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**World Health  
Organization**

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# PRICE AND TAX MEASURES FOR SMOKELESS TOBACCO CONTROL

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# INTRODUCTION

SLT use causes a variety of cancers including oral cancers, oesophageal cancer, and pancreatic cancer in humans

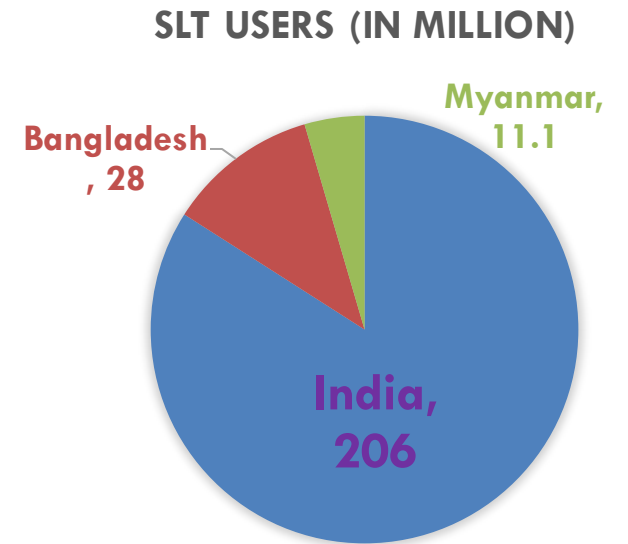
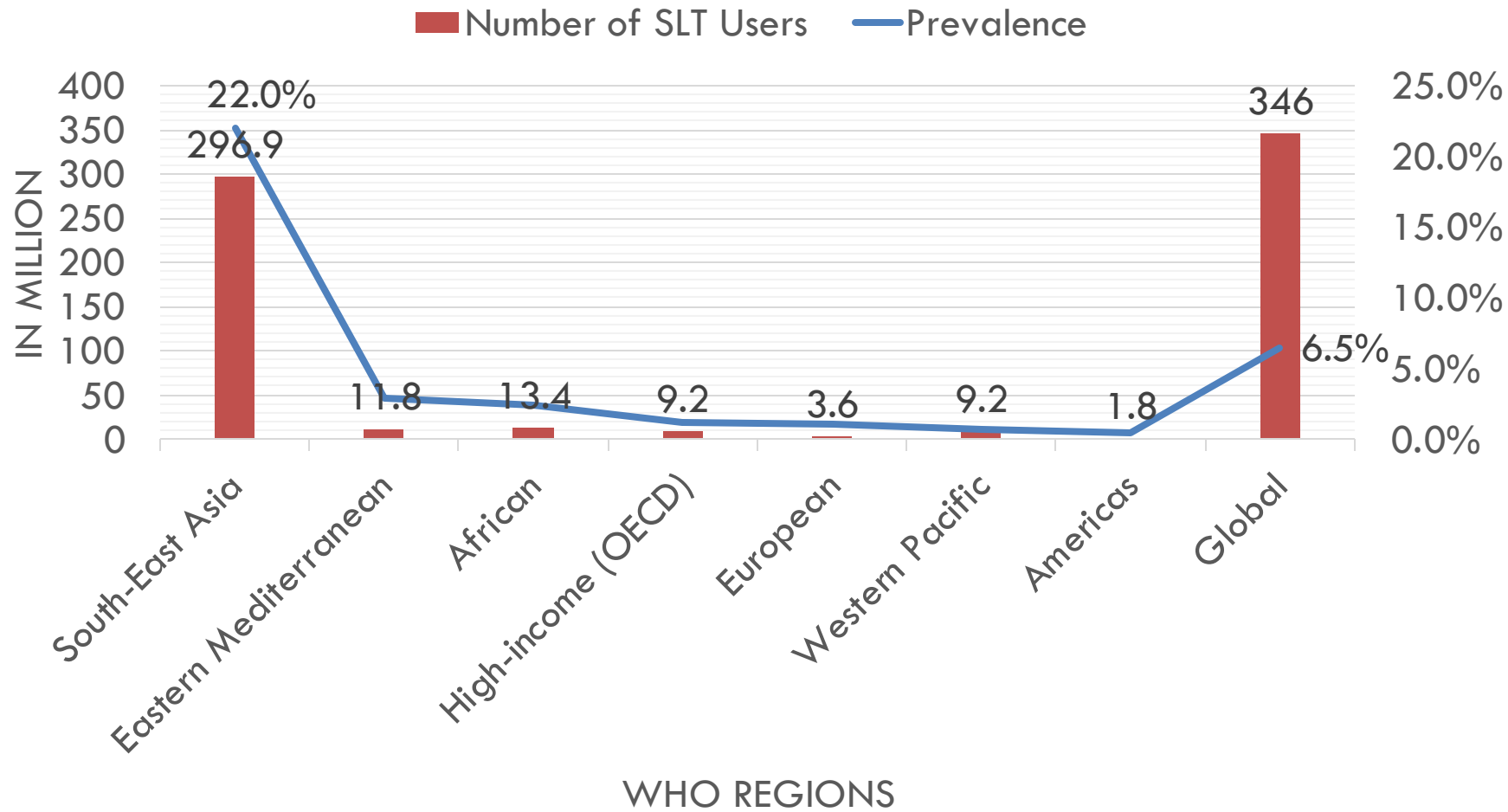
Total economic costs attributable to SLT use from all diseases in the year 2011 for persons aged 35-69 was Rs. 233.6 billion.

