Comparative study of tax on tobacco products in SAARC regions and its effect

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PREFACE

Recognizing the serious public health impact due to tobacco use for instance cancer, and other non-communicable disease and even risk to human life, many countries have imposed high excise duty to discourage use of such products. In addition to excise duty, various types of additional taxes are also levied. This result into increase in government revenue from taxes and saves huge investment on health from both individual and government level; hence it is called a win-win situation.

In case of Nepal, Excise duty, Value added tax, and health hazard tax are levied on tobacco products. But, in comparison to other countries, Nepal's tobacco tax level is still low, that is why many organization and anti-tobacco activists are advocating for raising tobacco taxes.

In this context, Nepal Development Research Institute in request of Nepal Revenue Advisory Board to analyze the situation of tobacco taxes especially excise duty implied in SAARC countries, recommendation for proposed action plan to raise tobacco taxes and how Government of Nepal can proceed with effective tobacco tax policy, this report has been prepared based on the available information.

Based on the research analysis, excise duty on tobacco products have been found to be low, therefore, recommendation has been focused to raise tobacco tax. However, the recommendation has been proposed in a way that will not exceed the price level of India and do not lead to illicit trade of tobacco products because of our open border with India.

If the proposed recommendations are implemented effectively, it is expected to raise taxes leading in to increase in government revenue, reduction in consumption, improves in health of public, and reduced investment on health sector by government, resulting into a win-win situation.

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ABBREVIATIONS & ACRONYMS

BDT	Bangladeshi Taka
BED	Basic Excise Duty
CPI	Consumer Price Index
FBR	Federal Board of Revenue
FED	Federal Excise Duty
FY	Fiscal Year
GATS	Global Adult Tobacco Survey
GDP	Gross Domestic Product
GST	Goods and Service Tax
LKR	Sri Lankan Rupee
MRP	Maximum Retail Price
NBT	National Building Tax
NCCD	National Calamity Contingent Duty
NDRI	Nepal Development Research Institute
PKR	Pakistani Rupees
RIP	Relative Income Price
SAARC	South Asian Association for Regional Cooperation
SLT	Smokeless Tobacco
STEPS	STEPwise Approach to Surveillance
TAI	Tobacco Affordability Index
VAT	Value Added Tax
WB	World Bank
WHO	World Health Organization

CHAPTER 1: INTRODUCTION

1.1 Background

There has been a practice of discouraging the users from using the products such as tobacco and liquors having negative impacts on human and environmental health by levying indirect tax such as excise duty. Meanwhile, keeping in mind the effect of the products on wellbeing of public health, government of Nepal has been posing different indirect taxes such as excise duty on aforementioned goods that are imported as well as produced in Nepal.

Since tobacco products have severe effect on health and economy worldwide, almost all the countries imposes different taxes to discourage its use. SAARC countries also have practiced using different forms of tax on the tobacco products. Nepal also charges indirect taxes namely excise tax, ad valorem tax and health hazard tax on tobacco products.

According to the provisions of the Excise Act, 2018 and the Financial Act, excise duty is levied in two ways on goods that are hazardous to human and environmental health. In most of the goods in Nepal, excise duty is levied on the percentage of price of goods. However, in tobacco, liquor alcohol, cement and some other goods, excise duty has been levied in proportion to the quantity.

In Nepal, excise duty is levied on raw tobacco, tobacco residues, tobacco substitutes, and tobacco cigars, cigarettes of all lengths, tobacco for traditional hookah (tambakhu), bidi, jarda, khaini, nas, gutkha, betel spices and other tobacco products. But, indirect taxes like excise tax being imposed in present are significantly low. That is why, different activist and organizations are raising their voice against tobacco use to lobby for increase in those excise tax so as to discourage the tobacco users.

The rate of excise duty in the current Fiscal Year 2077/78 is the same as in last year 2076/77. The health hazard tax has been raised on bindi, cigarettes and cigars and chewing tobacco, khaini, gutkha and betel spice compared to that in last fiscal year.

The comparative analytical study report has been prepared to identify the status of taxes including excise duty on tobacco products in all SAARC countries including Nepal as mentioned in the TOR and directed by Nepal Revenue Advisory Committee.

Agenda for the Study on the Comparative Impact and Impact of Tobacco Taxes in SAARC Countries (Terms of reference):

- To compile a list of tobacco products on which excise duty is levied and details of excise duty rates in SAARC countries
- To carry out a comparative study of excise duty on tobacco products in Nepal with respect to the excise duty on tobacco products in SAARC countries

- ❖ To analyze the contribution of excise duty collected from tobacco products to the total excise revenue of Nepal and compare it with SAARC countries,
- ❖ To present a proposal for revising the excise tax rate on tobacco products in Nepal as compared to SAARC countries,
- ❖ To submit report on recommendations based on analytical study of current rates of tobacco products in Nepal, proposed revised rates and their effects and implications.

1.2 Objective of the study

The government, while presenting the budget for the current fiscal year in the parliament, has not increased the excise duty on tobacco products in the current fiscal year with an aim of providing relief to the industries affected by COVID -19 and has adopted revenue mobilization policy so as to revive sluggish economic activities in Nepal.

However, the World Health Organization (WHO) and other agencies have been informing government about ill effects of tobacco use and its contribution for causing severe diseases like cancer and other heart and respiratory diseases.
At the same time, anti-tobacco activists have been urging the government to adopt a policy to curb consumption and increase government revenue by raising the prices of tobacco products through taxes.

According to a nationwide survey conducted by the Nepal Development Research Institute last year to map the state of tobacco consumption in Nepal in collaboration with Cancer Research and Kivu International, Health Education, Information and Communication Center, Ministry of Health and Population, 27,137 people die every year in Nepal i.e. 3 people per hour lose their lives due to tobacco use. In addition, use of tobacco is second greatest avoidable risk factor for different deadly diseases.

In this present scenario, excise duty levied on tobacco products in Nepal is significantly low in Nepal compared to other SAARC countries. That is why this study has been carried out under the supervision of Nepal Revenue Advisory Committee. The main goal of the report is to study present excise duty levied on tobacco products in Nepal compared to other SAARC countries and explore for the scope of revision and recommendation for way forward for the revision.
The report has been prepared with the expectation of justification to address aforementioned goals, problems and challenges.

1.3 Research Methodology

In order to fulfill the mandate received from the Nepal Revenue Advisory Board, the report has been prepared by studying the facts and figures available on the basis of the following information sources in a comparative and analytical manner.

- ❖ In a chapter of the report, a questionnaire has been developed by the Nepal Development Research Institute on the growing use of Smoked tobacco and hookah in

Nepal and surveyors have been deployed in all three districts of Kathmandu valley and the collected facts and information materials has been analyzed as primary sources of information.

- Last year, the Nepal Development Research Institute conducted a nationwide survey on tobacco consumption in Nepal in collaboration with the Ministry of Health and Population, its subordinate Health Education, Information and Communication Center and other agencies, national and international organizations including Cancer Research and Kivu International in the UK, and attempts have been made to analyze it as information material.
- Budget statements of various financial years, economic surveys and financial acts published by the Ministry of Finance on indirect taxes including excise duty on tobacco produced and imported in Nepal and textbooks including various publications from Nepal Rastra Bank have been analyzed as secondary sources of information.

- As there is a mandate to make a comparative study of indirect taxes such as excise duty on tobacco products in all SAARC countries, the present study report analyzes the materials and data used in relation to countries other than Nepal from the website of the concerned bodies.
- In the process of collecting information materials, an attempt has been made to make a comparative analysis by taking the data and information from the websites of World Health Organization, World Bank, International Monetary Fund and Global Tobacco Epidemic Report

1.4 Limitations of the Study

There are the following limitations when studying and reporting on the issues presented.

- Due to the fear of the Covid-19 epidemic and the limited timetable and resources available for the study, it was not possible to hold direct discussions and interactions with potential officials from SAARC countries.
- The report has been prepared by analyzing the study on the basis of the information available on the websites of the SAARC countries on the administration of tobacco and the concerned bodies and the information available on the websites of the World Health Organization. Since the information on some websites is one or two years old, it is possible that the tax rates in those countries may have been modified.
- The World Health Organization (WHO) has not included any information or data on the sale of cigarette are illegal in Bhutan. Afghanistan and Maldives are excluded because they are not produced domestically and are only imported, so it is not practical to compare taxes including excise duty on tobacco products.
- Nepal Revenue Advisory Board has been requested to The Inland Revenue Department and the World Health Organization contact office in Nepal for data and other information on Tobacco production in Nepal, but only partial information and assistance has been obtained.

1.5 Organization of the Study

The present study report is divided into six main chapters. The first chapter describes the introduction, rational, method, and limitations of the study. The second chapter presents and analyzes the tobacco policies of the SAARC countries, in which taxes on cigarettes and understanding of tax instruments, policies of Bangladesh, Pakistan, India and Sri Lanka are analyzed. The sale of cigarettes in Bhutan is considered illegal, as there is no domestic production in the Maldives and Afghanistan, and only imports are not analyzed. In the third chapter current tax policies on tobacco products in Nepal has been analyzed. In chapter four, a statistical comparison of tobacco products of SAARC countries is made in which, the retail price of the most selling tobacco products, the prevalence of tobacco products and the rate of government revenue have been compared. In chapter five, suggestions are made about the policies that Nepal should adopt regarding tobacco products based on the analysis of the previous chapters and in the final sixth chapter, the results of a survey conducted by the Nepal Development Research Institute on the prevalence of smoked hookah in Nepal are presented and analyzed.

CHAPTER 2: ANALYSIS OF SAARC REGION

2.1 Taxing Cigarettes: Understanding tax instruments

Cigarette use being harmful to health of the people, most countries levies excise duty to tax cigarettes. In Nepal, excise duty is levied on selected goods at the time when the product is manufactured and ready for deployment to wholesalers.[1] Those goods, which are imported from foreign countries, the excise duty, are levied at the point of custom. Primarily, there are two ways in which excise duty on cigarettes can be imposed: 1) Specific Taxes and 2) Ad Valorem Taxes.

Specific excise is a set monetary amount which is levied on a pre-determined unit. Different countries have different units for specific excise. In case of cigarettes, in Chile the excise is levied per stick, whereas in Pakistan it is levied on a pack of 10 stick cigarettes. In the case of Nepal, the specific excise tax is levied on 1000 sticks (M) of cigarettes after the cigarettes are produced in a factory and at the point of custom for those, which are imported.[2] There is a legal provision to levy excise duty as per the stick and kilogram in case of cigar and for other tobacco products respectively. The excise duty on various tobacco products is elaborated in the following section. Currently, Nepal levies excise duty on the basis of the amount of production and import.

Ad Valorem excise are levied as a percentage of a price at a particular point in the supply chain. It could either be the price at the point of manufacturing or the wholesale price.[3] This varies among countries. According to the Excise Duty Act (2002) of Nepal, the ad-valorem excise tax is levied at the point of manufacturing for all manufacture products. Currently in Nepal, there is no ad-valorem excise duty on tobacco products.

