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Farmers seek rollback of additional levy on cigarettes

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A farmers' body has approached the government to review the increase in compensation cess on cigarettes as announced by the GST Council recently. According to the Federation of All India Farmer Associations (FAIFA), there is a need to bring in stability in tobacco farm prices and farmers' earnings. The GST Council in July raised the cess on cigarettes to take away an estimated Rs 5,000 crore annual benefits manufacturers could have reaped from lower GST rates. The peak GST rate of 28 per cent is also the 5 per cent ad valorem cess will continue, but the fixed cess has been hiked in the range of Rs 485-792 per thousand sticks.

“The additional tax burden caused by the increase in compensation cess rates will put further pressure on the livelihood of Indian tobacco farmers. As observed in the past, increase the taxes has resulted in an inflow of huge quantity of illicit cigarettes in the market,” said FAIFA President Javare Gowda. The revised compensation cess rates have resulted in additional taxes of around 13 per cent above the pre-GST levels, said FAIFA, which claims to represent farmers of commercial crops from Andhra Pradesh, Telangana, Karnataka, and Gujarat.

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