

Analyzing Tax Evasion Strategies in the Tobacco Industry: Market Surveillance Study of Cigarette Pricing in Bangladesh

Introduction

Tobacco use in Bangladesh remains a pressing public health concern, facilitated by low product prices and inadequate tax measures. Despite ongoing policy efforts, including budgetary adjustments and regulatory frameworks, the country's tobacco-related mortality and morbidity rates persist at alarming levels. According to the World Health Organization (WHO), tobacco products contain over 7,000 harmful chemicals¹, of which at least 43 are carcinogenic. Globally, tobacco use causes one death every six seconds, amounting to over 8.2 million fatalities annually². In Bangladesh alone, tobacco-related deaths reach approximately 161,000 annually, with low- and middle-income countries³, like Bangladesh, accounting for 80% of the world's 1.3 billion tobacco users.⁴

Taxation is one of the most effective measures for curbing tobacco use, as higher prices reduce affordability and discourage consumption, particularly among youth and low-income groups (WHO, 2011). However, the intended impact of these policies is often undermined by strategic tax evasion practices employed by the tobacco industry.

In Bangladesh, cigarette companies exploit the loopholes of the multi-tiered ad valorem tax structure by manipulating pricing strategies, including selling cigarettes at prices higher than the Maximum Retail Price (MRP). This practice not only violates pricing regulations but also allows companies to evade significant amounts of tax revenue.

In this context, the Bureau of Economic Research (BER), University of Dhaka has been doing research for the past few years on how tobacco companies set the price of tobacco products and at what price they are sold in the market. (Rumana Huque I. Z., 2021-22) (Rumana Huque I. Z., 2022-23). The previous study conducted in Bangladesh found that in the fiscal year 2021-22, the government potentially lost BDT 4,879 crore in revenue due to tobacco companies manipulating pricing strategies, such as selling cigarettes above the Maximum Retail Price (MRP) (Bureau of Economic Research, 2021). These findings highlight the significant impact of such practices on public revenue and health policy.

¹ U.S. Department of Health and Human Services. U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health; Atlanta, GA: 2010. How tobacco smoke causes disease: The biology and behavioral basis for smoking-attributable disease: A report of the Surgeon General.

² <https://www.jagonews24.com/health/news/563318>

³ [Tobacco](#)

⁴ https://cancercontrol.cancer.gov/sites/default/files/2020-08/m21_complete.pdf

This study presents a three-year market surveillance analysis of cigarette pricing in Bangladesh to examine the extent of tax evasion by tobacco companies. It focuses on identifying discrepancies between MRPs and retail prices, evaluating the effect of selling single-stick cigarettes on tax compliance, and proposing policy measures to address these challenges. By shedding light on these practices, the study aims to inform evidence-based reforms to strengthen tax administration and enhance the effectiveness of tobacco control measures.

The findings contribute to a growing body of evidence advocating for the replacement of the current tax structure with a simplified, specific tax system that minimizes loopholes and aligns with global best practices (Nargis, 2020; Campaign for Tobacco-Free Kids et al., 2022). Such reforms are essential not only to reduce tobacco use but also to safeguard government revenues and promote sustainable public health outcomes.

Objectives of the research

To identify and assess the mechanisms of tax evasion employed by the tobacco industry in Bangladesh and their economic impact, focusing on market surveillance of cigarette pricing.

Specific Objectives:

1. Quantify the revenue loss caused by discrepancies between the Maximum Retail Price (MRP) and the actual retail selling prices of cigarettes across different market tiers.
2. Examine the impact of retail stick sales on revenue evasion and determine the extent of additional losses incurred due to inflated per-stick pricing.
3. Investigate the pricing strategies adopted by tobacco companies to maximize profits while bypassing tax obligations.