The excise tax revenue collected from SLT in that year amounted to only Rs. 12.6 billion

91.3% (648.2 billion tons) of the SLT products sold worldwide (710.2 billion tons) are sold in traditional markets

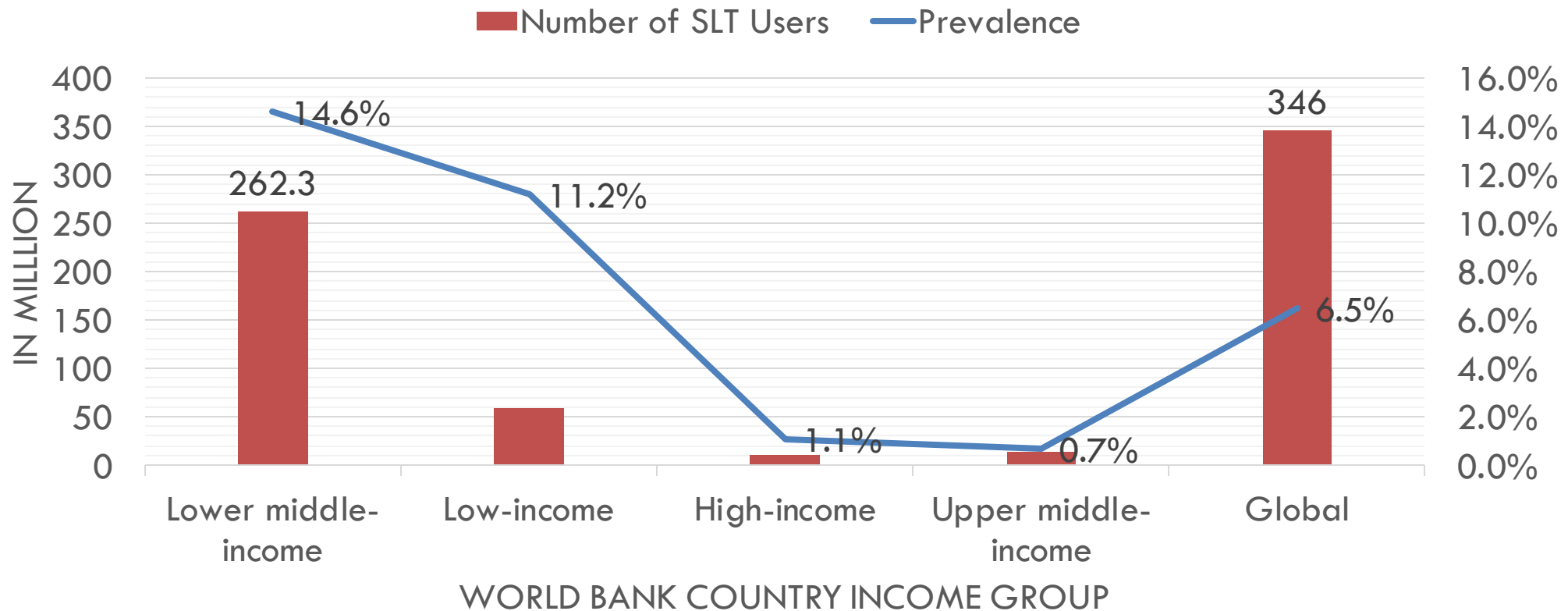
heterogeneous nature makes quantification and standardization difficult

