



Media Workshop on Tobacco Tax Policy:

Lessons from FY2026–27 Budget Market Trends, Policy Outcomes & Way Forward

28 September 2026 | PPRC Office

Media Workshop on Tobacco Tax Policy:

Lessons from FY2026–27 Budget Market Trends, Policy Outcomes & Way Forward

Mohammad Ihtesham Hassan

Senior Research Associate, PPRC



Today's Agenda

01 FY 2026-27 Budget Overview

02 Market Trends

03 NBR

04 Lessons from FY 2026-27 Tax Cycle

05 Way Forward and a few questions

01

FY 2026-27 Budget Overview

What we saw in FY 2026-27

Tier	Jan 2025	FY2026–27	Nominal Change (%)	Inflation Adjusting Jan 2025 Prices in June 2026	Real Price Change	Inflation Adjusting Jan 2025 Prices in Aug 2026	Real Price Change
Low	Tk. 60	Tk. 62 (Tk 65 from Sept)	3% (8.3%)	Tk. 66	– Tk. 4 (– Tk. 1)	Tk. 69	-7
Medium	Tk. 80	Tk. 92	15%	Tk. 89	+ Tk. 3	Tk. 92	0
High	Tk. 140	Tk. 160	14%	Tk. 155	+ Tk. 5	Tk 161	-1
Premium	Tk. 185	Tk. 210	14%	Tk. 205	+ Tk. 5	Tk 213	-3

Cigarette Price

- Four tiers remained
- Specific tax was not introduced. Govt is losing money through ad-valorem as it is not getting the full amount of tax (just the 83% of the price)
 - Low-tier MRP increased again within about three months: Tk 62 → Tk 65.
 - NBR linked the second increase to a reported Tk 3,000 crore cigarette-sector revenue shortfall in the first two months of FY27 compared to FY 26.

Other signals:

- No major priority signal on bidi and smokeless tobacco (SLT) taxation.
- Track-and-trace system announced to address illicit trade.
- 300% supplementary duty imposed on acetate tow and filter rods, key cigarette-filter inputs.
- First-time supplementary duty introduced for nicotine pouches and heated tobacco products.

What price setting actually requires

1

Inflation and income data

Prices must be tested against the consumer price index and against nominal per capita income, not against last year's number in taka.

2

Demand elasticity

How consumption responds to a price change, and where consumers move when it does. Bangladesh estimates sit between -0.51 and -0.73.

3

Manufacturer cost structure

Because the state sets the price, it needs a view of production economics. This is where the conflict of interest enters.

4

Independence from the industry

Article 5.3 of the FCTC is explicit: pricing should not be negotiated with manufacturers, whose interest is in shaping the outcome.

