

SMOKELESS TOBACCO TAXATION IN INDIA: TRENDS, CHALLENGES, RATIONALE AND POLICY IMPERATIVES

THE CHANGING LANDSCAPE OF SMOKELESS TOBACCO (SLT) TAXATION SINCE 2017

Smokeless Tobacco (SLT) comprises a wide range of heterogeneous products, making price and tax measures on SLT often confusing. Therefore, it is essential to provide more clarity on this topic so that tax policies on SLT can be made more effective. Significantly increasing the excise tax and price of tobacco products is the single most consistently efficient approach for reducing SLT usage, particularly among low-income individuals. SLT taxes increase government revenue while also contributing to the support of public health services. With this background information, the factsheet allows readers to understand SLT taxation in India, along with recommendations for increasing SLT taxation in accordance with global recommendations.

SLT TAXATION SINCE 2017

Implementation of Goods and service tax (GST), 2017

Smokeless Tobacco Product	GST (%)	Cess (%)	NCCD (%)
Chewing tobacco (without lime tube)	28	160	10
Chewing tobacco (with lime tube)	28	142	10
Filter khaini	28	160	10
Jarda scented tobacco	28	160	10
Pan masala containing tobacco 'Gutkha'	28	204	10
"Homogenised" or "reconstituted" tobacco, bearing a brand name	28	72	10
Preparations containing chewing tobacco	28	72	10
Snuff	28	72	10
Preparations containing snuff	28	7	10
Tobacco extracts and essence bearing a brand name	28	72	10
Tobacco extracts and essence not bearing a brand name	28	65	10
Cut Tobacco	28	20	-
All goods, other than pan masala containing tobacco 'gutkha', bearing a brand name	28	96	10
All goods, other than pan masala containing tobacco 'gutkha', not bearing a brand name	28	89	10

2019: Excise Duty reintroduced at 0.5% of the value

2023: National Calamity Contingent Duty (NCCD) is leviable on smokeless tobacco at an ad valorem rate of 25% .

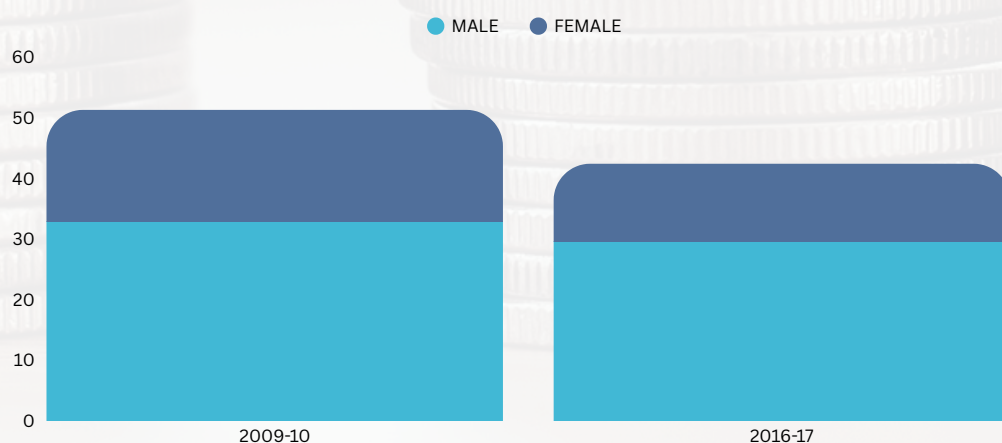
2023: The compensation cess structure for smokeless tobacco was changed from an *ad valorem* (percentage of value) system to a retail sale price (RSP)-based levy

Smokeless Tobacco Product	Cess as a Fixed Rate per Unit ('R' stands for the retail sale price)
Cut tobacco	0.14R per unit
Unmanufactured tobacco (with lime tube) – featuring a brand name	0.36R per unit
Unmanufactured tobacco (without lime tube) – with a brand name	0.36R per unit
Branded tobacco refuse	0.32R per unit
Tobacco extracts and essence bearing a brand name	0.36R per unit
Tobacco extracts and essence not bearing a brand name	0.36R per unit
Filter khaini	0.56R per unit
Jarda scented tobacco	0.56R per unit

PREVALENCE OF SLT CONSUMPTION

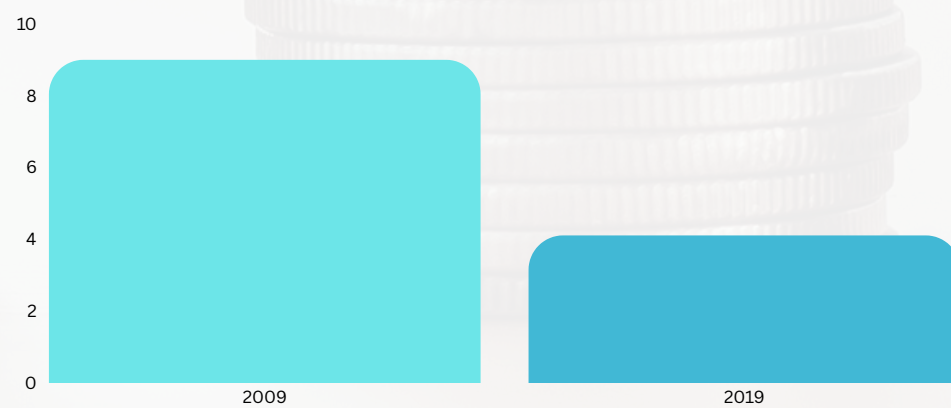
SLT Consumption Trends: The Adult Story (in percentage)

