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# Tobacco Issues in Nepal: A Growing Health Crisis and Economic Burden

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QR code

## 1 Introduction

Tobacco claims more than 37,529 lives each year in Nepal and remains the single greatest avoidable risk factor for cancer mortality. According to a 2024 study by NDRI, more than one-third of Nepalese — and over half of Nepali men — consume some form of tobacco product. Given these high rates of use, it is unsurprising that Nepal faces severe health and economic consequences. In 2023 alone, NDRI estimated tobacco-related losses at approximately NPR 45.44 billion (USD 331 million), equivalent to around 1% of the country’s GDP. However, excise tax revenue from tobacco amounted to only NPR 31.20 billion, highlighting a significant gap between the economic cost of tobacco and the revenue generated from it.

## 2 Objectives

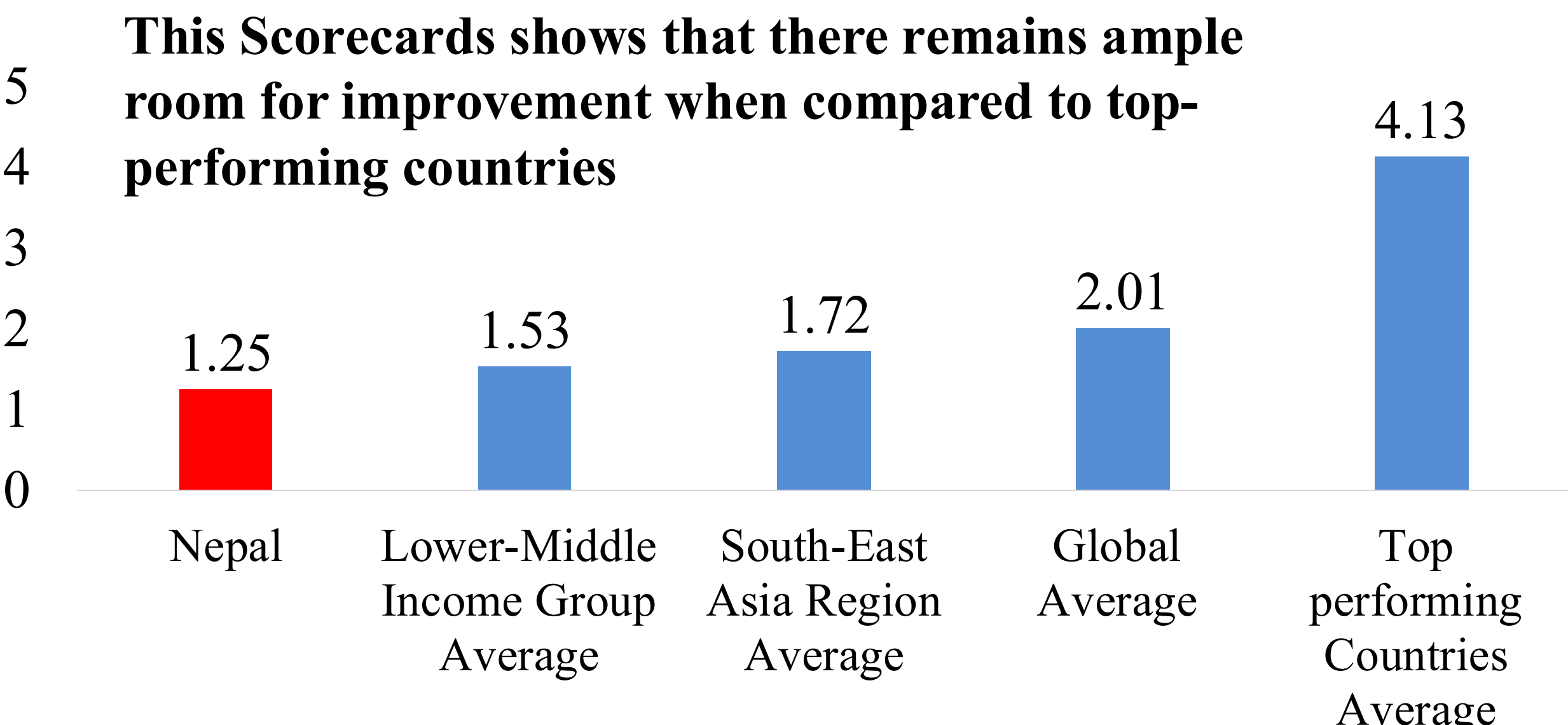
The objective of this initiative is to achieve policy influence by strengthening public and political support for tobacco tax reforms through a coalition-based advocacy approach. The initiative aims to increase awareness among policymakers, parliamentarians, media, and the public about the fiscal and public health benefits of stronger tobacco taxation, while promoting evidence-based policies to increase revenue, reduce tobacco affordability and consumption, and improve public health outcomes in Nepal.

