



Facebook: Protect Our Livelihood/ POLFAIFA

<http://bit.ly/2cAA0ph>

Twitter: POLFAIFA

<http://bit.ly/2d5Fteb>

## Press Release

### Rs 3,300 crores loss to Tobacco Farmers in the last 4 Years

- *Appeals to Government to roll back increase in taxation on cigarettes to revenue neutral rates and reinstate duty drawback*

**New Delhi, 7 December 2017:** The Federation of All India Farmer Associations (FAIFA), a non-profit organization representing the cause of millions of farmers and farm workers of commercial crops across the States of Andhra Pradesh, Telangana, Karnataka, Gujarat etc. had appealed to the Hon'ble Finance Minister to roll back increase in Compensation Cess Rates on cigarettes to revenue neutral rates thereby help bring in stability in farm prices and farmer earnings.

The tobacco farmers are under extreme duress due to heavy taxation and adverse regulatory environment on the legal cigarette industry. During the last 6 years, the consumption of domestic Flue Cured Virginia (FCV) tobacco has reduced substantially. The excessive taxation on Cigarettes has given a huge boost to Smuggled Cigarettes. This has resulted in drop in earnings of FCV tobacco farmers which have shrunk cumulatively by more than Rs 3300 crore since 2013-14.

The entire legal cigarette value chain is reeling under pressure of the punitive taxation on account of year on year increase in taxes on cigarettes, which have cumulatively gone up by 202% during the last six years.

This trend has hurt the FCV tobacco farmer, their families and 22 of them have committed suicide.

**Mr. Javare Gowda, President, Federation of All India Farmer Associations (FAIFA), said,** “The latest increase in taxation on account of revision in the Compensation Cess Rates on Cigarettes has further increased the tax arbitrage opportunities available and provided an enormous boost to smuggling syndicates further reducing the demand of home grown tobacco.”

**Mr. Murali Babu, General Secretary, Federation of All India Farmer Associations (FAIFA), said,** “The unintended consequences of steep increases in taxation is demonstrated by the huge growth of illicit

#### Annual tax increases are given below:

Period	Wtd. Average in Increase in CED / GST Compensation Cess
2012-13	22%
2013-14	18%
2014-15	22%
2015-16	13%
2016-17	10%
2017-18	20%

trade. We appeal to the Government to roll back the tax increase to “Revenue Neutral Levels”, consistent with the Government’s stated objectives. This will help curb illicit trade and increase the demand of home grown tobacco, save our livelihood and arrest further loss of employment opportunities.”

FAIFA appreciates Governments efforts focused on agricultural growth and seeks doubling of farmer incomes in the country. However, the plight of tobacco farmers whose earnings have reduced sharply in recent years have been completely neglected and no relief has so far been provided. We appeal to Government that in addition to rollback the increase in compensation cess rates on cigarettes, to reinstate duty draw back to help our produce become competitive for exports so that we regain our lost market share in the International trade.

It is pertinent to note that only 3% of the adult population consume cigarettes. Smokeless tobacco products users and bidi smokers outnumber cigarette smokers by 6 times and 3 times respectively. This has been substantiated by several reports. Cigarettes account for 87% of revenue from tobacco taxation, while the contribution to tax collections from the other two segments is insignificant.

The huge increase in taxation in the smallest component of tobacco in India is a result of misinformation by some vested interests and NGOs, backed by foreign funds. Despite our several appeals, their motive of negative propaganda is yet to be unearthed.

FAIFA appeals to the Government to take appropriate measures to protect the livelihood and earnings of farmers in the country so that unfortunate incidents of farmer suicides are not repeated in future.

**For further information please contact:**

Murali Babu – 9989005898

Venkatesh Warlu – 7093787182