

# Tobacco: Is there a way out?



## KEYNOTE PAPER

## Tobacco Taxation in Bangladesh

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*Thus there is no point of controversy regarding increase in tobacco taxes. The success of taxation policy in tobacco control, however, depends not only on the behavior of smokers that has been widely studied. It depends to a large extent on the interface of the political and economic agents at work, including domestic tobacco industry, transnational tobacco companies (TTCs), international tobacco groups, foreign government, international agencies and nongovernmental organizations (NGOs). A political economic perspective is therefore crucial to the understanding of successful implementation of tobacco control policies.*

**T**AXATION of tobacco products has historically been recognized as one of the most cost-effective measures of tobacco control. While the urgency of tobacco control is well accepted worldwide, the use of taxation of tobacco products as a means to control tobacco use is subject to debate from political, economic and social point of view. Such a debate arises from the fact that a policy change intended for benefitting some people often does not come without cost. On the one hand, increased taxes on tobacco can yield significant health benefit to its users by cutting down tobacco consumption. On the other hand, shrinking of tobacco cultivation and manufacturing sector from reduced demand for tobacco use may result in loss of employment in this sector. From a social planner's point of view, this is a dilemma of employing tobacco taxes. The simple decision rule is that tobacco taxes are to be raised as long as the net gain, that is the health benefit less the employment cost, is positive. The WHO 2004-05 study on the cost of tobacco-related illnesses showed that this is indeed the case in Bangladesh. Tobacco usage caused annually about 57,000 premature deaths of adults 30 years and older and imposed annual net cost of 26.1 billion Taka in 2004 (equivalent to 1% of the current GDP). These findings suggest that raising tobacco taxes to increase the price and reduce tobacco use is a necessity of this era.

The ITC Bangladesh Survey shows that overall smoking prevalence has increased in the past five years (since the WHO study conducted in 2004-05) from 20.9% to 22.0%. The findings show that 42.0% of males and 1.3% of females smoke some form of tobacco. This means that,

Mahfuz Anam,

Editor, The Daily Star

I feel delighted to be involved in the anti-tobacco programme not only because we are involved in hosting this programme but also because The Daily Star's policy position is that time has come to look through the tobacco industry and find a way to free people of tobacco consumption.

We all agree that we should find a quick solution to reduce tobacco use and for that we have to look at the hurdles. It is true that an economic interest has developed regarding tobacco. From an outer look, it might seem that the government is earning revenue through collection of taxes. But the fact is that the government has to spend even more in health service because of the tobacco-related illness. If we believe that tobacco is bringing in money, then we must be living in a fool's paradise because on the other hand, our health expenditure is increasing beyond the earning. As a journalist, this simple equation is strongly convincing to argue against tobacco. It must be properly reflected in the media.

There is another segment the farmers who are cultivating tobacco and getting benefited. I am not very sure how far they can be dissuaded from tobacco cultivation by telling them that tobacco is harming the society. I think that the farmers have to be given the alternative crops as well marketing mechanism of their products to dissuade them from tobacco cultivation. So I find that it is much easier to convince the government come away from the argument that tobacco gives revenue. But it is harder to convince the farmers to stop growing tobacco.

I can tell you today that The Daily Star wants to be a partner in this fight against tobacco from today and we would do whatever a media organization can do for the cause.

Dr. Mostafa Zaman,

National Professional Officer, WHO:

According to the Global Adult Tobacco Survey, we spend about 1.4 percent of the GDP on smoking which is a really big amount for a poor country like Bangladesh.

We also know that use of tobacco is on the increase in Bangladesh and this increase is mainly because of more use of smokeless tobacco. We have to find the reason for this increase. Incidentally the tobacco control law does not recognize smokeless tobacco as a threat. The amendment of the law should deal with tobacco such as jorda, gul and sada pata which are equally harmful to health.

I have analysed 22,000 heart patients at the NICVD and found that the first heart attack age is 51 years and it happens mainly because of tobacco use. Many of these people are poor who smoke bidi. According to the law, bidi packets should have health warnings which never exist. I would like to draw the attention of the honourable lawmaker regarding this issue.

Dr. Mohammad Abdul Mazid, Former Chairman of NBR

We had imposed tax in a very calculated way in 2007-08 and 09 but the use of tobacco did not decline. Our revenue increased but so did the use. We had segregated cigarette tax at four tiers premium, high, medium and low. If we increase tax of the first category, we have to remember that our border is wide open. So if we increase price of high quality cigarettes like Benson and Hedges, then smuggled cigarettes would flood the market.