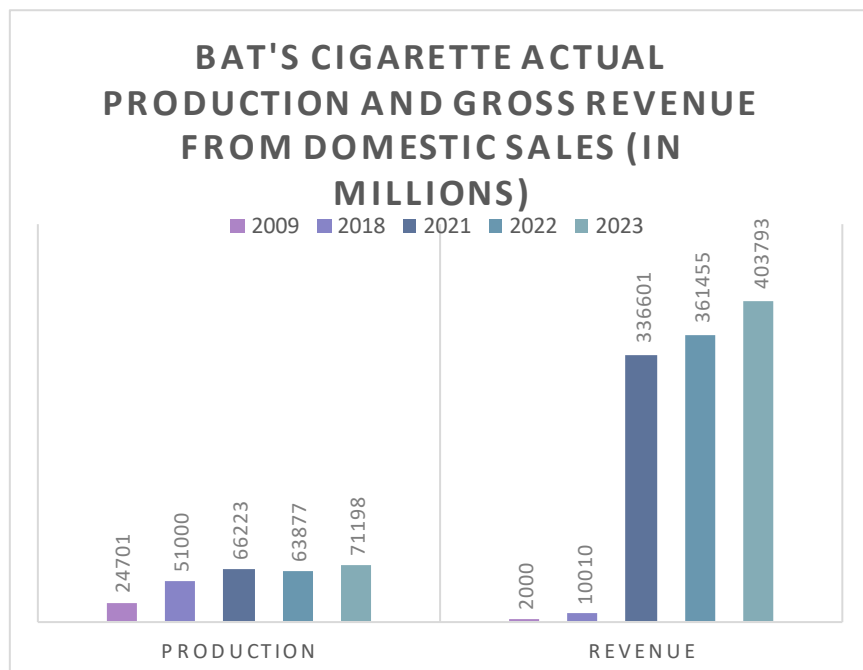
Literature Review

Several studies have investigated tobacco pricing and taxation in Bangladesh. Research conducted by the Bureau of Economic Research (BER) at the University of Dhaka (2021-23) has highlighted significant revenue losses for the government due to tobacco companies manipulating pricing strategies, particularly through selling cigarettes above the Maximum Retail Price (MRP). These studies have quantified the extent of these losses and provided valuable insights into the dynamics of the tobacco market in Bangladesh.

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% 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. Production in 2021 was 66 thousand 223 million sticks, in 2022 it decreased to 63 thousand 877 million sticks. But the revenue income did not decrease but increased from 33 thousand 660.10 crore taka to 35 thousand 585.50 crore taka! This is made possible by the multi-tiered tax structure on cigarettes.

The multinational company controls about 84.5%⁵ 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 2015, the government's revenue from supplementary duty and VAT on sales of BAT cigarettes was 10,506 crore taka, which increased to Tk 30,702 crore taka in the same period of FY 2023. At that time, the company's net profit increased from 585 crore taka to 1788 crore taka which means net profit raised by 205.64%.



In 2015, approximately 43,046 million cigarettes were produced. Since then, BAT Bangladesh has increased its cigarette production by about 65.39%. However, cigarette sales have declined since 2017, primarily due to price hikes driven by supplementary duty and VAT. According to the company's audited reports, production reached 63,877 million cigarettes in 2022 and 71,198 million in 2023.

(British American Tobacco Bangladesh Company Limited, 2023). Despite production fluctuations, BAT has consistently increased its profits, highlighting the effectiveness of its pricing strategies. The company's control over a significant market share and its ability to influence the tax structure contribute to its profitability and tax evasion.

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-Valorem 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.

⁵ <https://www.tobaccotactics.org/article/bangladesh-country-profile/>

According to a World Bank study, if the people of Bangladesh can control tobacco effectively, job opportunities will increase by 18.7%. The money spent by the government and the people in the health sector will come down.

Studies by the Bureau of Economic Research (2023, 2022, 2021) titled "*Evaluating the Impact of Price and Tax Changes on the National Budget on Wholesale and Retail Prices of Tobacco Products*" have highlighted significant government revenue losses due to tax evasion during the fiscal years 2021–24, 2022–23, and 2021–22. The estimated losses amounted to Tk 3,998.69 crore, Tk 4,555 crore, and Tk 4,979.85 crore, respectively. While these losses have gradually declined each year due to the Bureau's research, increased government oversight, and the mandatory display of maximum retail prices (MRP), the gap between the MRP and the actual selling price persists.

The **Cigarette Tax Scorecard: Spotlight on Bangladesh**, a factsheet by Tobacconomics (June 2024), reveals that Bangladesh scored 0 points in change in affordability, and 1 point in the absolute price and tax structure components. From 2016 to 2022, the annual average percentage change was only 1.66%. The country's scores remained stagnant due to low cigarette prices and a tiered, flawed ad valorem excise tax system. Between 2014 and 2022, Bangladesh's overall score improved in 2018 but declined again in subsequent years, with the primary reason for the drop in 2022 being a significant decline in the affordability change score.

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

One of the most effective ways to reduce tobacco use is to increase its price via the 'law of demand'. However, if the price increases, there is a fear of the government to lose revenue because this industry is the single biggest payer to the public exchequer. Since tobacco products are comparatively price-inelastic, increasing price would not reduce consumption and revenue in a big way. For example, the actual price of cigarettes increased from 32 to 52 per cent between 1993 and 2009 in South Africa, resulting in a reduction in the number of cigarettes per capita per day, from four to two among adults, and a nine-fold increase in government revenue.⁶

The **law of demand** suggests that raising prices is one of the most effective ways to reduce tobacco use. However, tobacco companies often claim that price increases will lead to a loss in government revenue, given their status as significant contributors to government coffers. In reality, because tobacco products are relatively price-inelastic, price hikes typically do not drastically reduce consumption or revenue. In fact, revenue may even increase. For instance, in South Africa, the real price of cigarettes rose by 32% to 52% between 1993 and 2009. This led to a reduction in