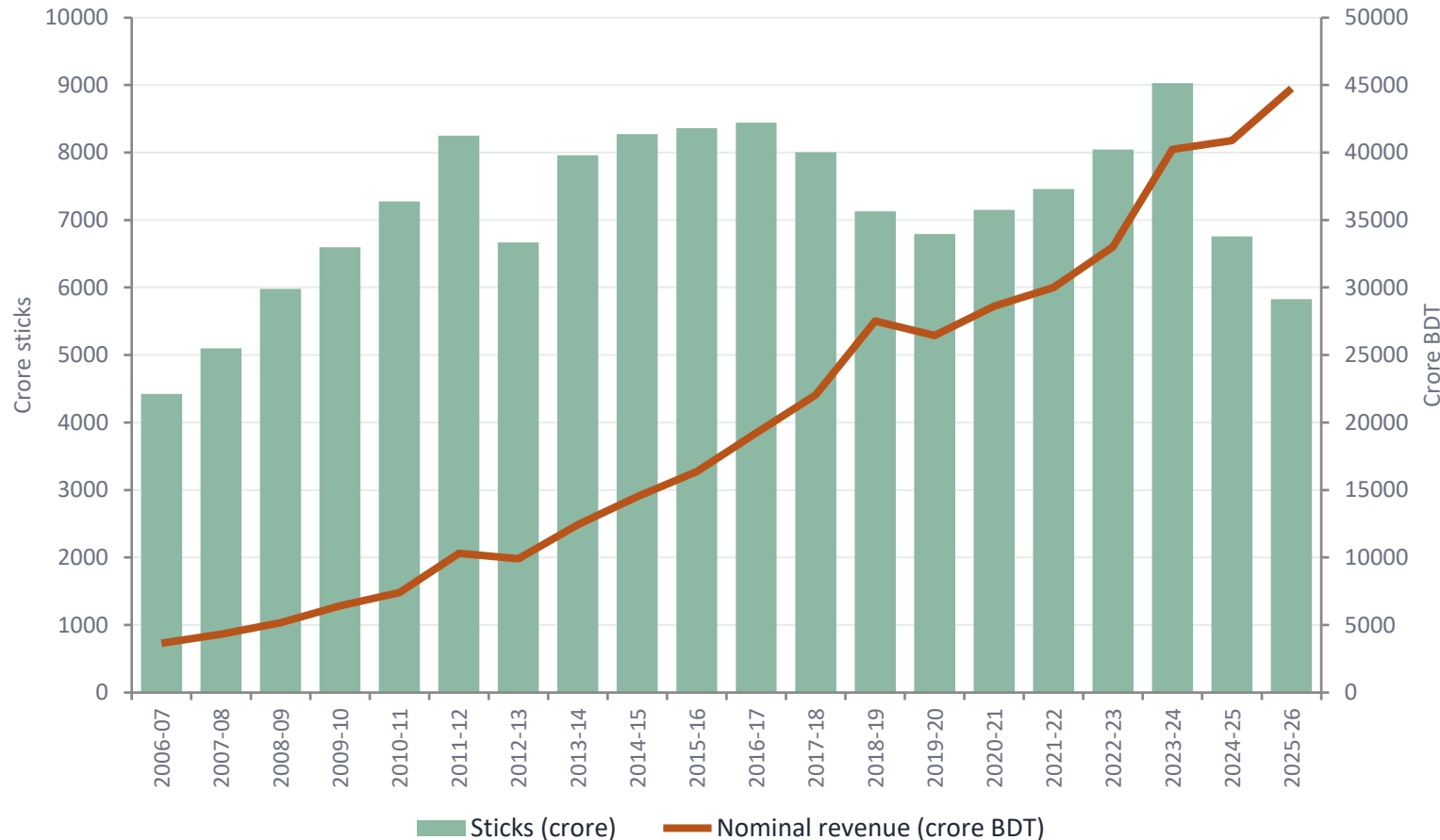
02

Market Trends

Volume, revenue, real prices and the movement between tiers

Revenue and volume have come apart

Crore sticks against nominal revenue, FY2006-07 to FY2025-26



Revenue rises, volume does not fall

Twenty years of revenue growth have not produced a matching decline in sticks sold. Volume in FY2023-24 was above where it stood a decade earlier.