Again if we increase price of high quality cigarettes, then consumers will switch to mid-level cigarettes. There is another kind of smokers who are wealthy and determined. To them price does not matter. If we increase price of mid-level cigarettes, the smokers will switch to low-level ones. So, the smokers remain as before. But yes, I think that taxation is one of the ways to discourage smoking. But there are many other ways. We have to look at it from the social research angle.

Dr. Arup Ratan Choudhury, Head and Professor Department of Dentistry, BIRDEM Hospital (WHO Collaborating Center), Diabetic Association of Bangladesh

All countries in the West and also the developing countries have increased tax on cigarettes and this has reduced the

compared to 2004-05, there are now 2.5 million more smokers in Bangladesh. Approximately 20.2 million men and 0.6 million women in Bangladesh are now smokers. The growth in smokeless tobacco use among men and women since 2004-05 is also striking from 14.8% to 27.6% among men and from 24.4% to 32.0% among women in 2009.

Overall, the percentage of Bangladeshi people who use any form of tobacco (smoked tobacco, smokeless tobacco, or both), increased from 36.8% in 2004-05 to 43.2% in 2009. This means that compared to 2004-05, there are now 8.7 million more total tobacco users in Bangladesh. Of them, 4.8 million are men and

3.9 million are women. Approximately, 25.7 million men and 15.3 million women currently use any form of tobacco in Bangladesh.

The main causes for this high-burden of tobacco in Bangladesh include:

- Bottom heavy demographic structure (57.7% of the total population is aged below 25 years and one-third is below 15 years)
- Widespread illiteracy (half of the adult population is illiterate) and unawareness
- Poverty (about half of the total population lives below the poverty line)
- Falling real price and rising income leading to greater affordability of tobacco

Tobacco taxation is a means of both revenue

generation and public health promotion. The arguments that are traditionally raised against increasing tobacco taxation include the following:

(i) The net cost due to externalities of tobacco use is low. So tobacco tax need not increase to compensate society fully for the external cost of tobacco use at the risk of losing a major tax base such as tobacco consumption.

(ii) Poorer people spend a greater share of their income on tobacco consumption. Raising tax and price with inelastic demand condition would imply increased tobacco expenditure and even greater share of their income allocated to tobacco consumption. Thus increasing

tobacco taxes is not fair to the poor (i.e. regressive).

These notions against raising tobacco taxes are myths. Empirical evidence shows that:

(i) The price sensitivity of tobacco consumption is relatively low (price elasticity is less than 1). It implies that the quantity consumed of tobacco will not decrease as much as price would go up. As a result, the overall expenditure on tobacco will rise and so will tax collection. Increasing tobacco taxes is thus an efficient form of raising revenue.

(ii) The poor are more price sensitive than the high income people. In the event of a tax and price increase, poorer smokers cut back on tobacco use more than their richer counterparts do. As a result, the share of total tobacco expenditure and tax borne by the poor diminishes. Their health gain from reduced tobacco consumption is also relatively higher than the rich in these circumstances. Thus, tobacco tax increase is more beneficial to the poor.

Thus there is no point of controversy regarding increase in tobacco taxes. The success of taxation policy in tobacco control, however, depends not only on the behavior of smokers that has been widely studied. It depends to a large extent on the interface of the political and economic agents at work, including domestic tobacco industry, transnational tobacco companies (TTCs), international tobacco groups, foreign government, international agencies and nongovernmental organizations (NGOs). A political economic perspective is therefore crucial to the understanding of successful implementation of tobacco control policies.



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**NIGAR NARGIS PhD**  
Assistant Professor  
Department of Economics, DU (Keynote Speaker)



**HASIBUR RAHMAN**  
Executive Director  
MRDI

number of smokers, and it is reflected in WHO report. I also agree that only tax increase would not do the magic. We also need a social movement. We have a tobacco control law but it has a lot of loopholes which we could not fill in 10 years. This is a failure for the government. We could not put up enough warnings in packets and we could not include gul and jorda in tobacco. We also have to remember that smoking is harming the passive smokers and a WHO survey has found that about one crore women are passive smokers. Worldwide some 50 lakh people die due to smoking every year as the WHO has pointed out. This number is going to reach 1 crore in 2020. So it is very important to increase tax on tobacco.

