

CONFRONTING ILLICIT TOBACCO TRADE:



A GLOBAL REVIEW OF COUNTRY EXPERIENCES

BANGLADESH: ILLICIT TOBACCO TRADE

TECHNICAL REPORT OF THE WORLD BANK GROUP
GLOBAL TOBACCO CONTROL PROGRAM.

EDITOR:
SHEILA DUTTA



BANGLADESH

14

BANGLADESH:

Illicit Tobacco Trade

Sadiq Ahmed, Zaidi Sattar, and Khurshid Alam¹

Chapter Summary

In step with the country's notable recent tobacco taxation reforms, Bangladesh is taking action to fight the illicit tobacco trade. Bangladesh currently has a low estimated illicit cigarette trade incidence (2 percent), compared to estimated global rates of 10-12 percent. Annual revenue losses from illicit cigarette trade are about Taka 8 billion (\$100 million), or around 4 percent of total tobacco revenues. It is crucial to keep the illicit cigarette trade from expanding.

Bangladesh has established a strong legal and institutional foundations for tackling illicit tobacco. The Ministry of Health (MoH) has responsibility for setting, implementing, and monitoring health-related tobacco policies, while the Ministry of Finance (MoF) has primary responsibility for tobacco taxation and oversees the fight against illicit tobacco trade. Within the MoF, primary responsibility for illicit tobacco rests with the National Board of Revenue (NBR).

Cigarette taxation in Bangladesh is enforced through the cigarette stamp and banderole system, introduced in 2002. This system, together with control of smuggling and tightening of cigarette intelligence, has helped keep the illicit cigarette trade in check.

Illicit trade incidence for biri (cheap, hand-rolled cigarettes) is unknown owing to lack of data. However, industry intelligence reports suggest that the incidence of illicit biri trade

¹ Policy Research Institute of Bangladesh. Additional guidance for this chapter was provided by Sher Shah Khan (World Bank Group) and Ceren Ozer (World Bank Group).

could be significantly higher than for cigarettes. Despite the likely high volume of illicit biri trade, the revenue loss is presently not significant owing to the low effective tax rate for biri. However, recent reforms have for the first time aligned the biri tax base to the products' actual retail price. This change, coupled with a projected increase in the biri tax rate to match the rate for cigarettes, will raise the opportunity cost of illicit biri trade in Bangladesh.

The following recommendations are made:

- » **Monitor biri production and distribution:** The monitoring of biri production and distribution presents a major challenge for Bangladesh. The government could potentially improve the security of the biri banderole in a similar manner to cigarettes.
- » **Monitor both inputs and outputs to prevent tax evasion:** While the government needs to continue enforcement against illegal tobacco products at the different manufacturing points as well as at the retail level, officials should also increase their vigilance in monitoring tobacco sourcing.
- » **Strengthen regional VAT offices:** The regional VAT field offices and the customs intelligence administration are two critical NBR agencies for the control of illicit tobacco trade and would need to be strengthened.
- » **Strengthen local-level task forces:** Policy makers have begun to test the innovative idea of establishing low-cost implementation task forces at the local level to implement tobacco laws, including those concerning illicit trade. This approach has potential and needs to be fully developed, including through allocation of resources. Local task forces could be made functional in all districts and sub-districts, as envisaged by the government.
- » **Develop and publish a database on the incidence of illicit tobacco trade and actions taken:** Presently there is no reliable NBR database on the incidence of illicit tobacco trade. This gap should be addressed systematically. This should involve going beyond industry sources to develop independent estimates of illicit tobacco trade. The government could supplement industry illicit trade figures with its own efforts to estimate illicit cigarette trade.
- » **Ratify the Illicit Tobacco Trade Protocol:** Bangladesh was the first country to sign the FCTC. Consistent with its significant achievements in the areas of tobacco control, Bangladesh should sign and ratify the Illicit Tobacco Trade Protocol.

Overview

In recent years, Bangladesh has made progress in reducing tobacco use by implementing a comprehensive tobacco control program. The prevalence of both smoked and smokeless tobacco use in the country has fallen (Table 1). Tobacco use prevalence significantly declined among adults from 43.3 percent in 2009 to 35.3 percent in 2017 (GATS 2017).

Nevertheless, the overall prevalence of smoking in Bangladesh remains high at 18 percent, and nearly 21 percent of the Bangladeshi population uses smokeless tobacco (GATS 2017). In 2016, 25.54 percent of male deaths and 9.68 percent of female deaths in the country were estimated to have resulted from tobacco-related diseases (American Cancer Society 2018). As a result, despite recent progress, the challenge ahead for tobacco control in Bangladesh remains formidable.

Table 1. Prevalence of Tobacco Use in Bangladesh

INCIDENCE OF TOBACCO USE (%)	GATS BANGLADESH REPORT OF 2009	GATS BANGLADESH REPORT OF 2017
Overall tobacco use among adults	43.3	35.3
Tobacco use among males	58.0	46.0
Tobacco use among females	28.7	25.2
Overall smoking prevalence	23.0	18.0
Smoking prevalence among males	44.7	36.2
Smoking prevalence among females	1.5	0.8
Overall smokeless tobacco (SLT) use	27.2	20.6
Smokeless tobacco use among males	26.4	16.2
Smokeless tobacco use among females	27.9	24.8

Source: Global Adult Tobacco Survey, Bangladesh 2009 and 2017. 2017 Fact Sheet & Comparison Fact Sheet (issued on August 7, 2018).

<http://www.searo.who.int/bangladesh/gatsbangladesh2017comparison14aug2018.pdf>

<http://www.searo.who.int/bangladesh/gatsbangladesh2017fs14aug2018.pdf>

Bangladesh is a small player in the global tobacco market. The country's total production of cigarettes and "biris" (low-cost, low-quality, hand-rolled cigarettes) was estimated at 128 billion sticks in FY2016/17, equivalent to 2.3 percent of total estimated global cigarette production (BAT 2018). Illicit trade is estimated to represent between 10 and 12 percent of total global tobacco trade, and there are wide variations in the incidence of illicit tobacco trade by countries (CDC 2016). Available estimates suggest that Bangladesh has a comparatively low level of illicit cigarette trade (2 percent). No data are available for the volume of illicit biris. The database on smokeless tobacco products is almost non-existent because of the home-based nature of their production and consumption.

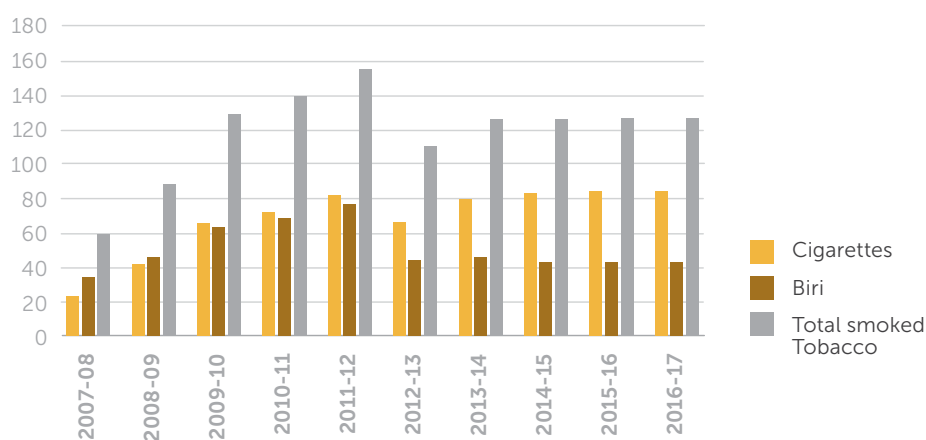
Bangladesh's revenue losses from illicit cigarette trade are about Taka 8 billion (US\$100 million) per year, roughly 4 percent of total revenues from tobacco. The loss from illicit biri trade is not likely to be high, because of the low tax rate currently applied to biri. On the other hand, the potential gains from higher and better-structured tobacco taxes are considerable. Bangladesh taxes low-end cigarettes at a substantially lower rate than higher-end

cigarette products. Indeed, biris were barely taxed at all until very recently. Consequently, the tax incentives for continued consumption of lower-end cigarette products and biris have not only affected public health adversely, but have also reduced tax revenues.

1. Bangladesh’s Tobacco Production, Revenues, and Illicit Trade: A Situation Analysis

Production Trend and Control Policies: Figure 1 shows the recent trend in the production of smoked tobacco products in Bangladesh, by main categories. Total cigarette and biri production rose rapidly from FY2007/08 to FY2011/12, growing at a pace of 27 percent per year. Production then fell sharply from the peak level of 154.9 billion sticks in FY2011/12 to 111 billion in FY2012/13. It recovered to 126.5 billion in FY2013/14 but has remained basically flat since then. This remarkable drop in smoked tobacco production reflects the government’s efforts to reduce smoking in Bangladesh through a range of measures including anti-smoking regulations, educational campaigns, and taxation measures.

