

(Draft)

**TOBACCO TAX POLICY TO PROTECT
PUBLIC HEALTH**

Background

Tobacco use is the single largest cause of preventable death in Bangladesh, leading to more than 1,60,000 deaths every year. According to the Global Adult Tobacco Survey in 2017, 35.3 percent people aged 15 years or older consume tobacco in one form or another. In 2018, the total economic cost including direct and indirect costs attributable to tobacco-related diseases amounted to 305.70 million BDT (About 3.6 million USD).

In addition to monitoring tobacco use and prevention policies and enforcing tobacco control laws, raising tobacco taxes has also been identified as a tobacco control instrument in WHO's MPOWER policy package. Significant increases on prices and taxes on tobacco products have proved to be an efficient and cost-effective intervention for reducing tobacco use, especially for the young and the low-income people. Evidence suggests that on average, a 10% price increase on a pack of cigarettes would be expected to reduce demand for cigarettes by about 4% in high-income countries and by about 5% in low- and middle-income countries (WHO Technical Manual on Tobacco Tax Administration, 2011).

Bangladesh is the first signatory of the Framework Convention on Tobacco Control (FCTC) since 2004. Article 6 of the WHO FCTC refers to reducing tobacco use through price and tax measures. SDG goal 3 also underlines the importance of implementing FCTC to ensure better health. As a signatory of FCTC and in order to achieve the SDG goals, Bangladesh is obliged to fulfil the obligations imposed by the treaty.

According to the section 18(1) of the Constitution of the People's Republic of Bangladesh "The State shall regard the raising of the level of nutrition and the improvement of public health as among its primary duties, and in particular shall adopt effective measures to prevent the consumption, except for medical purposes or for such other purposes as may be prescribed by law, of alcoholic and other intoxicating drinks and of drugs which are injurious to health."

Government of Bangladesh is committed to make the country free from tobacco by 2040. As part of this plan of action, govt. emphasized on the creation of a national advanced tobacco control policy and building a new sustainable Health Development Fund from the health development surcharge on tobacco products.

The government of Bangladesh is facing multiple difficulties including tax evasion in consequence of the existing complex, multi-tiered tax structure and the inadequacy of the tax collection and monitoring system. The large difference in price and taxes among cigarettes brands and among different types of tobacco products allows consumers to switch down instead to quitting and reduce consumption. A comprehensive tobacco tax policy could be the wisest decision for the government to protect public health as well as to generate the expected revenue.

Chapter 01

Title, Composition, Implementation and Objective

1.1. Title: This policy will be entitled “ National Tobacco Tax Policy 2025”

1.2. Constitution and implementation

- a) The National Board of Revenue has constituted the policy and they will be responsible for implementing the policy.
- b) In order to implement the policy, the NBR shall have the authority to request assistance from any ministry, division, office, organization and establishment under the jurisdiction of the government of Bangladesh and raise queries with regards to the measures taken against the request for assistance.
- c) The policy will be effective from 1st July, 2025.
- d) The progress of implementation of the policy will be monitored every year. The barriers to proper implementation will be identified and necessary actions will be undertaken to address the challenges.
- e) An independent committee of experts will undertake the evaluation of the health impact of tax policy implementation in every five years and make recommendations for further reforms.

1.3. Objectives of the policy

The policy will strengthen the tobacco tax system to achieve the following objectives:

1.3.1 General Objectives

Make the country tobacco-free (5% prevalence) by 2040 with a view to improve the overall public health situation

1.3.2 Specific Objectives

- a) Reduce the overall prevalence of tobacco use to 5%, especially among the youth and
- b) Increase the government’s revenue from tobacco taxation
- c) Discourage the tobacco use by adult and reduce tobacco consumption
- d) Discourage the consumers to ‘switch among tiers and types of tobacco products’ resulting from increases in price
- e) Reduce the likelihood of tax evasion and avoidance by the manufacturers
- f) Prevent illicit trades of tobacco
- g) Facilitate the process of administrative tax system operation
- h) Further strengthening the tax administration
- i) Reduce tobacco cultivation

Chapter 02

Taxation on and regulation of Tobacco Products

2. Policy on tobacco taxation

2.1. The general rule of taxing all kinds of tobacco products

- 2.1.1 Implement uniform specific excise tax system on each tobacco product.
- 2.1.2 Increase specific tax regularly adjusting for inflation and income growth.
- 2.1.3 The specific tax rate cannot be lowered from the previous year.
- 2.1.4 Reduce the disparity among the price slabs of cigarettes along with the tax rate and prices of other smoking tobacco products to stimulate the reduction in brand and product switching
- 2.1.5 Reduce the disparity among tax rate and prices of smokeless tobacco products to discourage brand and product switching
- 2.1.6 Increase the 'Health Development Surcharge' periodically, based on overall economic growth of the country, inflation and tax burden of tobacco products
- 2.1.7 Impose the highest possible VAT following the existing law
- 2.1.8 Terminate input tax credit facilities for tobacco companies
- 2.1.9 Print the manufacturing date on the packaging of tobacco products
- 2.1.10 Prohibit any duty-exemption for tobacco products as well as barring Bangladeshi companies from receiving any tax-exemption facilities for tobacco trade.

