

# Raising Tobacco Taxes in FY 2023-2024

A crucial step towards a tobacco-free Bangladesh by 2040

**35.5%** of people 15 years and older in Bangladesh consume tobacco.

**TOBACCO USE IN BANGLADESH IS DEADLY AND COSTLY**

In 2018, tobacco use killed almost **126,000** people.

The total economic cost of tobacco use was BDT **305.6** billion in 2017-18, while tobacco tax revenues from the Supplementary Duty and VAT were BDT **228.1** billion in 2017-18.

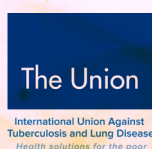
**9<sup>th</sup> largest** Bangladesh is the tobacco consuming country in the world.

## THE CURRENT TOBACCO TAX POLICY IN BANGLADESH IS NOT EFFECTIVELY REDUCING TOBACCO USE

- Cigarettes remain cheap and affordable.
- Smokers are switching to cheaper cigarettes instead of quitting.
- Cigarette sales per adult have remained stable in recent years.
- Smoking prevalence has remained constant in recent years.

## RAISING TAXES IN BANGLADESH WOULD SAVE LIVES WHILE INCREASING GOVERNMENT REVENUE

- The most effective way to reduce tobacco use is to raise the prices of all tobacco products through tax increases that lower their affordability.
- Higher prices discourage youth from initiating tobacco use and encourage current users to quit.



# RECOMMENDATIONS FOR THE CIGARETTE TAX SYSTEM

**Recommendation for 2023-2024:** Introduce a tiered specific excise with uniform tax burden (excise share of 65% of final retail price) across all cigarette brands (Table 1).

**Table 1:** Proposed Scenario of Taxation and Minimum Retail Price (MRP) of Cigarettes (per pack of 10)

CURRENT Tax Structure 2022-2023			CURRENT Indicators		PROPOSED Tax Structure 2023-2024			PROJECTED Indicators	
Tier	Retail Price (BDT)	SD (Ad Valorem-% of Retail Price)	SD Share in Retail Price	SD Amount (BDT)	Tier	Retail Price (BDT)	SD (Specific - BDT)	SD Share in Retail Price	SD Amount (BDT)
Low	40+	57%	57%	22.80	Low	55+	35.75	65%	35.75
Medium	65+	65%	65%	42.25	Medium	70+	45.50	65%	45.50
High	111+	65%	65%	72.15	High	120+	78.00	65%	78.00
Premium	142+	65%	65%	92.30	Premium	150+	97.50	65%	97.50

Note: SD stands for Supplementary Duty. 15% VAT and 1% Health Development Surcharge (already included in the price) are applied to the final retail price of cigarettes in addition to the SD.

## IF THE GOVERNMENT OF BANGLADESH REFORMS THE CURRENT CIGARETTE TAX SYSTEM FOLLOWING THE RECOMMENDATIONS IN FY 2023-2024, IT WOULD ACHIEVE THE FOLLOWING:

- Reduce the prevalence of cigarette smoking from **15.1%** to **13.92%**;
- Encourage **nearly 1.4 million adults to quit smoking and deter almost 1 million youth** from smoking initiation;
- Save the lives of more than **488,000 current adults and nearly 492,000 current youth** from premature deaths due to tobacco use in the long term; and
- Generate nearly BDT 42.3 thousand crore in tax revenue adding more than BDT 9.6 thousand crores **in additional tax revenues, which is a 30% increase!**

Increasing cigarette prices of the LOW segment more than other segments will help relatively lower-income smokers quit (who are more likely to smoke low-segment brands). At the same time

it would reduce the incentives for smokers to substitute consumption towards cheaper brands when prices increase in higher cigarette price segments.

Reforming the tax system by introducing a specific tax, as recommended by the WHO (and as employed in most countries worldwide), would further reinforce the effectiveness of the cigarette tax system.

Bangladesh has committed to achieving tobacco-related targets under the Global Action Plan for the Prevention and Control of NCDs and the **Sustainable Development Goals (SDGs)**. **Raising taxes on tobacco is a cost-effective way to reach those targets.** It is also a major step towards achieving the vision of a tobacco-free Bangladesh by 2040.

The proposed cigarette tax reform would contribute to a healthier population and generate significant additional revenue to help finance Bangladesh's health and development priorities and improve the sustainability of the tax system. This is a clear **'win-win'** for the **Government** and the **people of Bangladesh**.