Figure 1. Recent Trend in Cigarette and Biri Production

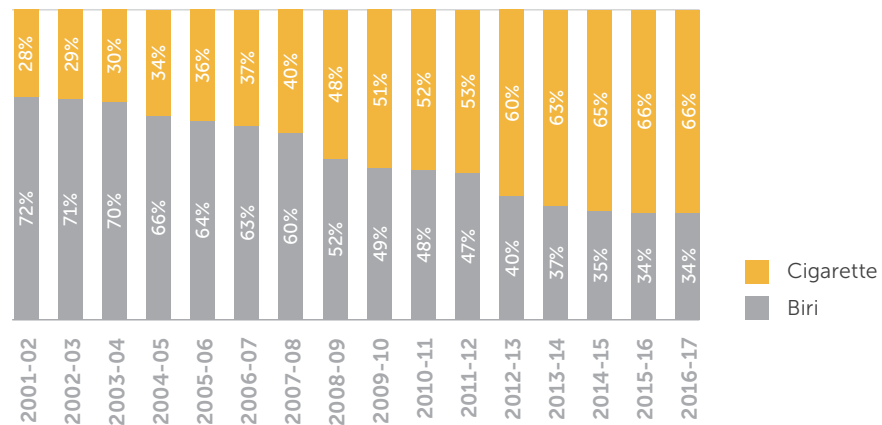


Sources: National Board of Revenue

A list of non-tax government regulations aimed at discouraging smoking is contained in Annex 1, at the end of this chapter. Bangladesh has no separate law on tobacco taxation. Rather, tobacco taxation is implemented as part of the Value-Added Tax (VAT) Law of 1991. Anti-tobacco laws and regulations, including taxation, have been progressively tightened since Bangladesh signed the WHO Framework Convention on Tobacco Control (FCTC) in 2003. Bangladesh has the distinction of being the first country to sign the FCTC and was among the first to ratify the treaty, in May 2004. The country’s tobacco control laws, regulations, and policies now encompass all four major areas of anti-smoking strategy: smoke-free places; advertising, promotion, and sponsorships; packaging and labeling; and taxation aimed at increasing prices and lowering the affordability of tobacco products.

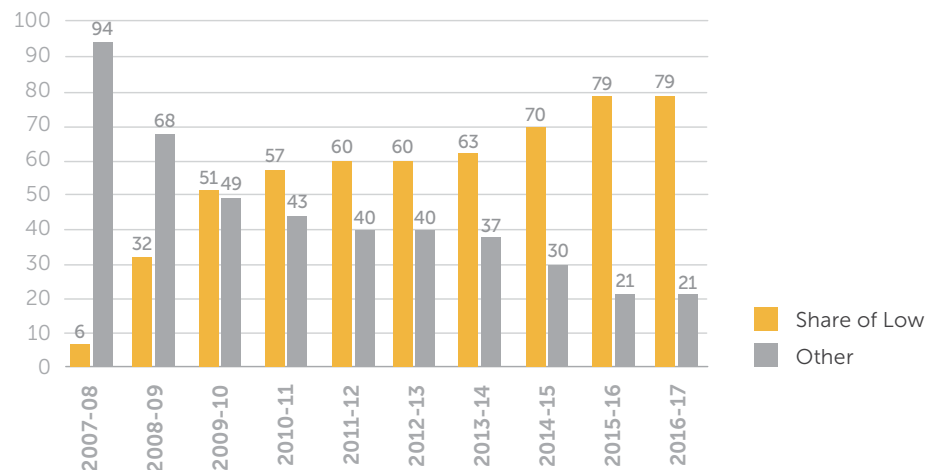
Despite the progress noted above, results regarding the changing composition of tobacco products are mixed. Smoked tobacco in Bangladesh comprises two major products: cigarettes and biris. Biri is a crude hand-rolled tobacco product that creates more health damage than cigarettes, on average. It is also very cheap, incurs low tax rates, and yields very little revenue compared with cigarettes. Over time, the share of biri in total production has declined from 72 percent in FY2001/02 to 34 percent in FY2016/17 (Figure 2). This is a positive development in terms both of health outcomes and government revenues. Within the cigarette market, there are four lines of products for pricing and taxation purposes in Bangladesh: Premium, High, Medium, and Low. Much of the country's cigarette production is concentrated around the low grade, and its relative share has risen substantially over time (Figure 3). Low-grade cigarettes have a relatively higher health hazard compared with higher grades and yield lower revenues owing to lower tax rates.

Figure 2. Shares of Cigarettes and Biri in Total Production (%)



Sources: National Board of Revenue

Figure 3. Share of Low-Grade Cigarettes Among Total Cigarettes (%)



Sources: National Board of Revenue

Pricing and Taxation Policies: Although the government has not banned cigarette imports, it imposes high taxes on imported cigarettes (Table A3.1, Annex 3). Tobacco imports in all forms are heavily taxed, but the tax rates are particularly high for imported cigarettes, ranging from 220 percent to 476 percent. Such high import taxes effectively function as an import ban on foreign cigarettes.

Domestic smoked tobacco products in Bangladesh are governed by a four-tiered ad valorem price and tax system, reflecting the four cigarette quality categories cited above. The effective tax rate is such that the premium and high segments are more heavily taxed than the lowest segment. Most importantly, biri is taxed at a much lower rate than other product types. Until recently, the effective tax rate for biri was reduced even further by taxing on a government-defined fixed base value that was much lower than the actual retail price (Mansur 2015).

The cigarette industry is subject to profit taxation like all other enterprises in Bangladesh. However, unlike most other enterprises, which are taxed at 25–35 percent, the cigarette industry pays the highest allowed rate of corporate taxation on profits (47.5 percent). While the main goal here is revenue collection, this arrangement serves indirectly to discourage investments in cigarette production. The main policy instrument to influence cigarette prices is indirect taxation on production. The most recent indirect tax structure for cigarettes is shown in Table 2.²

The government imposes three types of indirect taxes on domestic cigarettes: a uniform value-added (VAT) of 15 percent, a variable supplementary duty (excise tax) that presently ranges from 52 percent to 65 percent, and a health surcharge of 1 percent. Total taxes thus range from 68 percent of retail price for low-quality cigarettes to 81 percent for premium cigarettes. To increase revenues, in FY2016–17, the government merged the medium segment with the high segment classification and adjusted the “dead zones” (basically, price ranges that cannot be used to price cigarettes in practice). The supplementary duty (SD) rate has been periodically adjusted to increase revenues and discourage smoking. The supplementary duty gap between the low and higher segments has also been narrowed (Figure 4).

Bangladesh’s weighted average tax rate for cigarettes is now 71.5 percent, which attests to the government’s commitment to fight cigarette smoking by creating serious price disincentives, while implementing other control measures (warning labels on packaging, restrictions on advertisements, restrictions on promotional activities, and spatial restrictions). Frequent recent increases in cigarette taxes have raised prices substantially for all categories of cigarettes in Bangladesh (Figure 5).

A more contentious policy area is the taxation of biris. Traditionally, these products have been taxed very lightly, based on the faulty logic that biris are consumed by the poor and that high taxes will hurt poor smokers. A strong political lobby also militates against higher

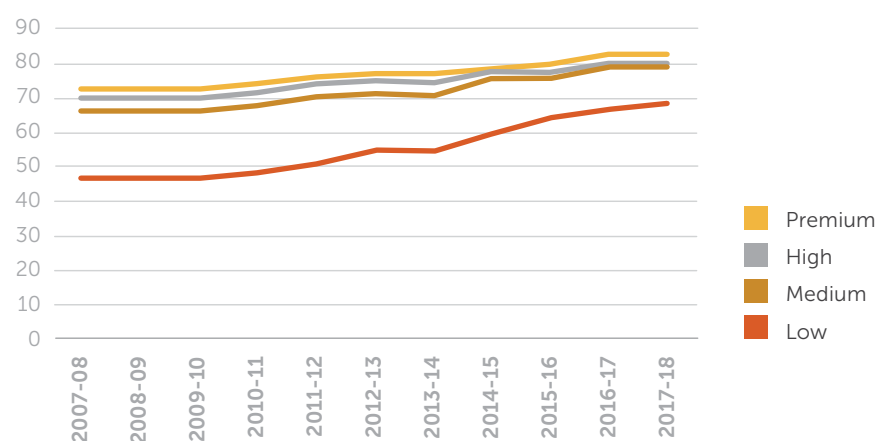
² Data for FY2014/15–FY2017/18 are contained in Annex Tables A3.3 – A3.6, Annex 3.