2.2. Tax policy based on type of tobacco products

2.2.1 Cigarettes

- a) Gradually decrease the number of the price slabs of cigarettes down to one at the earliest in order to simplify the tax structure and increase revenue
- b) Discontinue the supply of tax stamps to the companies in advance. The supply of advance tax stamp to tobacco companies encourages tax evasion.
- c) Prevent tobacco company's access to rebate on tax stamps (1% of total advance stamps received) considering the possibility of damage
- d) Ban loose selling of cigarettes
- e) Fix standard packaging at 20 sticks

2.2.2 Biri

- a) Eliminate the price slabs of filtered and non-filtered biri, to be effective from FY 2025
- b) Ban loose selling of biri
- c) Fix standard packaging at 20 sticks
- d) Companies deposit a share of the factory/company's profit in the worker's welfare fund. A proportion of the fund can be earmarked/used to ensure alternative livelihood for the biri workers.

2.2.3 Smokeless tobacco (Zarda and Gul)

- a) Fix standard packaging at 20 grams as a minimum

- b) Develop guidelines for the size and quality of standard packaging
 - c) Prevent loose retail selling
- 2.2.4 Smokeless Tobacco (Shadapata)
- a) Bring the production and supply chain of Shadapata under the jurisdiction of the tax authority
 - b) Set a guideline for standard packaging
 - c) Prevent loose retail selling

2.2.5 E-cigarettes

To prohibit the selling of E-cigarettes in Bangladesh, the undermentioned regulations will be followed-

- a) Prohibit the sale, distribution and import of E-cigarettes, its cartridges and other relevant accessories
- b) Prohibit any kind of advertisement, promotion and sponsorship of E-cigarette
- c) The government will deny the access to produce or trade E-cigarettes, its cartridges and other relevant accessories for any individual, organization or company
- d) In case any violation of the abovementioned principal occurs, the liable party will be convicted as per the conventional law of Bangladesh

2.3. Specific policies regarding smokeless tobacco products

- 2.3.1 Complete lists are to be developed which will include all the producers, manufacturers and the entire supply chain (e.g. wholesalers, point of sales) of smokeless tobacco products. The local government (City Corporation/Upazila Parishad/Municipality/Union Parishad- as applicable) shall be accountable for preparing the lists.
- 2.3.2 Acquisition of licenses by smokeless tobacco producers through paying the fees and renewal of the licenses annually. The local government will ensure the compliance regarding this rule.
- 2.3.3 'VAT and Tax registration' by the NBR must be considered as a principal requirement for issuing trade licenses
- 2.3.4 Ensure proper tax collection by the NBR from the SLT producers with licenses
- 2.3.5 Ensure the usage of banderoles on the packaging of all locally manufactured Zarda and Gul
- 2.3.6 Digitize the ID of smokeless tobacco products
- 2.3.7 In accordance with the Smoking And Tobacco Products Usage (Control) Act, 2005, ensure the usage of pictorial health warnings on SLT packaging. Additionally, include the manufacturing date on the packages to curb illicit trade
- 2.3.8 Establish coordination between the NBR and the local government in the management of production, tax collection and relevant actions regarding SLT.

Chapter 03

Export and Import policy for tobacco and tobacco products

3.1 Import policies regarding tobacco and tobacco products

- 3.1.1 All the regulations under the Smoking And Tobacco Products Usage (Control) Act, 2005 must be followed in the event of import and export tobacco products.
- 3.1.2 Impose ad-valorem excise tax on the maximum retail prices of all kinds of imported tobacco products. In addition to that, levy customs tax and specific excise tax on every unit imported
- 3.1.3 Ensure the submission of the following information to NBR by the tobacco importers
 - a) Country of Origin
 - b) HS Code
 - c) Address, contact details (e.g. phone and email), VAT and tax registration number of the importer
 - d) Brand of the product
- 3.1.4 Equate the import duty and taxes for all tobacco products
- 3.1.5 Impose import duty on the equipment/ machineries especially used for the manufacturing of tobacco products
- 3.1.6 Submission of the detailed description of the manufacturing equipment/machineries (e.g. the location where they will be installed and used) to NBR. In addition to that, inform the NBR about the obsolete equipment/machineries prior to their disposal
- 3.1.7 Impose high import duty on the necessary goods and accessories (paper, filter, flavour etc.) used in tobacco industries
- 3.1.8 Without tobacco industries, no one can import necessary goods and accessories (paper, filter, flavour etc.) used in tobacco industries
- 3.1.9 Take necessary measures to ensure compliance with the law regarding the control of transfer pricing.

