

CIGARETTE TAXATION IN INDIA: TRENDS, CHALLENGES, RATIONALE AND POLICY IMPERATIVES

THE CHANGING LANDSCAPE OF CIGARETTE TAXATION SINCE 2017

Cigarette taxation remains a globally recognised public health measure that effectively reduces tobacco consumption, particularly among youth and low-income populations, while simultaneously decreasing exposure to second-hand smoke. Beyond its health impact, cigarette taxation serves as a critical source of government revenue, supporting the financing of essential public health programmes.

Among 184 countries that impose cigarette taxes, India ranks 89, with the tax share on cigarettes currently at 57.6% of the retail price.

In this context, this factsheet reviews the trajectory of cigarette taxation in India since the introduction of the Goods and Services Tax (GST) in 2017. It provides an overview of the prevailing tax structure, analyses the potential implications of the proposed 40% GST without compensation cess discussed during the 56th GST Council meeting in September 2025, and outlines key policy considerations to strengthen tobacco taxation in alignment with global best practices and evidence-based recommendations.

CIGARETTE TAXATION SINCE 2017

Implementation of Goods and Service Tax (GST), 2017

Cigarette Size	GST	NCCD (₹ per 1,000 sticks)	Compensation cess	
			Specific tax (₹ per 1,000 sticks)	Ad Valorem
Up to 65 mm	28%	₹ 90	₹2,076	5%
65-70 mm	28%	₹145	₹3,668	5%
< 65 mm	28%	₹90	₹2,076	5%
Up to 70 mm	28%	₹90	₹2,747	5%
70-75 mm	28%	₹145	₹3,668	5%
Above 75 mm	28%	₹235	₹4,170	36%

BASIC EXCISE DUTY (BED)
A SPECIFIED RATE

REINTRODUCED IN 2019 AT 5 PER 1,000 STICKS

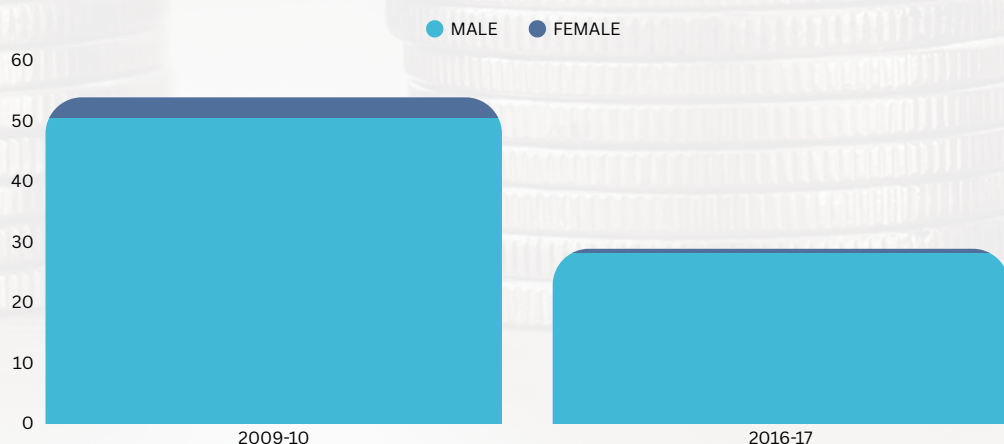
NATIONAL CALAMITY CONTINGENT DUTY (NCCD) LEVIED BASED ON THE LENGTH OF CIGARETTES.

IN 2022-23, THE NCCD RATE WAS INCREASED BY 16%.

