

# A decade of cigarette taxation in Bangladesh: lessons learnt for tobacco control policy and practice

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## **Abstract**

Bangladesh has achieved a high share of tax in the price of cigarettes (greater than the 75% benchmark), but has not achieved the expected health benefits from reduction in cigarette consumption. In this paper we explore why cigarette taxation has not succeeded in reducing cigarette smoking in Bangladesh. Using government records over 2006–2017, we link trends in tax-paid cigarette sales to cigarette excise tax structure and changes in cigarette taxes and prices. We analysed data on smoking prevalence from Bangladesh Global Adult Tobacco Surveys to study consumption of different tobacco products in 2009 and 2017. Drawing on annual reports from tobacco manufacturers and other literature, we examine demand- and supply-side factors in the cigarette market. In addition to a growing affordability of cigarettes, three factors appear to have undermined the effectiveness of tax and price increases in reducing cigarette consumption in Bangladesh. First, the multitiered excise tax structure widened the price differential between brands and incentivized downward substitution by smokers from higher-price to lower-price cigarettes. Second, income growth and shifting preferences of smokers for better quality products encouraged upward substitution from hand-rolled local cigarettes (bidi) to machine-made low-price cigarettes. Third, the tobacco industry's market expansion and differential pricing strategy changed the relative price to keep low-price cigarettes inexpensive. A high tax share alone may prove inadequate as a barometer of effective tobacco taxation in lower-middle income countries, particularly where the tobacco tax structure is complex, tobacco products prices are relatively low, and the affordability of tobacco products is increasing.

## **Recommended Citation**

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