Different countries levy taxes, which are either any one of them or a combination of both these excise taxes. Both these excise taxes can be levied in two ways: 1) Uniform and 2) Non-Uniform (or Differential). **Uniform tax rates** imply that a single rate is levied on all of the products. The rate of excise duty is not differed based on amount of production and size. In case of cigarettes, it would imply having a particular rate for cigarettes of all characteristics. In case of the **Non-uniform tax rates**, different tax rates would be imposed on products of different characteristics.[4] The differentiated taxes could be based on the retail price, cigarette length, filtered vs non-filtered cigarettes, characteristics of the tip of the cigarette and so on. In Nepal, there are non-uniform specific tax rates for cigarettes, which are based on the length of the cigarettes. Cigarettes of shorter length have a lower specific tax compared to cigarettes of longer length. In table 1, we have shown the tax types, which are levied in tobacco products in the SAARC countries.

[1] Government of Nepal, Excise Duty Act (2002)
[2] World Bank Group (2018), "Economics of Tobacco Taxation Toolkit", pg 13
[3] Ibid, pg 13
[4] Ibid, pg 14

Table 1: Tobacco Tax types in SAARC countries

Countries	Taxes Type
Bangladesh	Ad Valorem Excise, Value Added Tax
India	Specific Excise, Ad Valorem Excise, Value Added Tax and Other Taxes
Nepal	Specific Excise, Value Added Tax and Health Hazard Tax
Pakistan	Specific Excise, Value Added Tax
Sri Lanka	Specific Excise, Value Added Tax
Afghanistan	Only import duty, no domestic production and minimal excise duty
Maldives	Only import duty, no domestic production and minimal excise duty
Bhutan	Sale of cigarettes are considered illegal

2.2 Country wise Analysis of tobacco taxation policy

2.2.1 Bangladesh: A case of a tax-wedge

Prevalence of tobacco use and Affordability of consumers

The prevalence of tobacco products in Bangladesh has declined slightly since 2009. Overall prevalence of tobacco has decreased marginally from 43.3% in 2009 to 35.3% in 2017.[5] The prevalence of smoked tobacco has been 23% in 2009 and has marginally declined to 18% in 2017. Prevalence of tobacco in Bangladesh is very high in comparison to other countries that we have reviewed. Though there has been a decline in the prevalence of tobacco, a prevalence of 35.3% in 2017 is still quite high.

Despite prevalence of tobacco declining, there has been a considerable increase in the consumption of cigarettes. This has occurred despite the affordability of cigarettes declining. Nargis et. Al. (2019)[6] have shown that based on one measure of affordability, cigarettes have become less affordable from 2009 to 2014-15, by around 2.7%. However, when we examine this further, cigarettes in the lower tier have actually become more affordable. On the other hand, cigarettes categorized as premium, high and medium brands have become less affordable in the aforementioned period. Let us explore where taxes fit into this.

Current structure of tobacco taxes in Bangladesh

Bangladesh has ad-valorem tax in tobacco products differentiated by MRP of a pack of 10 cigarettes. In 2019/20, the cigarettes were differentiated based on 4 different prices, that is premium, high, medium and low prices. While there are different components of the tax rates, the final tax rates are shown in the last column. Similarly, we can see the rates for Biri's, with and without filter and smokeless tobacco.

[5] This is based on the GATS survey of 2009 and 2017

[6] https://tobaccocontrol.bmj.com/content/tobaccocontrol/28/Suppl_1/s20.full.pdf

Table 2:

Tobacco tax structure in Bangladesh, FY 2019-20

Tobacco products	Category	Tax base	Price (BDT)	VAT (percent)	SD (percent)	HDS (percent)	TTI (percent)
Cigarette (10 sticks)	Low	MRP	37+	15	55	1	71
	Medium		63+	15	65	1	81
	High		93+	15	65	1	81
	Premium		123+	15	65	1	81
Biri (sticks)	Without filter (25 sticks)	MRP	14	15	35	1	51
	With filter (20 sticks)		17	15	40	1	56
Smokeless (Pouch of 10 grams)	*Zarda*	MRP	30	15	50	1	66
	Gul		15	15	50	1	66

Source: National Board of Revenue (2019)
Notes: In case of cigarettes, *biris* and SLT products, MRP is inclusive of all taxes.

Tax in Bangladesh:

As has been mentioned above, Bangladesh applies a non-uniform ad-valorem excise tax based on retail price. The rate of ad valorem is higher for higher priced cigarettes compared to the lower priced cigarettes. The percentage of ad-valorem out of retail prices has been summarized **in the table below.** It can be observed that the total tax out of retail price for the lower tier cigarettes is 47 percent of retail price in 2006/07, 54% in 2012/13 and it increased to 68% of retail price in 2017/18.

During most of this period there has been considerable difference between the lowest tier and the upper tiers. It can be seen that total tax for the medium tier, high tier and premium tier cigarettes have a high total tax share as a percentage of retail price, i.e. 67%, 70% and 72% respectively in 2006/07 and 71%, 74% and 76% in 2012/13. One can observe that there is considerable difference in tax rates between the lowest and the upper tiers until this point.

In 2015/16, they collapsed the medium tier to include them in the high tier. In 2017/18, the share of tax out of overall price for lowest tier, high tier and premium tier was 68%, 78% and 80% respectively. The difference between the tax rates of the lowest tier and the higher tiers have reduced slightly. Despite having such a high average tax on cigarettes, there are some key caveats of the Bangladesh tax policy that requires attention.

Table 3: Tiered Tax system of Bangladesh

We see a significant difference between the rates of the lower tier tax band and the higher tax bands

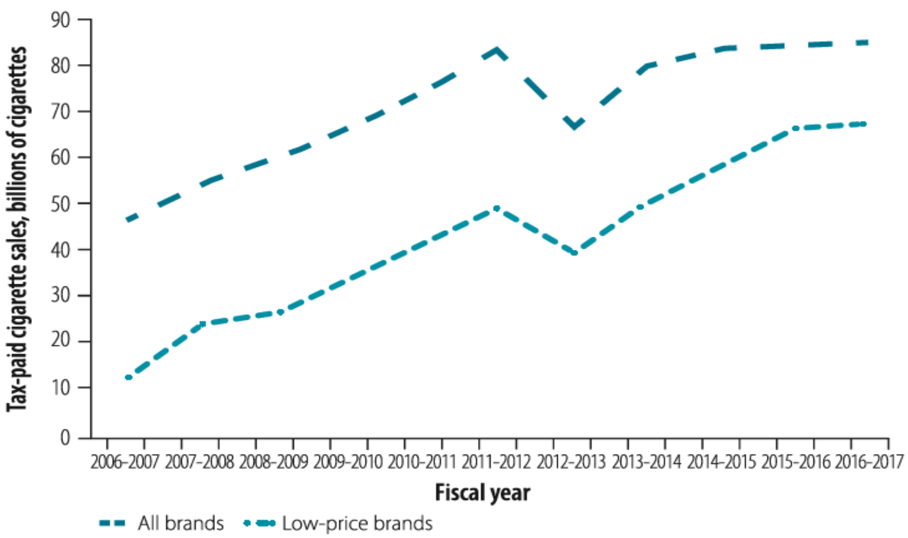
	Lower Tier		Medium Tier		High Tier		Premium Tier	
Year (AD)	Total Tax Share out of Total Price	Excise Tax out of Total Price	Total Tax Share out of Total Price	Excise Tax out of Total Price	Total Tax Share out of Total Price	Excise Tax out of Total Price	Total Tax Share out of Total Price	Excise Tax out of Total Price
2006-07	47	32	67	52	70	55	72	57
2007-08	47	32	67	52	70	55	72	57
2008-09	47	32	67	52	70	55	72	57
2009-10	47	32	67	52	70	55	72	57
2010-11	48	33	68	53	71	56	73	58
2011-12	51	36	70	55	73	58	75	60
2012-13	54	39	71	56	74	59	76	61
2013-14	54	39	71	56	74	59	76	61
2014-15	58	43	75	60	76	61	76	61
2015-16	64	49	NA	NA	77	62	79	64
2016-17	66	51	NA	NA	78	63	80	65
2017-18	68	53	NA	NA	78	63	80	65

Source: Nargis et. Al (2019), 'A Decade of Cigarette Taxation in Bangladesh, Lessons Learnt for Tobacco Control'

Substitution towards lower priced cigarettes

From 2006-07 to 2016-17, the overall sales of cigarettes have increased from 46 billion to 84.3 billion cigarettes. This was primarily because of a 410% percent in sales of the lowest brand, i.e. from 13.1 billion to 66.8 billion cigarettes.

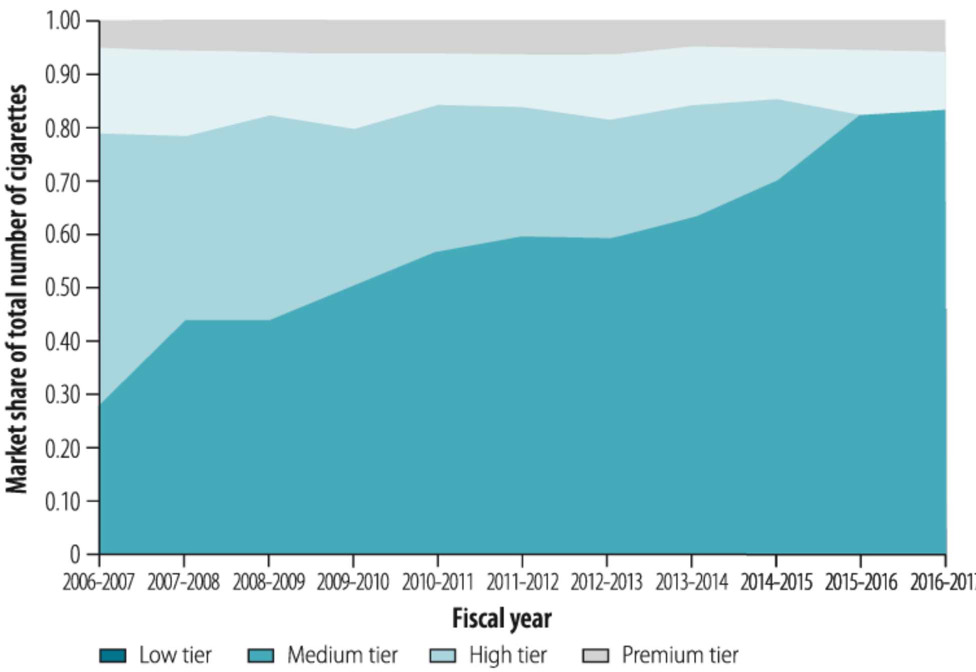
Figure 1: Tax-paid sales of all brands and low-price brands of cigarettes in Bangladesh from 2006-07 to 2016-17



Source: Nargis et. al. (2019), 'A Decade of Cigarette Taxation in Bangladesh, Lessons Learnt for Tobacco Control'

One can observe **in the following diagram,** that the market share for lower tier cigarettes have increased significantly from around 28% to around 80% from 2006/07 to 2017/18. This is likely to be because of the significant difference between the tax on lower tiered brands and the tiers above it. **In table 3 (the above table)** we can observe that the difference in excise tax rate (and tax as a share of total price) between lower tier and the three higher tiered cigarettes (medium, high and premium) up until 2014/15 is quite high. Tax as a share of total price was 58% in the lower tier and 75%, 76% and 76% for the medium, high and premium tiered. After 2015/16, there is a similar wedge between the lower tier versus higher and premium tier cigarettes, though it has reduced comparatively.

