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If you love cigarettes, your savings will go up in smoke

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Nikhil S Dixit & Shailaja Sharma

Cigarette is injurious to health, we know that. But now it will affect your pocket as well because the Union finance minister Pranab Mukherjee has proposed an increase in prices of tobacco. Now, even non-smoking tobacco products such as scented tobacco, snuff, chewing tobacco will burn a hole in your pocket.

Mukherjee said there would be some structural changes in the excise duty on cigarettes, cigars and cigarillos coupled with some increase in rates.

"I also propose to enhance excise duty on all non-smoking tobacco such as scented tobacco, snuff, chewing tobacco etc. In addition, I propose to introduce a compounded levvy scheme for



ITC hiked prices before budget

Cigarette major ITC Ltd has already increased the price of Gold Flake Kings this month by 7% in anticipation of a 5 to 8% increase in excise duties in the Budget 2010-11. An pack of 10 cigarettes now costs Rs47 (earlier Rs44). Analysts say the company will be forced to take a further price hike in the range of 5-8% in order to save margins from being impacted.

chewing tobacco and branded un-manufactured tobacco....," said Mukherjee who had been a smoker for many years.

Anti-tobacco activists have welcomed the announcement. Padmini Somani, founder and director of Salaam Bombay Foundation, said: "It's a step in the right direction but must be implemented properly. It should not encourage leakage. The issue in tobacco has always been around evasion. That remains to be seen."

Since I quit smoking many years ago, I'd urge others to follow suit, as smoking is injurious to health. To this end, I am making some structural changes in the excise duty on cigarettes, cigars...with some increase in rates.

-Pranab Mukherjee

Prakash C Gupta, director, Healis-Sekhsaria Institute for Public Health India, said, "The important part in the increase in the excise duty on cigarettes and other tobacco products is rather non-specific. This provides no idea what the quantum of increase will be. As per the finance ministry, the economy is improving, meaning people have more purchasing power. Without a substantial increase in tax, the consumption of tobacco products will continue to increase, as has been demonstrated in several countries. This would have disastrous effect on public health."

According to habitual smokers, the price hike is unlikely to affect their smoking habits. Sandeep Ranade, an architect, said: "I have been smoking for the past 10 years and there has been a manifold increase in the price of cigarettes, but my habit of smoking as only increased."