MM Fazlul Haque,

Additional Commissioner of Taxes, NBR

We are working mostly on indirect tax in tobacco control, but direct tax has very insignificant role in the existing law. Increase in import duty may affect production, but it will hardly have any impact on tobacco consumption.

Farida Akter,

Executive Director, UBINIG

It is ridiculous that the government carries a soft corner for the tobacco farmers and bidi workers while many other labourers are losing jobs for different reasons. A propaganda is also often waged that a whole family depends on a bidi worker and so if the bidi worker loses job the whole family will be jeopardized. Even last year parliament members also took a stand for the bidi factories in parliament. It has made us worried. Farmers are lured into tobacco farming by tobacco companies. The fertilizer and pesticide which are meant for agriculture are going to tobacco fields.

Let me give you some statistics. In Doulatpur of Kushtia, about Tk 14.24 crore worth of crops are lost for tobacco cultivation despite our food shortage. The tobacco companies are also evading taxes.

The tobacco companies destroy forests to process tobacco and yet they plant acacia and get environment awards. It is

ludicrous that the British American Tobacco is taunted as an example of good investment. Tobacco is not an industry at all and it does not help employment. We should not hesitate to increase tax on tobacco.

Iqbal Masud,

Coordinator, Addiction Management and Integrated Care, Dhaka Ahsania Mission

The tobacco companies try to misinform policy makers. In our country tax on and price of tobacco products are much lower than in neighboring countries even Thailand. In Thailand, a packet of Benson and Hedges costs about 100 bath equivalent to 250 taka. In Bangladesh it is less than half. So we have plenty of scope to increase tax on tobacco. We have to be cautious when we tag condition to tax increase. For example when tax was imposed on bidi it was mentioned that it would be applicable to bidi with filter. But we have not found existence of any bidi with filter.

Dr Nazrul Haque,

Deputy Director, BCCP

We have no option but to increase tax on tobacco. If tobacco price is kept low it will cause harm to public health. We have to keep our law enforcing agencies active to stop smuggling of cigarettes if tax is increased.

M. Emamul Haque,

Head of External Relations, World Food Program (WFP)

We should try to persuade bidi factories to switch over to other business. Those who would switch to other business should get tax benefit. We have found that children work in bidi factories without attending schools. We had persuaded one bidi factory to shift to biscuit manufacturing.

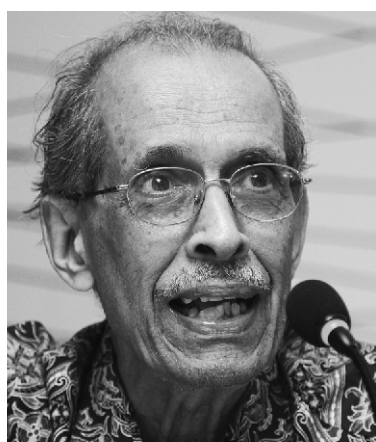
Dr. Ananya Raihan,

Executive Director, D.Net

The government finds the mobile phone sector as a large source of revenue. Instead of targeting the mobile sector, it can target the tobacco industry and tax them to get revenue.



**DR. A. B. MIRZA AZIZUL ISLAM**  
Former Finance Adviser  
to the Caretaker Government



**BRIG. (RET) M.A. MALIK**  
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**DR. IQBAL KABIR**  
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**Aminul Islam Sujon,**  
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According to the pocket statistics book of the government, there were 266,818 bidi workers in 2007-08. But when the bidi factories campaign against tax increase, they claim 25 lakh workers work in bidi factories. Why this anomaly? It is because children and women work in bidi industries that are not recognized as workers. Bidi workers have to be registered but these women and children are not registered. They also do not get paid properly. A bidi worker has to pay Tk 11,000 to get registered through a middle man. The middle man gets a cut of the earning of the worker. The children have tender fingers which is good for rolling bidis. The women fill the rolled up papers with tobacco. But they do not get paid.

It is said that bidi and tobacco industry is profitable. If that was the truth then Rangpur would have been the richest place in Bangladesh. But we know that Rangpur is a Monga area. It is a place where there is a crisis of food and yet tobacco is cultivated. This has pushed this region to a state of food insecurity.

A World Bank study says if tax on tobacco is increased by 10 percent then the number of users will decrease by 8 percent in the developing countries. So we should increase tax.