## 3 Key Findings

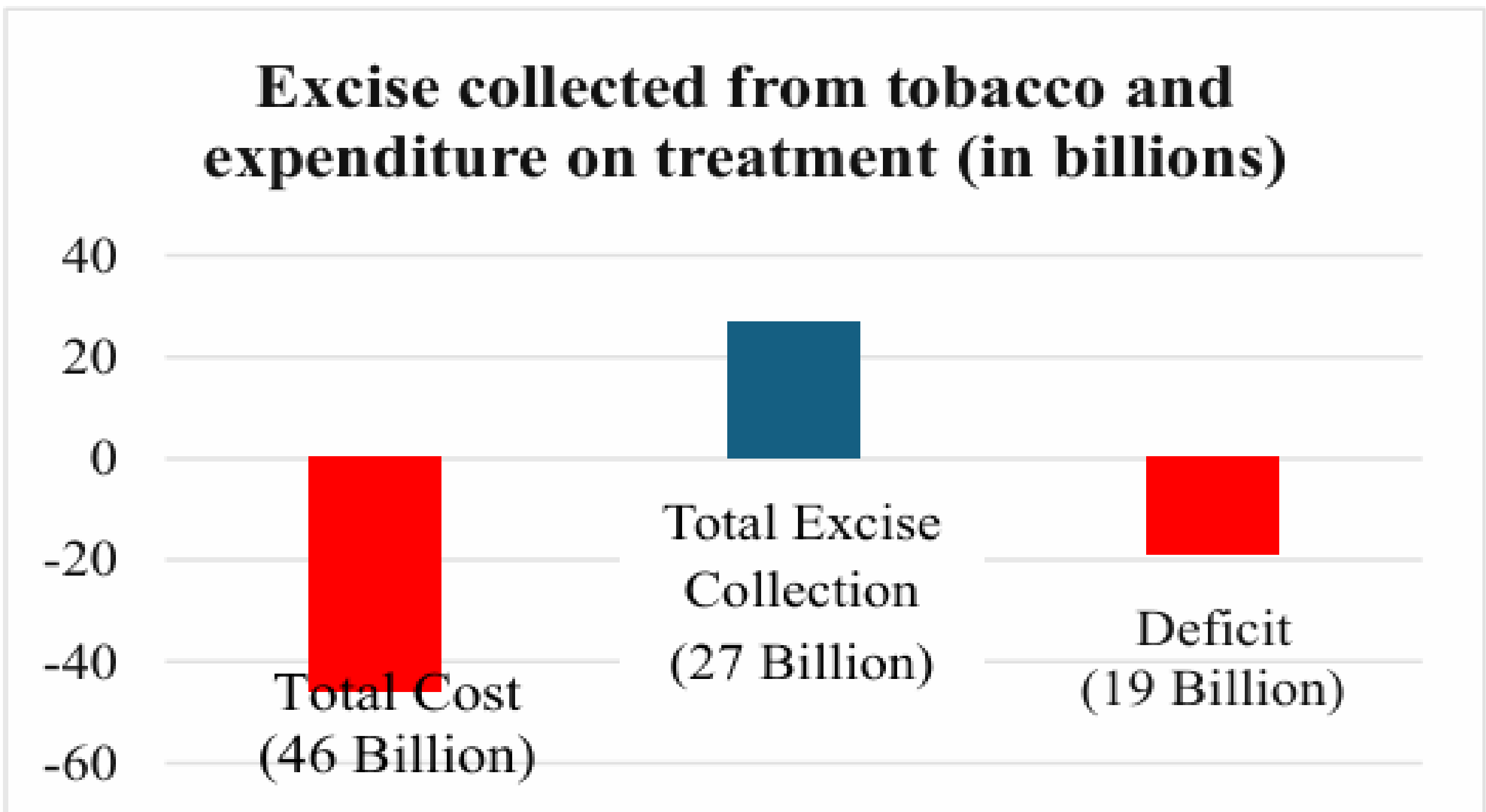
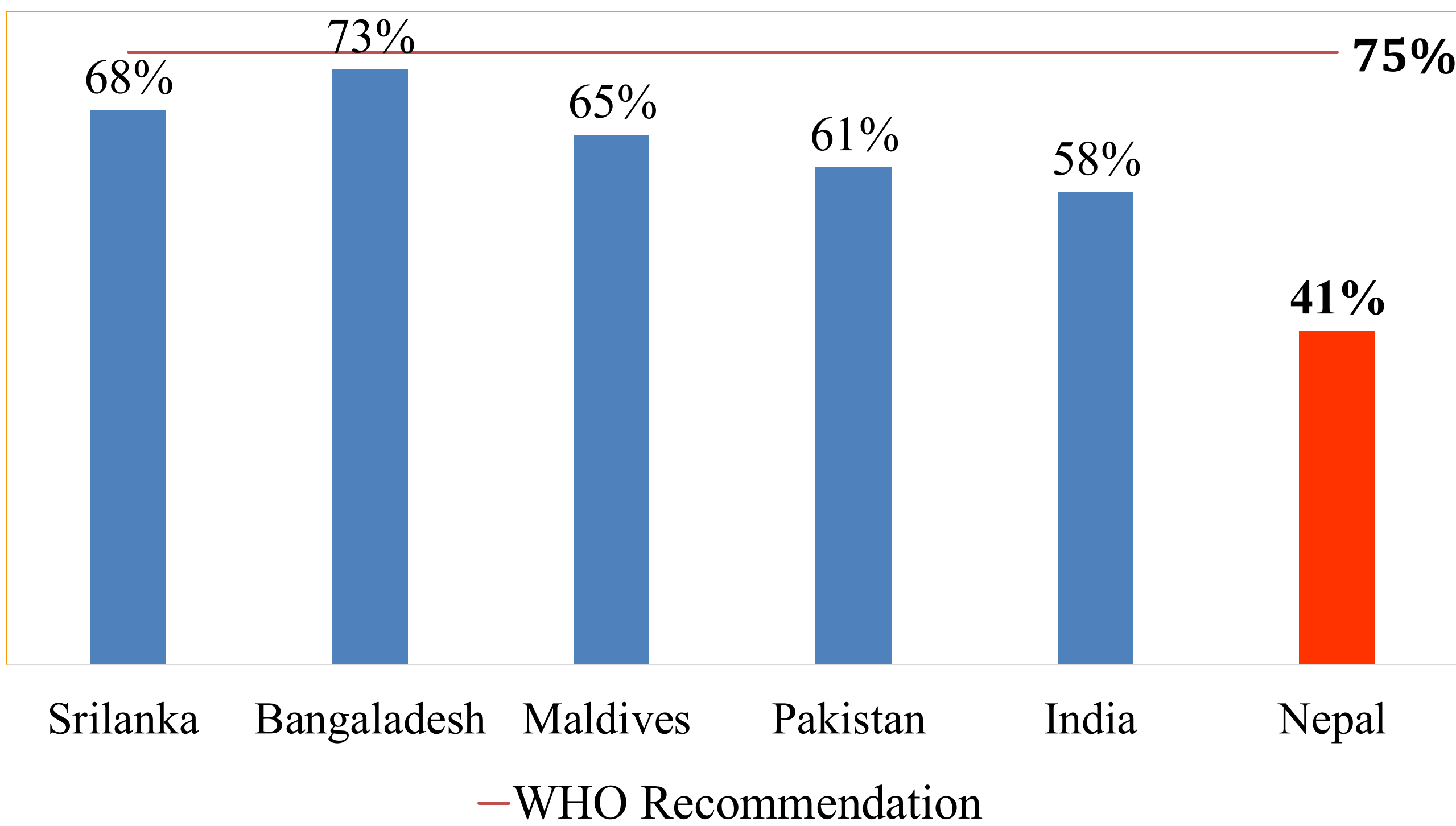
There is an **MPOWER** policy package to reverse the tobacco epidemic.

