

To,

Date: 13, June 2019

Smt.Nirmala Sitharaman
Hon'ble Finance Minister,
Ministry of Finance Government of India
Room No - 136-A, North Block
New Delhi - 110001

Sub: Request for kind support on few public health issues, as Hon'ble Finance Minister for a healthy and strong India.

Dear Ma'am,

Voluntary Organisation in Interest of Consumer Education (VOICE) is a non-government organisation based in New Delhi working on various social and health issues including tobacco control across India. We are a national level consumer organization, representing consumer interests in various policy making and regulatory agencies at national and international level since 1983. See details at: www.consumer-voice.org

First and foremost, we would like to congratulate you for your appointment as the Finance Minister, Govt. of India in the Cabinet led by Prime Minister Shri Narendra Modi Ji, which is key portfolio to materialize the vision to transform India and to fuel the development of country to new heights. You and your ministry have pivotal role in bringing the vision of inclusive development (*Sabka Sath, Sabka Vikas, Sabka Vishwas*) to the ground.

As a public welfare organisation, we would request your kind attention to some public health issues which as Financial Minister you can consider to look into to protect and promote public health in national interest. Finance and health are deeply connected and necessary for health and wealth of the nation.

According to the latest National Family Health Survey, the health indicators have not shown considerable progress. Despite considerable progress in last few years, we are still battling with diseases such as Malaria, Tuberculosis. There are still 266.8 million

tobacco users in India – second only to China. A staggering 42.4% of men and 14.2% of women currently use tobacco (smoked and/or smokeless tobacco).¹ Tobacco use

imposes enormous health and economic costs on the country. Each year, almost 1 million Indians die from tobacco-related diseases in India. The total direct and indirect health costs attributable to tobacco use among people aged 35-69 was a staggering Rupees 1.05 lakh crores (\$22.4 billion) in 2011 or 1.16% of GDP. Indeed the costs of tobacco use are far greater than what the government gains in tobacco excise revenue (just 17% of total health cost).

We heartily laud the Modi government's decision in placing all tobacco products within the 28% slab under GST, which is a great tool to fight tobacco menace in India. But in case of Bidis, considering their incredible health and economic harms it is critical that they be immediately classified as a demerit good like other tobacco products. *Not classifying Bidis as a "sin" product like all other tobacco products under GST is a very anti-poor and even anti-development policy since it is preventing millions of Indians to rise above the poverty line.*

In view of the above, we humbly submit the following recommendations:

- 1. Increase Public Health Budget:** Given the current burden of communicable and non-communicable diseases, Governments have recommended that at least 2.5% of the GDP must be devoted to Public Expenditure on Health. Therefore, in the upcoming budget the Health Budget needs to increase to about 30%-40% every year, matched with increased allocations in the state budgets, as well to ensure that the allocated budget is spent properly and fully. Health is an investment and not an expenditure as public health shortcomings and lapses can completely derail the economic development of the country.
- 2. Putting Bidis in the demerit rate and an additional cess to be imposed to reduce its consumption:** It is also critical that bidis are subjected to a cess similar to other tobacco products. Recent data shows that the average monthly expenditure for a regular cigarette smoker is Rs 1192 while a poor Indian can smoke bidis regularly in a month for just Rs. 284.¹ The low tax burden imposed on bidis is continuing to keep these products extremely artificially cheap and affordable to the poorest Indians. Based on our organization's informal pre and post GST bidi pack purchase survey conducted in fourteen states and one union territory, it is our understanding that even the 28% GST rate has resulted in a minimal 1.6% increase in the average price of bidis.¹

¹ John, Rijo M., Estelle Dauchy, and Mark Goodchild. "Estimated Impact of the GST on Tobacco Products in India." Tobacco Control, September 15, 2018, <https://doi.org/10.1136/tobaccocontrol-2018-054479>.

- 3. To Impose and continue the Central Excise on Cigarettes:** While bidis are the most commonly used smoked tobacco product in India, cigarette use is growing as

incomes rise and cigarette marketing becomes more aggressive and common.⁸ Half of lifetime smokers will die prematurely from tobacco related diseases, on average losing ten years of their lives.

WHO recommends that countries impose tobacco excise taxes that amount to at least 70% or more of retail price to achieve the dual objective of reducing tobacco use and increasing government revenue. The pre and post survey referenced above revealed that the new GST rate plus the cess only resulted in a 6.9% increase in prices which makes the level of cigarette tax well below the recommended 70% of price since the pre-GST tax burden on cigarettes was only around 53%. The overall tax rate on cigarettes in India is still low compared to other middle-income countries with effective tobacco tax systems. It is critical that India commits to a roadmap for fiscal tightening on cigarettes by bringing back excise in a calibrated manner.

In spite of claims to the contrary of how increasing cigarette prices have contributed to illicit trade, a recent survey conducted by our organization in 8 cities and towns across India revealed that only 2.73% cigarette packs were classified as illicit.²

- 4. Reinstate Central Excise on Smokeless tobacco products:** About 350,000 deaths annually are attributable to smokeless tobacco use in India. The GATS 2 also shows that the relative reduction in prevalence was much lower for smokeless tobacco use compared to smoking in India. Yet, the average tax burden on smokeless tobacco products is about 60%, well below the recommended levels by the WHO. Reinstating the central excise on smokeless tobacco products would help make these products more unaffordable and reduce the prevalence.
- 5. Enhance budget for tobacco crop replacement and alternate livelihood for tobacco farmers:** Tobacco farming has various harmful effects not only on tobacco farmers and their family but also on environment, flora and fauna and peoples in that area. It has various health hazards and tobacco companies are exploiting farmers to keep them in the trade. Recently government of India started several interventions to promote alternate livelihood and crop diversification to help farmers coming out of

² John, Rijo M., Estelle Dauchy, and Mark Goodchild. "Estimated Impact of the GST on Tobacco Products in India." Tobacco Control, September 15, 2018, <https://doi.org/10.1136/tobaccocontrol-2018-054479>.

the tobacco trap. There is need to enhance **budget for tobacco crop replacement and alternate livelihood for tobacco farmers in long term interest of farming community and nation**

By enhancing health allocation, more budget for tobacco crop replacement, categorizing bidis as a demerit good and imposing a cess on them and also bringing back excise taxes on cigarettes, you can assure that millions of tobacco users will quit and many millions more of young tobacco users will be prevented from falling into clutches of deadly tobacco. As a Finance Minister you have great power and responsibility to make nation health and wealthy. We would request you to consider priorities these agenda in the polices, schemes, actions and budget by the Finance Ministry.

Thanking you in advance for your support for these public health concerns.

Yours' Sincerely

Ashim Sanyal,
COO, Consumer VOICE, New Delhi.