Table 2. Pricing Slab and Levied Tax for Cigarettes (2017-18)

SEGMENT	RETAIL PRICING SLAB (10S PACK)	SD	VAT	HEALTH SURCHARGE	TOTAL TAX LEVIED
Premium	BDT 70+	65%	15%	1%	81%
High	BDT 45 - BDT 69	63%	15%	1%	79%
Dead Zone	BDT 27.01-44.99				
Low	BDT 27	52%	15%	1%	68%

Source: National Board of Revenue

Figure 4. Trends in Tobacco Taxation (Percentage of Retail Price)



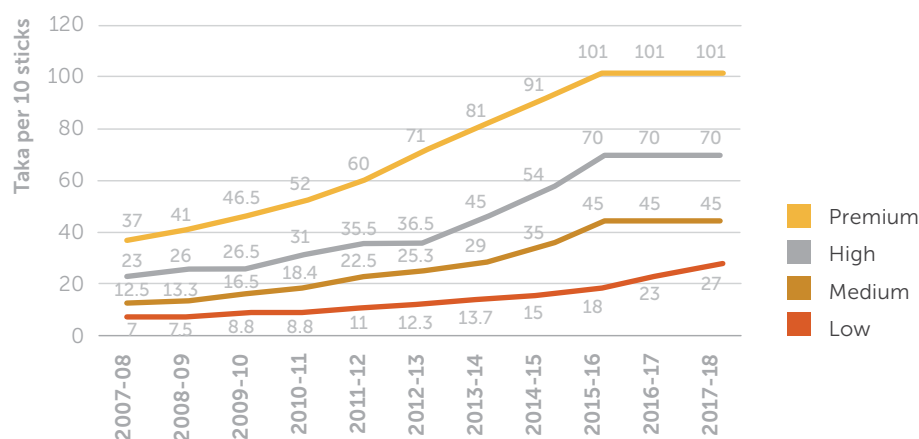
Sources: National Board of Revenue

Table 3. Tax Structure for Biri FY2017-18

TYPE	PACK SIZE	RETAIL PRICE (BDT)	SD	VAT	TAX AMOUNT (BDT)
Without Filter	25 Sticks	12.50	30%	15%	5.60
	12 Sticks	6.00	30%	15%	2.70
	8 Sticks	4.00	30%	15%	1.80
With Filter	20 Sticks	12.00	35%	15%	6.00
	10 Sticks	6.00	35%	15%	3.00

Source: National Board of Revenue

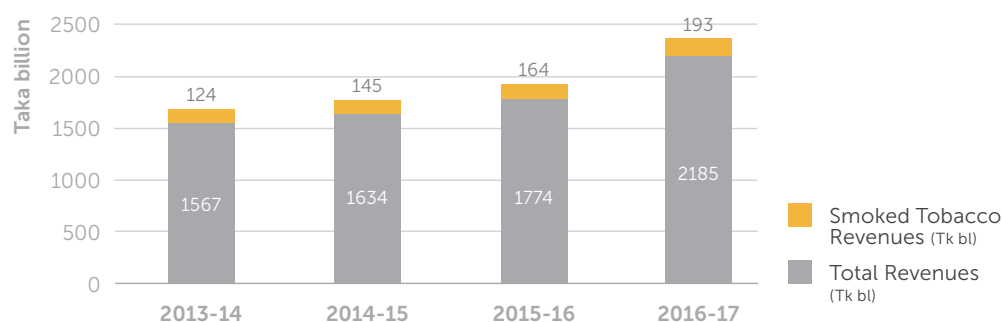
Figure 5. Nominal Price of Cigarettes (Taka per 10 sticks)



Sources: National Board of Revenue

taxes on biri (Ahmed 2013). In FY2017/18 the government enacted a major policy shift by aligning the tax base for biri pricing to the actual retail price, as is done for cigarettes. This policy move will likely increase revenues and discourage biri consumption. The latest round of statutory tax rate structure for biri is shown in Table 3.³ While this progress is laudable, the tax gap between biri and cigarettes remains high. The statutory tax rate for biri is 50 percent for filter and 45 percent for non-filter, as compared with 68-81 percent for cigarettes. Appropriate taxation for biri remains a challenge despite recent advances.

Figure 6. Recent Trend in Tobacco Revenues (Taka Billion, Current Prices)



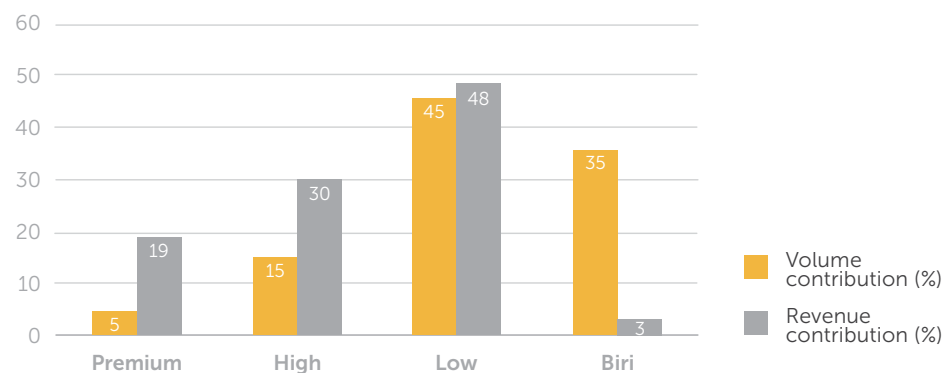
Sources: National Board of Revenue

Tobacco Revenues: Tobacco taxation is an important source of revenues for the government in Bangladesh. Tobacco revenues (excluding profit taxation) surged from Taka 124 billion (\$1.6 billion) in FY2013/14 to Taka 193 billion (\$2.4 billion) in FY2016/17, growing at a

³ Data for FY2014/15 – FY2017/18 are provided in Tables A3.7 – A3.10, Annex 3.

healthy pace of 16 percent per year (9 percent in real terms), which is faster than the 12 percent growth in total revenues (Figure 6). As a result, the share of tobacco in total revenues increased from 7.9 percent to 8.8 percent over the same period. Some 97 percent of the revenues came from cigarettes, and only 3 percent came from biri, even though biri accounted for over 35 percent of the total volume of tobacco smoked (Figure 7).

Figure 7. Sales Volume and Revenue from Tobacco Products



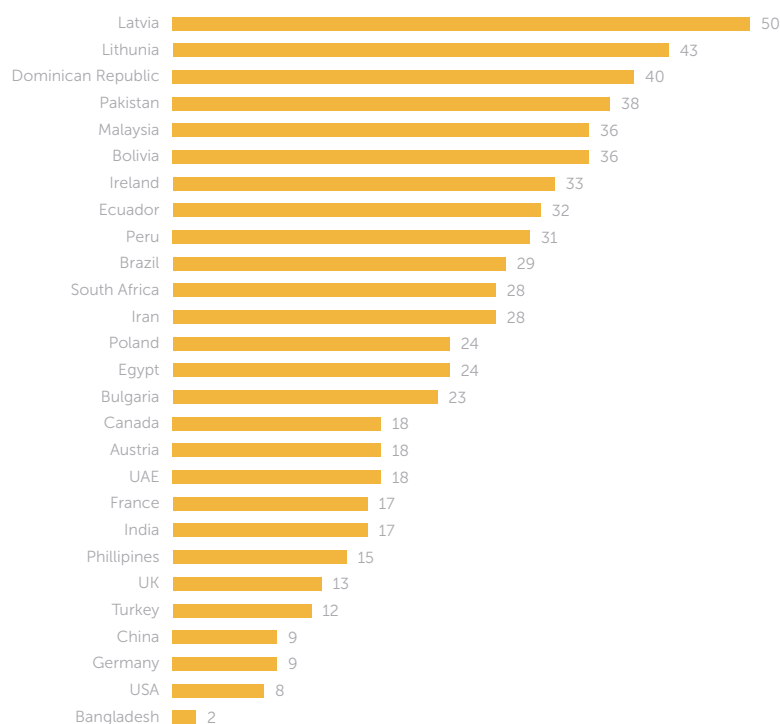
Sources: National Board of Revenue

Illicit Tobacco Trade: Available evidence suggests that the incidence of illicit cigarette trade in Bangladesh is small relative to the global incidence (Figure 8). Bangladesh’s illicit cigarette trade incidence is roughly estimated at about 2 percent of total cigarettes sold in the market, as compared with 50 percent for Latvia, 38 percent for Pakistan, 36 percent for Malaysia and 17 percent for India. Much of this illicit trade (92 percent) is in terms of cigarettes that escape the tax net. Of the remaining 8 percent, some 5 percent are contraband cigarettes (smuggling), while counterfeit products represent 3 percent. The estimated revenue loss from illicit trade is about Taka 8 billion (\$100 million), which is 4 percent of total tobacco revenues.

The illicit trade incidence for biri is not known owing to lack of data. It is likely to be substantially higher than for cigarettes because of the prevalence of home-based, small-scale biri enterprises that may not be in the tax net. Despite the possibly larger volume of illicit biri trade, it does not lead to significant revenue loss presently because of the low effective tax rate for biri. However, the recent reform to align the biri tax base to the actual biri price, along with the projected increase in the biri tax rate to levels similar to those applied to cigarettes, will raise the opportunity cost of illicit biri trade moving forward. Intensified efforts are needed to improve compliance with biri taxation.

The Bangladeshi government has a strong legal foundation for addressing illicit tobacco trade. The laws are a part of the government’s broader policy for controlling all forms of illicit trade and abuse of government stamp papers and trademarks. They cover all aspects of illegal trade including laws against forged stamps, falsified brands, smuggling, and tax evasion.

Figure 8. Incidence of Illicit Tobacco Trade in Selected Countries



Sources: CDC 2016, except Bangladesh. Data for Bangladesh are industry estimates.

The legal framework also provides for stiff penalties and enforcement mechanisms including surveillance, premise raids, seizures, mobile courts, check points in land, air, and sea ports, and surveillance of courier services and mobile phones. The details of the legal framework for control of illicit tobacco trade are discussed in Section 2 below.