- M**= Monitoring tobacco use and prevention policies
- P**= Protecting People From Tobacco Smoke
- O**= Offering help to quit tobacco use
- W**= Warning about the dangers of tobacco
- E**= Enforcing tobacco advertising, promotion and sponsorship Bans
- R**= Raising Taxes on Tobacco

This policy package is designed to help reverse the tobacco epidemic. However, in Nepal, there remains significant room for improvement, particularly in the areas of monitoring tobacco use, supporting individuals to quit tobacco, and raising taxes on tobacco products. Among these, increasing taxes on Tobacco is one of the most cost-effective strategies to reduce tobacco consumption. Despite this, tobacco taxation in Nepal remains very low.



## Nepal’s Tobacco Tax Rate in South Asia



## Expected Revenue and Consumption Impact Under Different Excise Tax Scenarios

| Scenario                                   | Revenue Impact (Annual)                                      | Consumption Impact                            | Key Takeaway                                                                              |
|--------------------------------------------|--------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>Current Approach</b><br>(3–5% increase) | <b>+ NPR 1–2 Billion</b><br>Minimal additional revenue       | <b>No visible reduction</b><br>in tobacco use | ➔ Small tax increases generate minimal revenue and do not reduce consumption.             |
| <b>Moderate Reform</b><br>(35% increase)   | <b>+ NPR 7–8 Billion</b><br>Significant additional revenue   | <b>4–8% reduction</b><br>in tobacco use       | ➔ Moderate tax increase delivers strong revenue gains and noticeable reduction in use.    |
| <b>Ambitious Reform</b><br>(50% increase)  | <b>+ NPR 11–12 Billion</b><br>Substantial additional revenue | <b>Stronger reduction</b><br>in tobacco use   | ➔ Higher excise tax yields the highest revenue and the greatest reduction in tobacco use. |

**i** Higher excise tax increases government revenue and reduces tobacco use, delivering both fiscal and public health benefits.

## 4 Conclusion

Considering the severe health and economic consequences of tobacco consumption and the current inadequacy of tobacco taxation, the upcoming fiscal budget for the FY 2083/84 should prioritize a substantial increase in tobacco taxes. This is essential to curb tobacco use and mitigate its harmful impact on public health.

A substantial increase in excise taxes on tobacco products is one of the most effective and evidence-based interventions to reduce tobacco consumption. Higher tobacco prices discourage initiation among young people, encourage current users to reduce consumption or quit, and lower overall tobacco-related morbidity and mortality. International evidence consistently demonstrates that tobacco taxation is a “win-win” policy that simultaneously improves public health outcomes and increases government revenue.

## 5 Recommendations

1. Increase cigarette excise duty by at least 35% in FY 2026/27 to generate additional revenue and reduce tobacco consumption
2. Simplify the current 5-tier cigarette tax structure into a 3-tier system and gradually move toward a uniform excise tax system
3. Extend excise taxation to emerging tobacco and nicotine products such as hookahs and e-cigarettes
4. Introduce a nationwide licensing system for tobacco retailers and distributors through local governments to strengthen regulation and improve tax compliance



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