



Press Release

FAIFA appeals to the Government to “Protect our livelihood”

NCCD hike in Tobacco Taxation – Against fundamental principles of GST

Guntur, February 2, 2020: One of the important issues that Federation of All India Farmer Associations [FAIFA] is highlighting today is the increase in NCCD on Cigarettes proposed in the Union Budget 2020-21, which will have an adverse impact on the livelihood of Indian FCV tobacco farmers as this tax increase will provide a further boost to the smuggled cigarette trade.

The hike in tax is a major set-back to the FCV tobacco farmers who have been fighting torrential and unseasonal rains this year in Andhra Pradesh and Karnataka.

Nevertheless, we did not expect such NCCD hike from Government even after you were made aware of our current situation through several representations and appointment requests to appraise you in the past few months (between Oct 2019 and Jan 30th 2020) regarding ground level realities of the struggles and losses that are being faced by FCV farmers' due to crop damage and also smuggled and illegal cigarette markets.

It is unfortunate that Finance Ministry has not even responded to many of FAIFA's representations which were submitted personally by the farmers' at the Department of Finance, New Delhi reg., "Smuggled and illicit Cigarette Market and its notorious effect on the Government as well as entire FCV farming community".

The FCV tobacco farmer, who is the major stake holder in contributing an annual revenue of approximately Rs 47000 crores and the farmer was not even given a minimum respect by allotting an appointment. The Chairman of the Tobacco Board along with Farmer Members of Tobacco Board were appraised of the ground level struggles of the farmers during their visit to farming regions of Andhra, Telangana and Karnataka. It is really unfortunate that their hands were tied after repeated farmers' appointment requests went in vain. No wonder, poor farmer was neglected. **What more can a legal tax paying FCV tobacco farmer can do? It is a death bed to all the FCV tobacco farmers' when trusting and relying on Government is not yielding the required results, whereas unorganised sectors like Bidi industry was free of tax burdens.**

- High and consistently increasing taxes on Cigarettes offer a lucrative arbitrage opportunity for evading taxes. Consequently, illegal trade in cigarettes in India has grown tremendously over the years. But, the steep tax increases since 2012-13 have led to a 36% increase in illegal cigarette trade, increasing from 19.5 billion sticks in 2011 to 26.5 billion sticks in 2018.
- Due to higher taxation, smuggled, illicit and contraband cigarettes along with one sided WHO regulations, FCV production of 325 Million Kgs in 2013-14 came down to 210 million Kgs in 2019-20, resulting in loss of more than Rs 5,000 crore to the FCV Tobacco Farming community. Based on the current tax rates on cigarettes, it is estimated that the Government also loses Rs. 13,000 crores per annum on account of illegal cigarette trade.
- In view of this distressing situation of the FCV tobacco farmers in the country, the proposed NCCD increase on cigarettes will intensify the distress by adversely impacting tobacco farmer earnings.

Adding to the above problems, the Indian Government also removed Tobacco export incentives, making India a less competitor in the Global market, whereas other countries like Zimbabwe, Malawi, etc are encouraging the tobacco farmers by providing incentives and subsidies. This lack of support from the Government is resulting in reduction in crop size and farmers voluntarily exiting the FCV tobacco cultivation.

In this backdrop, the present NCCD hike is levied only on tobacco and it is against the fundamental principles of GST, hence we request Hon'ble Finance Minister to reconsider and withdraw the NCCD hike on Tobacco.

With folded hands, we request the Government of India to implement our request and “Protect our Livelihood”.

Yours Sincerely,

For Federation of All India Farmers' Association [FAIFA]
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