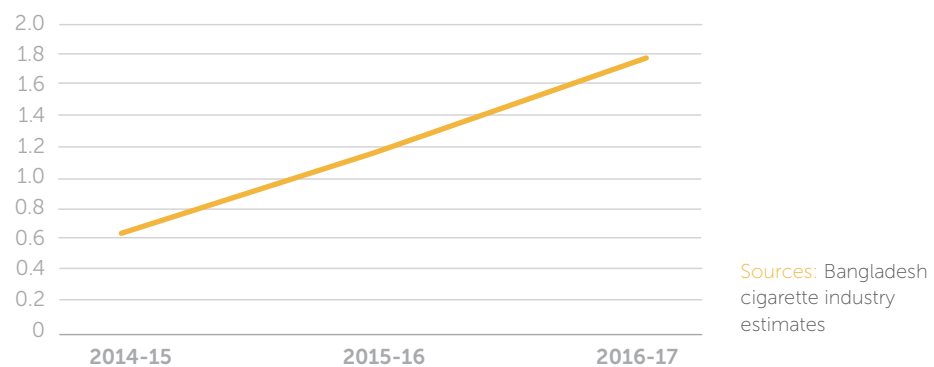
The possible link between illicit tobacco trade and other criminal activities is not considered a substantial law-and-order issue in Bangladesh, since the incidence of cross-border smuggling is small and much of the country’s illicit cigarette trade takes the form of tax evasion by firms. In the case of biris, while there could be some tax evasion by registered biri producers, a bigger challenge is the production and sale of biris by small, home-based enterprises, which are not registered with the government. The challenge is representative of those posed by many other small and micro-enterprises that remain unregistered (Ahmed et al. 2018). The main difference between biri enterprises and other small enterprises, however, is that biri enterprises sell a product that causes health damage and therefore need to comply with all the safety laws. Also, while government policy encourages non-tobacco small and micro-enterprises and is therefore less concerned about licensing and registration issues, the same is not true of tobacco enterprises. Hence, much stronger efforts are needed to bring all biri enterprises under the government registration and licensing net.

2. Progress with Illicit Tobacco Trade Control Policies and Enforcement

As noted above, the incidence of illicit cigarette trade in Bangladesh is low, but no data exists for biris. The low incidence of illicit trade in cigarettes is explained by several factors, including the production structure, cooperation between the cigarette manufacturers association and the NBR, effective use of the stamp and banderole system for cigarette taxation, and the government's surveillance efforts. Cigarettes are a large source of government revenues, and as such NBR is particularly vigilant in protecting this revenue source. Since revenues from biris have been negligible so far, the policy attention to tax avoidance regarding biri has been much less intense. As the revenue significance of biri taxation grows, policy engagement to prevent tax evasion will likely improve.

Illicit Trade in Cigarettes: The NBR does not compile data to measure the incidence of illicit trade in cigarettes. However, the tobacco industry makes yearly estimates based on field intelligence data gathered through surveys of retail market outlets. The total number of illicit cigarettes was estimated at 1.5 billion sticks in FY2016/17, which is about 1.8 percent of the total cigarette market for that year. This is small, but the trend is growing (Figure 9). Of the total illicit trade volume, an estimated 5 percent is contraband cigarettes; 3 percent is counterfeit; and 92 percent belongs to the category of illicit whites: cigarettes produced by registered enterprises but which escape taxation through firms' under-reporting of true production.

Figure 9. Incidence of Illicit Cigarette Trade (Percent of Total Market)



The low incidence of smuggling or contraband cigarettes despite the open border with India is a surprising result. Industry experts believe this is partly because of the adequate supply of a large range of well-known brands of cigarettes in Bangladesh. The incidence of counterfeit cigarettes is low due to the vigilance of the Bangladesh Cigarette Manufacturing Association (BCMA), whose individual members gather regular intelligence about smuggling and brand-name violation and report to NBR. The biggest risk is tax evasion, especially as tax rates have

progressively increased. This risk will likely grow further as the tax differentials between low-end and premium products are reduced and eventually eliminated. To counter this, the NBR has entered into a partnership with BCMA to improve tax compliance, which is reinforced by NBR oversight through the administration of stamps and banderoles. This is made feasible by the fact that some 97 percent of the cigarette market share is concentrated among three large producers: the British American Tobacco Company of Bangladesh (BATB), the Dhaka Tobacco Company, owned by the Akij Group, and the Abul Khair Tobacco Company. Of the three, BATB, a multi-national company, accounts for 70 percent of the market.

As in other countries, cigarette manufacturers in Bangladesh argue that taxes are too stiff and have often lobbied against tax increases. However, once the taxes are approved by Parliament and become a law of the land, the BATB has a good track record of compliance with the tax laws. It also has a strong research and monitoring team that does regular marketing research and surveillance based on field visits. Information is regularly shared with NBR, thereby assisting in the implementation of the tobacco tax laws. Nevertheless, there is a need for NBR to conduct regular independent monitoring of the illicit cigarette trade.

Illicit Trade in Biri: In the case of biris, smuggling and counterfeit issues are believed to be negligible. Despite Bangladesh's large border with India, industry experts judge that biri smuggling from India is not a major issue for two reasons. First, biri production in Bangladesh is very cheap. Secondly, the biri leaf used in India, known as tendu leaf, is generally not preferred by Bangladeshi consumers.

However, while biri smuggling may not pose a significant threat, tax compliance regarding biri could be a major challenge for Bangladesh. Unlike for cigarette production, where manufacturing units and production are centralized and controlled by the three large registered manufacturing companies, biri production is disseminated across numerous small production units that are not all registered with the government, substantially complicating oversight and enforcement.⁴ Assessing tax compliance for biri manufacturing is difficult, given the dearth of relevant data. However, historically, biri prices and the corresponding tax rate were very low until the biri pricing and taxation reform in July 2017. Thus, the incentive for tax avoidance by organized biri manufacturers was minimal. The story is different for the unregistered small biri manufacturers. To bring these enterprises into the tax net, the government made biri tax compliance easy by allowing manufacturers to buy the banderole used for biri taxation from post offices. Despite such efforts, the incidence of tax avoidance could grow with the latest reform, as the biri tax rate is now significant.

Locational Aspects of Illicit Trade: Industry research shows that much of the illicit cigarette trade in terms of tax evasion occurs in the northern districts of Bangladesh. Almost 50 percent of tax-not-paid factories are in the northern region, producing 85 percent of all tax-not-paid brands. This intelligence finding should help NBR improve its tax administration.

⁴ Two large cigarette manufacturing companies, the Akij Group and the Abul Khair Tobacco Company, also have a large stake in biri manufacturing, controlling an estimated 50 percent of biri production in Bangladesh

To the extent that these factories also produce biri, this will also strengthen biri tax administration. However, while the early intelligence reports are valuable, the true distribution of biri factory locations remains unknown and requires a special-purpose survey.

Use of Stamps and Banderoles for Illicit Tobacco Control: Stamps and banderoles are the two main instruments used for controlling the illicit tobacco trade and reconciling with the tax revenue collected. In Bangladesh, stamps and banderoles are all printed at the Government Security Printing Press in Dhaka. Both are used for cigarette packets, while for biri, only banderoles are used. The tobacco companies producing cigarettes take upfront delivery of the banderole and stamp sheets from the Security Printing Press based on their production projections. These are distributed free of charge. The companies are allowed a maximum 1 percent wastage on the banderoles and stamps for reconciliation with the production and tax revenue collected. In contrast, biri producers take delivery of the banderoles from Post Offices. The producers buy these banderoles as a tax levy on the production of biris. The price paid for the banderole is the final tax obligation for biri manufacturers, as the NBR does not have the capacity to monitor and cross-check with the true volume of biri production. This approach to biri taxation aims to simplify tax compliance for biri manufacturers.⁵

The cigarette stamp and banderole system works well, with a small incidence of abuse relating to illicit whites and counterfeit cigarettes. The banderole system used for taxing biris is less effective. Due to low revenue yields from biris, the quality of the biri banderoles is low, making them less secure. Along with the potential for forgery of biri banderoles, there are reported instances of torn legal biri banderoles being glued and reused in rural areas. The vigilance of both the government and the biri industry in maintaining the integrity of the biri banderole system is relatively lax, as compared with the stricter standards of the cigarette industry.

It is illegal in Bangladesh to sell cigarettes without the appropriate banderole. The VAT office tries to ensure that the number of banderoles that manufacturers obtain from the secure printing press matches the number of cigarette packets actually produced. For this, they have a dedicated officer at the factory. VAT officials collect taxes based on actual production going out of the factory gate, where a VAT official is present and signs off on the chalan (paper document). To further ensure traceability, VAT officials also check each truck consignment once it departs from the factory premises to see that the number of packets/cartons matches the invoice. At a subsequent road junction, there is another level of checking by VAT officials, who again verify the transported tobacco products against the chalan that had been issued at the factory gate. Later, the total tax revenue collected is reconciled with the stamps and banderoles that each producer has received, allowing for the permissible 1 percent wastage. This is an elaborate and secure cross-checking system that works well, except in some instances of collusive behavior of NBR staff and the cigarette manufacturer.

⁵ Additional details concerning the application of stamps and banderoles in Bangladesh are provided in Annex 4.