# PREVALENCE AND NUMBER OF SLT USERS BY WHO REGION



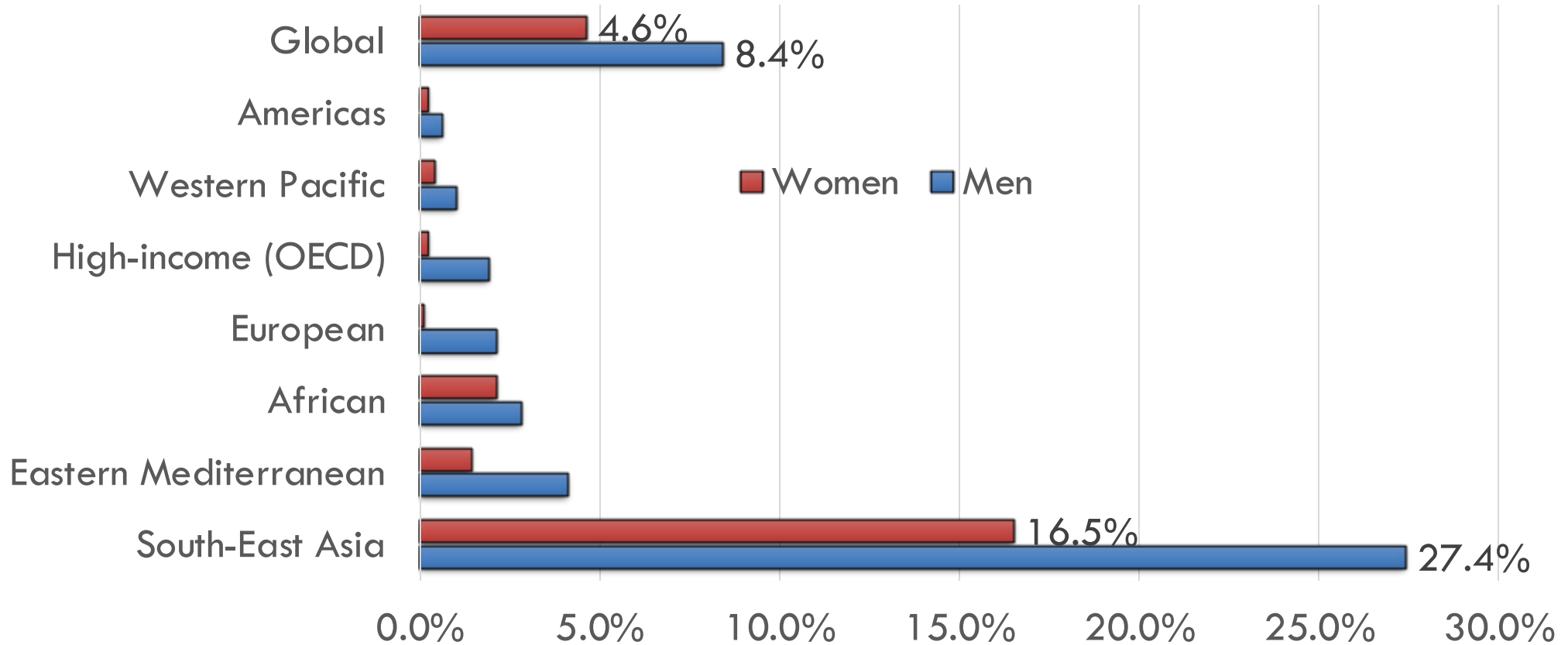
Source: WHO-NCI Monograph 21, 2017

# PREVALENCE AND NUMBER OF SLT USERS BY WB COUNTRY INCOME GROUPS



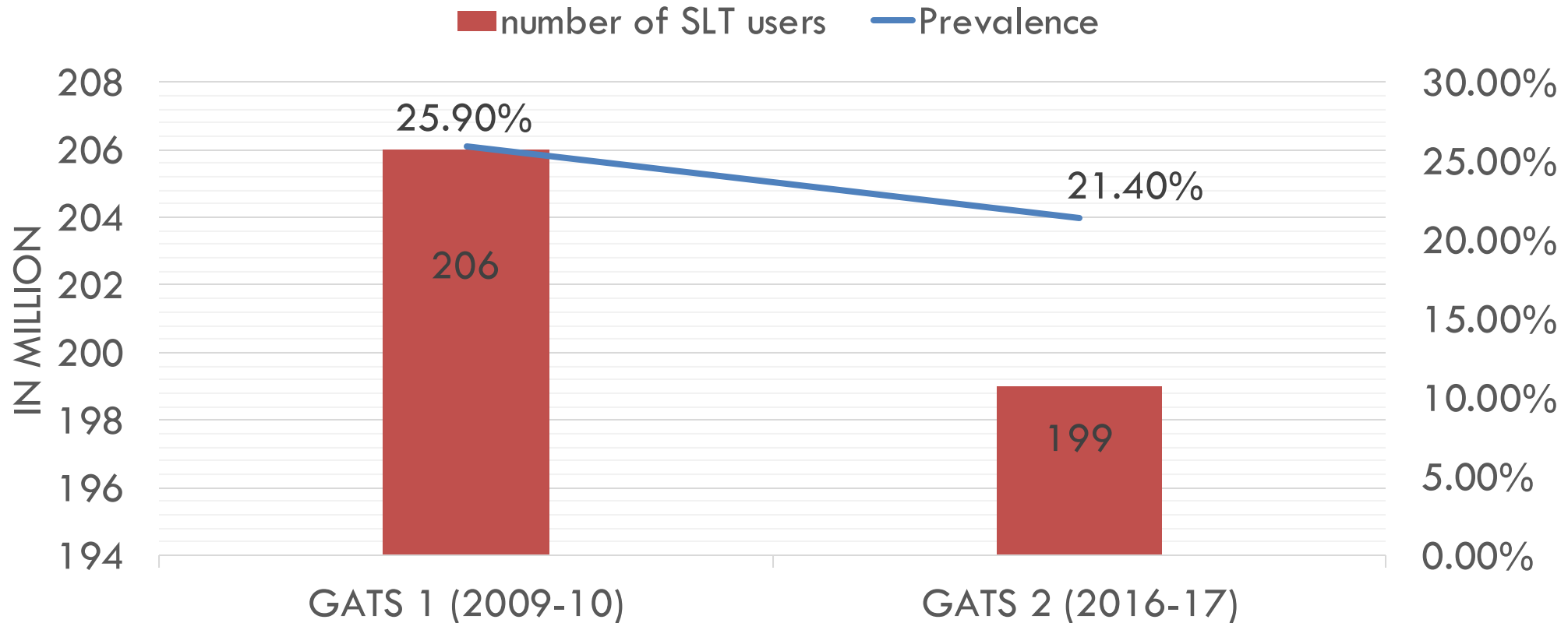
Source: WHO-NCI Monograph 21, 2017

# PREVALENCE OF SLT USERS BY GENDER



Source: WHO-NCI Monograph 21, 2017

# CHANGES IN PREVALENCE AND NUMBER OF SLT USERS IN INDIA



# POPULAR SLT PRODUCTS IN INDIA (GATS 2)

Most commonly used tobacco product in India

- #1 Khaini - 104 million adults
- #3 Gutka - 51 million adults

Among adult women: most commonly used tobacco products

- #1 betel quid with tobacco (20 million)
- #2 tobacco for oral applications (20 million)
- #3 Khaini (19 million)

# PRODUCTION OF SLT

91.3% (648.2 billion tons) of the SLT products sold worldwide (710.2 billion tons) are sold in traditional markets

18.74% of tobacco produced is destined for making SLT products in India

GVA declined by about 23% during 2000 - 2011 for SLT industry in India

The share of unregistered manufacturing in the total SLT manufacturing increased from 3% to 11% during the same time



# EMPLOYMENT IN SLT MANUFACTURING IN INDIA

Type of ST Product	2011-12	% of all SLT Manufacturing
Snuff	307	0.44
Zarda	7,229	10.31
Catechu (Katha) and chewing lime	1,795	2.56
Pan masala and related products	45,623	65.04
Chewing tobacco and other tobacco products	15,196	21.66
<b>Total employment in SLT manufacturing</b>	<b>70,151</b>	<b>(1.37% of total)</b>
<b>Total employment in all tobacco manufacturing</b>	<b>5,127,471</b>	<b>100</b>

Source: National Sample Survey 2011-12 as given in Selvaraj et al, 2017

# TAXATION OF SLT PRODUCTS

Systematic review of tobacco control policies on SLT use in USA

- Price elasticities of SLT products lie mostly in the inelastic range
- SLT taxes are an effective tool in reducing tobacco use

