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In 2020-2021, the government lost nearly 100 billion rupees due to the failure to raise the cigarette tax. The government should take action to prevent the country from losing this tax money in the upcoming budget.

The Ministry of Finance made various proposals to alleviate the economic crisis from time to time, some of which were met with strong public opposition. Despite this, the Ministry of Finance has never proposed or considered increasing cigarette taxes after 2019, which would have the least impact on the majority of the population. As a result, the government has lost roughly 100 billion rupees in revenue that it should have received. That is, the loss of 100 billion rupees owed by Ceylon Tobacco Company (CTC), whose 84 % shares are owned by the multinational corporation British American Tobacco (BAT), has had a significant impact on government revenue. This demonstrates that the Tobacco Company, has used various strategies to keep the tax on non-essential cigarettes unchanged, despite the fact that taxes on essential goods have continued to rise over the last two years.

This table shows the price increase of Gold Leaf cigarettes (the most sold) since 2015.

Year	Price per one stick (Rs.)
2015	33
2016	35
2017	50
2018	55
2019	65
2020	65
2021	65

Since 2019, cigarette taxes have not been raised. If cigarette prices had been raised by at least 20 rupees during that time, the government would have received an extra 100 billion rupees in tax revenue.

The following examples demonstrate the value of the government's lost tax money.

- The cost of the Southern Expressway was 100 billion rupees.
- The cost of the Moragahakanda reservoir project was 91 billion rupees.

If the amount of cigarette tax lost to the country as a result of the Ministry of Finance's irresponsible actions had been properly collected, the government would not have needed to raise taxes on essential goods as much.

The most recent increase in cigarette taxes in 2019 increased government tax revenue to 94.3 billion, according to the Central Bank's 2020 report (p. 155). Despite previous Central Bank reports confirming that this is a very successful strategy, it is surprising that the Ministry of Finance has completely forgotten about this tax increase for the past two years, despite the fact that taxes on essential goods have continued to rise.

The fact that there is still no transparent, formal cigarette tax system approved by the Sri Lankan Parliament is the main reason for the delay in raising the cigarette tax. The incorrect increase in the price of cigarettes, benefits to the multinational tobacco industry. Maximum cigarette taxes can be imposed to maximize government earnings and prevent the tobacco industry from making unnecessary profits by abolishing the current complicated taxation system based on the length of the cigarettes and replacing it with a scientifically simplified tax policy. Then-Minister of Finance and Prime Minister Mahinda Rajapaksa indicated in his 2021 budget speech, under the heading 'Tax Policy,' that such an efficient system would be implemented, but the necessary arrangements have yet to be made through the Ministry of Finance. Throughout history, the Ministry of Finance has implemented policy decisions that favoured multinational tobacco companies over levying tobacco taxes in the best interests of the country. All public representatives bear the primary responsibility for resolving this situation.

Furthermore, the World Health Organization (WHO) recommends a considerable increase in prices on cigarettes and tobacco products as the greatest strategy to reduce cigarette usage (World Health Organization, WHO / NMH / PND / 14.2). In general, a 10% increase in cigarette rates will increase government tax revenue, while cigarette smoking is expected to decrease by 5% in countries like ours. At this time, scientific evidence suggests that lowering cigarette smoking is also beneficial to the COVID-19 control process.

For years, the tobacco industry has spread false propaganda through the media, claiming that raising taxes on cigarettes and tobacco increases illicit cigarette trade and beedi use, and it has been a fact for many years that such false propaganda rises every year around the time the budget proposal is discussed. According to surveys, the use of beedi has not increased in Sri Lanka, and the illicit sale of cigarettes is carried out on several occasions by the tobacco industry itself. As a result, we'd like to remind you that all of that propaganda is a diversion tactic of the tobacco industry.

In light of the foregoing, we, the Alcohol and Drug Information Centre, have requested in writing that the following steps be considered by his Excellency the President, Hon. Prime Minister, Cabinet Ministers, Opposition leader and all the Members of Parliament, when preparing the 2022 Budget Proposal, which will be presented in November 2021, in order to minimize further losses to the country as a result of massive sums of money leaving the country during this economic downturn, hence raising government revenue and providing relief to the people.

These are the steps:

- 1. Increasing the tax on cigarettes to the maximum level relative to inflation and purchasing power.**
- 2. After a tax rise, the tobacco company should not be allowed to boost profits by adding a price on top of the tax. (Because taxes haven't been raised correctly in previous years, adding a price that benefits the company in addition to taxes allowed the tobacco industry to earn nearly half of the increased price. As a result, the multinational corporation generated a large profit, which could have been revenue for the government.)**
- 3. Establishing a scientific, simple, and sensible taxation structure as mentioned by then-Minister of Finance and Prime Minister Mahinda Rajapaksa in his 2021 Budget Speech on Cigarettes, under the heading 'Tax Policy.'**

The Alcohol and Drug Information Centre cordially request that all patriotic citizens, including academics, professionals, and religious leaders, compel the responsible parties in the Government, including the Ministry of Finance, to implement the above proposals and recoup the enormous amount of cigarette tax lost to the country.

Thank you,



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