⁶ <https://thefinancialexpress.com.bd/views/views/budget-2021-22-benefits-of-increasing-the-cost-of-tobacco-use-1620572482>

adult per capita cigarette consumption from four to two cigarettes per day, while government revenue from tobacco increased ninefold.⁷

In the research on the pricing of tobacco products, (Nigar Nargis, 2020), evaluated the tobacco industry's pricing strategies in the cigarette market of Bangladesh by observing the difference between market retail prices (RP) of cigarettes faced by consumers and government-recommended retail prices (MRP) used as tax base in a four-tiered ad valorem tax structure. By setting higher retail prices for higher-priced brands while maintaining lower prices for lower-priced brands, companies can maximize profits while maintaining market share. This strategy effectively counters the intended impact of the current tax structure. The researchers discovered that RPs for higher-priced brands were higher than MRPs, enabling the opportunity to gain additional profit margin on the high-end brands while simultaneously lowering the relative price of and growing demand for lower-priced brands. .

Beyond public health benefits, effective tobacco taxation can generate significant economic gains. 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 (Campaign for Tobacco-Free Kids, The Union, Vital Strategies, World Health Organization, & Tobacconomics. , 2022).

Based on existing research, there is a strong consensus on the need for policy reforms to improve the effectiveness of tobacco taxation in Bangladesh. Key recommendations include: Implementing a specific tax system to counter the impact of differential pricing strategies. Increasing the minimum price across all brands to reduce affordability and discourage consumption. Strengthening tax enforcement mechanisms to minimize revenue losses due to tax evasion.

This literature review provides a foundation for further research on the impact of tobacco taxation in Bangladesh. By examining the dynamics of the tobacco market, companies pricing strategies, analyzing the effectiveness of current policies, and exploring alternative approaches, policymakers can develop more effective strategies to reduce tobacco consumption and industry's tax evasion and improve public health outcomes.

Research Methodology

The research has been conducted following quantitative research methods. Information has been collected from the 48 retail outlets (points of sale vendors) 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 in each city. These retail outlets have been selected from public places as defined by the Tobacco

⁷ <https://thefinancialexpress.com.bd/views/views/budget-2021-22-benefits-of-increasing-the-cost-of-tobacco-use-1620572482>

Control Act. In this case, the study has been completed with the information from retail outlets in front or near the Sadar Hospital, judge court or DC office area, bus stand or rail station, market, and each district town

DATA

Sales volume

Cigarettes

Analyzing the data obtained from the field level, it was seen that a total of 31 brands of cigarettes were found in 48 outlets. Of these, 8 are premium tier cigarettes, 4 are high tier cigarettes, 6 are medium tier and 13 are low tier cigarettes.

Single stick cigarettes are the most sold in Bangladesh. 48 sales of points were selected for the study, 47 retailers sold cigarettes at a price higher than the maximum retail price (MRP).

Twenty stick-pack cigarettes were sold in 48 outlets. Besides, 20 outlets of 11 sticks and 12 sticks of cigarettes are sold in 11 outlets. A total of 439 single sticks are sold daily on an average in 48 outlets which was 643 earlier.

Overall market review

Most market vendors buy cigarettes from local wholesalers or dealer representatives. Moreover, the most sold in every shop is single-stick cigarette packets as retail sales.

Analysis of Cigarette Prices

Now, it is necessary to see how much impact has there been on the maximum retail price of these products and the consumer's purchase price after the price increase in the government budget.

It is crucial to assess the impact of the government's budgetary decisions on the maximum retail price (MRP) and consumer purchase price of cigarettes. In the fiscal year 2024-25, the price of four-tier cigarettes increased by approximately 1 to 14 BDT compared to 2023-24.

For 2024-25, the low-tier 10-stick packs are priced at 50, 52, and 54 BDT, while medium-tier packs cost 70, 72, and 88 BDT. High-tier 12-stick packs are set at 144 BDT, and premium tier packs are priced at 194.4 and 216 BDT. Tobacco companies continue to set diverse prices in between all the tiers to maximize their benefits.

Looking back, in 2023-24, low and middle-tier cigarettes showed limited pricing variations. Between 2022-23 and 2023-24, the price of low-tier 10-stick packs rose from 40 and 52 BDT to 45 and 54 BDT, while medium-tier packs increased from 65 and 82 BDT to 67, 70, and 84 BDT. High-tier 12-stick packs climbed from 133.2 BDT to 141.6 BDT, and premium tier packs rose

from 170.2 BDT to 186 BDT. These trends highlight the continuous upward pricing adjustments by tobacco companies against tax increase.

