

Excise Duty Hikes on Tobacco and Alcohol Products for Fiscal Year 2021/22

Excise Duty on Tobacco: Research studies support the evidence that increase in tax and prices of tobacco products are the most cost effective measure to reduce tobacco consumption. Increased Tobacco taxation particular increases the retail price of tobacco products and thus, reduces the demand especially among the youth and the poor¹.

In the midst of the pandemic's catastrophic second wave, the government of Nepal has presented federal budget for the forthcoming fiscal year 2021/22 (2078/2079) on May 29, 2021 and mentioned around 25% hike in excise tax on Tobacco Products. (**Annex 1**)

It has been hailed by few government officials as a big achievement in terms of tobacco tax increment compared to previous year's growth. While 25 percentage increases appears to be high, it is not a large increment in real terms, and it is not radical change as expected by the tobacco control advocates.

Tobacco products are taxed in Nepal in three different ways: excise duty, health hazard tax, and value added tax (VAT). The 25% increase in excise duty would hardly make any difference. The current excise duty on the most popular tobacco brand, excluding health hazard tax and VAT, is around 16.18 percent². When this year's 25% increment is adjusted, the excise tax would reach to around 20 percent. The health hazard tax is around 4%, and when combined with the 13% VAT, the total tax on tobacco is around 37% of the retail price which, again, ranks Nepal lowest among South Asian countries in terms of tobacco tax³. However, the WHO advises that tobacco taxes be increased up to 70% of the retail price.

Excise Duty on Alcohol: Nepal government has also announced to increase excise duty on Alcohol products in the budget 2021-2020. In comparison to the previous year, excise duty on Alcohol has increased by around 20% in 2021. (**Annex 2**)

What had been done to influence policy makers to increase tax?

We conducted workshop, webinars, and media advocacy programs to raise government's awareness, and gain commitment to increase tax on tobacco products. In addition, we held one to one meeting with law/policy makers, political leaders, and media personality to encourage them to advocate for tobacco tax increment in the budget 2021/2022. (**Annex 3**)

What was tobacco industry's influence to block the increment or keep traditional increment?

TI has always worked to interfere to block the tax increase or to stick with the existing rate. This year, in the midst of the COVID-19 outbreak, TI donated to facilitate health system of numerous government hospitals to combat the pandemic. Apart from that, Surya Nepal Pvt. Ltd. had donated NPR 10 million each province (total NPR 70 million) to the "Funds for treatment and control COVID-19" established by all seven provinces in Nepal.⁴

Mr. Ananad Bahadur Chand, Chairperson of Action Nepal, stated, "Despite the pressure from all stakeholders involved, the government has hiked the excise duty on tobacco only by 25%, including inflation. When inflation is taken into account, the overall exercise tax for this year will be between 36 and 37 percent of the retail price, which is slightly more than last year but still it remains among the lowest in South Asia.

Burden of tobacco use in Nepal: Annually, tobacco kills around 27,137 people (accounted for 14.9 % of all deaths) in Nepal⁵. According to Nepal STEPS survey 2019, 28.9% of adults 15-69 years of age (48.3% of men, 11.6% of women) were current users of tobacco, in any form, and this is equal to 3.8 million adults⁶. Tobacco costs Nepal NPR 47 billion every year, which is equivalent to 1.8% of GDP.

1st July, 2021

Reference:

1. MPOWER Brochures
https://www.who.int/tobacco/mpower/publications/en_tfi_mpower_brochure_r.pdf
2. The Tobacco Atlas- Fact Sheet- Nepal
<https://files.tobaccoatlas.org/wp-content/uploads/pdf/nepal-country-facts-en.pdf>
3. Global tobacco index 2020
<https://globaltobaccoindex.org/>
4. Surya Nepal Pvt. Ltd.'s website
<https://snpl.com.np/content/surya-nepal-private-limited-provides-rs-10-million-to-each-province-to-fight-covid-1912>
5. World Health Organisation (2018). Fact sheet on tobacco : Nepal
https://apps.who.int/iris/bitstream/handle/10665/272687/wntd_2018_nepal_fs.pdf?sequence=1
6. Nepal STEPS Survey 2019: Fact Sheet; Nepal Health Research Council (NHRC)
<http://nhrc.gov.np/wp-content/uploads/2019/11/National-Factsheet-English-1.pdf>

ANNEX 1: Excise Duty on tobacco products from Fy 2020-2021

S.N	Cigarettes	Unit	2020	2021	Increased Percentage (2020-2021)
1.	Up to 70 mm with filter	Per M	1135	1418	24.93 %
2.	70 mm without Filter	Per M	495	618	24.848 %
3.	Cigarette (over 70 – up to 75 MM) with Filter	Per M	1475	1843	24.94 %
4.	Cigarette (over 75 – up to 85 MM) with Filter	Per M	1920	2400	25 %
5.	Cigarette (over 85 MM) with Filter	Per M	2715	3393	24.97 %
6.	All kinds of cigars	Per stick	17	21	23.52 %
7.	Bidi	Per M	90	94	4.44 %
8.	Pipe Tobacco	Per Kg	1335	1668	24.9 %
9.	All kinds of Jardaakhaini and Nash	Per Kg	650	812	24.92 %
10.	Packed raw chewable tobacco containing lime	Per kg	335	418	24.77 %
11.	Hukkah Flavor	Per kg	1000	1200	20 %
12.	Electric cigarette		30	30	0 %