Policies, Strategies, Laws, and Reforms Undertaken to Control Illicit Tobacco Trade

As noted in Part 1, Bangladesh has made substantive efforts to control tobacco use as well as illicit tobacco trade. The 56th World Health Assembly unanimously adopted the Framework Convention on Tobacco Control (FCTC) in May 2003, and Bangladesh was the first country to sign the Convention. The FCTC entered into force and became part of international law on 27 February 2005 after ratification by 40 countries. Bangladesh enacted a Tobacco Control Law in 2005 in accordance with some of the provisions of the FCTC. The country's anti-tobacco laws have been progressively strengthened, and implementation has been good.

To implement the 2005 Law, the National Strategic Plan of Action for Tobacco Control (NSPATC) 2007-2010 was prepared and adopted by the Ministry of Health. The Strategic Plan calls for partnership-building to strengthen collaboration between the Ministry of Health and Family Welfare and other ministries, including Finance, Commerce, Home, Law, Foreign Affairs, and Information. Subsequently, the incorporation of NSPATC in the country's Sixth Five Year Plan further reinforced Bangladesh's momentum in tackling the smoking problem.

The measures outlined under the Strategic Plan to control the illicit trade of tobacco products included:

- » Control of smuggling, which includes adopting appropriate measures to ensure that all packages of tobacco products sold or manufactured carry the necessary markings, such as prominent tax stamps, easily visible local language (Bengali) warnings, country of origin and country of destination, and product information that will allow the products to be effectively tracked and traced. Smuggling control measures also include the aggressive enforcement and consistent application of tough penalties to deter smugglers. All persons engaged in the business of manufacturing, importing, exporting, wholesale, storage and transport of tobacco products should be licensed.
- » Control of illicit manufacturing and counterfeiting.
- » Monitoring and collecting data on cross-border trade in tobacco products, including illicit trade.
- » Exchange of information among related departments such as tax, customs, and law enforcement agencies and local authorities, as well as among countries of the region.
- » Development and enforcement of collaborative interventions with neighboring countries to regulate tobacco products and reduce the illegal cross-border trade, promotion, and advertising of tobacco products.

Actions proposed to implement the measures/goals of the Strategic Plan included the following:

- » Establishment of a national tobacco committee and enforcement of national legislation.

- » Setting appropriate price and tax policies.
- » Protection from exposure to secondhand smoke.
- » Prohibition of all forms of advertisement, promotion, and sponsorship.
- » Education, communication, training, and public awareness.
- » Promotion of cessation of tobacco use and adequate treatment for tobacco dependence.
- » Ban on sale of tobacco products to and by minors.
- » Support for laboratory analysis of tobacco products for tobacco product regulation and disclosures.
- » Packaging and labeling of tobacco products.
- » Research, surveillance, and exchange of information.
- » Control of illicit trade in tobacco products.
- » Partnership building for tobacco control.
- » Identification and mobilization of financial resources.

Laws and Regulations to Control Illicit Tobacco Trade: To support these actions, the Bangladeshi government has created a variety of legal and regulatory mechanisms. Some impose stringent requirements on the packaging and distribution of tobacco products, for example. Tobacco laws are backed by heavy penalties and work synergistically with tax tools, including VAT, supplementary duty, health surcharge, and customs duty. The overall results have been encouraging, with a substantial reduction in the incidence of tobacco use and an increase in revenues.

Penalties for Violation of Tobacco-Related Laws: Under the prevailing Tobacco Control Laws, authorized officers will be able to enter and inspect any public place or mode of transport as defined by the law and expel or remove any person violating the anti-smoking law. Officers can also destroy or seize illegal tobacco products. This violation is a cognizable offence. Thus, police can arrest those violating the law and produce them in court. In addition, there are specific laws to deter activities such as smuggling, the production of counterfeit tobacco products, violating customs prohibitions, and non-payment of duties. Tobacco smuggling can lead to jail terms of from one to seven years. Different levels of fines can also be imposed by the courts. Violation in paying VAT or other duties also carries penalties.

The following are criminal offenses punishable under the Penal Code:

- » Using a false trademark to mislead consumers about the origin of goods
- » Counterfeiting a trademark used by another enterprise.

The punishment for using a false trademark is imprisonment for up to one year, or a fine, or both. The punishment for counterfeiting is imprisonment for up to two years, or a fine, or both. The courts also have the power to set the prison term and the amount of any fine. In

In addition, the Penal Code identifies several activities as criminal offenses and sets out various enforcement measures available to rights holders. Two such offenses, and their punishments, are as follows:

- » Making or possessing any instrument for counterfeiting a trademark – the punishment for this offence is imprisonment for up to three years, or a fine, or both;
- » Selling, exposing, or possessing for sale or any purpose of trade or manufacture any goods bearing a counterfeit mark – the punishment for this offence is imprisonment for up to one year, or a fine, or both.

In cases of counterfeiting, a rights holder may file a criminal complaint with the police. If the complaint is genuine, the case then goes to trial before a court. In addition, police officials may launch raids to seize counterfeit and pirated goods and take additional legal and enforcement actions. All criminal cases relating to false trademarks or counterfeiting are tried by a magistrate's court (first or second class, or a metropolitan magistrate in an urban area). Any appeal against the magistrate's order must be made to a district magistrate or session judge. Remedies available in criminal actions include the following:

- » Raids on the premises where the counterfeit goods are stored;
- » Seizure of the goods;
- » Destruction of the counterfeit goods; and/or
- » Imposition of penalties on the infringer.

Administrative Arrangements for Implementation of Tobacco Policy

The government recognizes that tobacco policy administration is a multi-sectoral task requiring coordination among many agencies at national and district levels. Administrative arrangements are summarized in Table 4.

Four ministries -- the Ministry of Health (MoH), the Ministry of Finance (MoF), the Ministry of Agriculture, and the Ministry of Home -- and the Cabinet Division are involved with the implementation of tobacco policy. The MoH and MoF are the two key coordinating ministries.

Ministry of Health: The MoH develops medium-term tobacco control strategies, policies, and programs. It is also responsible for overall coordination, implementation, and monitoring of non-tax related tobacco control programs and policies. The National Tobacco Control Cell (NTCC) was established within the MoH in 2007. The NTCC has become the national hub for the coordination of tobacco control activities and a referral and support center for all tobacco control stakeholders, including NGOs, in Bangladesh.

To help the MoH develop and implement tobacco-related strategies and policies, the government has set up several multi-sectoral bodies. At the national level, the government established the National Task Force for Tobacco Control (NTFTC). All relevant government

Table 4. Tobacco Policy Administration in Bangladesh

MINISTRY	RELEVANT DEPARTMENT	ENFORCING DEPARTMENT(S)	RESPONSIBILITY
Ministry of Home	Border Guard Bangladesh	Coast Guard & BGB	Keep check of smuggled products in land/maritime boundaries
	Police Administration	Police	On ground enforcement against any non-compliance
		Rapid Action Battalion Armed Police Battalion	
Ministry of Finance	National Board of Revenue	VAT & Customs Intelligence	Identify and investigate revenue shortfalls
		VAT Implementation	Tax stamp, banderole check
		VAT Policy	Any policy creation / amendment
		All 13 VAT Commissionerate	On the ground revenue authorities. Right to enforce if any loopholes related to revenue collection found
		Customs Intelligence Cell Customs Intelligence & Investigation Directorate	Keep check of smuggled products in various entry points
Ministry of Agriculture	Department of Agriculture & Extension	All custom houses	
			Keep check of practices related to cultivation
Ministry of Health	National Tobacco Control Cell (NTCC)		Develop Tobacco control policies and check compliance to TCA
Cabinet Division	Divisional Commissioner	Magistrates	Enforcement against TCA non-compliance and ensure legit trade and commerce in relevant division/district
	Deputy Commissioner		

institutions, NGOs, legal and media organizations, and international partners that could influence tobacco control policies are represented here. The NTFTC serves as the overarching coordinating and supervising body that provides oversight to the NTCC in the development and implementation of tobacco control laws. On the implementation front, the NTCC is supported by two local-level task forces – one at the District (Zila) level and the other at the sub-district (Upazila) level. These local-level task forces are innovative mechanisms for low-cost delivery of tobacco control policies at the consumer level. When developed to their full potential and adequately funded, they may contribute crucially to further strengthening the government’s tobacco control administration (Jackson-Morris et al. 2015).

The combination of the NTCC and the three task forces (one at the national level and two at local level) provides a solid institutional foundation for tobacco control in Bangladesh.

The Ministry of Finance National Board of Revenue: The MoF's National Board of Revenue (NBR) is the lead agency for tobacco taxation and pricing policies. Tobacco taxation in Bangladesh is governed by the country's 1991 Value-Added Tax (VAT) Law. There is no separate law for tobacco taxation per se, and there are no subnational tobacco taxes. Tobacco tax rates are periodically reviewed in the context of the annual national budget cycle. The enforcement of tobacco tax is carried out by a VAT Commissionerate and its field offices, namely Divisions and Circles.

The NBR customs unit monitors cross-border movements of goods and services, including tobacco. Air and sea ports are well monitored with modern equipment to control smuggling. There are allegations of customs abuses in clearance of air and sea port cargoes, but these are governance issues for the customs system as a whole that require constant monitoring. The land border check-ports are less well equipped and staffed. Also, Bangladesh's land border is large, open, and nearly impossible to oversee fully, creating the potential for tobacco smuggling via land routes.

