

Raising tobacco taxes in Bangladesh in FY 2018- 2019: An opportunity for development

Raising tobacco taxes would:

- Generate extra revenues between BDT 75 billion and 100 billion.
- Reduce the number of current adult smokers (both cigarettes and biris) by 6.4 million in the next 3 years, preventing at least 2 million premature deaths over the long term.



International Union Against
Tuberculosis and Lung Disease
Health solutions for the poor



tobacconomics
Economic Research Informing Tobacco Control Policy



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Raising tobacco taxes in Bangladesh in FY 2018-2019

Bangladesh is one of the largest tobacco consuming countries in the worldⁱ ⁱⁱ:

- 43.3% of all adults (age 15+) use tobacco;
- 23.2% smoke tobacco; 31.7% use smokeless tobacco.

Tobacco use in Bangladesh is deadly and costly:

- It is a leading risk factor for disease and deathⁱⁱⁱ;
- In 2016, tobacco use killed more than 160,000 people, including 26% of deaths among men and 10% among women^{iv};
- The total economic cost of tobacco use from lost productivity and direct healthcare costs of smoking related illnesses is BDT 158.6 billion or 1.4% of Bangladesh's GDP^v.

The current tobacco tax structure in Bangladesh is complex and does not discourage tobacco use^{vi}:

- A complex multi-tiered ad-valorem excise tax which includes large variations in tax bases and tax rates depending on the type of tobacco product (cigarettes, biris, and smokeless), the product characteristics (filter or without filter) and the cigarette brand type (low local, low international, high and premium);
- The multi-tiered tax system for cigarettes has resulted in:
 - smokers switching to cheaper cigarettes instead of quitting;
 - extremely cheap and affordable cigarettes ^{vii};
 - rising cigarette sales in recent years;
 - a relatively constant smoking prevalence in recent years.
- Low taxes on biris and smokeless tobacco keep these products highly affordable ^{vii}.

Raising taxes in Bangladesh would save lives and increase Government Revenue

The most effective way to reduce tobacco use is to raise the prices of tobacco products through tax increases that lower their affordability. Higher prices discourage youth from initiating tobacco use and encourage current users to quit.

If the Government of Bangladesh reforms the current tobacco tax system following the recommendations for the FY 2018-2019 proposed in Tables 1 to 3 below, it would:

- Encourage nearly 6.4 million current adult smokers to quit (3.1 million cigarette smokers and 3.3 million biri smokers);
- Reduce the prevalence of cigarette smoking by 2.7% and the prevalence of biri smoking by 2.9%
- Reduce premature deaths by 2 million among current smokers in the long term (1.1 million cigarette smokers and 938,650 biri smokers); and
- Generate between BDT 75 billion and 100 billion (or 0.4 % of GDP) in *additional* tax revenue. This additional revenue could be used to fund several new or existing programs to reduce the harms of tobacco use, prevent premature deaths and promote healthy lives.

Following these tax recommendations would greatly further economic development and align tobacco tax policy in Bangladesh with global best practices:

- Harmonization and transparency of the tax base across tobacco products so that the tax base for the supplementary duty on all tobacco products is the retail price.
- Simplification of the tax system by reducing the number of cigarette price slabs from four to two and eliminating distinctions between product characteristics for biris and cigarettes.
- Introduction of a specific excise tax that should be regularly increased over time beyond inflation and income growth to ensure that the affordability of tobacco products continues to decline.
- Reduction in price gaps between tobacco products and brands to limit the ability of tobacco users to substitute between products.

TABLES 1 to 3: Taxation and Maximum Retail Price (MRP) of tobacco products, Current FY 2017-2018 and Proposal for FY 2018-2019

Table 1. CIGARETTES											
CURRENT Tax Structure 2017-2018					PROPOSED Tax Structure 2018-2019						
Tier	Retail price of 10-stick pack (Taka)	SD*	VAT*	Health Development Surcharge*	Tier	Retail price of 10-stick pack (Taka)	SD Specific Component	SD*	VAT*	Health Development Surcharge*	Total tax share on retail price (%)
Low tier (local brand)	27.00	52%	15%	1%	Lower tier	50.00	5.00	60%	15%	1%	86%
Low tier (int'l brand)	35.00	55%									
High tier	45.00 +	63%									
Premium tier	70.00 +	65%									
Upper tier	100.00 +	5.00	60%	86%							

*Tax base: Maximum Retail Price

Table 2. BIRIS											
CURRENT Tax Structure 2017-2018					PROPOSED Tax Structure 2018-2019						
Tier	Retail price (Taka)	SD*	VAT*	Health Development Surcharge*	Tier	Retail price (Taka)	SD Specific Component	SD*	VAT*	Health Development Surcharge*	Total tax share on retail price (%)
Without filter, 25 stick pack	0.50 per stick	30%	15%	1%	Without filter, 25 stick pack	1.20 per stick	0.24 per stick	45%	15%	1%	81%
Without filter, 12 stick pack											
Without filter, 8 stick pack											
With filter, 20 stick pack	0.60 per stick	35%			With filter, 20 stick pack						
With filter, 10 stick pack					With filter, 10 stick pack						

*Tax base: Maximum Retail Price

Table 3. SMOKELESS TOBACCO

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