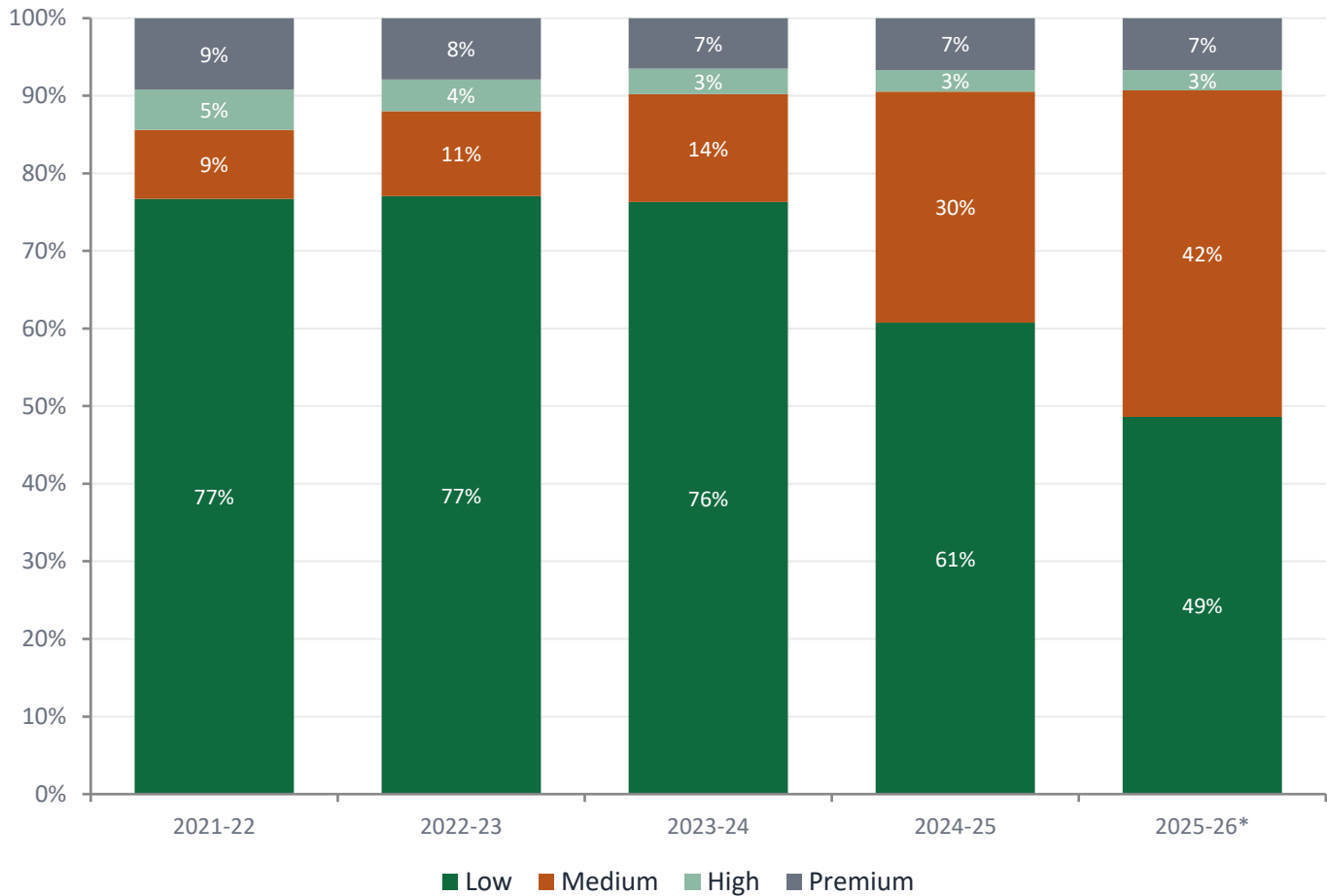
Supply is not prevalence

Stick volumes cannot tell us whether the trend is driven by new smokers or by existing smokers consuming more. Only prevalence data can settle that.

Implication: we need our own prevalence evidence

The market is trading upward, not downward

Tier shares of total cigarette volume, per cent



The low tier is shrinking

Its share fell from 77 per cent in FY2021-22 to under 49 per cent by May 2026, while the medium tier rose from 9 to 42 per cent.