**Taufur Rahman,**  
Advocacy and Media Coordinator (Bangladesh), Campaign for Tobacco Free Kids  
I would say that tax on tobacco has not increased in Bangladesh. In the last three

use has increased in the developing and underdeveloped countries. It is a great failure of countries like ours. There is no alternative to increasing tax on tobacco.

**Dr. Iqbal Kabir,**  
Coordinator, National Tobacco Control Cell (NTCC)

Bangladesh is a signatory to the Framework Convention on Tobacco Control of the WHO. An overwhelming number of nations have signed it up to control tobacco and increasing tax is one of the six global policies to fight tobacco.

But incidentally tax has decreased in Bangladesh. Let's take the lowest slab of taxation. The tax rate on the lowest slab was 35 percent before 2005. Now it is 33 percent. A large number of smokers buy

rettes and bidis.

**Sharier Khan,**  
Deputy Editor, The Daily Star

Tax is an instrument to discourage use of products too. So the government should not consider whether its revenue will go up or down if tax on tobacco is increased. It should think of common good of the people, people's health when it comes to taxation of tobacco.

**Tanjib-ul Alam,**  
Advocate Supreme court

We should all push for a unified tax rate on tobacco. When you fix a lowest slab, everybody starts pricing their products in that slab to get the huge tax benefit. We have to know why Gold Leaf cigarettes sell for Rupees 200 a packet in India while the

active in anti-tobacco movement.

**Dr. A. B. Mirza Azizul Islam,**  
Former Finance Adviser to the Caretaker Government

Increasing tax is one of the ways to stop tobacco. I think some contradictory statements have been made today. For example, suggestions have been made to increase export tax. If tax on export is increased, domestic price of tobacco would come down; this is what the economics say. If tax is increased on raw tobacco, its domestic price will come down and cost of cigarette production will be lower. This in turn will increase consumption. In that case, tax has to be increased on consumption to control tobacco.

tobacco cultivation. We can ban tobacco cultivation outside the zone.

I disagree with the comment of the NBR second secretary that per capita income has to be kept in mind while increasing price of cigarettes. Above all we have to wage a social movement against tobacco and increase awareness.

**Brig. (Ret) M.A. Malik,**  
Former Adviser to the Caretaker Government and General Secretary, National Heart Foundation (NHF)

Nobody would disagree that tobacco is a silent killer. One way of reducing use of tobacco is to increase tax. We should increase tax without looking at whether this would increase or decrease revenue. We have to include people from all walks

everything possible inside and outside parliament for the cause of controlling tobacco. I am sure we would get the prime minister as she is against smoking.

**Farid Hossain**

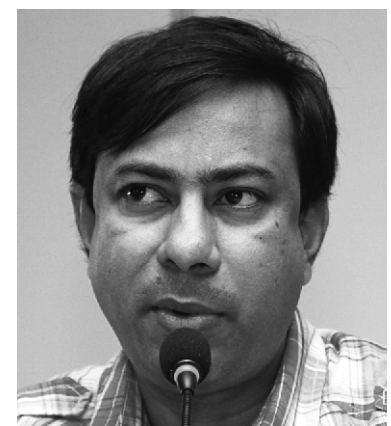
I quit smoking 12 years ago and do not feel like smoking again. Now whenever I come to know the price of a packet of Benson cigarettes, I know that I made a good decision because I cannot afford to spend so much of money on bad habit. So it is not true that price increase does not discourage smoking. We also should think that why should we not stop an industry which is pushing so many people to death.

**Hasibur Rahman,**

Executive Director, MRDI  
MRDI is doing a political mapping on tobacco issue with an aim to identify the proponents and opponents of tobacco which will contribute to assess the existing policy factors in the country and will analyze and provide recommendations on how to change tobacco control policies in Bangladesh.

We have interviewed a wide spectrum of people including lawmakers, policymakers, industry peoples, farmers, vendors, workers, media gatekeepers, reporters, NGOs and economic fuel of the anti-tobacco campaigns. We also scrutinized 10 print and 4 TV channels' reports of the last two fiscals.

We would like to thank Campaign for Tobacco Free Kids for helping our initiative today. I would also like to thank The Daily Star to be our partner.



