

# Tobacco Taxes In Bangladesh

Based on: *The Economics of Tobacco and Tobacco Taxation in Bangladesh* by Abul Barkat, Ashraf Uddin Chowdhury, Nigar Nargis, Mashfiqur Rahman, Md. Shahnewaz Khan, Ananda Kumar Pk., Sharmina Bashir, and Frank J. Chaloupka. 2012.

## Tobacco Use In Bangladesh

- Bangladesh is one of the largest tobacco consuming countries in the world, with over 46 million (43%) adults consuming cigarettes, bidis, smokeless tobacco, or other tobacco products.
- 58% of all men and 29% of all women consume some form of tobacco, whether smoked or smokeless.
- Smokeless tobacco use is common among both women and men. 28% of women and 26% of men use smokeless tobacco.
- Youth tobacco use is a source of concern in Bangladesh; nearly 7% of 13-15 year olds use tobacco products.

## Impact Of Tobacco Use In Bangladesh

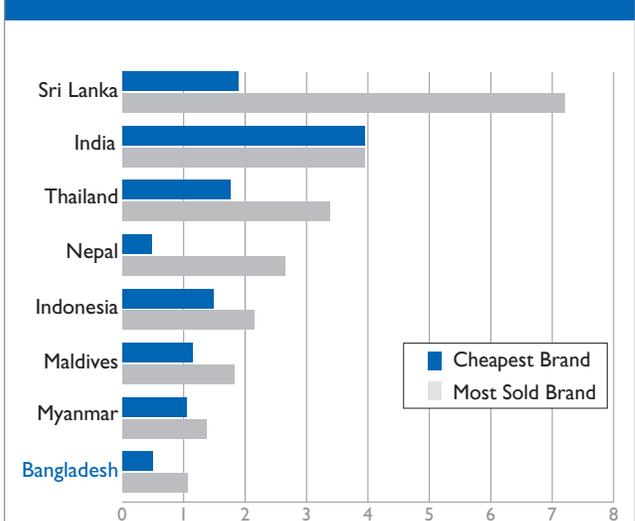
High rates of tobacco use contribute to a significant number of early deaths and high healthcare costs.

- Each year, tobacco use kills 57,000 Bangladeshis — about one in six of all deaths among people 30 years and older.
- There are about 1.2 million cases of lung cancer, cerebro-vascular disease, coronary artery diseases, chronic obstructive pulmonary disease and other tobacco-attributable illnesses in Bangladesh annually.
- The economic costs of tobacco use in Bangladesh accounted for over 3% of GDP in 2004.
  - 51 billion taka was spent to treat diseases caused by smoking.
  - Smoking-attributable lost productivity was 59 billion taka.

## Tobacco Prices In Bangladesh Are Very Low

- Cigarette prices in Bangladesh are among the lowest in the world, and bidis are even cheaper.
- Real cigarette prices have been falling in recent years and increases in real incomes have made tobacco products increasingly affordable.

## Prices Per Pack In International Dollars, 2010



Source: WHO, 2011.

Note: International (Purchasing Power Parity-adjusted) dollars used for comparability.

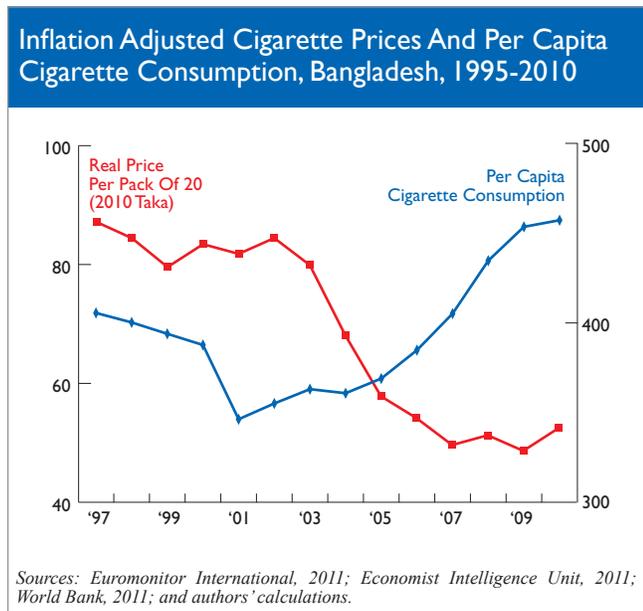
## The Current Tobacco Tax Structure In Bangladesh Is Complex

- A supplementary duty (excise tax) is imposed as a percent of price. The supplementary duty varies significantly across tobacco products and brands. Cheaper brands have much lower tax rates than expensive ones.
  - The cigarette tax structure is a tiered structure that imposes different ad-valorem taxes based on retail price slabs.
  - Bidis are taxed at a much lower rate based on a single “tariff value” set by the government.
- A VAT of 15% on all tobacco products is applied to all tobacco products.
- Excise taxes on cigarettes account for just over one half of retail prices on average. Bidi excise taxes account for approximately 10% of retail price. This falls well below the level in countries with strong tobacco control policies where excise taxes typically account for more than 70% of retail price.

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## Higher Taxes Saves Lives

The most effective way to reduce tobacco use is to raise the price of tobacco through tax increases and ensure that the tax increases are reflected in prices. Higher prices discourage youth from initiating cigarette smoking and encourage current smokers to quit.



## Raising Taxes Saves Lives And Increases Government Revenue

If Bangladesh adopted a uniform specific cigarette excise tax of 34 taka per 10 cigarettes and eliminated the existing multi-tiered ad-valorem structure, it would increase cigarette excise tax to 70% of average retail price of cigarettes. This tax would:

- encourage nearly 7 million adult smokers to quit;
- keep over 7 million young Bangladeshis from starting cigarette smoking;
- prevent almost 6 million premature deaths caused by cigarette smoking; and
- provide an additional 15 billion taka (200 million USD) in tax revenue.

A uniform specific excise tax of 4.95 taka per pack of 25 bidis applied to the retail price of bidis would:

- reduce the number of adult bidi smokers by over 3.4 million;

- prevent almost 3.5 million youth from taking up bidi smoking;
- prevent nearly 2.4 million premature deaths related to bidi smoking; and
- generate 7.2 billion taka (87.5 million USD) in new bidi excise tax revenues.

## Impact Of Tobacco Tax Increase On Cigarettes And Bidis

	CIGARETTES	BIDIS
	(-0.535 elasticity)	(-0.69 elasticity)
	34 taka per pack of 10	4.95 taka per pack
	(70% of retail price)	(40% of retail price)
Reduction in number of current and future smokers	14 million	6.9 million
Lives saved	6 million	2.36 million
Additional tobacco tax revenues	15 billion taka (200 million USD)	7 billion taka (87.5 million USD)

## Recommendations

1. Eliminate the use of price slabs as the basis for differential taxation.
2. Adopt a uniform specific cigarette excise tax that significantly raises cigarette prices and reduces tobacco use.
3. Increase bidi taxes substantially through a high uniform specific bidi excise tax that significantly raises bidi prices and reduces use.
4. Increase taxes on all tobacco products to be equivalent to cigarette taxes and to reduce the use of these products.
5. Implement annual adjustments to retain real value over time and account for increases in incomes.
6. Strengthen tobacco tax administration, improve enforcement, and tax duty-free sales of tobacco products in order to reduce tax evasion and avoidance.
7. Earmark tobacco tax revenues for health purposes, including health promotion and tobacco control.