GOVERNMENT OF INDIA
MIINSTRY OF COMMERCE AND INDUSTRY
DEPARTMENT OF COMMERCE
LOK SABHA
STARRED QUESTION NO. 134
ANSWERED ON 28/07/2026

HIGH TAXATION ON TOBACCO PRODUCTS

*134**.** SHRI DINESH CHANDRA YADAV:
SHRI GIRIDHARI YADAV:

Will the Minister of **COMMERCE AND INDUSTRY** (वाणिज्य एवं उद्योग मंत्री) be pleased to state:

(a) whether India is one of the major tobacco producing countries in the world and the second largest producer of tobacco;
(b) whether high taxation on tobacco and tobacco products adversely affects the income of tobacco farmers and there are apprehension regarding illicit trade and causing tax evasion;
(c) if so, whether any assessment has been made by the Government in this regard;
(d) whether the Government have received complaints in this regard and if so, the details thereof; and
(e) whether the Government proposes to take any steps to protect the interests of farmers and check illicit trade and prevent tax evasion and if so, the details thereof?

ANSWER

वाणिज्य और उद्योग मंत्री (श्री पीयूष गोयल)
THE MINISTER OF COMMERCE AND INDUSTRY
(SHRI PIYUSH GOYAL)

(a) to (e) A Statement is laid on the Table of House

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STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. *134 FOR ANSWER ON 28.07.2026 REGARDING “HIGH TAXATION ON TOBACCO PRODUCTS”

(a) to (e) India is the second largest producer of tobacco in the world after China. Over the last ten years, the exports of tobacco and tobacco products have increased from 240.93 million kg valued at Rs. 6,450.66 crore (USD 958.68 million) to 368.85 million kg valued at Rs. 17,192.04 crore (USD 1,948.98 million), registering an increase of about 53.10% in quantity and about 166.51% in value terms.

The Government has undertaken several measures to safeguard the interests of Flue-Cured Virginia (FCV) tobacco growers. These include promoting Good Agricultural Practices (GAP) to improve productivity and quality through the supply of quality seeds developed by the National Institute for Research on Commercial Agriculture (NIRCA), and fixing the authorised crop size annually in consultation with stakeholders to align production with market demand and promote price stability. The electronic auction platform has also been strengthened to ensure transparent price discovery and timely payments to the growers. Over the last ten years, the average price realised by FCV tobacco farmers has increased from Rs. 134.43 per kg to Rs. 251.14 per kg, an increase of 86.82%.

In addition, the Tobacco Board Growers' Welfare Scheme has been implemented, under which more than 1,300 growers benefited during 2025–26 through financial assistance for natural and accidental deaths, medical treatment, education, marriage, and repair of tobacco barns damaged due to natural calamities.

With regard to direct correlation between higher taxation on tobacco and tobacco products and its adverse impact on the income of tobacco farmers, no such assessment is available with the department.

To curb illicit trade and tax evasion, particularly in the tobacco and pan masala sector, the Government has introduced a capacity-based levy under Central Excise for specified tobacco products with effect from 01.02.2026. Under the Goods and Services Tax regime, Rule 31D has been inserted in the Central Goods and Services Tax Rules, 2017, with effect from 01.02.2026, providing for valuation based on Retail Sale Price to ensure tax collection at the first stage of supply. The facility of zero-rated supply of tobacco products on payment of Integrated Goods and Services Tax, with refund of such tax, has been withdrawn for better monitoring. Manufacturers of pan masala, tobacco, and similar goods are also required to declare production capacity, machinery, and actual production on a monthly basis. Further, Section 148A has been inserted in the Central Goods and Services Tax Act, 2017 to enable a Track and Trace Mechanism for evasion-prone commodities, with Section 122B prescribing penalty for non-compliance, thereby strengthening enforcement against tax evasion.

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