

Higher taxes burn Rs40 bn hole in smokers' pockets

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ISLAMABAD: The government has increased the tax rates applicable on cigarettes to generate an additional Rs40 billion during the current fiscal year.

The Federal Board of Revenue will collect Rs26 billion by dint of the higher tax rates, while Rs14 billion would be accumulated through a reformed enforcement mechanism for formal and illicit trades.

The applicable rate of the Federal Excise Duty for all the three tiers was increased, with the bulk of the burden placed put on the first and third tiers. According to the Finance Supplementary (Amendment) Bill 2018 presented to the National Assembly yesterday, a tax of Rs4,500 per 1,000 domestically-manufactured cigarettes was imposed where the pack-printed retail price exceeds Rs4,500.

For local cigarettes with a pack-printed retail price of Rs2,925-4,500 per thousand cigarettes, a tax of Rs1,840 would be charged. On locally-produced cigarettes with a pack-printed retail price of not more than Rs2,925 per 1,000 cigarettes, a tax of Rs1,250 per would be levied. The tax increases equate to Rs12.50 per 20-cigarette packet of Tier-I cigarettes and Rs11 for Tier-III. For Tier-2, the impact would be limited to seven paisas a packet.