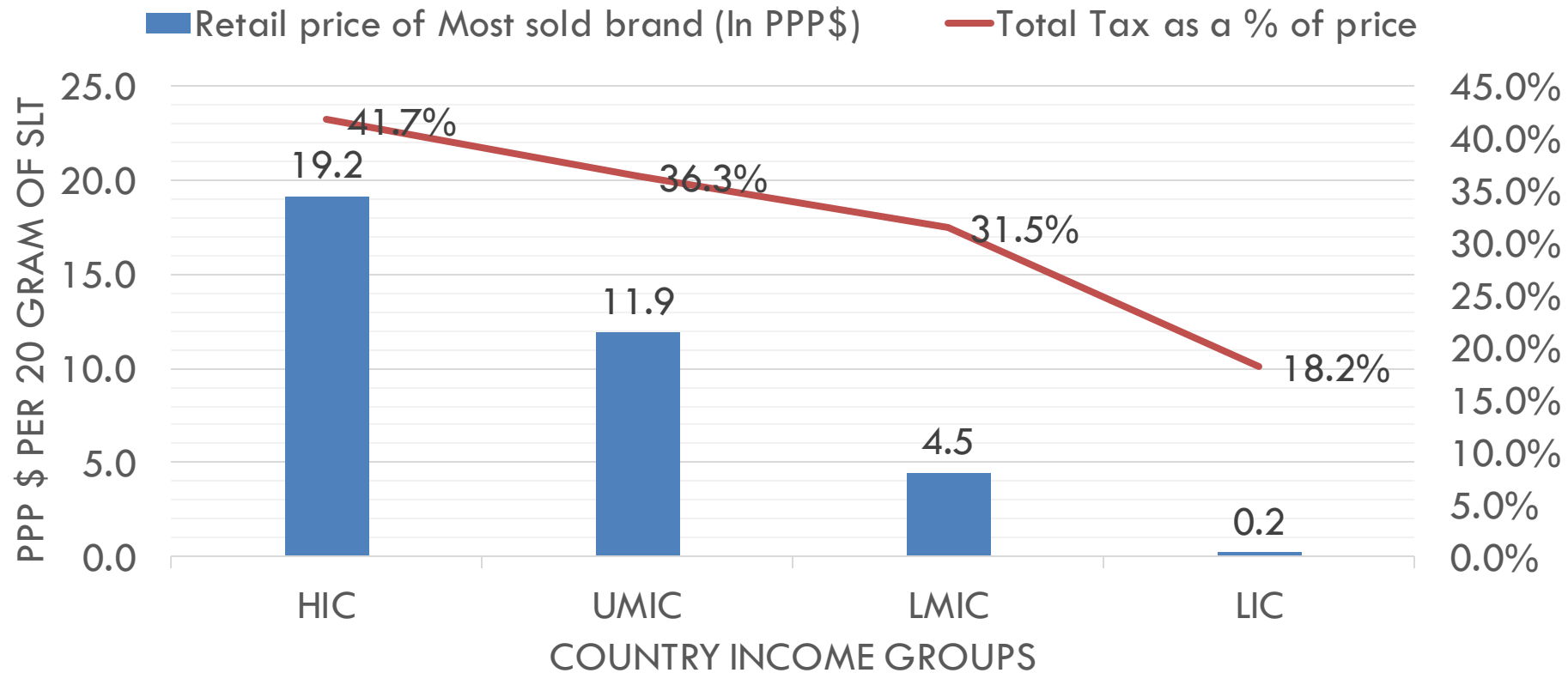
India: Price elasticities of SLT: -0.1 to -0.9

Bangladesh: Price elasticities of SLT: -0.39 to -0.64

Different GATS surveys in India and ITC surveys in Bangladesh show significant reductions in the prevalence of SLT use in the general adult population

