

## FAIFA asks govt for tax policy that disincentivises illegal cigarette trade

By PTI | Dec 17, 2019

A day before the GST Council meeting, farmers' body FAIFA on Tuesday asked the government to have a taxation policy that disincentivises cigarette smuggling in India .

The Federation of All India Farmer Associations (FAIFA), which claims to represent farmers of commercial crops from various states, including Andhra Pradesh, Telangana, Karnataka and Gujarat, said there has been an increase in smuggled, illicit and contraband cigarettes due to higher taxation on the legal cigarette industry.

As a result, tobacco farmers have been adversely affected, the body said in a letter to Finance Minister Nirmala Sithraman, and asked the government to save livelihoods of such tobacco farmers. "FCV tobacco farmer is on verge of losing his one and only livelihood due to increase in input costs and drastic decrease in income which is caused by illicit cigarette trade in India," FAIFA president Javare Gowda said in a statement.



*Due to higher taxation, smuggled, illicit and contraband cigarettes, FCV tobacco production of 325 million kgs in 2013-14 came down to 210 million kgs in 2019-20, the tobacco farmers' body said.*

He further said, "We would like to appeal to government to have a taxation policy that disincentivises cigarette smuggling in India, which will help curb illicit trade and increase the demand of domestic Indian grown tobacco."

FAIFA's demand comes a day ahead of the meeting of the GST Council, the highest decision making body of the indirect tax regime, here on Wednesday.

The tobacco farmers' body claimed that there has been over 40 per cent reduction in FCV (Flue-Cured Virginia) tobacco cultivation, resulting in loss of more than Rs 5,000 crore to farming community in the last six years.

Moreover, the government revenue loss is in excess of Rs 13,000 crore on account of illicit cigarette trade, it claimed.

Due to higher taxation, smuggled, illicit and contraband cigarettes, FCV tobacco production of 325 million kgs in 2013-14 came down to 210 million kgs in 2019-20, it added.

On the other hand, the entire legal cigarette value chain is presently reeling under penal taxation on account of continuous increases in excise duties and compensation cess on cigarettes, which have cumulatively gone up by over 200 per cent from 2011-12, FAIFA claimed.

"As a result of high taxes and growth of illegal cigarette trade, legal cigarettes have dropped by more than 25 per cent between 2011-12 and 2018-19, while illegal cigarettes have grown by 31 per cent during the same period," it said.

Source: <https://economictimes.indiatimes.com/news/economy/policy/faiifa-asks-govt-for-tax-policy-that-disincentivises-illegal-cigarette-trade/articleshow/72833031.cms>