



FEDERATION OF ALL INDIA FARMER ASSOCIATIONS

H.No. : 4-19-1/24, 2nd Line Vijayapuri, JKC College Road, Guntur, Andhra Pradesh

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Date : July 3, 2018

To

Shri PiyushGoyal,

Hon'ble Minister of Corporate Affairs, Railways, Coal and Finance

Government of India,

New Delhi.

Respected Sir,

Sub : Impact of GST Rate on the Tobacco Industry - Request for roll back of increase in taxation on Cigarettes to revenue neutral rates

We the Federation of all India Farmers (FAIFA), a non-profit organization represent the cause of millions of farmers and farm workers of commercial crops across the states of Andhra Pradesh, Telangana, Karnataka, Gujrat etc. FAIFA strives to project farmers voice at regional, national and international levels and works towards ensuring sustenance of stable livelihoods of farmers.

On the first anniversary of the introduction of GST, We FAIFA appeal to you to roll back the excessive compensation cess levied on cigarettes which is our end product, to revenue neutral rates. We would once again like to highlight that the government had promised that taxes would be revenue neutral on all products, however in our case the tax increased by 13% above pre GST. We are concerned why only tobacco farmers are discriminated. Why is the Government is not focusing on us, like on other farmers to double our incomes?

We have been expressing our anguish, from time to time about the additional tax burden caused by the increase in the Compensation Cess and how smuggled cigarettes are continuing to cripple us. The increased taxes have resulted in even higher arbitrage and have increased inflows of smuggled cigarettes. This has led to lower offtake of tobacco by the legal industry. As per estimates illicit cigarettes are now 30% of the legal industry and cause a loss of Rs. 13000 crores to the Government. The smuggling activities and



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distribution has fallen into the hands of anti-social elements. These anti-social elements are being funded by criminal syndicates and terror groups, both are enemies of our nation.

As you are aware, that during the last six years due to excessive taxation on Cigarettes, which has cumulatively gone up by 202%, the consumption of Flue Cured Virginia (FCV) tobacco has reduced substantially.

As per Global Adult Tobacco Survey India 2016-17, 18% of the adult population consume chewing /smokeless tobacco, 7% smoke biris and only 4% smoke cigarettes. Smokeless tobacco products users and bidi smokers outnumber cigarette smokers by 4.5 times and 2 times respectively. Cigarettes account for 87% of revenue from tobacco taxation, while the contribution to tax collections from the other two segments is insignificant.

Farmers of non FCV tobacco are not facing similar financial distress, because non FCV tobacco consumption has grown in India over the years. It may be noted that FCV tobacco consumption has reduced from 86 million kgs in 1981-82 to 62 million kgs in 2014-15, whereas Non FCV tobacco has increased from 320 million kgs to 500 million kgs over the same period.

We have been crying that discrimination on the smallest component of tobacco in India is a result of misinformation by some vested interests and NGOs, backed by foreign funds.

India has a unique tobacco consumption pattern compared to the rest of the world. Worldwide cigarettes account for 90% of tobacco consumption while in India it is 11% with the balance 89% coming from the other 19 tobacco products (Biris, Zarda, Khaini and other chewing and smokeless varieties) including illicit cigarettes. Legal Cigarettes which are only 11% of consumption contribute 87% taxes derived from tobacco. The other tobacco products are either lightly taxed or outside the tax net. Why NGO's do not highlight this fact? This needs to be investigated, as it seems that the motives of their donors are to



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promote inflows of smuggled cigarettes into our country. It should be noted that similar methods have been followed in other countries to promote international brands and destroy local brands and industry, which are buyers of domestic tobacco.

We once again appeal with folded hands to the Government to roll back the tax increase to "Revenue Neutral Levels", consistent with the Government's stated position. This will help curb illicit trade and increase the demand of home grown tobacco, save our livelihood and arrest further loss of employment opportunities.

We have full faith in this Government and are confident that they will address our issues positively.

Yours faithfully

For Federation of All India Farmer Associations

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