PREVALENCE OF CIGARETTE CONSUMPTION

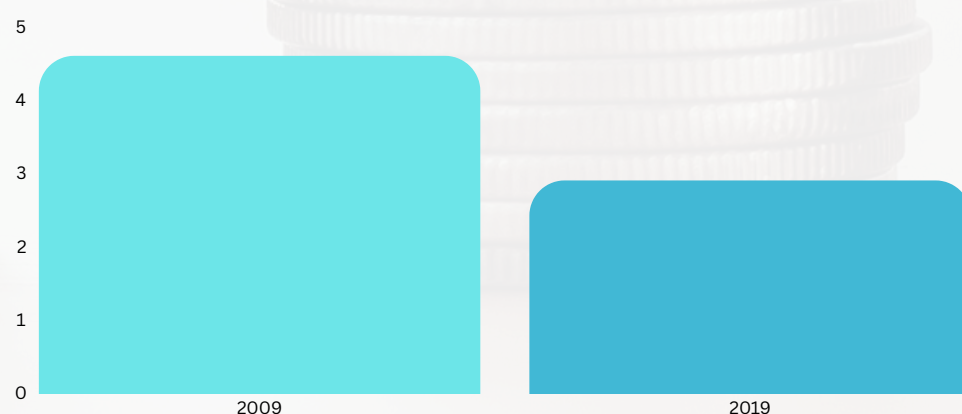
Smoking Trends: The Adult Story (in Million)

Global Adult Tobacco Survey (GATS) data show a decline in cigarette smoking prevalence among both males and females from GATS-1 to GATS-2.



Smoking Trends: The adolescent story (in percentage)

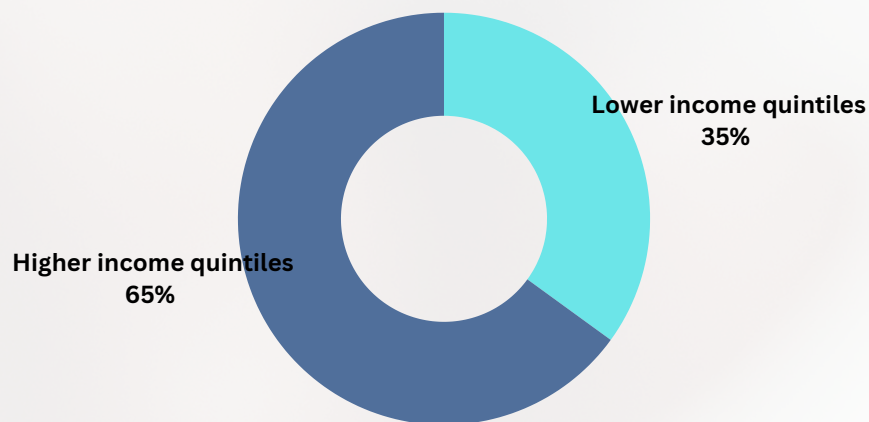
Global Youth Tobacco Survey (GYTS) data show a decline in cigarette smoking prevalence among adolescent (13 to 15 years) from GYTS-3 to GYTS-4



HEALTH BURDEN OF CIGARETTE CONSUMPTION

The prevalence-based attributable-risk approach was used to estimate the economic cost of cigarette-attributable diseases, including both medical and non-medical expenditures.

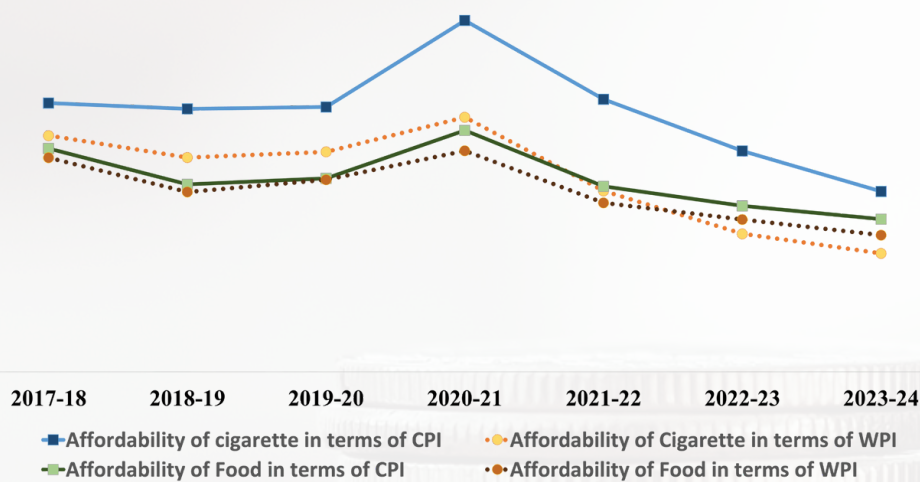
Who Smokes More?