Enforcement of Tobacco Laws through the Mobile Court System: The mobile court drive is an exceptional element of the judiciary system in Bangladesh. It is being used for rapid dispensation of justice in certain non-criminal cases, including the violation of anti-tobacco laws (for example, smoking in public places or displaying tobacco advertisements). On-the-spot actions are taken, such as removing billboards containing tobacco product advertisements and removing other tobacco advertising materials from locations such as fast-food corners, sports facilities, and restaurants. When tobacco advertisements are targeted, an empowered mobile court magistrate can try the case immediately, ensure removal of the offending materials, and punish the perpetrators as per the law. Members of law enforcement agencies, including the police, provide the magistrate with necessary support.

Under the powers of the 2005 Tobacco Control Act, the Deputy Commissioners of different Zillas (Districts) are authorized to conduct mobile courts within their jurisdictions to apprehend any violation of tobacco-related legislation, including retail-level selling of illicit tobacco. But these efforts are conducted sporadically, based on the availability of budgetary resources. The NTCC head has informed that a part of the resources now being raised as Health Surcharge will be used to fund such mobile court operations at regular intervals. In a recent order, the Cabinet Division has asked the Deputy Commissioners to regularly hold mobile courts in their Districts and send monthly reports to the NTCC.

The NTCC head believes that one of the key enforcement challenges in stopping the illicit tobacco trade is to target small retail outlets in rural and urban areas. Cigarettes, biris, and SLT are largely sold to consumers in small shops and tea stalls across the country without any licensing needs. Had there been designated tobacco selling points, then much of the illicit tobacco trade would disappear. The NTCC head stated that, as a pilot initiative, the

NTCC is working with the Mayor of Rangpur to define a limited number of designated and licensed tobacco retailers across the city. If the pilot works, then the NTCC will expand this effort in other parts of the region. As noted earlier, a large part of Bangladesh's illicit tobacco trade is concentrated in the greater Rangpur region.

3. Reform Agenda to Control Illicit Tobacco Trade

Tobacco control in Bangladesh, including the control of illicit trade, offers a positive story. The country's progress in reducing the use of tobacco is encouraging. Adoption of laws, regulations, and taxation policies is consistent with international good practice. Of particular note, the average tax share of retail cigarette prices in Bangladesh is now 71.5 percent. Despite this positive track record, a large unfinished agenda must be addressed as Bangladesh moves ahead with its tobacco control agenda. Key reform priorities are discussed below.

- » **Monitor biri production and distribution:** The monitoring of biri production and distribution presents a major challenge for Bangladesh. Knowledge on biri production, the geographical distribution of factories, and compliance with tax laws remains weak. The recent reforms of biri pricing and taxation have now raised the stakes for potential revenue gains and for reduction of those gains through tax evasion revenue losses. The government could improve the security of the biri banderole in a similar manner as it has done for cigarettes. The monitoring of biri banderole use by posting NBR staff in all factories may be difficult, owing to the wider dissemination of biri manufacturing. However, several steps can be taken to strengthen the biri banderole system. First, NBR staff could potentially be posted in larger production units managed by the major biri producers. Second, the government potentially could encourage the formation of a Biri Manufacturers Association and encourage manufacturers to self-police the system. Third, the pilot program being run in Rangpur to monitor the sale of tobacco products in retail shops might be studied and developed for replication in other major cities. In addition, research could enable a better understanding of the distribution of biri manufacturing across the country, the industry's ownership structure, total production, the marketing chain, and illicit trade issues.
- » **Monitor both inputs and outputs to prevent tax evasion:** While the government needs to continue enforcement against illegal tobacco products at the different manufacturing points as well as at the retail level, officials should also increase their vigilance in monitoring tobacco sourcing. Cigarettes and biris require processed tobacco, and processed tobacco can only be obtained in Bangladesh from a few Green Leaf Threshing Plants (GLTPs) run by the large cigarette and biri manufacturers. Ensuring effective accountability around inputs and outputs will help unearth processed tobacco leakage that may be flowing to the manufacturers of illegal cigarettes and biris.

- » **Strengthen regional VAT offices:** The regional VAT field offices and the customs intelligence administration are two critical NBR agencies for the control of illicit tobacco trade. Given the concentration of illicit tobacco trade in the northern part of Bangladesh, the related regional Commissionerates of Rajshahi and Rangpur need to be strengthened to improve tax compliance and monitoring. Regular progress reports on enforcement efforts in the northern districts should be required, along with evidence of implementation progress.
- » **Strengthen local-level task forces:** Policy makers have begun to test the innovative idea of establishing low-cost implementation task forces at the local level to implement tobacco laws, including those concerning illicit trade. This approach has potential but would need to be fully developed, including through allocation of resources. Support to conduct regular mobile court operations also would seem to hold potential to strengthen tobacco control at the local level.
- » **Develop and publish a database on the incidence of illicit tobacco trade and actions taken:** Presently there is no reliable NBR database on the incidence of illicit tobacco trade. This gap should be addressed systematically. This should involve going beyond industry sources to develop independent estimates of illicit tobacco trade. The government should supplement industry illicit trade data with its own efforts to estimate illicit cigarette trade. Regarding biri, the estimated data on production based on revenue yields and prices can be strengthened and supplemented by the findings of the proposed survey-based research on biri production, consumption, and distribution. The reconciliation of the survey data with the revenue data can then provide an estimate of illicit biri trade. The NBR takes many actions to enforce compliance with tobacco tax laws. The kinds of steps taken, the volume of illicit tobacco products involved, and the penalties imposed for non-compliance should be documented and published on the agency's website.
- » **Ratify the Illicit Tobacco Trade Protocol:** As noted, Bangladesh was the first country to sign the FCTC. Consistent with its significant achievements in the areas of tobacco control, Bangladesh should sign and ratify the Illicit Tobacco Trade Protocol.

References

- Ahmed, Nasiruddin. 2013. "Tobacco Taxation in Bangladesh: Political and Administrative Constraints". Power point presentation made to 15th World Conference on Tobacco or Health 2012 Singapore, March 23, 2012.
- Ahmed, Nasiruddin. 2010. "Tobacco Taxation and Evasion in Bangladesh". Power Point presentation, Shenzhen, China, August 20, 2010.
- Ahmed, Sadiq, Khurshid Alam and Bazlul Khondker. 2018. *Faster Development of the Micro, Small and Medium Enterprises: Role of Innovative Financing Solutions*. Draft Report Prepared for the World Bank, Policy Research Institute of Bangladesh, Dhaka.
- American Cancer Society and Vital Strategies. 2018. The Tobacco Atlas 2018 <https://tobaccoatlas.org/>
- British American Tobacco (BAT). 2018. "The global market: Trends affecting our industry". www.bat.com/group/sites/UK. Downloaded March 26, 2018.
- Centers for Disease Control and Prevention (CDC). 2016. *Preventing and Reducing Illicit Tobacco Trade in the United States*. www.cdc.gov/tobacco/stateandcommunity/pdfs/. Downloaded March 26, 2018.
- Global Adult Tobacco Survey, 2017. Fact Sheet for 2017 Survey & 2009/2017 Comparison Fact Sheet (last updated on August 7, 2018). <http://www.searo.who.int/bangladesh/gatsbangladesh2017fs14aug2018.pdf> Accessed on August 20, 2018.
- ITC Project. 2014. *Tobacco Price and Taxation Policies in Bangladesh: Evidence of Effectiveness and Implications for Action*. University of Waterloo, Waterloo, Ontario, Canada, May 2014.
- Jackson-Morris, Angela M., Ishrat Chowdhury, Valerie Warner and Kayleigh Bleymann. 2015. "Multi-Stakeholder Taskforces in Bangladesh — A Distinctive Approach to Build Sustainable Tobacco Control Implementation". *International Journal for Environmental Research and Public Health* 2015, 12, 474-487.
- Mansur, Ahsan 2015. *A Review of Cigarette and Biri Pricing and Taxation in Bangladesh*. Policy Research Institute (PRI), Dhaka.
- Nargis, N., U.H. Ruthbah, A.K.M. Ghulam Hussain, G.T. Fong, I. Huq, and S.M. Ashiquzzaman. 2014. "The price sensitivity of cigarette consumption in Bangladesh: Evidence from the International Tobacco Control (ITC) Bangladesh Wave 1 (2009) and Wave 2 (2010) Surveys". *Tobacco Control*, 23, i39-i47.
- World Health Organization (WHO). 2009. *Global Adult Tobacco Survey: Bangladesh Report 2009*. Dhaka Country Office for Bangladesh. Available at: www.who.int/entity/tobacco/surveillance/global_adult_tobacco_survey_bangladesh_report_2009.pdf
- World Health Organization (WHO). 2017. *Global Tobacco Epidemic 2017. Bangladesh Country Profile*. http://www.who.int/tobacco/surveillance/policy/country_profile. Downloaded March 27, 2018
- World Health Organization (WHO). 2018. "Making a difference: Tobacco Control in Bangladesh" <http://www.searo.who.int/bangladesh/enbantobaccosuccess/en/> Downloaded March 27, 2018

Annexes

Annex 1. List of Non-Tax Tobacco Control Laws

English versions of all tax laws and the implementation of these laws in the three major areas relating to anti-smoking strategy -- smoke free places; advertising, promotion and sponsorships; and packaging and labeling-- are available and can be downloaded from the following website: <https://www.tobaccocontrolaws.org/legislation/country/bangladesh/laws>