Global Adult Tobacco Survey (GATS) data show a decline in adult SLT consumption from GATS-1 to GATS-2. However, the prevalence remains high among both men and women, underscoring a continued public health concern.



SLT Consumption Trends: The adolescent story (in percentage)

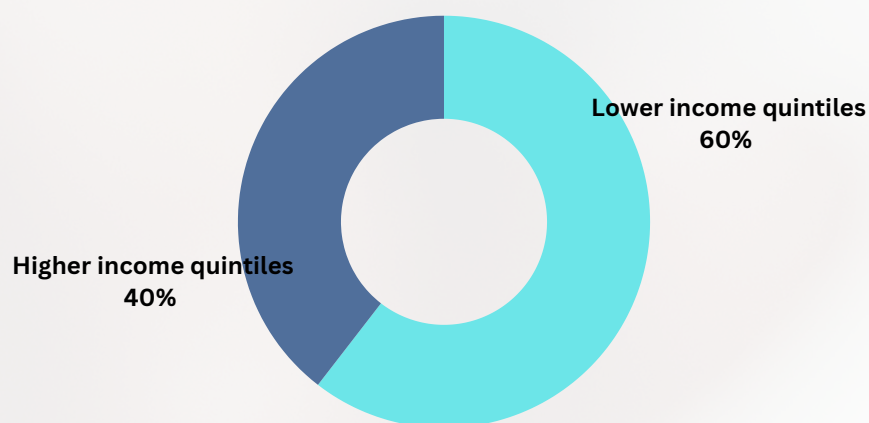
Global Youth Tobacco Survey (GYTS) data show a decline in SLT consumption among adolescent (13 to 15 years) from GYTS-3 to GYTS-4.



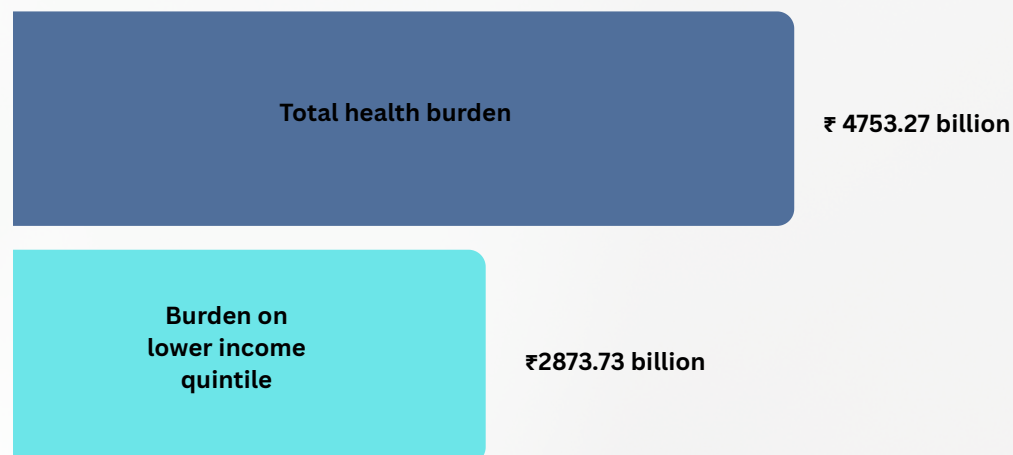
HEALTH BURDEN OF SLT CONSUMPTION

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

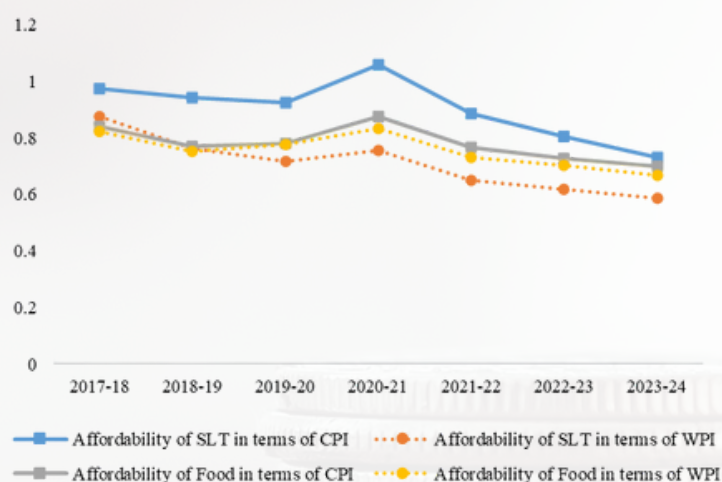
Who Consumes SLT More?