Behind the Smoke: A Growing Health Crisis



CIGARETTES BECOMING MORE AFFORDABLE FROM 2017 TO 2024?



- Cigarettes have become more affordable over time.
 - In terms of Consumer Price Index (CPI), the affordability gap with food items has declined substantially over time.
 - In terms of Wholesale Price Index (WPI), cigarettes have become more affordable compared to food items in recent years.

IMPACT OF PROPOSED INCREASE IN GST (28% → 40%)

Based on the recommendations of the 56th GST Council meeting held in September 2025, cigarettes will continue to be taxed at the existing rate of 28% plus compensation cess for now. Once the compensation cess obligations are fully met, cigarettes are expected to be moved into the proposed 40% GST slab for “sin goods”.

After the phasing out of the GST compensation cess, an additional 45.43% levy, or health cess, along with the existing 40% GST, should be imposed to align with the WHO FCTC’s recommended best practice of maintaining a minimum tax share of 75% of the retail MRP.

40% GST Without Compensation Cess

Public Health Impact:

- Expected increase in smokers from 40.57 million to 43.72 million.
- Expected life years lost: 9.47 million.

Lower Tax Revenue:

- Tax as a share of cigarette retail price is expected to decrease from 52.58% to 29.57%.
- Estimated revenue loss: 213 billion (from 360.63 billion).

With Additional Levy/ Health Cess

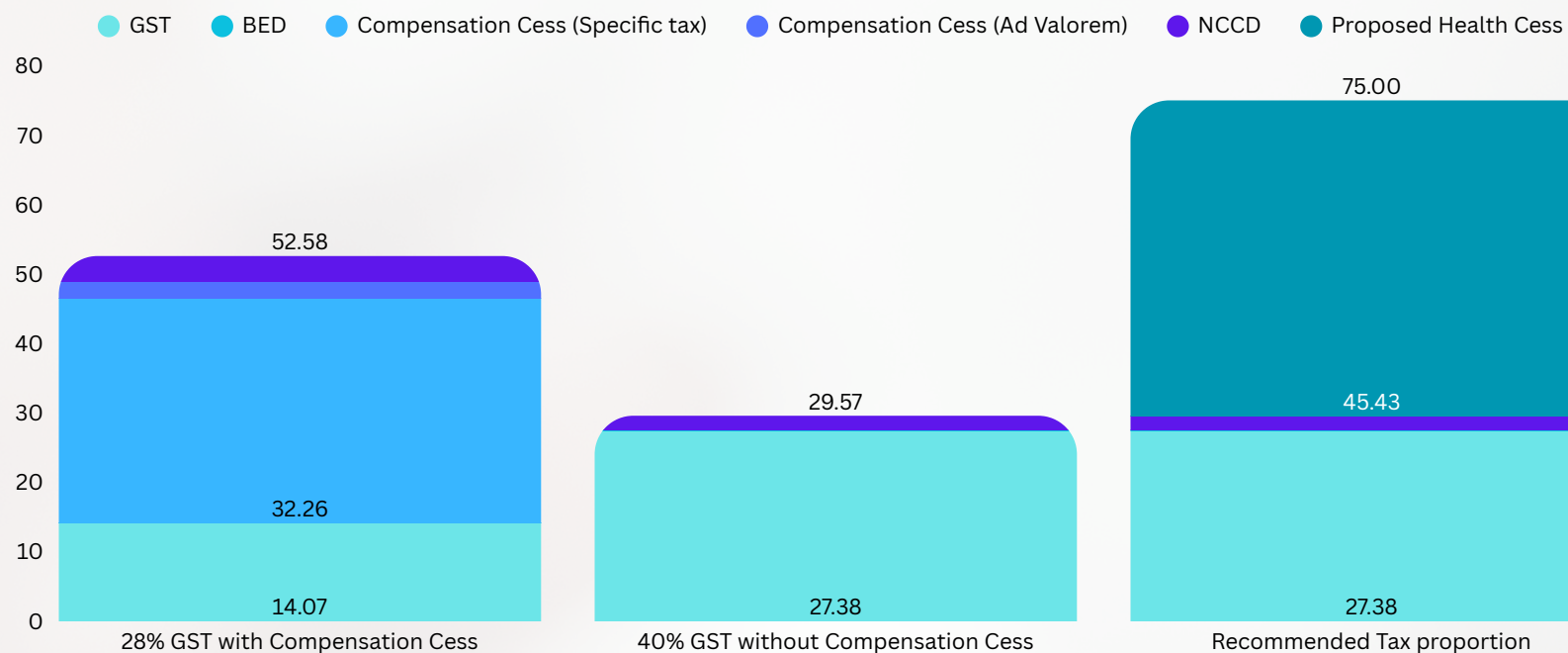
Public Health Impact:

