



Immediate Budget Reaction 2018-19 PROGGA and ATMA

The Finance Minister failed to impose effective taxes on tobacco products: The PM's directives for tobacco-free Bangladesh ignored

The government has once again let the multinational tobacco companies expand their death-trades by leaving the prices of pricy cigarettes untouched (Tk. 101 per 10 sticks) for three consecutive years, as it is seen in the proposed budget for the FY 2018-19. This shows a blatant disregard for public health on our policymakers' part as cigarettes are getting cheaper each year considering the increase in per capita national income in the last three years. The data provided by Bangladesh Bureau of Statistics (BBS) suggests the National Per Capita Income (Nominal) has increased by 24.64 percent in 2017-18, compared to what it was in 2015-16. But the price of pricy cigarettes has remained unchanged which means that the real price of these cigarettes has actually dropped during this period. The unchanged price also makes the government miss immense opportunity to generate additional revenues. Besides, the price of bidi also stays the same which will inevitably put the low-income people of rural areas into grave danger. This budget altogether frustrates the anti-tobacco activists of the country as it lacks directives to realize the Prime Minister's commitment to build a tobacco-free country by 2040.

The proposed budget for FY 2018-19 has kept the price of cigarettes in high-tiers unchanged, leaving it Taka 101 for 10 sticks. The supplementary duty on this tier also remained the same 65 percent. The consumption of cigarettes of this price slab is wide spread and constitutes the second largest source of cigarette revenues. Moreover, the high-tier cigarettes that cost Taka 70 per 10 sticks has seen only a 7 percent rise, leaving the price at Taka 75. The supplementary duty on these cigarettes is again kept at the same 65 percent. This will only create even more opportunity for the multinational tobacco companies to generate additional profits. In the medium-tier, the price of 10 sticks cigarettes has been increased to Taka 48 from Taka 45 and the supplementary duty has been increased to 65 percent from 63 percent. On the other hand, the proposed budget has set price for the lowest slab of per 10 sticks cigarettes to Taka 32 from Taka 27 and the supplementary duty has been increased to 55 percent from 52 percent. Considering the increase in National Per Capita Income and inflation, the increase of cigarette price in the proposed budget is quite negligible and will not have any significant impact in curbing the consumption of cigarettes in Bangladesh. Anti-tobacco organizations have long been campaigning for the introduction of a single tier-tax structure and specific tax system. The proposed budget has utterly failed to give any directive in this regard. It is impossible to rein the use of tobacco if policymakers let tobacco companies expand their business like this.

The Finance Minister's repeated declaration to shut down the Bidi industry for its detrimental effect on public health has presented itself as a farce in this proposed budget. The proposed budget leaves the price of 25 non-filtered bidi sticks unchanged, to Taka 12.5, surrendering to the pressure from the bidi factory owners. In the name of protecting the interests of the workers, the proposed budget has continued the privilege that local bidi industry has long been enjoying. This will result in an increased consumption of bidi among the country's low-income earners and insolvent people.

The proposed budget complied with the anti-tobacco organizations' longtime demand for the elimination of Ex-Factory Price in the taxation of smokeless tobacco products. The retail price of 10 grams of jarda and gul have been set at Taka 25. The proposed supplementary duty on these products is 65 percent. The weight-based pricing of smokeless tobacco products will simplify the taxation of these products to some extent and will also add to the revenues generated from this sector. Women constitute the majority of the consumers of smokeless tobacco products. So, this is a praiseworthy initiative on the FM's part when it comes to protecting this population from the detrimental effect of these products.

To encourage the export of tobacco products, the proposed budget has withdrawn the 25 percent export duty on processed tobacco. This move is reprehensible and shows sheer disregard to public



health. It will increase tobacco cultivation and threaten put the food security of the nation in the long run. So, the elimination of export duty will inevitably encourage the production of tobacco and tobacco products in the country and will present itself as an impediment towards the realization of a tobacco-free country by 2040.

Other proposed taxation includes the increase of import duty on the rolling papers used to manufacture cigarettes and bidi from 20 to 25 percent. The corporate tax on cigarette, bidi, jarda and gul will remain at the same 45 percent. The existing 2.5 percent surcharge on the income of the manufacturing company will also remain the same.

The Finance Minister in his budget speech has discussed his plans to build a tobacco-free Bangladesh by 2041. Ironically, the budget he has proposed bears no sign of that intention. The minister has talked about bringing down the total number of price slabs; but kept the existing four price slab system intact in the in the proposed budget. The proposed budget also lacks any initiative to curb the use of bidi. Overall, the anti-tobacco activists of the country are utterly frustrated with the proposed budget.