Cigarettes: Stratified Data Analysis

Premium Tier

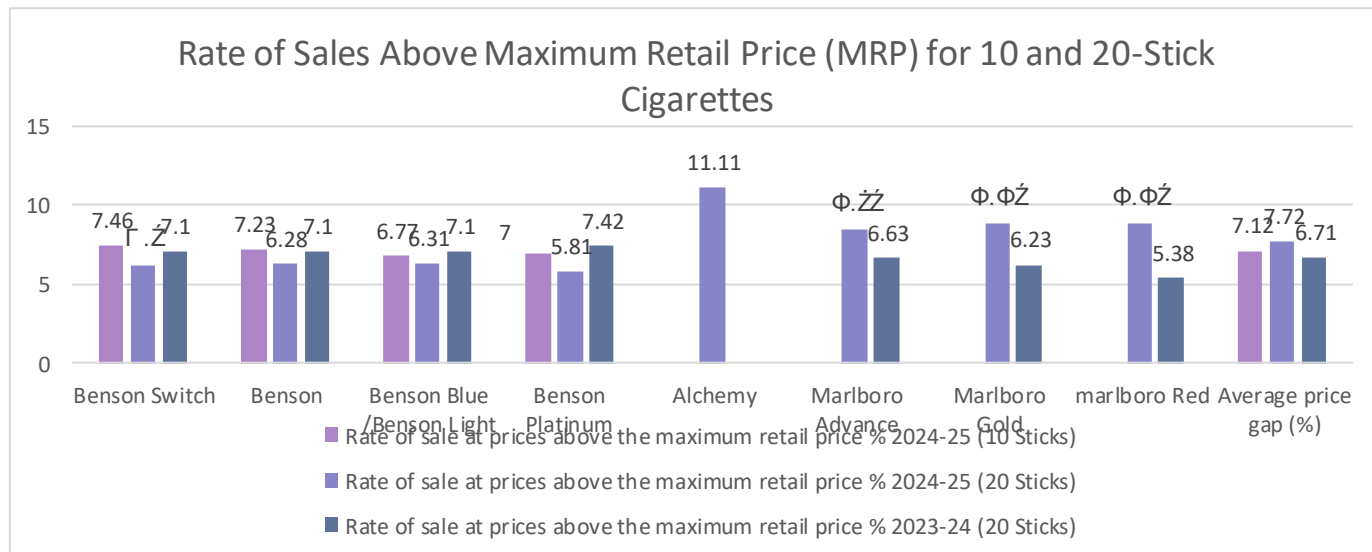
Premium 8 band cigarettes are being marketed only in 20 packs and 12 packs at our selected 48 outlets. Among these, information on the sale of 4 flavors of Benson's cigarettes namely Benson, Benson Switch, Benson light, Benson Platinum has been found. Benson is the most sold cigarette of this category in these outlets. It is reported that they are sold in 47 outlets; Besides, Benson light is sold in 37, Benson Switch in 38, Benson Platinum in 23 outlets. On the other hand, Alchemy cigarettes were only seen to be sold in one outlet.

Brand Name	20- Stick Packet										
	2024-25				2023-24				2022-23		
	MRP Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price	MRP Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price	MRP Printed on the Pack	Average Buying Price of Retailers	Single Stick Price
Benson Regular	324	324.83	344.36	18	310	311	332	17.2	284	284.41	15.8
Benson Blue	324	324.7	344.46	18	310	311	332	17.2	284	286.4	15.86
Benson Switch	324	324.68	344.08	18	310	311	332	17.21	284	284.39	15.82
Benson Platinum	324	324.69	342.83	18	310	311	333	17.26	284	285	15
Alchemy	360	400	360	20							
Marlboro Advance	320	320.73	347.27	18	310	310.56	330.56	17.77	284	284.33	16
Marlboro Gold	320	321.14	348.57	18	310	310	329.3	18	-	-	-
Marlboro Red	320	321.14	348.57	18	310	310	326.67	19	-	-	-

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

However, research found only the 20-stick packet for the Marlboro brand. In which Marlboro Advance, Marlboro Gold, Marlboro Red cigarettes were sold in 11, 7, 7 outlets. In the current financial year, the national budget has fixed the price of 10 cigarettes at 160 taka and the maximum retail price of a 20-stick packet has been fixed at BDT 320, 324 and 360 Taka which is printed as the MRP on the packet. But most retailers have to buy these cigarettes at more than the maximum retail price from the company. The data indicates that most retail shopkeepers are purchasing cigarettes from the company at prices exceeding the maximum retail price (MRP) per pack. On average, a pack of 20 cigarettes is sold to consumers at 25.52 BDT more than the MRP, reflecting a 7.72% markup.

Specifically, Benson's various flavors are sold at prices 5% to 6% higher than their listed MRP. For Marlboro, the markup is approximately 8.82%, while Alchemy cigarettes show the highest increase, with prices averaging 11.11% above the MRP. These figures highlight significant



deviations from regulated pricing.

Each cigarette stick is being sold at 18 to 20 BDT, bringing the average price of a 20-stick Marlboro and Benson pack to 365 BDT. This marks a 14.06% increase of Marlboro over the Maximum Retail Price (MRP), highlighting significant price rise beyond the regulated limits.