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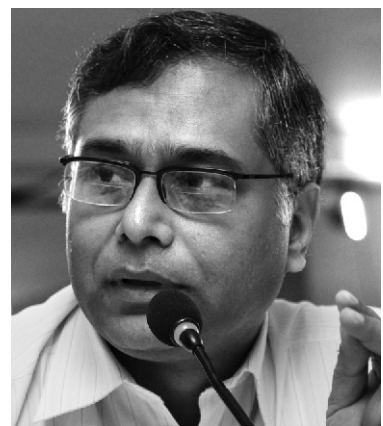
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**SHARIER KHAN**  
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fiscal years, tax rate on tobacco has not increased. Only supplementary duty has increased by 1 percent. On bidi it has increased by 2.5 percent. What actually have increased are the price slabs which help the industry.

Smokeless tobacco products like jarda and gul have been brought under VAT. In the last two years, supplementary duty on these two products has increased by 10 percent. But I think this has been possible because smokeless tobacco product industry does not have a big clout like cigarette and bidi industry.

It is said that although studies are there to prove that an increase in tobacco price will lead to decrease in its use, we are still debating the issue and the tobacco industry is happy as long as we do it. So instead of debating on employment effect and smuggling, let us increase tax on tobacco.

**Dr. Sohel Reza Chowdhury,**  
Associate Professor, National Heart Foundation

Although it is true that use of tobacco has declined in the developed world, its

products of the lowest slab. So they get cheap tobacco. The monitoring of tax band rolls of *bidi* is also weak. The *bidi* companies receive band rolls from the NBR but no-one knows how much they sell.

Right now NBR gets Tk 6,000 crore in revenue from tobacco. This can be raised to Tk 12,000 easily by increasing tobacco taxes.

The area under tobacco cultivation is ever increasing. We have to stop this trend with alternative crop. And I would also request the NBR to abolish the lowest slab since the taxation difference between the lowest slab and the slab above is huge and the tobacco companies are taking advantage of this tax difference.

**Dr. Mostafa Zaman,**  
National Professional Officer, WHO:

The four slabs created for taxation in tobacco has no logic and it should be abolished. This idea of slab was advocated by the tobacco industry to keep their product prices low. So taxation should be uniform for all kinds of ciga-

same is Tk 100 in Bangladesh. If we consider the exchange rate with India, then Gold Leaf should have been Tk 300 here. So we should make tobacco a costly habit.

**Kazi Md. Ziauddin,**  
Deputy Commissioner, NBR

I think a lot of study needs to be done to know the impact of tax increase on tobacco use and revenue. When we talk about international price of cigarettes we have to consider purchasing power parity. It may be true that the price of cigarette is lower in Bangladesh than in Singapore or India. But our per capita income is also low. So we have to keep it in mind when deciding on tobacco price.

If we look at the revenue earning pattern, I think we can rely on cigarettes to earn the most. A few companies like British American Tobacco and Dhaka Tobacco hold about 90 percent of the market.

I think there should be a concerted effort to reach our desired goal. The NBR is trying to open a tobacco tax cell. NBR will be always beside the organizations

I think when it comes to taxing tobacco; revenue earning is never considered a big issue. We never thought about revenue impact of tobacco tax. We always thought about discouraging tobacco use. Supplementary duty is one instrument to increase price and if we have to change supplementary duty then we have to fix a price slab. We can also think of specific tax, which is like whatever the price is the tax rate would remain the same. In this case, if a poor man cannot reduce his consumption because of price increase, then a big chunk of his income will be spent on tobacco. So these issues need to be discussed when making decision on increasing tobacco tax.

I believe that there are plenty of scopes to increase tobacco tax and it should be increased. But we should also think of creating alternative earning for farmers who think tobacco cultivation is profitable.

We should also think of administrative measures like banning smoking in a wide range of places and zoning of land for

of life to increase awareness against tobacco.

We should also give subsidy to tobacco growers to persuade them into growing alternative crops. The politicians should take an active role in tobacco control.

**Asaduzzaman Noor,**  
Hon'ble Member of Parliament

There is no denying that smoking is bad for health. I was once a smoker but I have given it up. I am always against reducing tax on bidi. Tobacco is massively cultivated in Rangpur although jute has reemerged as a cash crop. We should intensify our effort to discourage tobacco cultivation and use. No other argument should come in the way of controlling tobacco.

It is true that many lawmakers are directly or indirectly involved with tobacco business and they would oppose any control. But there are a lot of lawmakers who would take a stance against tobacco.

The media can start a daily campaign against tobacco. As a lawmaker I would do

Conference room  
(3<sup>rd</sup> Floor) The Daily Star

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