Figure 2: Market shares of low-, medium-, high- and premium-tier cigarettes brands in Bangladesh from 2006-07 to 2016-17



Source: Nargis et. al. (2019), 'A Decade of Cigarette Taxation in Bangladesh, Lessons Learnt for Tobacco Control'

The difference between the lower and the higher tiered has resulted in a wedge between the prices of these tiers because of which smokers substitute towards the lower tiered brands. Furthermore, a lot of the cigarettes of the higher tiered cigarettes have rebranded and priced their cigarettes such that they fall in the lower tiered category to avoid paying the higher taxes. The considerably lower taxes on the lowest tier of cigarettes have also contributed to them being more affordable from the periods between 2009 and 2015.

<u>A key lesson: Reduce differences in taxes between different tiers</u>

In the case of Bangladesh, while tax as a percentage of retail price is quite high overall, people have switched to lower brands increasing overall consumption of cigarettes. As far as best practice is concerned, there should be a reduction in the difference between the different tiers to discourage such kind of substitution. This is a key lesson for tax policy.

2.2.2 Pakistan

According to the report of the World Health Survey carried out in Pakistan in 2002-2003, the prevalence of smoked tobacco among adults was **19.9%** (33.5% for males and 6.2% for females). After more than a decade and increase in tax up to 42%, the prevalence of adult tobacco users remained almost unchanged which was **19.1 % in 2014** (31.8%male and 5.8% female.) Due to decrease in the total tax rate from 64.80% to 56.36 % during the year 2016 and 2018, with tobacco becoming more affordable the prevalence rate of tobacco in adults has increased up to **20% (34% for males and 6% for females) in 2018**[7][8]. The prevalence of **smokeless tobacco** is over 10% in Pakistan[9].

Tax Structure

In this section we will discuss the structure of tobacco taxes in Pakistan. In 2013, a two-tiered non-uniform specific tax was introduced to change complexity of the previous 3 tier system. The basis of the two tiers was the retail price of a pack of 20 cigarettes. More specifically, the first tier was a pack of 20 with a retail price greater than PKR 45.72. The FED (Federal Excise Duty) for this was PKR 46.5. The second tier, was for a pack of 20 cigarettes with a retail price of less than PKR 45.72. For this tier, FED was PKR 17.6 per pack. While in 2015, the country still had a two-tier tax system but the prices of the two tiers had changed. More specifically, the first and the second tiers were retail price of a pack of 20 greater than and less than 72 respectively. The FED for the former was PKR 63 and for the latter it was PKR 28.

It is interesting to note that Pakistan reverted to a 3-tier system for the years 2017 and 2018 (as can be observed in the following table). This was primarily done because smokers started to shift to the consumption of the 2nd tier cigarettes, which constitute around 80% of the users of smoked tobacco. Furthermore, producers started to decrease the price of the popular brands and eventually the lowest tier covered most of the cigarettes.

Because of this, in 2019 Pakistan reverted back to a two-tier system. The exact FED and basis of the tiers can be observed in the following table. With the increased expenses and health hazards proposed by COVID 19 Federal Board of Revenue (FBR) in 2020 has proposed health tax of Rs 10 on each packet of cigarettes which is still under review.

[7] http://documents1.worldbank.org/curated/en/498131560807146415/pdf/Pakistan-Overview-of-Tobacco-Use-Tobacco-Control-Legislation-and-Taxation.pdf

[8] http://documents1.worldbank.org/curated/en/498131560807146415/pdf/Pakistan-Overview-of-Tobacco-Use-Tobacco-Control-Legislation-and-Taxation.pdf

[9] Nishtar, S. The Riskcorn Study. 2006; Available from: http://www.heartfile.org/wpcontent/uploads/2015/01/riskcorn_book.pdf

Table 4: Tax Structure of cigarettes in Pakistan

Year	Tier	Retail price /20 stick packet (PRK)	Per packet FED (PKR)
2013	First	More than 45.72	46.5
	Second	45.72 or less	17.6
2015	First	More than 72	63
	Second	72 or less	28
2017	First	More than 90	74
	Second	Up to 90 and more than 58.5	33
	Third	58.5 or less	16
2018	First	More than 90	90
	Second	Up to 90 and more than 58.5	36
	Third	58.5 or less	25
2019	First	More than 90	90
	Second	Up to 90	33

Source: World Bank and Pakistan Institute of development economics [10] [11]

Affordability

The percentage of GDP per capita required to purchase 100 packs of the most sold brand of cigarettes in Pakistan is 2.8 percentage. If we analyze the recent trend of one measure of affordability (Tobacco Affordability Index), there is no clear trend in the affordability over the last decade. For instance, cigarette has become more expensive between 2014 and 2016 but has become affordable between 2016 to 2018. From this it is clear that Pakistan needs concerted effort to reduce tobacco affordability.

Table 5: Cigarette affordability in Pakistan

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Per Capita Income (RS)	80545	89869	108931	117837	129005	142849	142849	153357	170877	180204
Changes in per capita income (Previous year= 100)		111.6	121.2	108.2	109.5	110.7	107.4	104	107.2	105.5
Changes in cigarette prices (previous year=100)	109.2	120.1	128.6	104.1	118.9	133.6	117.1	119	106.2	79.8
Tobacco Affordability Index		-7.1	-5.8	3.9	-7.9	-17.1	-8.3	-12.7	0.9	32.2

[10] https://pide.org.pk/Research/Economics-of-Tobacco.pdf

[11] http://documents1.worldbank.org/curated/en/498131560807146415/pdf/Pakistan-Overview-of-Tobacco-Use-Tobacco-Control-Legislation-and-Taxation.pdf

Case of over shifting, overstating and overestimating by tobacco industry against increased taxation:

The case of Pakistan shows that there is concerted effort from the tobacco industry to decrease the rate of taxes in tobacco products.

Pakistan adopted the new policy of two-tier specific excise tiers in 2013. This led to an increase in the price and cigarettes less affordable. In addition to this, total revenue increased by 50% in nominal terms which is around 30% increase in real terms in 3 years' time.

However, the situation was changed dramatically during May 2016- 2017 period as the production of the cigarettes was 50% lower than previous year which led to decrease in real revenue by 30% which is around 30 billion rupees. Tobacco industry argued that the reason of downfall and decreased production is due to smuggling and illicit trade activity. They influenced government and persuaded them to decrease the tax of low-priced cigarettes by 51% from 2017 .This lead to huge growth in the legal production of the cigarette but the increments in revenue was not as expected.

According to the **World Bank report**[12] it is clear that it was all carefully planned joint effort of the tobacco industry to devalue the government's policy of increased taxation. They carefully planned to reduce the revenue by using various influences like:

- **Forestalling:** Increasing the production stock in anticipation of tax increase they overproduced cigarettes in 2014 -early 2016.They used these stocks of already taxed cigarettes for retail sales which showed decrease in productivity by 50%.
- **Over shifting:** Increasing the price of cigarettes by more than the tax increase and required inflation rate. This led to increase in the profit and tobacco industry reports stated price increase was only tax driven.
- **Overestimating illicit trade:** Tobacco industry collectively tried to influence and created public impression that illicit cigarette trade is very massive producing various biased reports' substantially pressurized government to outlook the taxation policy though there were contrary findings and questionable validity.

<u>Lessons for Nepal:</u>

Increase in tax rates and lesser number of tiers in tobacco products are policies which are effective in reducing tobacco products. However, the tobacco industry not only persuaded the government against an effective tax policy, but also deliberately manipulated production to spread misinformation to over-exaggerate the problem of illicit trade. The government of Nepal should also be wary of such tendencies from the tobacco industry in Nepal.

[12] http://documents1.worldbank.org/curated/en/498131560807146415/pdf/Pakistan-Overview-of-Tobacco-Use-Tobacco-Control-Legislation-and-Taxation.pdf

2.2.3 India

There has been a decline in prevalence of tobacco products in India over the last decade. It was 38.5% in 2007 and it has declined to 27% in 2018.[13] Moreover, there has been a steady increase in the price of tobacco products. Based on WHO data, the price of the most sold brand (which we take as a proxy for price of cigarettes) has increased from $ 1.51 in 2010 to $ 2.77 in 2018. In this context, let us analyze the tobacco tax structure in India. There has been a decline in prevalence of tobacco products in India over the last decade. It was 38.5% in

Tax structure for tobacco products in India

After the introduction of goods and service (GST), 28% GST is imposed on cigarette which is uniform across all tiers of cigarette. The GST that was implemented by India in July 2017 fundamentally reformed the indirect tax system by subsuming national excise duties, state-level VAT and several other duties into a single system. The GST council fixed a statutory (exclusive) ad-valorem GST rate of 28% on all tobacco products with an additional the GST Compensation Cess, National Calamity Contingent Duty (NCCD) and Basic Excise Duty (BED) on cigarettes and Smokeless tobacco (SLT) (John et. al., 2018) Before the introduction of the GST, excise duty on bidi and cigarettes was based on consumption units (generally per 1000 sticks) irrespective of their prices, equivalent to a specific tax.

Table 6: Tax structure of India

Tobacco item	2018/19			2020	
	GST	NCCD	Compensation Cess	New NCCD	
	%	INR/1000 sticks	Specific INR/1000 sticks	Ad valorem	(INR/1000 Sticks)
Cigarettes (weighted average)	28%	116.2	2882.1	10.10%	
Non-filter <65 mm	28%	90	2076	5%	200
Non-filter 65–70 mm	28%	145	3668	5%	250
Filter <65 mm	28%	90	2076	5%	440
Filter 65–70 mm	28%	90	2747	5%	440
Filter 70–75 mm	28%	145	3668	5%	545
Others	28%	235	4170	36%	737
Bidi (weighted average)	28%	1.02	0	0	NA
Machine-made	28%	2	0	0	NA
Hand-made	28%	1	0	0	NA

Source: (Rout & Parhi, 2020)

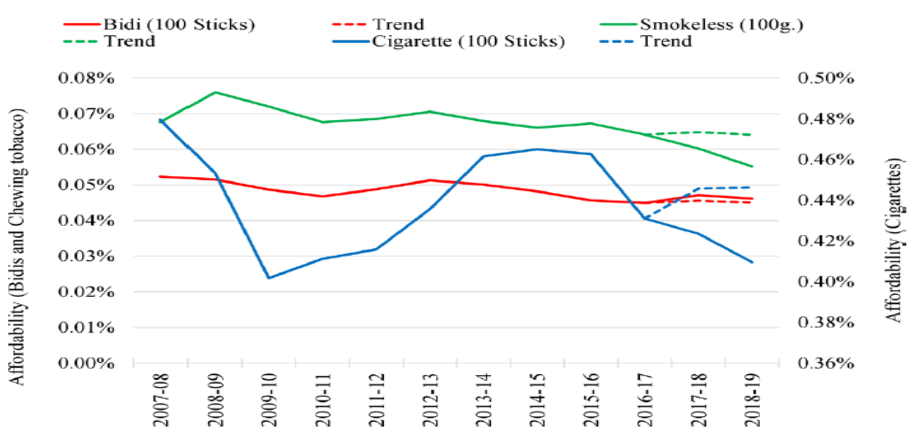
[13] World Bank Country wise report

Affordability of tobacco products

It is interesting to note that affordability of tobacco products has increase in India. John and Dauchy (2020), shows tobacco products – including cigarettes, smokeless tobacco and bidis – have become more affordable in the last years. This is calculated by the Relative income price (RIP), which is the percentage of per capita GDP required to consume 100 sticks – for cigarettes and bidis – or 100 g for smokeless tobacco. A decline in the RIP (illustrated in the following graph) indicates a decrease in affordability and vice versa. From the following figure we see that the RIP has declined at various rates in all the three types of tobacco products.