Behind the SLT Consumption: A Deepening Health Crisis



SLT BECOMING MORE AFFORDABLE FROM 2017 TO 2024?



- SLT 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), SLT 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, SLT will continue to be taxed at the existing rate of 28% plus compensation cess for now. Once the compensation cess obligations are fully met, SLT 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 41.61 % 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 consumer from 130.62 million to 185.23 million.
- Expected life years lost: 47.51 million.

Lower Tax Revenue:

- Tax as a share of SLT retail price is expected to decrease from 69.16 to 36.28
- Estimated revenue loss: from 22.51 billion to 10.96 billion.

With Additional Levy/ Health Cess

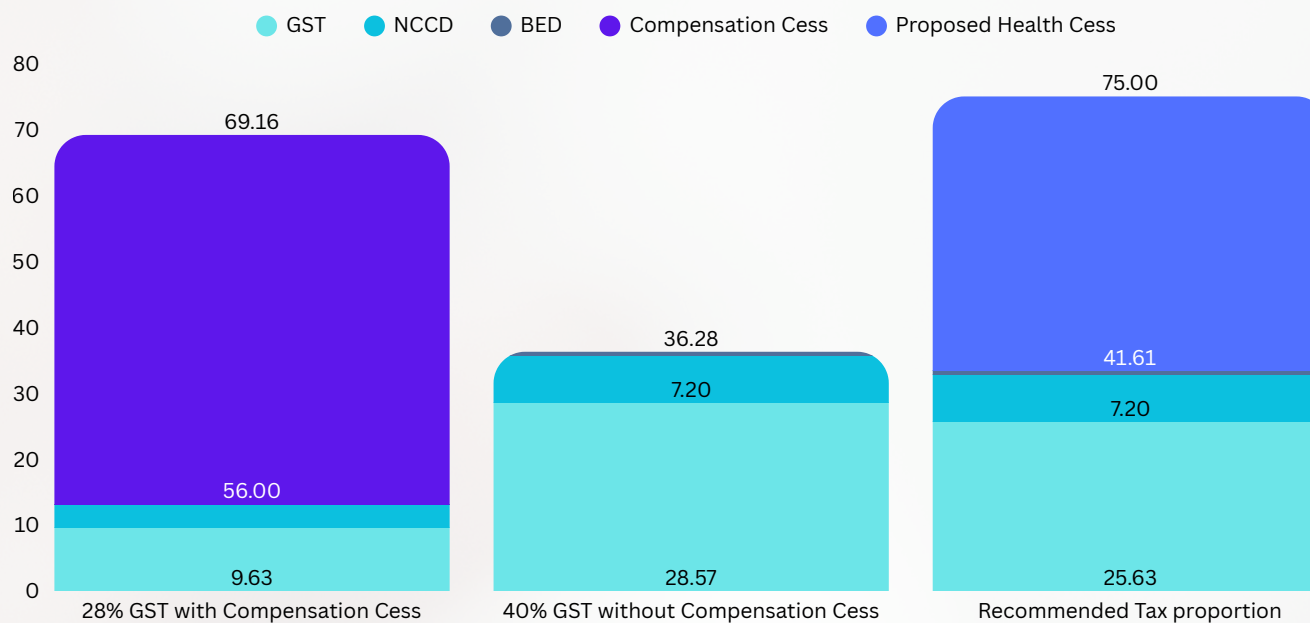
Public Health Impact:

- 9.58 million consumers are expected to quit, reducing the total from 130.62 million to 121.04 million.
- 8.33 million life years are expected to be saved.

Higher Tax Revenue:

- Revenue is estimated to increase from ₹22.51 billion to ₹24.64 billion.

THE TAX SHARE ON SLT RETAIL PRICE (IN PERCENTAGE)



RECOMMENDATIONS

Strengthen Taxation Measures

- Increase taxation on SLT products as a proven strategy to reduce consumption.
- Introduce a tax on raw materials used for SLT packaging to curb affordability and discourage consumption.

Standardize Packaging

- Implement standard and uniform packaging for all SLT products to minimize brand appeal and reduce initiation, particularly among young people.

Enhance Health Warnings

- Mandate clear, prominent, and graphic pictorial health warnings covering a significant portion of SLT packaging to raise risk awareness and influence behavior change.

Strengthen Regulation and Awareness

- Enforce stricter regulations on SLT production, distribution, marketing, and sale in alignment with WHO FCTC guidelines.
- Scale up public awareness campaigns on the health risks of SLT use to promote behavioral change.
- Adopt comprehensive measures to reduce affordability, accessibility, and harmful use of SLT products.

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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 \(2024\)](#)

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