



Media Release 2 – 15/12/2021

The manner in which tobacco taxes were increased in this budget will enrich the multinational tobacco companies and disadvantage an extremely weakened country, and is an incorrect decision that will not be followed by developed countries.

- The Minister of Finance Basil Rajapaksa stated that the price of a cigarette has been increased by 5 rupees in the 2022 budget. The increase resulted in the price of one of the most widely sold cigarettes in Sri Lanka being increased by 5 rupees. However, only 3.50 rupees has been collected as tax by the government. The remaining 1.50 rupees was presented to the British Tobacco Company (BAT).
- By awarding 1.50 rupees per cigarette, the tobacco company's profit will increase by approximately 2.4 billion rupees in 2022. The 2.4 billion rupees which was handed out by the government to the multinational company owned by the British American Tobacco Company (BAT) is tax revenue that could have been collected by the government.
- Furthermore, cigarette taxes which have not increased in three years should have been hiked by at least 10 rupees or more, not by a paltry 3.50 rupees. If the government increased cigarette taxes by at least 10 rupees, the tax revenue the government could potentially have earned would be 23 billion rupees. Ceylon Tobacco Company (CTC) is a multinational corporation of which 84% of the shares are owned by the British Tobacco Company (BAT). Therefore, the government should formulate a proper tax policy to retain what they can of the outflow of wealth from the country by imposing the maximum taxes possible on the goods of such companies that draw money out of the country. Otherwise, making decisions in favour of a multinational company is highly questionable action. Making such decisions at a time when the country is in dire need of money can be considered suspicious.
- Although the cigarette tax has not been increased in 3 years, the tax rate on short cigarettes has been reduced by 49% in the current budget in comparison to the previous tax rate. Accordingly, the market price of a cigarette that was sold at 20 rupees has been reduced to 10 rupees. This can have a devastating effect on school children and youngsters as they are more likely to start using cigarettes. It will also increase the use of cigarettes by low-income earners. This is a ploy by tobacco companies around the world to lure low-income earners and young children in through cheap cigarettes. Surprisingly, a tax policy that aids such tactics is being implemented in the country.

- There is still no formal cigarette tax collection system approved by Parliament in Sri Lanka. By eliminating the existing complex taxation system based on cigarette length and introducing a scientifically sound and simple tax policy, maximum taxes on cigarettes can be implemented to maximize government profits and prevent the cigarette industry from making undue profits. Although the then Minister of Finance and the present Prime Minister Mahinda Rajapaksa stated in the 2021 budget speech tax policy headlines that this kind of efficient system would be introduced, the Ministry of Finance has deliberately neglected its responsibility without taking the necessary steps right up until the presentation of the 2022 budget.
- Furthermore, according to the World Health Organization (WHO) recommendations, a significant increase in taxes on cigarettes and tobacco products is the best way to control cigarette use (World Health Organization, WHO / NMH / PND / 14.2). It is estimated that a 10% increase in cigarette taxes will increase government tax revenue and reduce cigarette consumption in countries like ours by 5%. It has been scientifically proven that reducing cigarette use at a time such as this helps the process of controlling COVID-19.

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