High Tier

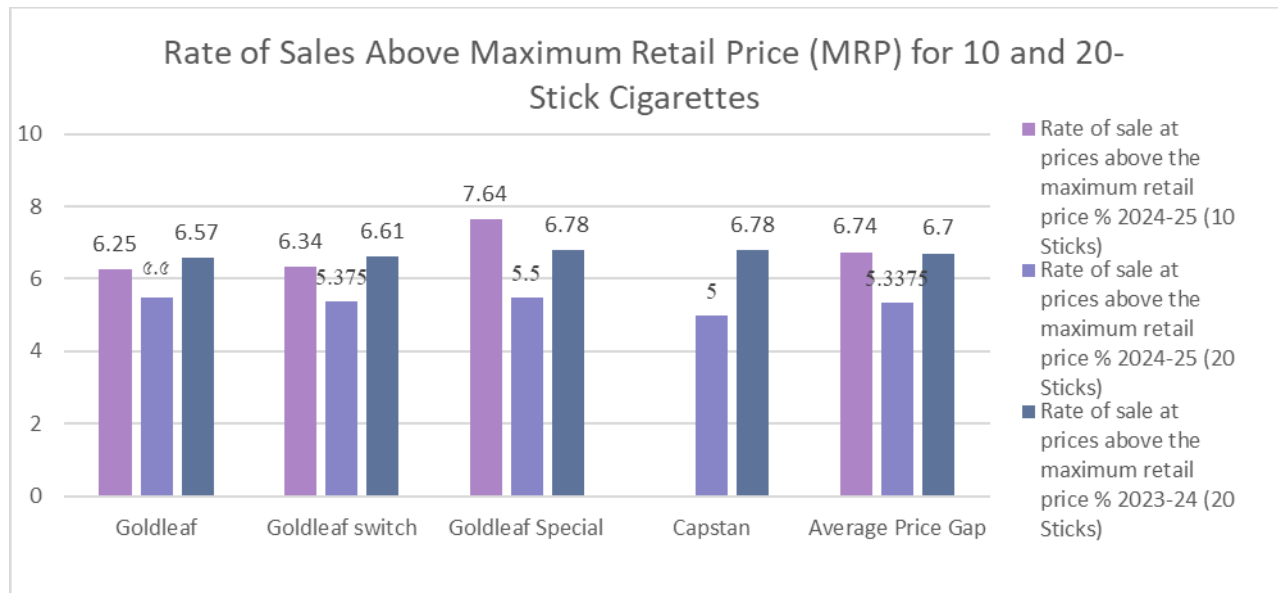
In the current fiscal year, the price of high-tier 12-pack cigarettes increased slightly from 141.6 BDT to 144 BDT as per the budget. Data from 48 sales outlets indicate that the high-tier cigarette market is predominantly controlled by BAT.

BAT offers four high-tier cigarette brands: Goldleaf, Goldleaf Special, Goldleaf Switch, and Capstan. Among these, 12-stick pack Goldleaf cigarettes were available at 10 out of 48 centers, while 20 stick-pack Goldleaf was found in 43 stores. Additionally, 12-pack Goldleaf Special was available at 8 stores, and Goldleaf Switch at 1 store. For 20 stick-pack options, Goldleaf Special was available at 38 stores, Goldleaf Switch at 23 stores, and Capstan at 25 stores. Notably, no 12-pack Capstan cigarettes or 10-pack options were found at this tier.

Brand Name	20- Stick Packet										
	2024-25				2023-24				2022-23		
	MRP Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price	MRP Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price	MRP Printed on the Pack	Average Buying Price of Retailers	Single Stick Price
Gold Leaf	240	240.58	253.14	13.12	236	237	251.52	13	222	236.418	12
Gold Leaf Switch	240	240.61	252.9	13.08	236	237	251.6	13	222	236.179	12
Gold Leaf Special	240	240.72	253.2	13.04	236	237	252	13	222	238.454	12
Capstan	240	240.4	252	13	236	236.73	252	13	222	239.167	12

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

Goldleaf, Goldleaf Switch, and Goldleaf Special 10-stick packs are sold at an average price of 153.71 BDT, which is about 9.71 BDT higher than the maximum retail price. Similarly, 20-Stick cigarette packs, with a maximum retail price of 240 BDT as per the budget, are being sold at an average of 12.81 BDT more, representing a 5.34% profit over the maximum retail price.



Per stick cigarettes in this tier are sold at an average price of 13.059 BDT, meaning a 20-stick pack is priced at approximately 261.18 BDT. This represents an 8.82% increase over the maximum retail price (MRP).

Medium Tier

The sales data for medium-tier cigarettes across six brands in 48 selected retail outlets also highlights pricing disparities. These brands include BAT’s Star, Lucky Strike Switch, and Lucky Strike, along with Japan Tobacco’s Navy, Navy Option, and Camel. For Camel, Star, Navy, and Navy Option, cigarettes are typically sold at around 8 BDT per stick, while Lucky Strike and Lucky Strike Switch are priced at 10 BDT per stick.