- 36.58 million smokers are expected to quit, reducing the total from 43.72 million to 7.14 million.
- 21.42 million life years are expected to be saved.

Higher Tax Revenue:

- Revenue is estimated to increase from ₹213 billion to ₹649.31 billion

THE TAX BITE IN EVERY CIGARETTE (IN PERCENTAGE)



RECOMMENDATIONS

Impose Additional Levy

- Impose additional levy of 45.43% to achieve benchmark of 75% tax share of retail price.

Standardize Tax Rate

- Eliminate the existing multi-tier tax structure across different sizes and types of cigarettes to create a uniform and more effective taxation system.

Remove Abatement/ Discounting Provisions

- Eliminate any abatement provisions that reduce the effective tax burden on cigarettes.
- Removal of abatement will increase the retail price of cigarettes by 1.39% to 5.49%.

Introduce a Cigarette Tax Escalator Mechanism

- BED and NCCD should be revised annually in line with inflation to ensure regular price increase.

LIST OF CONTRIBUTORS

NICPR

- DR. SHALINI SINGH, DIRECTOR
- DR. PRASHANT KUMAR SINGH, SCIENTIST E
- DR. BHAGYASHREE ROUT, RESEARCH CONSULTANT
- MS. SANCHITA ROY PRADHAN, PROJECT CONSULTANT

MANT

- DR. NIRMALYA MUKHERJEE, CHIEF EXECUTIVE
- DR. PARAMITA BHATTACHARYA, DIRECTOR- RESEARCH
- MS. SURAYA ROY, RESEARCH OFFICER
- MR. JIT CHATTOPADHYAY, COMMUNITY VIDEO PRODUCER

AIIMS JODHPUR

- DR. PANKAJ BHARDWAJ, ACADEMIC HEAD, SCHOOL OF PUBLIC HEALTH
- DR. YOGESH JAIN, PROJECT MANAGER, SCHOOL OF PUBLIC HEALTH

VITAL STRATEGIES

- DR. RANA J. SINGH, DIRECTOR
- DR. AMIT YADAV, DEPUTY DIRECTOR
- DR. PUNEET CHAHAR, TECHNICAL ADVISOR
- DR. SHIVAM KAPOOR, TECHNICAL ADVISOR

INDEPENDENT CONSULTANT

- MR. PRANAY LAL, INDEPENDENT RESEARCHER

SOURCES

- Global Adult Tobacco Survey ([GATS-1](#), [GATS-2](#))
- Global Youth Tobacco Survey ([GYTS-3](#), [GYTS-4](#))
- National Sample Survey ([NSSO 75th Round, 2017-18](#))
- National Family Health Survey ([NFHS-5, 2019-20](#))
- [GST Council Reports](#)
- [World Health Organization - Global Health Observatory \(2024\)](#)

REVIEWERS

- DR. PRITAM DUTTA, FELLOW, NIPHP
- DR. SARIT ROUT, ADDITIONAL PROFESSOR, IIPHB