With the introduction of GST reforms, tobacco has become more affordable when compared to the tobacco taxes prior to the reforms. This can be observed in the following **figure 3.** The RIP has declined post GST reform indicating tobacco has become more affordable. However, if one extrapolates the tobacco taxes of the pre-GST reform period (which is indicated by the dotted lines in the figure), tobacco would have been less affordable.

Figure 3: Trends in Affordability of Tobacco Products in India



Trends in affordability of tobacco products in India.

2.2.4 Sri Lanka

Prevalence of smoked tobacco in Sr Lanka has declined over the past five years. According to the WHO, in 2015 it was around 15% and declined to 13.5% in 2018. During the same time, taxes on cigarettes (as a percentage of the most sold brand) has declined marginally from 69.99% (2014) to 66.17% (2018). The STEPS survey finds that for males, prevalence of smoked tobacco is 29%, whereas that of females is very negligible at around 0.1%. While the prevalence of smoked tobacco has decreased quite significantly since the 90's – when prevalence used to be around 30% -- tobacco usage still has huge costs which need to be addressed.

Tax structure of cigarettes

Sri Lanka (similar to Nepal) has a multi-tiered specific tax rate differentiated on the basis of cigarette length. The different tiers are length below 60mm, 60mm to 67mm, 67mm to 72mm, 72mm to 84mm and more than 84mm. Additionally, there are ad-valorem components such as the VAT and the NBT (which was abolished in 2019), which is explained in the table 7 below.

Table 7: Excise Duty on Cigarettes (LKR per 1000 cigarettes)

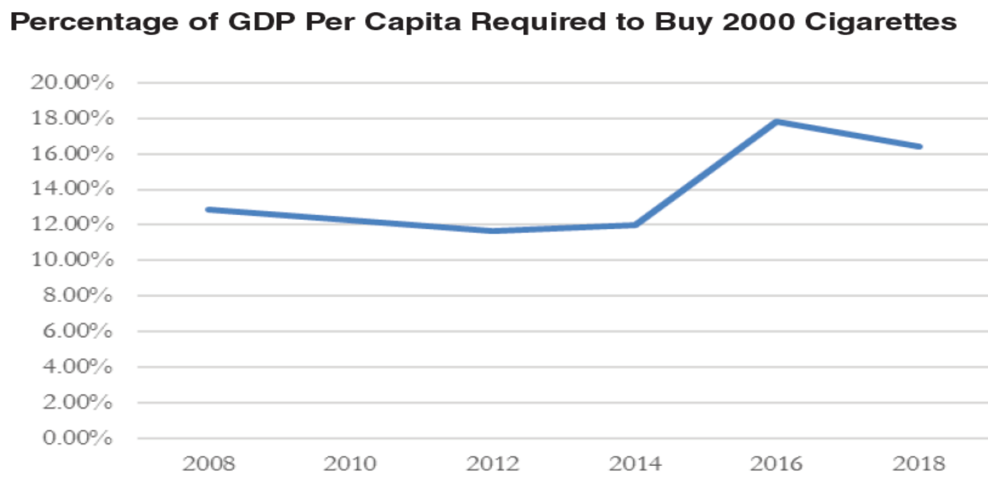
Excise Duty on Cigarettes (LKR per 1000 cigarettes)								
Year	**Length Below 60mm**	**60-67mm**	**67-72mm**	**72-84mm**	**more than 84mm**	**VAT (%)**	**NBT Percentage**	**Corporate Tax Rate (Percent of profit)**
2016	11,675	17,375	20,500	30,500	34,350	15*	2*	40
2017	11,675	17,375	20,500	30,500	34,350	15	2	40
2018	11,675	17,375	20,500	33,550	37,675	15	2	40
2019	13,360	22,300	37,675	43,100	48,350	8	0**	40

Source; Ministry of finance, Sri lanka
*2016 November - cigarettes were again made liable for VAT and NBT
**NBT was abolished with effect from December 01, 2019 NBT- Nation Building Tax

Affordability of cigarettes

One measure of affordability is the ratio of – cost of buying 2000 cigarettes and the per capita GDP. When we consider this measure of affordability, cigarettes had constant affordability from 2008 to 2014. This can be observed in the following graph. However corrective measures were taken because of which cigarettes became less affordable between the years 2014 to 2016. However, tax rate changes since then have not been able to reduce affordability of cigarettes.

Figure 4:

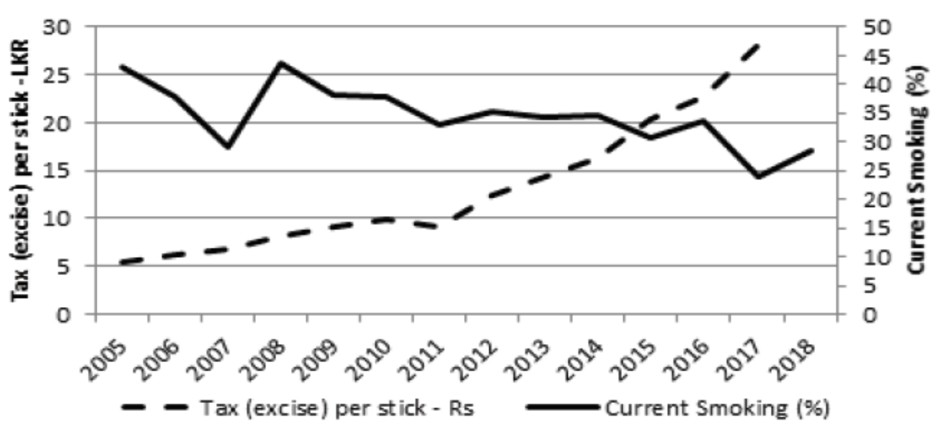


Source: WHO Report on the Global Tobacco Epidemic, 2019.

Tax rates and consumption of tobacco

Sri Lanka has been quite successful in decreasing the prevalent of tobacco products. As can be observed in the following graph, the tax rate per stick has increased from around 5 LKR in 2005 to around 27 LKR in 2018 (which would increase prices), during which the prevalence of smoking has declined from around 43% in 2005 to around 29% in 2018.

Figure 5: Mapping Tax Vs Consumption



Note: Current smoking rate is calculated by weighting age group-wise values according to age distribution in Census and Statistics (2012).
Source: Trend Surveys of ADIC, 2005 – 2018 and National Dangerous Drugs Control Board (primary data source Sri Lanka Customs).

Sri Lanka's November 2020 Budget announced the intention to move to a Special Goods and Service Tax for tobacco. Although the detail of the policy is still to be announced, it is anticipated that this policy will move Sri Lanka to a uniform tax system, collapsing the current multi-tier taxation framework. In addition, the Minister of Finance and Prime Minister, has expressed interest in indexing tobacco taxation to inflation annually, to ensure that tobacco does not become more affordable over time.

Lesson for Nepal:

While there are still issues with Sri Lanka's tobacco taxation policy, the government has been successful in reducing the prevalence of tobacco in their country, through increases in taxation. Their next steps are to move to a uniform tax rate, and to index taxation rates to inflation. This provides a useful model for Nepal, and is reflected in the proposals below. These proposals prioritise an increase in taxation, followed by moves towards a uniform rate and an introduction of an indexation formula to prevent reforms being eroded by inflation and income growth over time.

CHAPTER 3: ANALYSIS OF NEPAL

3.1 Nepal's Tobacco Taxation Policy

It is well understood that tobacco usage has a detrimental effect on human health. Tobacco use can cause non-communicable diseases such as diabetes, cancer, lung diseases and cardiovascular diseases.[14] In addition, tobacco usage can affect households since households divert financial resources to tobacco usage and treatment of diseases related to tobacco, which could have otherwise been utilized productively.[15]

In Nepal, around 27,100 die every year because of diseases caused by tobacco.[16] The total costs of tobacco usage (which includes direct health costs and costs associated with decline in productivity because of adverse health effects of tobacco) amounts to around 1.04% of GDP (2020)[17]. Given the magnitude of the effects of tobacco, Nepal ratified the WHO Framework Convention on Tobacco Control on 7th November 2006 which was developed by the WHO to help countries address rising tobacco use and the associated health, social, environmental and economic consequences.[18] Following this, a bill titled Tobacco Products (Control and Regulatory) Act (2011) was passed to make legal provisions "….to reduce, control and regulate the import, production, sales and distribution and consumption of tobacco products…." Since the bill was passed, it has been successfully been able to enforce warnings in cigarette packets (of over 75% of the package) and ban advertisements of tobacco products. Despite being successful in the aforementioned aspects, the bill hasn't been successful in reducing the prevalence of tobacco. On the contrary, according to the STEPS survey, prevalence of tobacco has remained quite high in the last decade at 30.8% in 2012/13[19] and 28.9% in 2019.[20] The prevalence of both smoked and smokeless tobacco have remained fairly steady during the same period. For smoked tobacco, prevalence was 18.5% in 2012/13 and 17.1% in 2019. For smokeless tobacco, it was 17.8% in 2012/13 and has risen slightly to 18.3% in 2019.

While there are various policy tools which can be used to reduce tobacco consumption, increasing taxes on tobacco products is considered one of the most cost effective methods.[21] Despite this fact, the taxation of tobacco products in Nepal is significantly below the WHO standard of 70% of retail price.[22] Nepal imposes tobacco tax of merely 30 percent of retail price, which is one of the lowest among South Asian countries.[23] Given the magnitude of the problem and the poor state of taxation of tobacco, there is a dire need to improve the tobacco tax in Nepal. This paper

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[14] World Health Organization (2019), "WHO Report on the Global Tobacco Epidemic"
[15] https://www.who.int/tobacco/communications/events/wntd/2004/en/factsindividuals_en.pdf
[16] https://tobaccoatlas.org/country/nepal/
[17] Authors calculation using the tobacco atlas figures and Nepal Rastra Bank Data
[18] https://www.who.int/fctc/reporting/party_reports/nepal_2012_annex2_tobacco_profile.pdf?ua=1
[19] https://www.who.int/ncds/surveillance/steps/2012-13_Nepal_STEPS_Report.pdf
[20] https://www.who.int/ncds/surveillance/steps/NPL_2019_National-Factsheet-English-1.pdf?ua=1
[21] World Health Organization (2010), "WHO Technical Manual on Tobacco Tax Administration"
[22] Ibid., pg 53
[23] WHO database

attempts to recommend policies for Nepal to improve its taxation of smoked tobacco particularly.[24]

3.2 Tobacco Taxation in Nepal

Where has Nepal gone wrong in its taxation of tobacco?