While the per-pack price for some brands has increased slightly from last year, the per-stick prices for Camel, Star, Lucky Strike, and Lucky Strike Switch remain unchanged. Navy and Navy Option, with a maximum retail price (MRP) of 134–142 BDT for 20-stick packs, were sold last

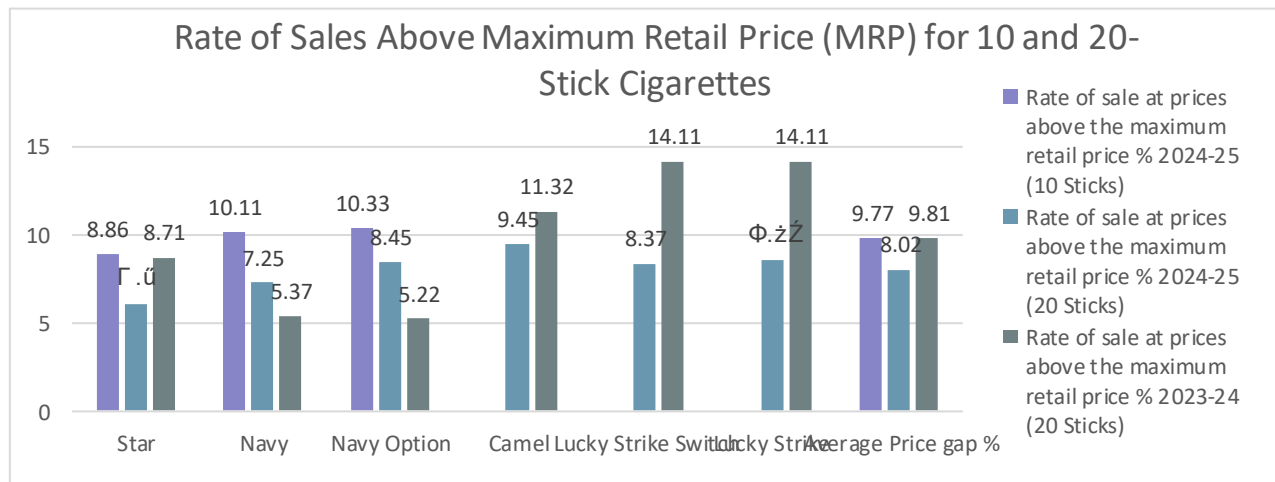
Brand Name	20- Stick Packet										
	2024-25				2023-24				2022-23		
	MRP Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price	MRP Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	Single Stick Price	MRP Printed on the Pack	Average Buying Price of Retailers	Single Stick Price
<i>Navy</i>	142	142.29	152.29	8	134	126.4	141.2	7.2	126	135.86	7.088
<i>Navy Option</i>	142	143.14	153.93	8.12	134	123.9	141	7.2	-	-	-
<i>STAR</i>	144	144.2	152.8	8	140	140.2	152.2	8	130	138.629	6.9
<i>Lucky Strike Switch</i>	176	176.82	190.73	10	168	168.6	192	10	164	192.143	10
<i>Lucky Strike</i>	176	176.85	190.93	10	168	168.6	192	10	164	195.625	10
<i>Camel</i>	140	141.23	153.23	8.06	134	134	149.17	8	-	-	-

year at an average of 141.2 BDT.

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

Currently, their price varies between 140 and 160 BDT, depending on the location. Star cigarettes, with an MRP of 134 BDT, are being sold at an average of 152.2 BDT—13.58% higher than the MRP. Consumers pay about 7 BDT more for a 10-pack, reflecting a 9.77% increase, and

approximately 12.34 BDT more for a 20-pack, marking an 8.03% increase over the MRP. Additionally, no 10-pack or 12-pack options for Camel, Lucky Strike, or Lucky Strike Switch were found. Their 20-stick packs, with an MRP of 176 BDT, are sold at 191–191.73 BDT, representing



a price hike of 8.5% to 8.32% above the MRP.

When analyzing the per-stick price for a 20-stick pack in this tier, the data reveals an average price difference of 20.6 BDT between the Maximum Retail Price (MRP) and the selling price. This represents an approximate increase of 13.43% over the MRP.

Low Tier

None of the 13 lower-tier cigarette brands offer 12-stick packs. The most popular brand in this category is LD, which is favored due to its low price.

