Immediate Budget Reaction 2019-20
PROGGA & ATMA

Budget Proposal Favoring Tobacco Companies, Leaving Cigarette Tax Rates and Price Slabs Untouched

The proposed budget for the FY 2019-20 has increased the price of low-tier cigarettes by 20 paisa per stick i.e. 5.7 percent whereas at the same time, the per capita income has increased by 11.32 percent. It should be noted that 72 percent of all cigarette smokers are users of low-tier cigarettes. If this proposed budget is implemented, it will reduce the real price of low-tier cigarettes and increase its use. The proposed budget, on the other hand, offers the cigarette manufacturing companies opportunity to increase their profit by a staggering up to 31 percent. The mere 6 paisa increase per bidi stick will have no actual impact on curbing its use. Such budget that allows the tobacco companies to expand their profiteering exploits while the tobacco menace is claiming hundreds of thousands of lives, causing widespread illness, is irresponsible, frustrating and anti-public health.

The proposed budget has increased the price of low-tier cigarettes by Taka 2 per 10 sticks kept the 55 percent supplementary duty untouched. As a result of this frustrating move, the price of per stick in this tier will increase by only 20 paisa which is undoubtedly negligible. 72 percent of all cigarette smokers are users of this particular tier. Considering factors such as inflation and increase in per capita income, this hike in price will do absolutely nothing in encouraging low-income people to reduce tobacco use and discouraging potential new users and the youth from lighting up. The proposed budget, again, has left the 65 percent supplementary duty on medium, high and premium tier cigarettes untouched and set the price of 10 sticks of the above-mentioned tiers at Taka 63, 93 and 123 respectively. Such move of not increasing tobacco tax and only the price will allow the tobacco companies to up their profit to an extent of 31 percent. In particular, this budget hands multinational tobacco companies unprecedented opportunity to enrich their coffers. Tobacco control is not possible by any measure if we let the tobacco companies increase their profit with such ignorant government move. The proposed budget also does not address anti-tobacco organizations' long-term demands to reduce the price-slabs of cigarettes and to introduce a specific tax on tobacco products.

In the weeks and months preceding the budgets in the last few years, the government and relevant authorities managed to create a buzz by announcing their ambitious plan to shut down bidi industry and the use of such product considering the havoc it causes on public health. Unfortunately, the authorities failed to remain faithful to their words in the proposed and finalized budgets and much to our dismay, the proposed budget for FY 2019-20 now walks in the same direction. In the month before the budget proposal, bidi factory owners' staged a series of protests countrywide to oppose any increase of tax on bidi. Once again

House- 06 (3rd Floor, East Side), Main Road- 03, Block- A, Section- 11, Mirpur, Dhaka- 1216
Tel: 9005553, Fax: 8060751, Mob: 01729096105, Email: progga.bd@gmail.com, Web: www.progga.org

they succeeded on their agenda as the govt. has once again prioritized the demands of bidi factory owners over the health and well-being of the public. The proposed budget increases the price of 25 sticks of non-filtered bidi by only Taka 1.5 making it Taka 14. This makes the increase in per stick a negligible 6 paisa. The poor people of our country are the main users of bidi. This increase in price will have no impact on their use. However, after keeping the supplementary duty on bidi stagnant at 30 percent for three consecutive years, the proposed budget increases the duty to 35 percent in the FY 2019-20. This will increase govt. revenue from bidi sector.

Anti-tobacco activists have long been demanding abolition of the age-old tariff value system on smokeless tobacco products. In the proposed budget, the MRP of 10-gram zarda has been set at Taka 30 and 10-gram gul at Taka 15 and a supplementary duty of 50 percent has been imposed. This new weight-based pricing system will ease the taxation of these items to some extent and considerably increase revenues from this sector. The initiative that the Hon. Finance Minister has taken in the proposed budget is undoubtedly admirable from the perspective that it contributes to safeguarding the majority of tobacco users.

However, a quite despicable and anti-public health move of this proposed budget was the elimination of export duty of unprocessed tobacco and the retention of zero percent export duty on processed tobacco product. This will encourage the multinational tobacco companies to use the land of Bangladesh to cultivate tobacco and will threaten the food security of the country. So, this move will ultimately work as an incentive to produce tobacco and tobacco products in Bangladesh.

The budget also keeps the existing 45 percent corporate tax on cigarette, bidi and smokeless tobacco companies. The 2.5 percent Health Development Surcharge on the Income of tobacco businesses is also in place.

The directive of the Honorable PM was to build a tobacco-free nation by adopting a strong tobacco taxation policy. Unfortunately, the proposed budget does not reflect the directive of the PM and frustrates the anti-tobacco activists.