

# Raise Tobacco Tax for Prosperous Nepal, Happy Nepali

Smoking is a huge burden to health and economy of Nepal

treating diseases caused by tobacco is very high. Reducing tobacco use is, therefore, essential to move these provinces towards prosperity.



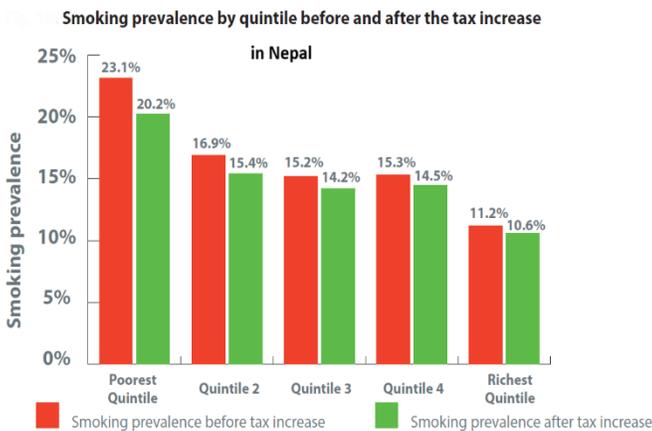
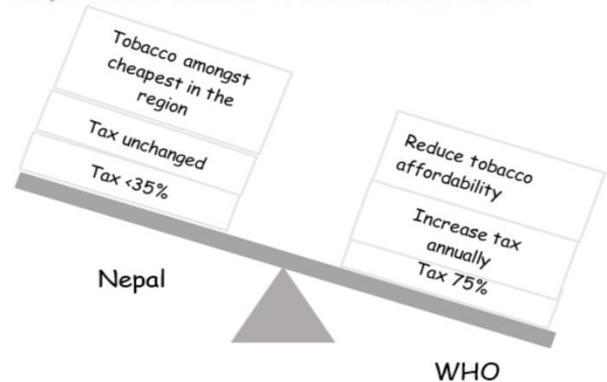
The cost of tobacco in Nepal, both in terms of the negative impact on public health and the economy, will continue to grow if the government does not take decisive action to limit its use.

"price and tax measures on tobacco are an important and underutilized revenue stream to finance national development efforts" (The 2015 Addis Ababa Action Agenda on Financing for Development), but

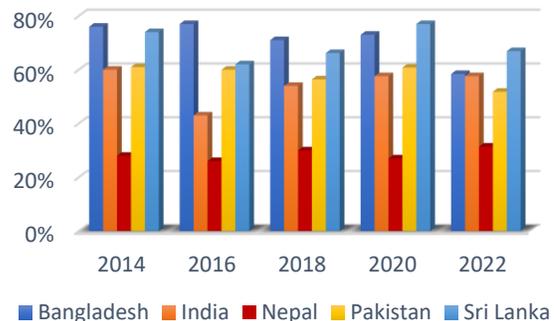
## RAISING TOBACCO TAX: ...a win-win for public health and the economy

## Nepal is far behind the WHO's standard

"a 10% increase in the retail price of cigarettes is estimated to reduce cigarette consumption by about 4% in high-income countries and 6 to 8% in low- and middle-income countries" (WHO). Increasing tobacco tax in Nepal is pro-poor.



## Tobacco Tax Rates in South Asian Countries (WHO)



In Nepal, the rate of tobacco use is high in Lumbini, Sudurpaschim, Karnali, and Madhes Pradesh. Poverty rate is also high in Karnali, Sudurpaschim, and Madhes Pradesh. The cost of

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Raising taxes is expected to have the highest return on investment, in terms of tobacco control: for every Nepalese rupee invested in tobacco control, one can expect to see 581 rupees in economic benefits in return (Nepal Government, WHO, FCTC, UNDP, RTI International 2019).

It is regrettable that while the WHO has recommended a tax rate of 75 percent of the retail price of tobacco products, Nepal has a tax rate of less than half of that. If the Government of Nepal fails to discourage its consumption through appropriate tax increases on tobacco products, Nepal will not be able to achieve Goal 3 "Good Health and well-being" under the Sustainable Development Goals. So, the government should initiate a new beginning to stop this single most preventable cause of disease, disability, and premature death. The government, therefore,

### Increase the Health Hazard Tax

The health risk tax imposed on tobacco products in Nepal is low and has remained the same for the past three years. For the fiscal year 2082/83 the government must increase the HHT as follows:

	Bidi per stick	Cigarette/ Cigar per stick	Surti, Khaini, Gutkha, Pan Masala per kg
Existing	30 paisa	60 paisa	Rs. 60
Proposed	Rs. 0.50	Rs. 1	Rs. 100

### Increase Excise Duty on Tobacco

Tobacco excise tax in Nepal is very low making it cheap and affordable for all age groups. The most effective way to increase tobacco tax is to increase the excise duty imposed on such products. We suggest that the excise tax on tobacco be increased by at least 50% of the existing rates:

	Without filter (per 1000) in Rs.	With Filter (per 1000) in Rs			
		Upto 70 MM	More than 70 but less than 75 MM length	More than 75 but less than 85 MM length	More than 85 MM length
Existing	755	1740	2370	3060	4200
Proposed	1132.50	2610	3555	4590	6300

### Recommendations

1. *Substantially increase tobacco tax in the coming fiscal year*

The government should increase the tobacco tax substantially to make the retail price effective enough to discourage smoking and meet WHO's recommendation.

2. *A mechanism on raising tax annually*

Establishing an automatic mechanism on raising tobacco tax annually is recommended to prevent the effect of tobacco tax from being eroded by inflation and income increment.

3. *Allocate tax revenue to finance tobacco control, smoking cessation & related healthcare*

Annually tobacco use cost Nepal about NRS 50 billion. Nepal should allocate a high and specific proportion of the tobacco tax revenue to tobacco cessation services and other medical and health care purposes. More resources should be provided to enhance health education, smoking prevention, and law enforcement to reduce tobacco prevalence.

### Common misconceptions about raising tobacco tax

Misconception: Raising tobacco tax aggravates tobacco smuggling.

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Truth: No causal relationship between raising tobacco tax and the black market. Moreover, the market price of the best-selling cigarette in Nepal is Rs. 320, while the price of a similar quality cigarette in India is NPR 544. Again, the most effective measure to prevent smuggling is the enhancement of enforcement actions.

Misconception: Grass roots would be suffered from tobacco tax.

Truth: Raising tobacco tax could help the comparatively poor people give up the costly smoking habit and enhance their productivity and improve their quality of life.