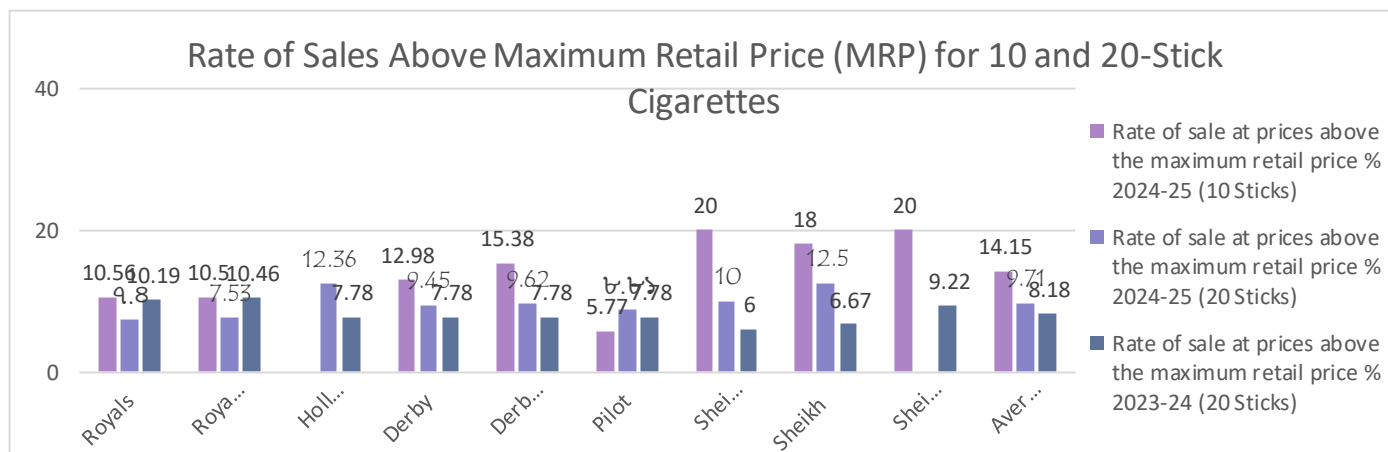
Brand Name	Low Tier- 10 Stick Cigarettes								
	2024-25						2022-23		
	MRP Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	MRP Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers	MRP Printed on the Pack	Average Purchasing Price	Average Buying Price of Retailers
Derby	52	52.13	58.75	45	44	48.7	40	40.35	50
Derby Style	52	52	60	45	44.1	49	40	39.5	50
Royal	54	53.91	60	54	54.3	59.4	52	52.16	60
Royal Next	54	53.92	60	54	54.3	59.5	52	52	60

Hollywood	50	50.26	56.18	45	44	48.5	40	40	50
Sheikh	50	50	59	45	41	45	40	39.857	50
Sheikh White	50	50	60	45	41.8	47	40	39.75	50
Sheikh level Up	50	50	60						
Pilot	52	52	55	-	-	-	40	40	50

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

While the maximum retail price (MRP) is set at 100 BDT, it is typically sold at an average price of 94.5 BDT. Following LD, other widely sold brands include Derby, Royal, and Royal Next, which are available in 38, 32, and 31 retail outlets, respectively. Hollywood is found in 28 outlets, Pilot in 19, and Derby Style and Prime in 16 outlets each. Other brands like Sheikh White, Sheikh Regular, Sheikh Level Up, and Sheikh100 are available in limited outlets, with certain cigarettes such as Black Diamond being regionally popular.

Similar to other tiers, a disparity exists between the MRP and selling price for lower-tier brands. However, the difference in this tier is the largest, reaching up to 20% in some cases, making it the



most significant among all tiers.

Three pricing patterns are evident in this tier. For 10-stick packs:

- Derby, Derby Style, and Pilot are sold at 58.75 BDT, 60 BDT, and 55 BDT, representing 12.98%, 15.38%, and 5.77% increases over their respective MRPs.

- Hollywood, Sheikh, Sheikh White, Sheikh Level Up, Sheikh100, LD, and Prime have an MRP of 50 BDT. While Hollywood was not available in 10-pack form, the Sheikh variations are sold at 60 BDT, reflecting 18% to 20% above the MRP.
- Royal and Royal Next, with an MRP of 54 BDT, are sold at 60 BDT in the current fiscal year, which is approximately 10.5% above the retail price.

In this tier, price gouging is notably more extreme compared to other tiers. While the price per pack appears minimal, analyzing the cost on a per-stick basis reveals significant disparities. Considering single stick cigarettes price when calculating the average price of a 20-stick pack, the cost is approximately 116.78 BDT. This indicates a price difference of 17.04 BDT between the MRP and the actual consumer purchase price. This discrepancy equates to a 16.64% increase over the MRP, highlighting the substantial overpricing practices prevalent in this tier.

Result (Market Trends and Corporate Strategies)

The government’s revenue losses due to tobacco companies' pricing manipulations are substantial, with the most significant price discrepancies observed in 10/12-stick packs. Despite the unavailability of many 10/12-stick packs across various tiers, the study relied on the 20-stick packs for calculations, highlighting the extent of the issue.