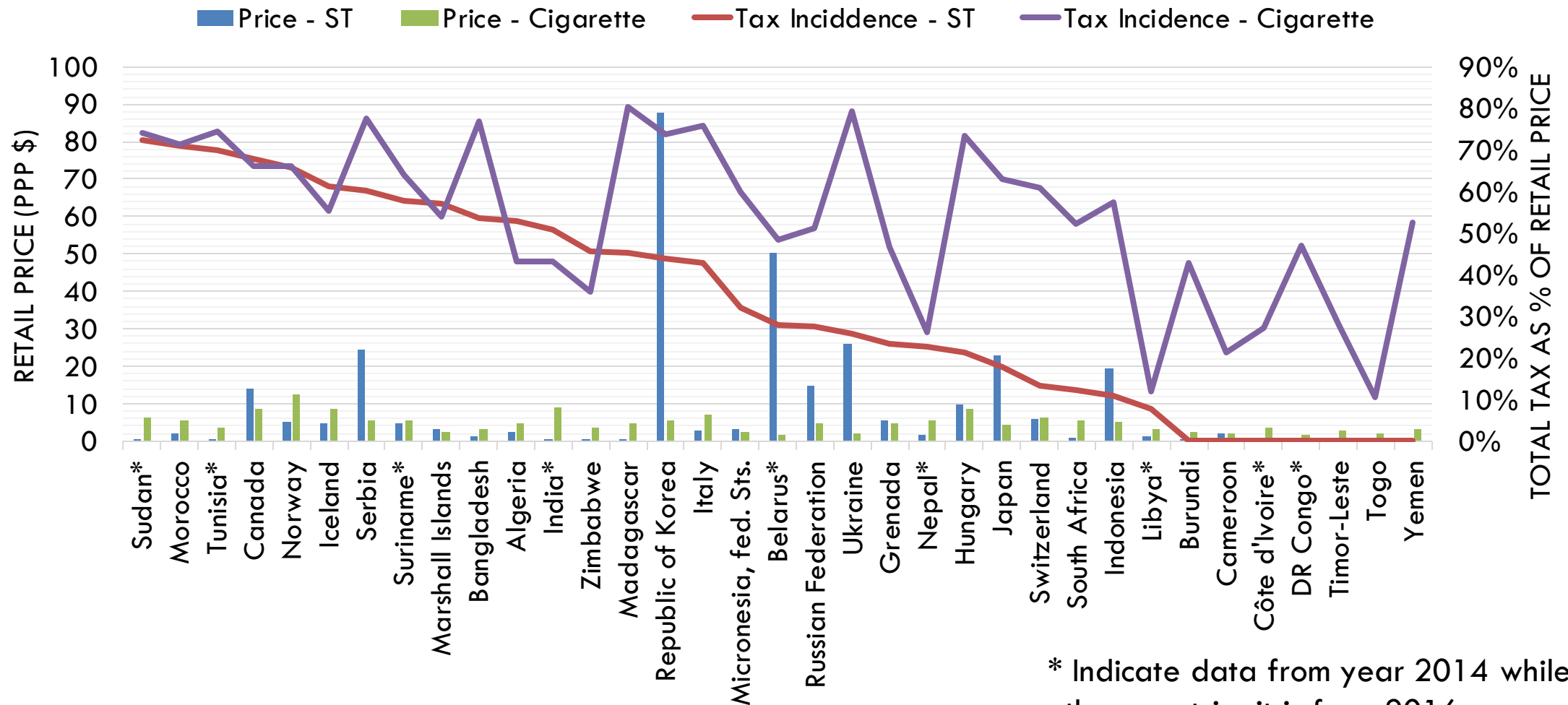
Significant tax increases on SLT products also have occurred during the same period in both countries

