
4. Ensuring that foreign cigarettes are sold in accordance with the prevailing tobacco tax structure in the country. In case of irregularities, prohibit imports if necessary.
5. Filtered and unfiltered bidis should be brought under the same tier. At the same time, the facility of selling bidi in any other size besides the 20 or 25-stick packet should be stopped.
6. The retail sale of single-stick cigarettes and bidis should be banned. Because the government is losing huge revenue and tobacco consumers are also being encouraged through this practice.
7. Specific taxes should be levied on cigarettes and bidis to increase revenue and reduce tobacco use, instead of the current ad valorem tax system.
8. A national tobacco tax policy needs to be formulated to tackle the overall issues related to tobacco control and build a tobacco-free Bangladesh by 2040.
9. It is also essential that the government withdraws its stake in the tobacco companies and looks for alternative revenue sources.
10. Government must implement various schemes to create new and alternative jobs for tobacco farmers and motivate them to cultivate other vegetables rather than tobacco.

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