Initial requests for cigarette sales data submitted to the National Board of Revenue (NBR) under the Right to Information Act went unanswered, prompting an appeal to gain access to the necessary information. As the NBR has still not provided the requested price data, the study used 2023-24 fiscal year sales data to estimate the sales figures and revenue losses.

Tier	MRP	Price Difference	Price Difference Rate	Total tax Rate (SD+VAT+HDS)	Government Part from Excess Price	Amount of Sale in FY 2023-24 (20 stick pack in crore)	Tax Evasion (in crore BDT)
Premium	324/360	25.52	7.72%	81.5%	20.8	28.2	586.56
High	240	12.81	5.34%	81.5%	10.44	14.8	154.512
Medium	140/142/144/176	12.34	8.03%	81.5%	10.06	62.85	632.271
Low	100/104/108	10.00	9.71%	76%	7.6	317.15	2410.34
Total = 3783.683							

Table 5: Illustration of potential revenue evasion in the sale of 20-stick pack

The study calculated potential revenue losses for the current fiscal year by comparing the difference between the maximum retail price (MRP) printed on cigarette packs and the actual retail

selling price across different tiers. Using fiscal year 2023-24 sales as a benchmark, it was found that revenue losses amounted to approximately **3,783.683 crore BDT** attributable to 20-stick packs.

Tier	Single Stick Price (SSP)	MRP	20-stick cigarettes selling price considering 1-stick price (20*SSP)	Price Difference	Price Difference %	Total tax Rate (SD+VAT+HDS)	Government Part from Excess Price	Amount of Sale in FY 2022-23 (20 stick pack in crore)	Tax Evasion (in crore BDT)
Premium	18.25	324/360	365	36.5	11.11%	81.5%	29.75	28.2	838.95
High	13.04	240	261.18	27.18	8.82%	81.5%	22.15	14.8	313.02
Medium	8.7	140/142/144/176	174	20.6	13.43%	81.5%	16.79	62.85	1055.2515
Low	5.83	100/104/108	116.78	17.05	16.64%	76%	12.96	317.15	4110.264
Total = 6317.486									

Table 6: Illustration of potential revenue evasion in the sale of single stick

Additionally, when considering the per-stick price across each tier, another price gap emerges that exceeds the selling price of a full 20-stick pack. Premium cigarettes, despite having an MRP of 324–360 BDT for 20-stick packs, are sold at higher prices. Retailers typically purchase them from company suppliers at prices near the maximum retail price, compelling them to sell at inflated price. This reflects an unethical profit-maximization strategy by the companies. If we calculate the revenue evasion from 20-stick packs, the total loss stands at approximately **3,783.683 crore BDT**. Furthermore, about 90% of shops in the country primarily sell retail sticks. When analyzing this, it is evident that the price of a 20-stick pack is considerably higher than the retail price, meaning the per-stick price is likely even more inflated. As a result, revenue evasion increases to an estimated 6317.486 crore BDT. This indicates an additional **2,533.803 crore BDT** in losses due to retail stick sales. Eliminating retail sales could help recover these lost revenues.

The study suggests that to tackle both tobacco use and tax evasion, it is essential to halt the sale of single stick cigarettes, enforce the sale of cigarettes at their face value or MRP, and further increase taxes.

Conclusion

This study highlights the significant revenue losses incurred by the government due to price manipulation by tobacco companies and non-compliance with Maximum Retail Price (MRP) regulations. It also exposes weaknesses within the current tobacco tax system, including the multi-tiered pricing structure, inconsistent price levels at various retail outlets, random price changes in different regions, and lack of market monitoring. These factors create opportunities for tobacco companies to manipulate prices and evade taxes.

To address this, it is imperative for the government to adopt and implement a comprehensive tobacco tax policy without delay. This will not only reduce tobacco consumption but also improve market monitoring and regulatory compliance. Additionally, to safeguard against the influence of tobacco companies, it is crucial that government shares in tobacco companies are divested. The tobacco control law should also be amended in alignment with the World Health Organization's Framework Convention on Tobacco Control (FCTC). Tobacco should be viewed primarily as a public health issue, not a commercial commodity.

Recommendations

1. Merge cigarette products into two price tiers instead of multiple tiers.
2. Enforce the sale of cigarettes at the maximum retail price, ensuring penalties for violators.
3. Implement digital tools and systems for improved market monitoring.
4. Ban the sale of single-stick cigarettes to prevent significant revenue loss and discourage young tobacco users.
5. Replace the ad-valorem tobacco tax system with a specific, more structured tax system to increase government revenue and reduce tobacco consumption.
6. Develop a national tobacco tax policy to address tobacco-related issues comprehensively and promote a tobacco-free Bangladesh.
7. Sever government ties with tobacco companies and explore alternative revenue sources.

By adopting these recommendations, the government can effectively curb tobacco use, reduce evasion of tax by companies, ensure fair pricing, and increase public health outcomes while securing substantial revenue.

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