Table A1.1. Bangladesh Non-Tax Tobacco Control Laws

SL. NO	EFFECTIVE DATE OF LAW	NAME OF LAW / RULE
1.	May 1, 1890	Article 110 of the Railways Act, 1890 (Act No. IX 1890)
2.	February 1, 1919	The Juvenile Smoking Act, 1919
3.	March 12, 2005	Smoking and Using of Tobacco Products (Control) Act, 2005
4.	May 29, 2006	Smoking and Using of Tobacco Products (Control) Rules, 2006
5.	May 2, 2013	Smoking and Tobacco Products Usage Control (Amendment) Act, 2013 (Act No. 16 of 2013)
6.	March 12, 2015	Smoking and Tobacco Products Usage (Control) Rule, 2015 (S.R.O. No 58).
7.	March 12, 2015	Ministry of Health and Family Welfare Pictorial Health Warnings (Issued pursuant to Smoking and Tobacco Products Usage (Control) (Amendment) Act, 2013 and Smoking and Tobacco Products Usage (Control) Rule, 2015
8.	July 4, 2017	Ministry of Health and Family Welfare, National Tobacco Control Cell, Public Notice

Source: Ministry of Health

Annex 2. Contents of Non-Tax Tobacco Control Laws

Table A2.1. Links of Law/Rule

SL. NO	EFFECTIVE DATE OF LAW	LINKS OF LAW / RULE
1.	May 1, 1890	<i>Article 110 of the Railways Act, 1890 (Act No. IX 1890)</i>
2.	February 1, 1919	<i>The Juvenile Smoking Act, 1919</i>
3.	March 12, 2005	<i>Smoking and Using of Tobacco Products (Control) Act, 2005</i>
4.	May 29, 2006	<i>Smoking and Using of Tobacco Products (Control) Rules, 2006</i>
5.	May 2, 2013	<i>Smoking and Tobacco Products Usage Control (Amendment) Act, 2013 (Act No. 16 of 2013)</i>
6.	March 12, 2015	<i>Smoking and Tobacco Products Usage (Control) Rule, 2015 (S.R.O. No 58).</i>
7.	March 12, 2015	<i>Ministry of Health and Family Welfare Pictorial Health Warnings (Issued pursuant to Smoking and Tobacco Products Usage (Control) (Amendment) Act, 2013 and Smoking and Tobacco Products Usage (Control) Rule, 2015</i>
8.	July 4, 2017	<i>Ministry of Health and Family Welfare, National Tobacco Control Cell, Public Notice</i>

Annex 3. Analytical Tables and Graphs

Table A3.1. Trend of Cigarette and Biri Production (billion sticks)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Premium	2.9	3.3	4.1	4.4	5.2	4.2	3.8	4.1	4	4.4
High	7.5	6.8	9.2	7	8.1	8.1	8.8	8	4.6	4.5
Medium	11.7	18.8	19.2	19.9	19.4	14.6	16.8	12.5	9.4	8.8
Low	1.4	13.7	33.6	41.5	49.4	39.7	50.3	58.1	65.9	66.8
Total Cigarette	23.5	42.7	66	72.8	82.1	66.6	79.7	82.7	83.8	84.5
Biri	35.3	46.3	63.4	67.2	72.8	44.4	46.8	44.5	43.2	43.5
Total Cigarette & Biri	58.8	89	129.4	140	154.9	111	126.5	127.2	127	128

Source: National Board of Revenue

**Table A3.2. Import and Domestic Taxes on Tobacco and Tobacco-related Products
FY2017/18**

HS CODE	HARMONIZED DESCRIPTION	TARIFF ON IMPORTS							TARIFF ON DOMESTIC PRODUCTION		NPR
		CD	SD	VAT	RD	AIT	ATV	TTI	SD	VAT	
2401.10.00	Tobacco not stemmed/ stripped	25	60	15	3	5	4	150.897	0	0	135.520
2401.20.00	Tobacco partly or wholly stemmed/ stripped	25	60	15	3	5	4	150.897	0	15	104.800
2401.30.00	Tobacco refuse	25	60	15	3	5	4	150.897	0	15	104.800
2402.10.00	Cigars, cheroots & cigarillos, containing tobacco	25	350	15	3	5	4	596.585	0	15	476.000
2402.20.00	Cigarettes containing tobacco	25	350	15	3	5	4	596.585	65	15	249.091
2402.90.00	Cigars, cheroots, cigarillos and cigarettes, of tobacco substitutes	25	150	15	3	5	4	289.214	35	15	137.037
2403.11.00	Smoking tobacco, ...substitutes in any proportion: Water pipe tobacco specified in Subheading Note 1 to this Chapter	25	150	15	3	5	4	289.214	0	15	220.000
2403.19.00	Smoking tobacco, whether or not containing tobacco substitutes in any proportion: Other	25	150	15	3	5	4	289.214	0	15	220.000
2403.91.00	"Homogenised" or "reconstituted" tobacco	25	150	15	3	5	4	289.214	0	15	220.000
2403.99.00	Other manufactured tobacco/tobacco substitutes	25	150	15	3	5	4	289.214	100	15	60.000
4802.54.10	Yellow base paper imported by VAT registered cigarette manufacturing industries of weighing less than 40 g/m ²	25	10	15	3	5	4	74.054	0	15	40.800
4813.10.10	Cigarette paper in the form of booklets or tubes: Imported by VAT registered tobacco products manufacturing industries	25	100	15	3	5	4	212.371	20	15	113.333

**Table A3.2. Import and Domestic Taxes on Tobacco and Tobacco-related Products
FY2017/18, Cont.**

HS CODE	HARMONIZED DESCRIPTION	TARIFF ON IMPORTS							TARIFF ON DOMESTIC PRODUCTION		NPR
		CD	SD	VAT	RD	AIT	ATV	TTI	SD	VAT	
4813.10.90	Cigarette paper in the form of booklets or tubes: Other	25	100	15	3	5	4	212.371	20	15	113.333
4813.20.10	Cigarette paper in rolls of a width <=5 cm: Imported by VAT registered tobacco products manufacturing industries	25	100	15	3	5	4	212.371	20	15	113.333
4813.20.90	Cigarette paper in rolls of a width <=5 cm: Other	25	100	15	3	5	4	212.371	20	15	113.333
4813.90.10	Cigarette paper: Other: Imported by VAT registered tobacco products manufacturing industries	25	100	15	3	5	4	212.371	20	15	113.333
4813.90.90	Cigarette paper: Other: Other	25	100	15	3	5	4	212.371	20	15	113.333
3824.99.40	Bottle/Refill used in Electronic Nicotine Delivery System (ENDS)	25	100	15	3	5	4	212.371	0	15	156.000
8543.70.50	Other machines and apparatus: Electronic Nicotine Delivery System (ENDS)	25	100	15	3	5	4	212.371	0	15	156.000

Source: National Board of Revenue (NBR)

Notes: CD= Custom Duty; SD = Supplementary Duty; VAT = Value Added Tax; RD= Regulatory Duty; AIT = Advance Income Tax; ATV= Advanced Trade VAT; TTI= Total Tax Incidence; NPR= Nominal Protection Rate;

Table A3.3. Pricing Slab & Levied Tax for Cigarettes FY2014-15

SEGMENT	PRICING SLAB (10s PACK)	SD	VAT	HEALTH SURCHARGE	TOTAL TAX LEVIED
Premium	BDT 90 & Above	61%	15%	1%	77%
Dead Zone	BDT 55-89				
High	BDT 50 - BDT 54	61%	15%	1%	77%
Dead Zone	BDT 36-49				
Medium	BDT 32 - BDT 35	60%	15%	1%	76%
Dead Zone	BDT 17-32				
Low	BDT 15 - BDT 16.5	43%	15%	1%	59%

Source: National Board of Revenue (NBR)

Table A3.4. Pricing Slab & Levied Tax for Cigarettes FY2015-16

SEGMENT	PRICING SLAB (10s PACK)	SD	VAT	HEALTH SURCHARGE	TOTAL TAX LEVIED
Premium	BDT 70+	63%	15%	1%	79%
High	BDT 44 - BDT 69	61%	15%	1%	77%
Dead Zone	BDT 42.01-43.99				
Medium	BDT 21- BDT 42	60%	15%	1%	76%
Dead Zone	BDT 19-20				
Low	BDT 18	48%	15%	1%	64%

Source: National Board of Revenue (NBR)

Table A3.5: Pricing Slab & Levied Tax for Cigarettes FY2016-17

SEGMENT	PRICING SLAB (10s PACK)	SD	VAT	HEALTH SURCHARGE	TOTAL TAX LEVIED
Premium	BDT 70+	65%	15%	1%	81%
High	BDT 45 - BDT 69	63%	15%	1%	79%
Dead Zone	BDT 23.01-44.99				
Low	BDT 23	50%	15%	1%	66%

Source: National Board of Revenue (NBR)