- The prevalence of smoking has remained fairly stagnant
- Tax as a percentage of retail price is quite low at around 30%
- Nepal has a complex non-uniform tax system for tobacco products
- By one measure, cigarettes have become more affordable in the recent years
- Excise duty collected from tobacco products quite insignificant compared to the government revenue

The issue of tobacco usage is quite significant in the case of Nepal. The prevalence of tobacco is quite high. According to the STEPS survey, around 30.8% of adults smoked in 2013 and remained fairly stagnant at 28.9% in 2019. The prevalence rate for smoking tobacco was around 18.5% in 2013 and was 17.1%[25] in 2019. One can affect the prevalence rate by increasing taxes on smoked tobacco and consequently reducing their affordability. Let us examine the tax structure of Nepal to recommend concrete policy measures to improve it.

Nepal has a differential specific excise duty on cigarettes. The basis of the differential tax is the length of the cigarettes. They are taxed per 1000 cigarettes. Every year, the Arthik Bidhayek is published where these excise duties are stated. In the table below, tax rates for the different products are indicated.

Table 8 : Structure of tobacco taxes in Nepal

	Cigarettes	Unit	2003	2004	2005	2006	**2007**	**2008**	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	In upto 70 mm length													**Unfiltered**	320	346	374	450	495	495
a	Without Filter	Per M	125	155	160	160	170	175	195	210	234	252	272	294						
b	With Filter	Per M	300	330	340	340	350	360	415	445	494	533	597	657	723	795	859	1030	1135	1135
2	In more than 70 mm upto 75mm length (with filter)	Per M	385	425	440	440	450	460	530	570	633	681	763	839	931	1024	1116	1340	1475	1475
3	In more than 75mm upto 85mm length (with filter)	Per M	530	565	575	575	590	600	690	730	811	872	977	1075	1193	1336	1456	1747	1920	1920
4	In more than 85mm length (with filter)	Per M	710	750	770	770	785	795	915	950	1055	1135	1306	1463	1624	1868	2055	2466	2715	2715
5	All kinds of Cigars	per stick	2.5	2.6	2.6	2.6	3	3	4	5	6	7	9	10	11	12	12	15	17	17
6	Bidi	Per M	-	45	45	45	50	50	50	50	55	60	60	70	75	84	84	90	90	90
7	Pipe Tobacco	per KG	365	500	500	500	525	525	575	575	625	700	700	800	900	1008	1008	1210	1335	1335
8	All kinds of Jarda Khaini and Nash	per KG	175	185	190	190	200	200	200	200	220	230	240	275	375	420	462	554	610	650
9	Packed Raw Chewable tobacco containing lime	per KG	105	115	120	120	130	130	130	130	145	160	160	184	205	230	253	305	335	335

Source: Aarthik Bidhayek (Various Years)

[24] While we do acknowledge that taxation on smokeless tobacco is also important, for this paper we intend to focus on just smoked tobacco

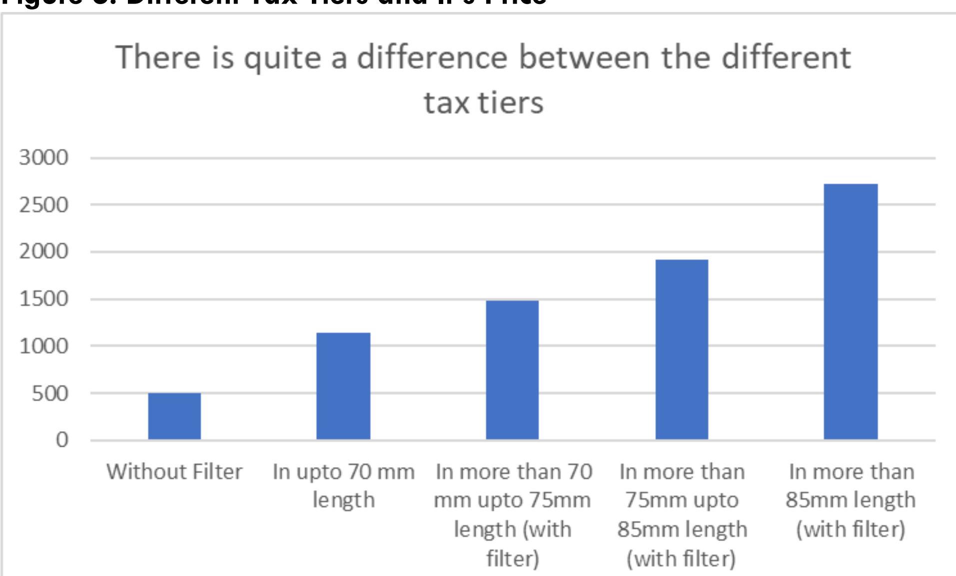
[25] https://www.who.int/ncds/surveillance/steps/NPL_2019_National-Factsheet-English-1.pdf?ua=1

The different tiers of taxes on cigarettes are, length up to 70mm, length from 70mm to 75mm, length of 75mm to 85mm and length above 85mm. Until 2014, the category of cigarettes without filter was only for length less than 70mm. From 2016 onwards, the cigarettes without filter did not have a fixed length.

In 2018, tax as a percentage of retail price is around 30% of the most sold brand. This 30% has two components, the excise duty on cigarettes plus Value Added Tax (VAT) of 11.5%. When we subtract the VAT component from the total tax, the specific excise duty on total retail price is merely 16.18% and there is an additional 2.31% of other taxes[26]. Clearly there is a need to significantly increase tax as a percentage of retail price in the case of Nepal. Consequently, there is substantial potential to increase revenue from tobacco taxes.

Let us consider the specific excise tax for the 2020. There is considerable difference between the tax of the different tiers of cigarettes. For instance, for the unfiltered cigarettes the specific excise tax is Rs. 495 per thousand cigarettes. For the filtered cigarettes, the specific excise tax is Rs. 1135, Rs. 1475, Rs.1920 and Rs. 2715 (per thousand cigarettes) respectively for length up to 70mm, length from 70mm to 75mm, length of 75mm to 85mm and length above 85mm respectively. **This is illustrated in the following chart**. Given the significant difference in tax rates between the tiers, it becomes quite easy for cigarette companies to reposition themselves from tier A to tier B just to pay a lower tax rate. Moreover, it is likely that a high-priced cigarette can be positioned in a lower tax tier. This can severely limit the effectiveness of tax policy in terms of reducing consumption and prevalence of tobacco use.

Figure 6: Different Tax Tiers and It's Price



Based on **the table below** one can make a few observations about the specific tax on cigarettes. From 2010, there hasn't been a significant increase in the tax of all the categories. Since that

[26] This is from the WHO data

time, the increment in tobacco tax rates have been anywhere from 0 % (in 2020) to around 20% in 2018. It is worth noting that there has been a consistent increase in tobacco tax rates of an average of around 10% every year. However, taxes as a percentage of price is still around 30%[27], which is the lowest in South Asia and way below the WHO recommendation of 70%. The increase in tax rates have matched the inflation rate and in recent years superseded it (this is analyzed in the next section). The fundamental problem with the tax rates in Nepal is that it constitutes a very low percentage of overall prices. Note that for both Maldives and Afghanistan, most cigarettes are imported the tax rates mentioned in the following graph is import duty and not excise duty.

Table 9: Cigarette taxes have kept pace with inflation for most of the years (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
In upto 70 mm length					**Unfiltered**		8.13	8.09	20.32	10.00	0.00
Without Filter	7.69	11.43	7.69	7.94	8.09						
With Filter	7.23	11.01	7.89	12.01	10.05	10.05	9.96	8.05	19.91	10.19	0.00
In more than 70 mm upto 75mm length (with filter)	7.55	11.05	7.58	12.04	9.96	10.97	9.99	8.98	20.07	10.07	0.00
In more than 75mm upto 85mm length (with filter)	5.80	11.10	7.52	12.04	10.03	10.98	11.99	8.98	19.99	9.90	0.00
In more than 85mm length (with filter)	3.83	11.05	7.58	15.07	12.02	11.00	15.02	10.01	20.00	10.10	0.00
All kinds of Cigars	25.00	20.00	16.67	28.57	11.11	10.00	9.09	0.00	25.00	13.33	0.00
Bidi	0.00	10.00	9.09	0.00	16.67	7.14	12.00	0.00	7.14	0.00	0.00
Pipe Tobacco	0.00	8.70	12.00	0.00	14.29	12.50	12.00	0.00	20.04	10.33	0.00
All kinds of Jarda Khaini and Nash	0.00	10.00	4.55	4.35	14.58	36.36	12.00	10.00	19.91	10.11	6.56
Packed Raw Chewable tobacco containing lime	0.00	11.54	10.34	0.00	15.00	11.41	12.20	10.00	20.55	9.84	0.00

Affordability of tobacco

When we compare the inflation with the change in price of tobacco products, it is clear that the price of tobacco products has increased quite significantly more than the Consumer Price Index (CPI). For instance, with a base year of 2008/09, the CPI has increased by 99.67 percent in 2017/18. However, the price of tobacco products has increased by 182.45%. Given that the price of cigarettes has increased by more than CPI, does that mean that cigarettes have become less affordable compared to other goods?

[27] https://cdn.who.int/media/docs/default-source/global-tobacco-report-2019/table-9-1-taxes-and-retail-price-for-a-pack-of-20-cigarette-most-so.xls?sfvrsn=afb960ef_4

Table 10: Consumer Price Index Vs Price of Tobacco Products

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
CPI (2008/09 base year)	100.00	109.52	120.03	129.88	142.74	155.76	166.94	183.47	191.65	199.67
Tobacco Products (2008/09 base year)	100.00	112.50	127.64	141.59	161.06	191.35	240.38	258.65	268.27	282.45

Source: Economic Survey of Nepal (Various Years)

In **the table below,** we have used the Tobacco Affordability Index (TAI). The TAI is an index which captures the change in the average income in an economy[28] and the change price of tobacco products. The affordability of tobacco products increases when the increase in average income is greater than the increase in the price of tobacco. Conversely, when the increase in price of tobacco exceeds income then affordability of tobacco products declines. In the case of the former, the TAI is positive, and in the case of the latter, the TAI is negative.

$$TAI = \left(\frac{\text{Income Increase}}{\text{Consumer Price Index of Tobacco}} - 1\right) x\ 100$$

From 2009/10, 5 out of the 9 years affordability has increased[29] while 4 out of the 9 years the affordability has decreased.[30] In the last two years in consideration affordability has increased quite significantly primarily because of the relatively little increase in the price of tobacco. It is interesting that in 2018, the increase in tax of cigarettes were quite high at around 20% and the increase in price of tobacco products is merely 5.29%. One possible explanation for this could be this difference has been resolved by a decline in profitability of tobacco companies in that year.