3.2 Export policies regarding tobacco and tobacco products

- 3.2.1 Following regulations shall be applicable for the export of tobacco products
 - a) Adopt necessary measures including higher tax imposition to discourage the export of processed and unrefined tobacco leaves
 - b) Avoid conflict with the laws of the export destination countries
 - c) Withhold any subsidization to encourage tobacco export
 - d) Ensure the printing “Produce for Export” on the tobacco products produced for export
 - e) Prohibit domestic trade of the tobacco products designed to meet the need for export
- 3.2.2 Notification and record keeping requirements for the export of tobacco products will include
 - a) Record the quantity, destination, time and process of export
 - b) Share the aforementioned data with the authorities of the destination country and ensure cross checking to avoid illicit trade

Chapter 04

Company's Income Tax and Corporate Social Responsibility (CSR)

4.1 Policy regarding company's income tax

- 4.1.1 Effective implementation of 45 percent corporate tax paid by the company
- 4.1.2 Investigate and take necessary actions regarding the cases of tax avoidance through sharing profit with sister concern or illegal transfer of profit abroad
- 4.1.3 Reduce the disparity of Statutory Tax Rate with the effective rate and payment

4.2 Policy regarding corporate social responsibility (CSR) initiative by tobacco industries

- 4.2.1 CSR activities by tobacco industries and/or funded by tobacco industries and/or sponsored by tobacco industries and/or are prohibited
- 4.2.2 Implementation of the provision (4.2.1) will be monitored by Tobacco Tax Cell of NBR and relevant other government departments.

Chapter 05

Tobacco Cultivation

- 5. Ensure collaboration and cooperation between the NBR and the Ministry of Agriculture to make a list of tobacco cultivators and the land under cultivation
 - 5.1 Regulate contract farming between cultivators and tobacco companies
 - 5.2 Withhold any kind of subsidization or tax-exemption for tobacco cultivators
 - 5.3 Prohibit the Employment of child laborers (anyone aged below 18 years) for tobacco cultivation and curing
 - 5.4 Prepare lists of tobacco curing chambers and make license acquisition and fee payment compulsory for them
 - 5.5 Withhold any subsidy or tax rebate for exporting tobacco leaf
 - 5.6 Restrain from granting tax exemptions to tobacco companies in case of exporting non-tobacco products

Chapter 06

Illicit Trade of Tobacco

- 6.1 Take an initiative to become a signatory and for ratification of the FCTC Protocol to Eliminate Illicit Trade in Tobacco Products
- 6.2 Take necessary actions to prevent the re-use of banderoles
- 6.3 Penalize the parties engaged in illicit trade through suspension or revocation of license
- 6.4 Ensure certain, swift, and severe penalties for the parties engaged in illicit trade of tobacco products
- 6.5 Prohibit retail sales of tobacco products through Internet-, telecommunication or any other evolving technology-based modes of sale
- 6.6 Development of technology that can be employed to mark and scan unit packages of tobacco products. In addition to that, the following information must be made accessible and clearly visible on the packaging-
 - a) Date and location of manufacture
 - b) Details of the manufacturing facility
 - c) Details on the machine used to manufacture tobacco products;
 - d) Production shift or time of manufacture
 - e) The name, invoice, order number and payment records of the first Customer who is not affiliated with the manufacturer
 - f) The intended market for retail sale
 - g) Product description
 - h) Details on warehousing and shipping

Chapter 07

Tobacco Tax Administration and Monitoring Tax Collection

7.1 Tobacco Tax Administration

- 7.1.1 Strengthen tobacco tax administration through introducing latest technologies to the system for tracking, tracing, monitoring and licensing of tobacco companies, and recording and reporting by the tax administration
- 7.1.2 Introduce advanced, sophisticated tax stamps and banderoles
- 7.1.3 Initiate the application of high-tech devices for tracking and tracing of tobacco production, sale and tax payment of companies
- 7.1.4 Mandate registration and licensing for all parties involved in the manufacturing, distribution and sales of tobacco product.
- 7.1.5 Coordinate with local government to ensure license acquisition for everyone appertaining to tobacco products, registration of small tobacco vendors and assemble all the licensed entities under tax coverage
- 7.1.6 Develop guidelines and a standard operating procedure (SOP) for the NBR to expedite tax collection, reporting and monitoring
- 7.1.7 NRB will take initiative for reducing the amount of Government share in tobacco companies and gradually bring it to nought. For its implementation NBR will work together with the concerned government department.
- 7.1.8 Enhance capacity building activities for the NBR
- 7.1.9 Strengthen the organizational structure to manage tobacco litigations through employing efficient manpower resources, increased funding and capacity building