# PRICE AND TAX BURDEN OF SLT BY COUNTRY INCOME GROUPS



Source: Estimated from WHO report on the global tobacco epidemic 2015 and 2017

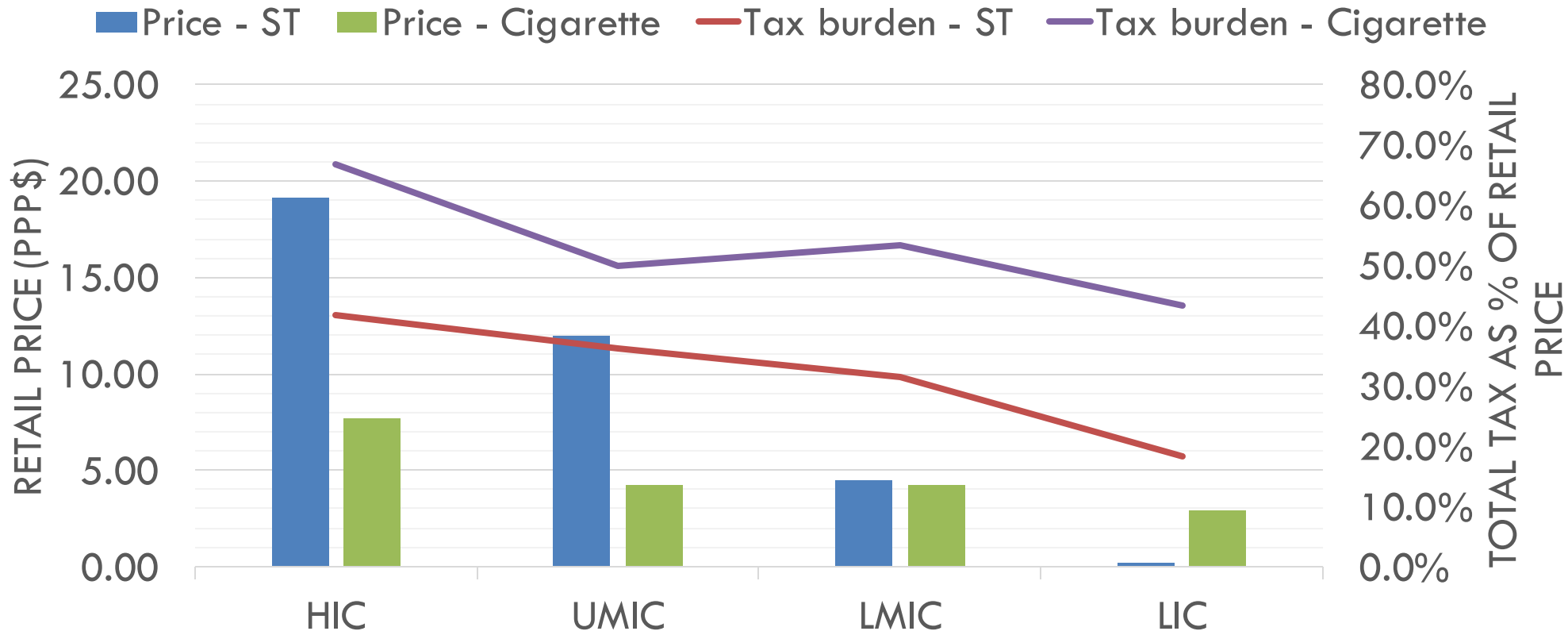
# COMPARISON OF RETAIL PRICE AND TAX BURDEN BETWEEN SLT AND CIGARETTES



\* Indicate data from year 2014 while for other countries it is from 2016

Source: WHO report on the global tobacco epidemic 2015 and 2017

# COMPARISON OF RETAIL PRICE AND TAX BURDEN BETWEEN SLT & CIGS (BY COUNTRY INCOME GROUP)



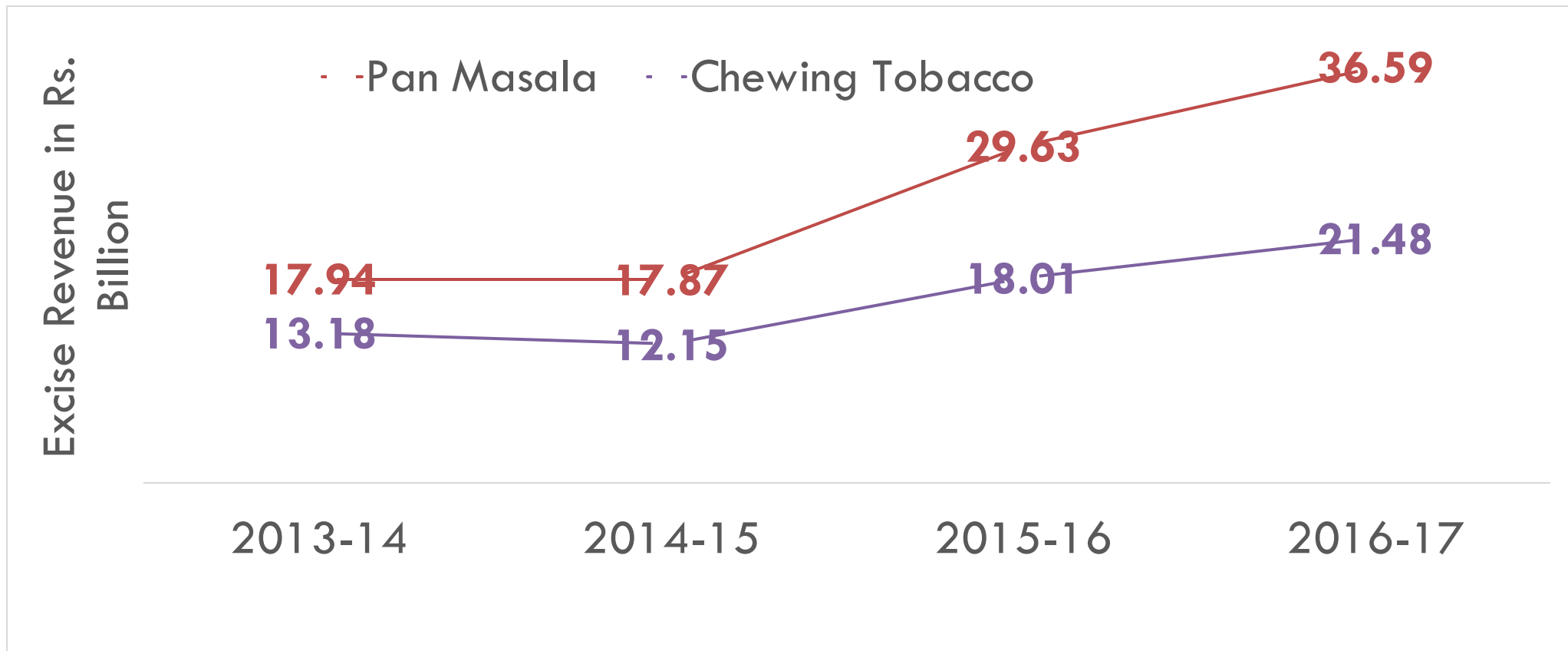
Source: Estimated from WHO report on the global tobacco epidemic 2015 and 2017