Table 11: Change in Price of Tobacco, Change in GDP per capita and Tobacco Affordability Index

	2009/10	2010/11	2011/12	**2012/13**	2013/14	2014/15	**2015/16**	2016/17	2017/18
Change in Price of Tobacco	12.50	13.46	10.92	13.75	18.81	25.63	7.60	3.72	5.29
Change in GDP per capita	20.11	14.48	11.95	11.27	15.95	8.00	4.82	17.13	11.47
Tobacco Affordability Index	60.91	7.59	9.38	-18.02	-15.19	-68.80	-36.58	360.72	117.00

Source: Economic Survey of Nepal (various years) and Author's Calculation

Based on the change in prices of tobacco compared to CPI one could say that tobacco has become less affordable compared to other goods. However, if we examine the change in per capita GDP relative to change in price of tobacco, one could have a slightly different opinion on affordability of cigarettes. This is because the per capita GDP in the last three years in **table**

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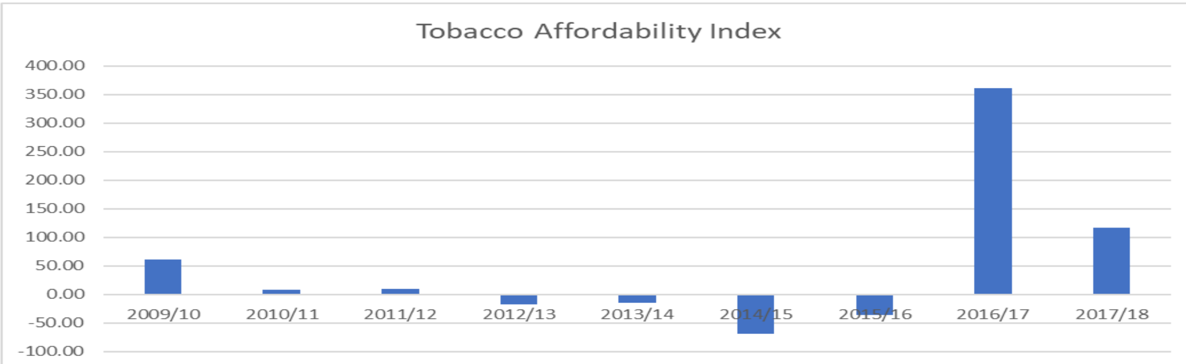
[28] To capture this, we have used GDP per capita
[29] That is 2009/10, 2010/11, 2011/12, 2016/17 and 2017/18
[30] That is 2012/13, 2013/14, 2014/15 and 2015/16

above has increased quite significantly more than the price of tobacco (which is reflected in the TAI).

Figure 7: Tobacco Affordability Index



Source: From Table 11

Tax revenue from tobacco products

Tobacco tax revenue out of total government revenue is quite low. From 2009/10, tobacco tax has been declining from around 2.54% of total government revenue to 1.93% of total tax revenue in 2017/18. Similarly, tobacco tax out of total tax revenue has a similar trend with 2.82% of tax revenue in 2009/10 and 2.19% in 2017/18. While there has been some increase in tobacco tax revenue in absolute terms, they haven't increased as a percentage of government revenue.

Table 12: Tax revenue from tobacco products over the years

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Percent change in tobacco tax revenue (%)		13.97		**4.18**		**33.70**	25.78	21.97	27.77
tobacco tax out of Excise Duty (%)	18.69	19.53		14.79		13.38	13.70	12.96	13.69
Tobacco Tax out of total tax (%)	2.82	2.90		2.07		2.01	2.14	1.98	2.19
Percentage of tobacco tax in total revenue[31] (%)	2.54	2.59		1.81		1.76	2.11	1.80	1.93

[31] Total Revenue = Tax Revenue + Non-Tax Revenue

CHAPTER 4: COMPARISON BETWEEN SOUTH ASIAN COUNTRIES

4.1 Tax as a percentage of retail price and price – Most sold brand

In this section we illustrate the tax of cigarettes as a percentage of the most sold brand and prices of the most sold brand (which are assumed to be a proxy for price level of cigarettes).

We observe, that Bangladesh has the highest tax rates as a percentage of the retail price of the most sold brand in all of South Asia in 2018 at 71%. Following Bangladesh, Sri Lanka has 66.17%, Pakistan has 56.36%, India has 54.04% and Nepal has 30%. It is important to note that for Maldives and Afghanistan, excise duty for cigarettes is negligible (probably because they are not domestically produced). In case of Bhutan, data is not available.

Table 13: Tax as a percentage (%) of the most sold brand

Countries	Tax as a percentage (%) of the most sold brand				
	2018	2016	2014	2012	2010
Bangladesh	71.00	66.00	58.00	54.00	47.00
Sri Lanka	66.17	62.15	69.99	74.48	71.67
Pakistan	56.36	64.80	60.70	60.00	52.49
India	54.04	52.74	41.30	41.77	45.76
Nepal	30.00	26.35	27.79	29.86	24.27
Maldives	68.73	53.19	65.79	48.65	30.00
Afghanistan	4.14	4.07	2.78	2.45	7.79
Bhutan	-	-	-	-	-

Source: WHO

Price levels also vary among the different countries. Among the South Asian countries, Sri Lanka has the highest price (of the most sold brand) at 6.89 (USD). This is followed by India with 2.77 (USD) and then Nepal 1.97 (USD). Bangladesh and Pakistan's price of the most sold brand is lower than that of Nepal at 0.96 (USD) and 0.39 (USD) respectively.

Table 14: Price of a 20-cigarette pack of the most sold brand (in US$)

	Price of a 20-cigarette pack of the most sold brand (in US$)				
	2018	2016	2014	2012	2010
Bangladesh	0.96	0.64	0.39	0.34	0.24
Sri Lanka	6.89	6.86	4.61	3.79	3.38
Pakistan	0.39	0.64	0.48	0.35	0.33
India	2.77	2.36	2.29	1.76	1.51
Nepal	1.97	1.68	1.37	1.07	1.14
Maldives	4.41	3.05	2.47	2.41	1.48
Afghanistan	0.41	0.44	0.35	0.29	0.22
Bhutan	-	-	-	-	-

Source: WHO

4.2 Tobacco tax revenue as a percentage of government revenue

Given the limitation of data, data for tax as a percentage of total tobacco products was only obtained for Nepal and Sri Lanka. For India, Pakistan and Bangladesh, revenue of only cigarettes as a percentage of government revenue was obtained. In case of the latter, Bangladesh has the highest at 9.53%. Pakistan and India's tax revenue as a percentage of revenue is around 0.67% and 1.60% respectively.

Nepal's tax from tobacco out of total government revenue was is only 1.82%. Sri Lanka has a tobacco tax revenue as a percentage of total revenue at 4.8%. Given that Sri Lanka's tobacco tax rate is higher than Nepal's, it could be safe to say that even in case of Nepal there is room for tobacco tax revenues to improve significantly.

Table 15: Tobacco tax revenue as a percentage of government revenue

Countries	Year	Product covered	% revenue from cigarettes in general revenues
India	2015-2016	Cigarettes	0.67%
Pakistan	2019-2020	Cigarettes	1.60%
Nepal	2018-2019	Tobacco Products	1.82%
Sri Lanka	2017-2018	Tobacco Products	4.80%
Bangladesh	2018-2019	Cigarettes	9.53%

Chapter 5: Policy Recommendations for tobacco tax reform

Based on our study, we recommend the following changes to Nepal's tobacco tax system.

Step (1)

Option (1): Substantially increase tax rates to make cigarettes less affordable. With this recommendation we intend to increase tobacco product's price to make Nepali tobacco products at least on par with Indian Tobacco Products.

As highlighted in this report, tax increases in Nepal have not kept up with income growth and so cigarettes have become more affordable to the average person. Nepal also has one of the lowest tax rates (as a percentage of retail prices) in the region. We recommend that Nepal should substantially increase tax rates to catch up with other SAARC countries, and reverse the recent increases in affordability. As a guide, we think that Nepal should initially aim to reach the same price level as India. We think this could be done over 3-4 years.

The price of a pack of India's most sold brand is 41% higher than Nepal ($2.77 in India, compared to $1.97 in Nepal according to WHO 2018 data). We know that (based on 2019 figures) the price of Nepal's most sold brand is Rs 10.8 per stick. To increase this in line with India, we would be aiming to increase prices to Rs. 15.3 per stick. If we assume that an increase in tax will feed through to an increase in price exactly, this requires increasing the tax rate of the most sold brand (tier 4) from Rs. 1920 to Rs. 6377per 1000 sticks. This can be achieved by increasing tax rates by 35% per year for 4 years. This is modeled below.

Table 16: Increasing tax to reach India's price levels

	Cigarettes	2020	2021	2022	2023	2024
Tier 1	Without Filter	495	668	902	1218	1644
Tier 2	In up to 70 mm length (with filter)	1135	1532	2069	2793	3770
Tier 3	In more than 70 mm up to 75mm length (with filter)	1475	1991	2688	3629	4899
Tier 4	In more than 75mm up to 85mm length (with filter)	1920	2592	3499	4724	6377
Tier 5	In more than 85mm length (with filter)	2715	3665	4948	6680	9018

If government were more ambitious, this target could be reached quicker by increasing tax rates by 50% per year for 3 years.

These calculations are based on the tier 4, which is the tier of the most sold brand, but at a very minimum, this level of increase should be applied to all tiers.

Option (2): Move to a uniform tax-system

Second, Nepal should move to a uniform tax system. A tax policy with multiple tiers (like Nepal's currently) creates opportunities for cigarette companies to reposition themselves to lower the tax band. Additionally, the wide range of taxes translates into a wide range of cigarette prices in the market which reduces the impact of tax on consumption by allowing for substitution. A single specific tax would be more effective in raising prices and would be simpler to administer. A uniform system is universally recognised as the "gold standard" but countries find it difficult to implement due to tobacco company lobbies.

The most straightforward way to move to a uniform tax system is to gradually collapse each tier upwards. Each year, this would result in a more significant uplift for the bottom tier – this is most severe in the first year as currently the lowest tier (without filter) is so far below the others. The example below, combines collapsing of the tiers with the 35% increases recommended in (1).

Table 17: Moving to a uniform tax system

	Cigarettes	2020	2021		2022		2023		2024	
Tier 1	Without Filter	*495*	*209%*	1532	*75%*	2688	*76%*	*4724*	*41%*	6680
Tier 2	In up to 70 mm length (with Filter)	1135	*35%*	1532	*75%*	2688	*76%*	*4724*	*41%*	6680
Tier 3	In more than 70 mm up to 75mm length (with filter)	1475	*35%*	1991	*35%*	2688	*76%*	*4724*	*41%*	6680
Tier 4	In more than 75mm up to 85mm length (with filter)	1920	*35%*	2592	*35%*	3499	*35%*	4724	*41%*	6680
Tier 5	In more than 85mm length (with filter)	2715	*35%*	3665	*35%*	4948	*35%*	6680	*0%*	6680
	Policy change:		*Collapse from 5 to 4 tiers, plus 35% uplift*		*Collapse from 4 to 3 tiers, plus 35% uplift*		*Collapse from 3 to 2 tiers, plus 35% uplift*		*Collapse from 2 to 1 tiers, no additional uplift*	

Step (2): Introduce an indexation system to guide future tax increases.