7.2 Tobacco Tax Monitoring

- 7.2.1 Prepare 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
- 7.2.2 Introduce digital systems for monitoring and observation
- 7.2.3 Collection of data (i.e. price, usage of stamp) through internal revenue offices at regular intervals
- 7.2.4 Mandate the printing of manufacturing date on the packaging to ensure better monitoring and proper tax collection
- 7.2.5 Monitor the illegal re-use of banderoles
- 7.2.6 Submit all the information to the NBR regarding the rebranding of tobacco products by the companies. In case of introducing a new brand in the market, the NBR must be inform at the earliest opportunity
- 7.2.7 Assist the NBR authority to prevent any tobacco product sale online
- 7.2.8 Disclose all the up-to-date data concerning tobacco tax voluntarily

7.3 Capacity building and motivation of NBR officials

- 7.3.1 To increase the capacity of NBR officers and employees on supervision, increase the price of tobacco products, monitoring, tobacco taxation and smuggling, undertake skill enhancement programs in coordination with World Health Organization and domestic and international anti-tobacco organizations and provide mutual information.

- 7.3.2 NBR will take initiative to motivate NBR officers and employees for the best implementation of the policy.

7.4 Local Government and tobacco tax

- 7.4.1 Local Government Institutions will assist National Board of Revenue to make and regular update the list of tobacco companies that produce tobacco products informally or institutionally
- 7.4.2 Local government will introduce licensing and ensure take license for tobacco manufacturers / producer, distributors, wholesalers, tobacco cultivation and processing and retail outlets of tobacco products.
- 7.4.3 The local government will facilitate to conduct the meetings of the task force committee formed on tobacco control
- 7.4.4 Where applicable, the local government will carry out mobile court to monitor the implementation of the Smoking and Tobacco Use (Control) Act and punish those violating the act and policies
- 7.4.5 In coordination with the Ministry of Agriculture, local government bodies will prepare a list of lands used for tobacco cultivation and update the list regularly
- 7.4.6 The local government will assist the National Board of Revenue in supervising the tobacco tax collection as per the demand.

Chapter 08

Plan of Actions

8. Plan of actions for tobacco taxation and policy implementation
 - 8.1 Form a committee which shall work to adjust the price and tax rates of tobacco products for annual inflation and recommend the tax rate and price accordingly. Potential members of the committee might include Economics and public health academicians along with representatives from the National Tobacco Control Cell, the Health Economics Unit, the Ministry of Finance, the Prime Minister's office, the Ministry of Land and Agriculture, Ministry of Commerce, tobacco tax expert and representatives from anti-tobacco organizations.
 - 8.2 The tobacco control cell of the NBR will be responsible for the policy implementation, planning and coordinating
 - 8.3 The National Board of Revenue will involve the Ministry of Health and Family Welfare, the National Tobacco Control Cell, non-governmental organizations working in tobacco control and other government and non-government stakeholders in implementing the policy.
 - 8.4 The Tobacco Tax Cell of the Board of Revenue will be responsible for communication and coordination with the above mentioned stakeholders by meeting, correspondence, sharing, engaging, seeking feedback and advice where applicable.
 - 8.5 The Tobacco Tax Cell of NBR and The National Tobacco Control Cell (NTCC) will prepare and publish an annual report regarding tax increase on tobacco products and its effect on public health jointly.

Chapter 9

Amendments in the policy and others

9.1 Amendments in the policy

- 9.1.1 Following the implementation of the policy, every year the policy will be amended based on the annual evaluation report and additional predicaments in order to make the policy more effective and up-to-date
- 9.1.2 The amendments shall never be at variance with the objectives of the policy or the spirit of the country's tobacco control and public health protection.
- 9.1.3 Include the Ministry of Health and Family Welfare and the National Tobacco Control Cell (NTCC) in the amendment process

9.2 Accountability

- 9.2.1 Ensure the policy's accountability to the general people through disclosing the progress of the implementation process voluntarily on websites, annual reports and social accountability tools
- 9.2.2 The publications shall be aligned with the Right to Information Act, its provision and clauses

9.3 Addressing the Challenges

- a) The NBR shall ensure efficient implementation of the policy through addressing related obstacles
- b) The NBR shall appeal to the government to amend the laws and provisions that are at conflicting with the policy objectives to keep the public interest.