# EXAMPLE OF A COMPOUNDED LEVY SCHEME IN INDIA (FY 2016-17)

Retail Sale Price (per pouch)	Excise Rate of duty per packing machine per month (Rs. in Lakhs)						
	Chewing Tobacco (other than filter Khaini)						Khaini
	Up to 300 pouches per minute		301-450 pouches per minute		451 pouches per minute or above		Any Speed
	Without lime tube	With lime tube	Without lime tube	With lime tube	Without lime tube	With lime tube	
Up to Rs. 1.00	30.51	28.98	43.58	41.4	92.61	87.98	18.52
Exceeding Rs. 1.00 but not exceeding Rs. 1.50	45.76	43.47	65.37	62.1	138.91	131.97	27.78
Exceeding Rs. 1.50 but not exceeding Rs. 2.00	54.91	51.86	78.44	74.09	166.69	157.43	35.19
Exceeding Rs. 2.00 but not exceeding Rs. 3.00	82.37	77.79	117.67	111.13	250.04	236.15	50.15

Source: Central Board of Excise and Customs, Ministry of Finance, Govt. of India, 2017

# IMPACT ON EXCISE TAX COLLECTION



Source: Central Board of Excise and Customs, Ministry of Finance, Govt. of India, 2017

# TAX RATE ON VARIOUS SMOKELESS PRODUCTS IN INDIA FROM 1 JULY 2017

Tariff Item	Smokeless Tobacco Product	GST	Cess	NCCD
2403 99 10	Chewing tobacco (without lime tube)	28%	160%	10%
2403 99 10	Chewing tobacco (with lime tube)	28%	142%	10%
2403 99 10	Filter khaini	28%	160%	10%
2403 99 30	Jarda scented tobacco	28%	160%	10%
2403 99 90	Pan masala containing tobacco 'Gutkha'	28%	204%	10%
2403 91 00	"Homogenised" or "reconstituted" tobacco, bearing a brand name	28%	72%	10%
2403 99 20	Preparations containing chewing tobacco	28%	72%	10%
2403 99 40	Snuff	28%	72%	10%
2403 99 50	Preparations containing snuff	28%	72%	10%
2403 99 60	Tobacco extracts and essence bearing a brand name	28%	72%	10%
2403 99 60	Tobacco extracts and essence not bearing a brand name	28%	65%	10%
2403 99 70	Cut Tobacco	28%	20%	-
2403 99 90	All goods, other than pan smasala containing tobacco 'gutkha', bearing a brand name	28%	96%	10%
2403 99 90	All goods, other than pan masala containing tobacco 'gutkha', not bearing a brand name	28%	89%	10%

Source:  
Central  
Board of  
Excise and  
Customs,  
Ministry of  
Finance,  
Govt. of  
India,  
2017



# AFFORDABILITY OF SLT PRODUCTS

A major objective of taxing tobacco products is to make them less affordable

Relative Income Price (RIP) - percentage of per capita income needed to purchase a given number of pack of a tobacco product

Cigarettes becoming less affordable in HICs and much more affordable in LICs & LMICs

India: SLT products have become more affordable over the period 2001 to 2007 & 2006-2012

Bangladesh: affordability of SLT products remained unchanged between 2011-12 and 2014-15

- growth in affordability of cigarettes relative to SLT may have induced switching from SLT use to cigarette smoking resulting in the higher prevalence of cigarette smoking and lower prevalence of SLT use

# RECOMMENDATIONS

Revise taxes frequently (at least once a year) to keep the affordability of SLT products low

Tax should not make the SLT products cheaper than the alternative tobacco products available in a country such as cigarettes, bidis or other smoked tobacco products.

Tax should be such that the minimum price per pouch or pack of SLT will be at least as high as a pack of alternative smoked tobacco products available in the same market

The incremental changes in SLT tax need to be much larger than that of cigarettes to bring about parity in taxation and retail price across tobacco products

Set a minimum floor price on all tobacco products including SLT. The minimum floor price per the lowest unit of the tobacco product sold should be equalized across all tobacco product categories; and

Taxation of SLT products should be geared more towards a specific system instead of an *ad valorem* system as the former has better impact on reducing consumption

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**THANK YOU!!!**

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