To ensure that the reduction of affordability is maintained in future, it is common practice to introduce a formula to be applied annually, which is indexed to inflation and income growth. This would ensure that tobacco products do not become more affordable as income levels and inflation increase. This should be implemented from 2025 onwards, following four consecutive 35% increases (or 2024 onwards if 3 consecutive increases of 50% were the preferred option). We propose the following formula:

$$Tax\ rate_{2025} = Tax\ rate_{2024} \text{ x } (1 + inflation_{2024} + GDP\ per\ capita\ growth_{2024})$$

For example, in 2019/20 inflation was 6.2% (based on the latest CBS estimations) and GDP growth was 2.3% (based on NRB projections). This would lead to an indexation factor of (1 + 0.062 + 0.023) or 1.085.

In the case of a uniform tax system (Table 2), the 2024 tax rate of Rs. 6680 per 1000 sticks, would be uplifted by 8.5% to Rs. 7248 per 1000 sticks for 2025. In the case of a non-uniform system, as in table 1, the indexation factor of 1.085 or 8.5% could just be applied across all tiers.

Potential Impact on consumption of cigarettes:

According to the WHO, Price Elasticity of Demand (PED) for most developing economies is around -0.2 to -0.7. This means, 10% increment in prices would decrease consumption in the range 2% to 7%. If we assume PED in this range, with an increment of 40% in cigarette prices (which is based on price increment we have recommended for the most sold brand), consumption would decrease anywhere from between 8% to 28%.

What about other tobacco products?

Besides cigarettes, there are a number of other products, such as cigars, bidis, and pipe tobacco (for smoked tobacco) and all kinds of jarda, khaini and nash, and packed raw tobacco containing lime (for smokeless tobacco. In case of the former, its use is not as widespread as cigarettes, because of which we will treat them separately.

The challenge in coming up with a recommendation of tax rate for smokeless tobacco is that unlike smoked tobacco, where there is an accepted unit of consumption – which is a stick – there is no accepted unit of consumption. Given this fact, there would be a number of complications in coming up with a scientific method for a recommendation. In order to avoid such complications, we would use the same formula as **option 1**, for the smokeless and other smoked tobacco (for the above reasons). Our projected policy recommendation is illustrated in the following table.

Table 18: Proposed policy recommendations for other tobacco products

Other tobacco products	2020	2021	2022	2023	2024
All kinds of Cigars	17	23	30	40	54
Bidi	90	120	160	214	285
Pipe Tobacco	1335	1781	2376	3171	4230
All kinds of Jarda Khaini and Nash	650	867	1157	1544	2060
Packed Raw Chewable tobacco containing lime	335	447	596	796	1062

CHAPTER 6: HOOKAH USE: A CASE STUDY IN KATHMANDU VALLEY

6.1. Introduction:

The gurgling sound, the aromatic smoke, the glowing embers and a group of people huddled around a glass hookah has become a common scene around Kathmandu valley. Hookah or the flavoured version commonly known as shisha has become trendy and is offered at many restaurants around town especially in Thamel, Jhamsikhel, Baneswor etc, especially where the restaurants are crowded. The objective of this study is to map the status and trend of hookah sale at restaurants and distributors and use, and map the knowledge of health effects and perception of hookah in Kathmandu Valley. Through this survey we aim to analyze the intensity of the issue and the problem.

6.2. Methodology:

Total 9 restaurants and 9 distributors of hookah from Kathmandu valley, 3 from each district, were interviewed for this case study. The locations were selected which has high density of restaurants and distributors for each district.

6.3. Locations of survey:

Thamel, Basantapur, and Baneshwor from Kathmandu district, Durbar square, Dattatryae, and Bhatbhateni-Radhe Radhe, from Bhaktapur District, and Jhamsikhel, Patan Durbar Square, and Kumaripati from Lalitpur District were selected for the case study survey.

6.4. Findings of the survey:

6.4.1 Restaurants

Hookah flavor, Brand and its availability

In restaurants of Kathmandu valley, major brand of hookah flavor available was Afzal, MYA and Alfakir in various flavors: mint, double apple, paan ras, chocolate, strawberry, mixed fruit, silverfox, mango, grape, peach, lemon, watermelon, bubble gum, rose, blueberry, orange, and vanilla. Afzal's; Mint flavor, Double Apple, paanras and Alfakhir was most sold brand in most of the restaurants. Some of them were selling hookah since last one year where as some were found to be selling it for last 7 years. Those flavors were available at Newroad, Bhaktapur Mini mart inside durbar square, Sk store in Suryabinayak, online stores, Mahabaudha, Basantapur area, Grocery Stores, Liquors Shop from Baneshwor, and Departmental Stores of Kathmandu valley. Most of the restaurants did not sell individual hookah flavors but sold ready to smoke hookah with flavors as per the demand of the customers. Below are few of the brands and price of hookah flavor and hookah set available in Kathmandu valley.

Price and brand of hookah and its flavors

SN	Brand	Quantity	Price (Rs.)
1	Afzal	50 gm	190-250
2	Afzal	Big box	850
3	Al fakher	A packet (50gm)	250
4	  		
5	Hookah set	1 set	1500-4000
	 Paris Al Akbar  MYA Hookah   Al Akbar Hookah		
6	Coal 	Per coal	50
7	Ready to smoke hookah	One serving	350-500

Hookah consumers group

Consumers of hookah in Kathmandu valley varied from the age 15-30 years and 18-42 years. But, mostly teenagers and student and adults of age group 15-30 years were found to be consuming hookah in restaurants. Consumption of hookah has been popular among both male and female and they usually smoke in a group. Daily 5-30 consumers use hookah in restaurants of Kathmandu.

Trend of sale of hookah

Restaurants in Kathmandu started offering hookah since last seven years. The demand of hookah is high, is increasing and being popular among teenagers in a group. But when the infection of COVID-19 started the consumption of hookah declined somehow due to the lockdown. But, it is increasing gradually just like before the pandemic. Now, there is no effect of covid-19 in the sales of hookah. In some places, the sales of hookah have dropped drastically. The trend of sales is increasing same as before. But, after the pandemic, the customers prefer a new hookah cap and are hesitant to share it. But, cigarette still holds in place among the tobacco users since it's cheap, easy to carry and easily available.

Knowledge on ill health effects of hookah

Many of the restaurant owners of the Kathmandu valley were not sure about the tobacco content in the packet. Few respondents replied that there might be tobacco whereas few replied that there is tobacco but the one we are selling has less amount of nicotine than in cigarettes. They also perceive / think that hookah has less nicotine than in cigarette.

Majority of the restaurant owners (77.77%) were aware that the hookah contained tobacco. Hookah is safe alternative for smoking cigarette was a common belief among restaurant owners (88.89%) in Kathmandu valley. Many owners (66.67%) thought that hookah is not addictive as smoking cigarette whereas few (33.33%) thought it might be addictive. Majority of the owners (55.55%) did not perceive it injurious to health like cigarette and other forms of tobacco whereas few considered it injurious to health. Many restaurant holders (88.89%) were aware that it was harmful for pregnant women and would cause cancer (77.78%). Only few (33.33%) had knowledge that hookah would cause oral cancer whereas most of them knew it would cause lung cancer.11.11 % of the restaurant surveyed responded that it would not cause bladder cancer where as 33.33% did not know if it would cause bladder cancer and 33.33% did not answer the question. Likewise, when the respondents were asked about the effect of hookah attributing to heart diseases, only 11.11% answered that it would cause heart disease. Rest 33.33% did not respond and 55.55% answered that it would not cause any heart diseases.77.78% owners were aware that hookah would cause respiratory diseases were as 22.22% were not aware of it.

Regulation for the sale of hookah

Restaurant owners in Kathmandu valley don't have a specific license for selling hookah, but they have paid the tobacco taxes and liquor taxes. We could not find the clear guidance from government of Nepal to sell hookah in few restaurants whereas most of the restaurants were found to be following guidance from government to sell cigarette for hookah as well. One of the restaurant mentioned that they did not sell hookah to one below 16 years old.

Perspective of owners towards the use of hookah

Most of the owners were seemed to be conscious about the non- hookah user customers in restaurant because they supported the fact that smoking hookah in public places and restaurants should be restricted or smoking should be allowed in only closed chamber or designated area.

Although they were supportive about second hand smoking, they were worried about the arrangement of the closed chamber and designated area in their restaurants and did not favor the strict regulation of hookah just like cigarettes and liquors.

Conclusion

The brand Afzal and Al Fakir in different flavors like mint, different fruit, chocolate and coffee of price range Rs. 180-250 are popular among the both male and female youngsters of age group (15-30) in Kathmandu. The craze of hookah has not been affected by the infection of COVID-19, the demand is same as before the pandemic and is easily available in various grocery, liquor and department stores of Kathmandu. The business of hookah has been blooming since last seven years.

Majority of restaurant owners were aware of tobacco and nicotine content in hookah. They considered it would lead to several respiratory diseases and was harmful for pregnant women, but were not aware of it leading to different types of cancer.

Likewise, majority of owners perceived hookah as safe alternative for smoking and less harmful than smoking cigarettes. That is why they were reluctant for arrangement of the closed chamber and designated area in their restaurants and did not favor the strict regulation of hookah just like cigarettes and liquors as well. In addition, there was no specific regulation for selling hookah in restaurants of Kathmandu valley too.

6.4.2 Hookah Distributors

Situation of Hookah flavor and accessories sale:

From the research it is found that the hookah business is not an old business rather a young one. It is as young as 6 months and as old as 5 years. The famous and oldest distributor is Kanchan Tobacco at Basantapur, Kathmandu. The hookah distributors of Kathmandu Valley are found to be of variety of sizes. The distributors ranged selling hookah flavors from 10,000/month to big distributor selling up to 5-6lakhs per month. Similarly, distributors are selling hookah accessories like hookah sets ranging from 10000 to 5 lakhs per month. Furthermore, the customers of the distributors are mainly grocery stores, marts, liquor shops, restaurants, hotels, wholesale store, and some personal use.

Place of import and taxation:

Majority of the distributors get hookah flavors and accessories from Mahabauddha, Kathmandu (eg. RN International store). Besides, some of them also import from China, India, and Dubai through brokers. Regarding the tax payment, it was not much clear how the distributors are paying tax for hookah. However, majority of the respondents said that they are paying tax as that of tobacco related products, but there is not specific tax for hookah. (In average one distributor said they are paying Rs. 4000-5000 per year as a tax).

Price, brand, flavours of Hookah:

In average flavor price range from Rs 180 to Rs 250 per packet (50gm)

S.N	Name of the flavor brand	Price range (Rs)
1	Afzal	Box 3000/Kg,
		Wholesale, 180/50 gm
		Retail: 200/50gm
2	Al Faker	Box 2000-3000/kg
		Wholesale- 250/50gm
		Retail: 210/50gm

Total 6 brands of hookah flavors are available and famous in Kathmandu valley. Afzal, Al Faker, Al zahra, MYA, Rezo, Al Akbar are the brands available at distributors. And, total 30+ flavors are available in the market. Flavours are namely, Double apple, Mint, Mango, Pineapple, Chocolate, Coconut (recently on demand), Mojito, Coco lemonade, Lemon Tea, Cappuccino, Tropical Explosion, Masala Chai, Mango Lassi, Fusion berry blast, Candy Crush, Black Current, Icy Mint, Summer 69, Silver Fox, Orange etc.