Table A3.6. Pricing Slab & Levied Tax for Cigarettes FY2017-18

SEGMENT	PRICING SLAB (10s PACK)	SD	VAT	HEALTH SURCHARGE	TOTAL TAX LEVIED
Premium	BDT 70+	65%	15%	1%	81%
High	BDT 45 - BDT 69	63%	15%	1%	79%
Dead Zone	BDT 27.01-44.99				
Low	BDT 27	52%	15%	1%	68%

Source: National Board of Revenue (NBR)

Table A3.7. Tax Structure for Biri FY2014-15

TYPE	PACK SIZE	TRUNCATED TARIFF VALUE	SD	VAT
Without Filter	25 Sticks	4.27	25%	15%
	12 Sticks	2.05	25%	15%
	8 Sticks	1.37	25%	15%
With Filter	20 Sticks	4.64	30%	15%
	10 Sticks	2.32	30%	15%

Source: National Board of Revenue (NBR)

Table A3.8. Tax Structure for Biri FY2015-16

TYPE	PACK SIZE	TRUNCATED TARIFF VALUE	SD	VAT
Without Filter	25 Sticks	4.91	25%	15%
	12 Sticks	2.36	25%	15%
	8 Sticks	1.58	25%	15%
With Filter	20 Sticks	5.34	30%	15%
	10 Sticks	2.69	30%	15%

Source: National Board of Revenue (NBR)

Table A3.9. Tax Structure for Biri FY2016-17

TYPE	PACK SIZE	TRUNCATED TARIFF VALUE	SD	VAT
Without Filter	25 Sticks	7.10	30%	15%
	12 Sticks	3.40	30%	15%
	8 Sticks	2.25	30%	15%
With Filter	20 Sticks	7.75	35%	15%
	10 Sticks	3.85	35%	15%

Source: National Board of Revenue (NBR)

Table A3.10. Tax Structure for Biri FY 2017-18

TYPE	PACK SIZE	RETAIL PRICE (BDT)	EXCISE	VAT
Without Filter	25 Sticks	12.50	30%	15%
	12 Sticks	6.00	30%	15%
	8 Sticks	4.00	30%	15%
With Filter	20 Sticks	12.00	35%	15%
	10 Sticks	6.00	35%	15%

Source: National Board of Revenue (NBR)

Annex 4. The Functioning of Tobacco Stamps and Banderoles in Bangladesh

Stamps and banderoles are the two instruments used for controlling illicit tobacco trade and to reconcile with the tax revenue collected. These are all printed at the Government Security Printing Press in Dhaka. Stamps and banderoles are both used in the case of cigarette packets, while for biri only banderoles are used.

The tobacco companies producing cigarettes take upfront delivery of the banderole and stamp sheets from the Security Printing Press based on their production projections. On the other hand, the banderoles for biri producers are distributed through the Post Offices, since a substantial amount of biri is produced in remote areas in homesteads and cottage-level industry. The stamps and banderoles for cigarette companies are distributed free of charge. The cigarette companies are allowed a maximum 1 percent wastage on the banderoles and stamps for reconciliation with the tax revenue collected. For biris, the banderoles must be purchased at the specified tax value. These are final tax obligations for biri manufacturers,

since the NBR does not have the infrastructure to monitor biri production among the large number of small-scale biri producers.

The stamps and banderoles have built-in security features. The security features are not usually visible to the naked eye but can be detected by tax officials using special hand-held instruments. One feature on the banderole used on cigarette packets is a small rectangular piece of silver colored foil. The paper used for printing stamps and banderoles for cigarette packets is of better quality than the banderoles for biris.

For cigarettes, false stamps and banderoles are uncommon because of higher production quality and security features. However, industry officials point out that the legally produced banderole could be un-glued through a warming process and reused on illicit white and counterfeit cigarettes. In the case of biris, the forging of banderoles is easier owing to low quality. The use of forged banderoles and reused banderoles is more common, and it is extremely difficult to monitor with retailing taking place in millions of wayside small shops across the country. The reuse of stamps and banderoles on illicit white and counterfeit cigarettes is facilitated by the fact that many people buy single sticks and retailers then can remove the stamp or banderole through warming and sell it to those marketing counterfeit cigarettes.

Cigarette Boxes: There are two types of boxes used for retailing cigarettes. These are what are termed in the industry (a) hinge-lid packs, and (b) shell and slide packs. The hinge-lid pack cigarettes are opened at the top after the cellophane cover is taken off. The shell and slide pack, on the other hand is opened by opening the lid after the cellophane cover is removed and then sliding out the cigarettes by pushing them out of the shell. In the case of cigarettes, hinge-lid packs are increasing in popularity and now account for 95 percent of packets sold. Thus, for cigarettes, stamps are the most important means of tobacco trade control. The number of cigarette sticks in a packet and the cigarette quality as pre-determined by NBR (Premium, High, and Low) are clearly printed on stamps and banderoles on cigarette packs. The packets can contain 10 or 20 sticks.

Stamps are used only on hinge-lid packets. The stamps are placed at the point where the lid is flipped open so that the stamp tears out while opening. Stamp colors vary for different cigarette segments.

Banderoles are only used on shell and slide cigarette packs. The banderoles are longer and placed on one side and extended to top and bottom ends of the packets. When displaced to remove the cigarettes, the banderole breaks.

Biri boxes and packs: Biri is sold in three forms – (a) hinge-lid packs, (b) shell and slide packs, and (c) paper-wrapped packs (Mutha Biri in local language). The hinge-pack is used for filter-tipped biri sold as handmade cigarettes. Even for the hinge-lid type pack, only a banderole is used. It is pasted on the side and extended to the top and bottom of the box. The banderoles are similarly fixed on shell and slide and paper-wrapped biri packs. The banderoles are of three different colors for the three types of packaging used. The number of biris in each pack is stamped. Packs can contain 20, 22, or 25 biris.

Cigarette Tax Collection: The VAT officials collect taxes based on actual production going out of the factory gate, where a VAT official is present and signs off on the chalan (paper document). At a subsequent road junction, there is another level of checking by VAT officials who again verify vehicle contents against the chalan issued at the factory gate. Later, the total tax revenue collection is reconciled with the stamps and banderoles that each producer has received, allowing for the 1 percent permissible wastage.

Biri Tax Collection: Operates through the value of biri banderoles sold at Post Offices.

COVER QUOTE SOURCES

ⁱ WHO Framework Convention on Tobacco Control Press Release, June 28, 2018.
<https://www.who.int/fctc/mediacentre/press-release/protocol-entering-into-force/en/>

ⁱⁱ World Health Organization Press Release, July 19, 2017.
<https://www.who.int/en/news-room/detail/19-07-2017-who-report-finds-dramatic-increase-in-life-saving-tobacco-control-policies-in-last-decade>

ⁱⁱⁱ Combatting illicit trade in tobacco products: Commissioner Andriukaitis' Statement on the EU's adoption of an EU-wide track and trace system. European Commission Press Release, December 15, 2017.
http://europa.eu/rapid/press-release_STATEMENT-17-5269_en.htm

^{iv} How to design and enforce tobacco excises? International Monetary Fund, October 2016
<https://www.imf.org/en/Publications/Fiscal-Affairs-Department-How-To-Notes/Issues/2016/12/31/How-to-Design-and-Enforce-Tobacco-Excises-44352>

^v World Bank Group: "Global Tobacco Control: A Development Priority for the World Bank Group", Preface of WHO Global Tobacco Report 2015.
http://www.who.int/tobacco/global_report/2015/timevansandworldbankforeword.pdf?ua=1

“To tackle illicit trade is to tackle accessibility and affordability of tobacco products, to be more effective on the control of the packaging and to reduce funding of transnational criminal activities whilst protecting the governmental revenues from tobacco taxation.”ⁱ

– **Dr. Vera Luiza da Costa e Silva**
Head of the Secretariat of the WHO Framework Convention on Tobacco Control

“Governments around the world must waste no time in incorporating all the provisions of the WHO Framework Convention on Tobacco Control into their national tobacco control programmes and policies. They must also clamp down on the illicit tobacco trade, which is exacerbating the global tobacco epidemic and its related health and socio-economic consequences.”ⁱⁱ

– **Dr. Tedros Adhanom Ghebreyesus, Director-General**
World Health Organization

“Tobacco still remains the biggest avoidable cause of premature death in the EU, and the illicit trade in tobacco facilitates access to cigarettes and other tobacco products, including for children and young adults. In addition, millions of euros in tax revenues are lost every year as a result of the illicit trade.”ⁱⁱⁱ

– **Commissioner Vytenis Andriukaitis**
Health and Food Safety / European Commission

“Given their light weight, small size, and high value, tobacco products are susceptible to fraud through illegal trade, production, and cultivation. . . . Illegal trade is a context-specific activity that has various modus operandi and therefore requires multi-dimensional context-specific solutions.”^{vi}

– **Patrick Petit (Senior Economist) & Janos Nagy (Senior Economist)**
Fiscal Affairs Department / International Monetary Fund

“Effective tobacco tax regimens that make tobacco products unaffordable represent a 21st century intervention to tackle the growing burden of noncommunicable diseases. We are convinced that, working together with WHO and other partners in support of countries, we will be able to prevent the human tragedy of tobacco-related illness and death, and save countless lives each year.”^v

–**Dr. Tim Evans (Senior Director) & Patricio V Márquez (Lead Public Health Specialist)**
Health, Nutrition and Population Global Practice / World Bank Group