Source: Arthk Bidhyek of various years

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Annex 2: Excise Duty on Alcohol Products

S.N	Harmonic code	Products	Unit	Excise rate (FY 2077-2078)	Excise rate (FY2078-2079)	Increased price (fy 2077/78—2078/79)	Increased percentage (fy 2077/78—2078/79)
1.	2203.00.00	Beer made from Barley	Per liter	165	198	33	20 %
2.	2204.10.10	Wine upto 12 % Alcohol	Per liter	370	444	74	20 %
3.	2204.10.20	Wine upto 17 % Alcohol	Per liter	370	444	74	20 %
4.	2204.10.30	Wine more than 17% Alcohol	Per liter	430	516	86	20 %
5.	2206.0010	Country beer (Chyang)	Per liter	35	43	8	22.85 %
5.	2206.00.20	Sampien , Sery, Mid, Perry, Cider	Per liter	430	516	86	20 %
6.	2206.00.10	Sake	Per liter	430	516	86	20 %
7.	2208.2091	Alcohol upto 15 UP (48.5% alcohol)	Per liter,	1325	1592	267	20.15 %
				1560	1872	312	20 %
8.	2208.20.92	Alcohol upto 25 UP (42.5% alcohol)	Per Lp liter	990	1188	198	20 %
				1320	1584	264	20 %
9.	2208.20.93	Alcohol upto 30 UP (39.94% alcohol)	Per liter	920	1105	185	20.10 %
				1315 Per LP liter	1578 Per LP liter	263 per Lp liter	20 %
10.	2208.20.99	Others	Per liter,	1325	1592	267	20.150 %
				1560 Per Lp liter	1872 Per Lp liter	312 Per Lp liter	20 %

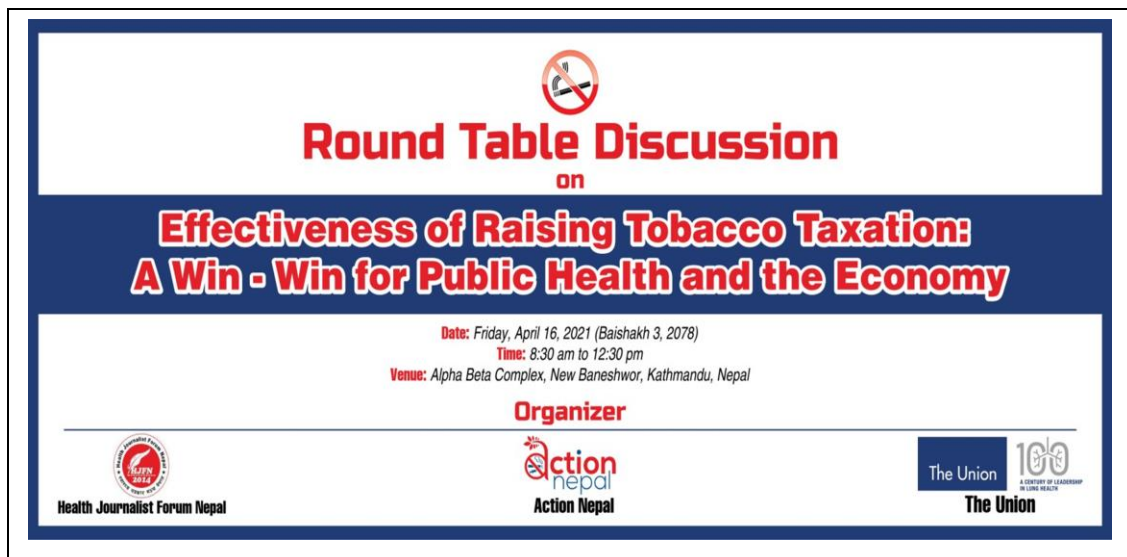
Source: Arthk Bidhyek of various years.

Retrieved from: https://healthtvonline.com/health-news/2021/05/35902/?fbclid=IwAR21vb83Fjxy-xL_FmPLhJzU9cpbauCzGvnAfk4ppahFdh5kERietMY9P4M

1st July, 2021

Annex 3:


Round Table Discussion on Effectiveness of Raising Tobacco Taxation: A Win - Win for Public Health and the Economy





Round Table Discussion
on
**Effectiveness of Raising Tobacco Taxation:
A Win - Win for Public Health and the Economy**

Date: Friday, April 16, 2021 (Baishakh 3, 2078)
Time: 8:30 am to 12:30 pm
Venue: Alpha Beta Complex, New Baneshwor, Kathmandu, Nepal

Organizer

 Health Journalist Forum Nepal

 Action Nepal

 The Union

सुर्तीजन्य पदार्थमा 'प्रभावकारी' दरमा किन बढेन कर र

सामान्य प्रशासन मन्त्री भन्छन्, अर्थ र स्वास्थ्य मन्त्री संगै राखेर यस विषयमा छलफल गर्छु।

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