Price and brand of hookah set available

The price range from Rs.1200 to Rs.6000 per set depending upon the brand and type of hookah set.

S.N	Name of the hookah set	Price Range (Rs)
1	MYA hookah set	1500 to 3000
2	Al Akbar Hookah Set	1500 to 3000
3	REZO hookah set	1500 to 3500
4	Inch Hookah Set	1200 to 5000
5	Green hookah set	1200 to 5000
6	White glass hookah set	1000 to 6000
7	Black glass textured hookah	1500 to 5000


Distributor


MYA set


Alakbar set


REZO set

Hukka Coil

Trend of sale of hookah during, before and after COVID 19:

The hookah shops were opened recently in Kathmandu valley, oldest being only 6 years old. However, the sale of hookah is in increasing trend. But due to lockdown during COVID pandemic the sale have decreased, and has also affected in import of the products from foreign countries. Sellers do not have enough stock of hookah so sale is low. But surprisingly, the sale was reduced due to lockdown and shutting down of shops but not specifically due to customers being aware of covid-19 infection due to ill effect of nicotine that impairs lungs function. Even today, people smoke hookah using separate tips and not sharing it in a group. Besides, due to some media awareness about it being injurious to health, sale has declined slightly. Otherwise, its sale is increasing day by day.

Customers and sale pattern:

Major customers of the distributors are male individuals, restaurants, and some female users as well. They sale ready to use flavor packets as per the demand of the customers: in small packets of flavor mostly for individual buyers and in bulk for restaurants. No separate ingredients of hookah flavor are sold.

Knowledge on health effects of hookah:

All of the distributors are well aware that hookah contains tobacco (0.5% of nicotine). Majority (55.56%) of respondents think that it is safe alternative for cigarette smoking while rest thinks injurious to health. Majority of respondents (66.67%) think that it is less addictive than smoking cigarette while rest thinks it is equally addictive as smoking cigarette. Majority of distributors (66.67%) think that hookah is injurious to health like cigarette. All distributors think it is not okay for pregnant women to use hookah. Majority of respondents (55.56%) said that hookah causes cancer, followed by people who were not sure if it causes cancer or not. Majority (55.56%) think that it causes oral cancer, 33.34% did not answer and 11.1% don't think it causes oral cancer. All respondents think and are aware that it causes lung cancer. One third of the respondents said it causes bladder cancer, one third think it doesn't cause and rest one third did not answer. Majority of respondents (77.78%) said it causes heart disease. All respondents think and are aware that it causes respiratory disease.

Perception regarding Hookah:

Most of the distributors have taken license for selling hookah. Without license it is difficult to import and they cannot import it. Findings show that distributors are well aware of the impact of the hookah use to user and non-users around them. So, majority of them have supported for regulating its use as for cigarettes. Keeping separate hookah zones in closed chamber is demand of all the respondents. Most of the distributors supported the fact that there should be some regulations for purchase of hookah. Most said that there should be age restrictions since teenagers are the major users, and should not be easy purchase of hookah. Some also said that there should be regulations for hookah as like cigarettes and liquors.

Conclusion:

Although the business of hookah is a young business dating back to only around half a decade; its popularity has risen drastically. Especially, it is famous among teenagers and young population aged 15-25yr. The sale of the hookah is very satisfactory lucrative; making sale of up to 5lakhs per month. Most of the hookah flavors and sets are imported from China, India, and Dubai, and local distributors are concentrated in Kathmandu district especially around Mahaboudha and Basantapur. Around 30+ different flavors are available in the market of Nepal.

The sale was slightly affected by the COVID pandemic but surprisingly, it was due to lockdown, but not due to people being aware of the spread of infection of covid-19 via oral and nasal droplets. Resulting, the trend of use has taken its pick/pace again after lockdown has been eased. As per the respondents, all of them are licensed distributors and have been paying tax equivalent to the amount paid for tobacco products.

Furthermore, the customers of the distributors are mainly grocery stores, marts, liquor shops, restaurants, hotels, wholesale store, and some personal use. Regarding knowledge on health impacts, most of the distributors are well aware that it contains nicotine and causes health impacts. Even they think that there should be some regulations for its sale since the majority of the users are teenagers and youths under 30 years.

ANNEXES

Annex 1:

List of restaurants interviewed in Kathmandu Valley

SN	District	Name	Address
1	Kathmandu	Secrets Hookah Lounge	Basantapur
		Black & White café	Baneshwor
		Chicken station	Thamel
2	Bhaktapur	The Burger house and crunchy fried chicken	Bhat-Bhateni,
		Golden Eye Restaurant	Durbar square
		De Arena Restaurant	Dattatreya
3	Lalitpur	Bunker Hill Restaurant	Patan Durbar square
		Jhyapu ai-la	Kumaripati
		Tama Restaurant	Jhamsikhel

List of the distributors interviewed in Kathmandu Valley:

S.N	District	Name of the distributor	Address
1	Kathmandu	The pipe house Kanchan Tobacco	Freak Marg, Basantapur
		Roadway Hookah	Amrit marg, Thamel
		Pick and Pack Hookah	Near burger house, New Baneshwor
2	Lalitpur	Binayak Store	Bhanimandal, Jawalakhel
		Kingdom Wholesale	Mangal Bazar, Patan
		Tiktok Distributors	Jhamsikhel
3	Bhaktapur	Shuva Tara Liquors	Radhe Radhe
		Nine Trade Link	Dudhpati, Durbar Square
		Tusar Madira Pasal and Urmi Coffee Shop	Madhyapur Thimi

Annex 2: Questionnaire

Context mapping of hookah use in Kathmandu Valley

Objective of the survey

- Map the status and trend of hookah sale at restaurant and distributors and use at restaurant in Kathmandu Valley.
- Map the knowledge of health effects and perception of hookah in Kathmandu valley.

Study sites

- **Total 9 Restaurants** 3 from each 3 districts: Kathmandu, Bhaktapur and Lalitpur
- **Total 9 Distributors** (Point of sale) 3 from each 3 districts: Kathmandu, Bhaktapur and Lalitpur

Districts	**Locations of restaurants and Distributors**
Kathmandu	Thamel, Basantapur and Baneshwor
Bhaktapur	Durbar Square, Dattatrayae and Bhatbhateni, Radhe Radhe
Lalitpur	Jhamsikhel, Patan Durbar Square and Kumaripati

S.N	**Name of the District**	**Assigned data collector**
1	Kathmandu	Prashna Saud and Laxmi Thapa
2	Lalitpur	Shikha Bista and Shilsilya Bhandari
3	Bhaktapur	Diwash Rai and Bibesh Lamichhane

Restaurants

Name of the restaurant:

Location:

Name of the owner/ information provider:

1. What type (Brands) of hookah is available in your restaurant?(Picutre)
2. What flavors of hookah is available in your restaurant?
3. Where do you purchase these flavors from? Please specify the place and name of the store if possible
4. Price of brand and flavors of hookah along with pictures.
5. Do you buy raw materials for hookah separately or purchase in packets? How do you purchase it?
6. Do you buy it in packets or separate with formulations?
7. Is there tobacco in the hookah that you are selling? (Picture of the ingredient/ composition)
8. Most sold brand and flavor of hookah at the restaurant?
9. Category of consumers using hookah?
   i. Students
   ii. Teenagers
   iii. Adults of age group
10. What is the age group of the consumers using hookah?
11. Age group and category of regular hookah users?
12. Who uses hookah more?
    i. Male
    ii. Female
13. Is hookah used individually or in a group or both? (Do they share one hookka in group?)
14. In average how many consumers use hookah daily?
15. Do you need license or permission to sell hookah? (Picture if possible)
16. Have you followed any guidance from government of Nepal to sell hookah?
17. Do you have to pay separate tax to sell hookah?
18. Since when did you start selling hookah? (Specify Year)
19. Is the popularity of hookah increasing?
    i. Yes
    ii. No ,why specify
20. Trend of sale of hookah at the time of COVID-19, before and after COVID-19? (Trend of last 5 years)

Knowledge on health effects of Hookah

1. Do you think hookah contains tobacco?
   i. Yes
   ii. No
2. Do you think hookah is safe alternative for smoking cigarette?
   i. Yes
   ii. No
3. Do you think it is equally addictive as smoking cigarette?
   i. Yes
   ii. No
4. Do you think it is injurious to health like cigarette and other forms of tobacco?
   i. Yes
   ii. No
5. Do you think it is ok for pregnant women to smoke hookah?
   i. Yes
   ii. No
6. Do you think hookah causes cancer?
   i. Yes
   ii. No
7. Does hookah causes following diseases?
   i. Oral Cancer? ☐ Yes ☐ No
   ii. Lung Cancer? ☐ Yes ☐ No
   iii. Bladder Cancer? ☐ Yes ☐ No
   iv. Heart Disease? ☐ Yes ☐ No
   v. Respiratory Disease? ☐ Yes ☐ No

Perception regarding hookah

1. Do you think it should be regulated just like smoking cigarette in public places and restaurants in closed chamber or designated area?
2. Should there be regulation for purchase of hookah just like cigarette and liquors?

Distributor of hookah, Point of sale

Name of the distributor:

Location:

1. Sales of hookah flavors per month in Rs. :
2. Sales of hookah accessories per month in Rs. :
3. Point of sale
    - Grocery store
    - Superstore
    - Mart
    - Liquor store
    - Other, specify
4. Since when did you start selling hookah products?
5. Where and how do you get/ import the products from? Specify if possible
6. How much tax do you pay for Hookah?
7. Does your hookah product contain tobacco?
    - Yes
    - No
8. What are the types of brand available? (Picture)
9. What flavors are available? (Picture)
10. Price range of the brand and flavors available with picture.
11. Price and brand of hookah available with picture?
12. Trend of sale of hookah during, before and after COVID-19?
13. Major and regular customers?
    - Individual (Male, female or both or who majority?)
    - Restaurants
14. How do you sale in bulk, loose packets, and separate ingredient? (Open ended answer)
15. Do you need to have any license or permission or follow any rules for selling hookah products?

Knowledge on health effects of Hookah

1. Do you think hookah contains tobacco?
   i. Yes
   ii. No
2. Do you think hookah is safe alternative for smoking cigarette?
   i. Yes
   ii. No
3. Do you think it is equally addictive as smoking cigarette?
   i. Yes
   ii. No
4. Is it injurious to health like cigarette and other forms of tobacco?
   i. Yes
   iii. No
5. Is it ok for pregnant women to smoke hookah?
   i. Yes
   iii. No
6. Do you think hookah causes cancer?
   i. Yes
   iii. No
7. Does hookah causes following diseases?
   i. Oral Cancer? ☐ Yes ☐ No
   ii. Lung Cancer? ☐ Yes ☐ No
   iii. Bladder Cancer? ☐ Yes ☐ No
   iv. Heart Disease? ☐ Yes ☐ No
   v. Respiratory Disease? ☐ Yes ☐ No

Perception regarding hookah

1. Do you think it should be regulated just like smoking cigarette in public places and restaurants in closed chamber or designated area?
2. Should there be regulation for purchase of hookah just like cigarette and liquors?