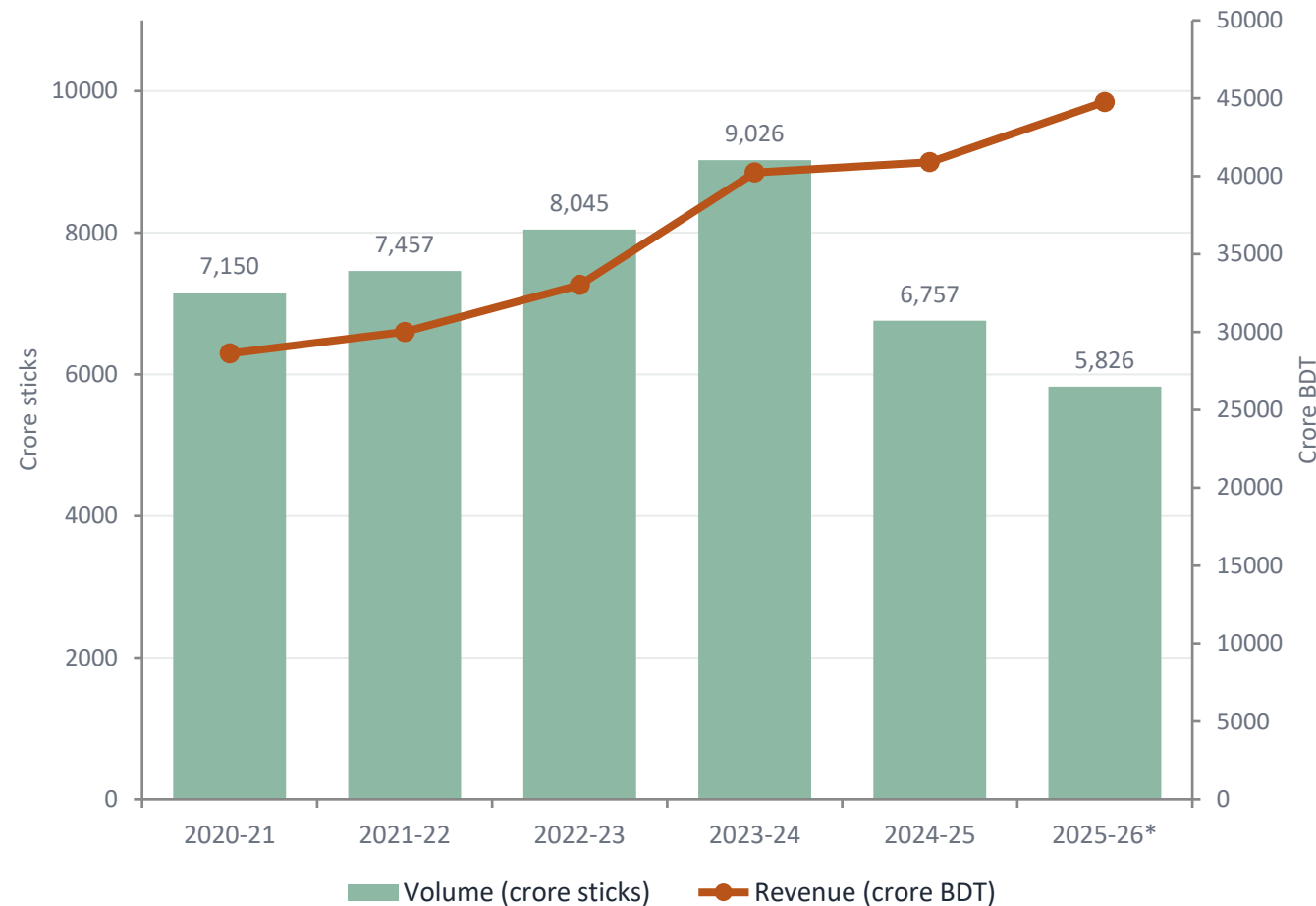
Consumers are switching upward

Movement toward higher tiers, not down toward cheaper ones, is what an affordability gain looks like in the data.

FY2025-26 shares cover volume through May 2026. Part of the low to medium shift reflects brand reclassification after the January 2025 price revision.

Revenue keeps rising as supply falls

The clearest evidence that there is room to raise prices further



Two consecutive years of falling supply

Volume has declined in FY2024-25 and again through FY2025-26.

Revenue has not followed it down

Collection through May 2026 already exceeds the full FY2024-25 total, with June still to come.

The advocacy point

Revenue can absorb a stronger tax package. Higher prices through higher tax will not cost the exchequer, and the last two years are the proof.

FY2025-26 covers collection through May 2026. Bars show volume, the line shows revenue. Source: NBR administrative data.

A Paradox?

Middle tier's share is rising but overall supply is falling

BDT 62 to 65 – BDT 3000 crore loss

Jul–Aug cigarette revenue gap may partly reflect VAT timing, not only lower collection

Item	Tk crore
Jul–Aug 2025 VAT + SD revenue	7,733.8
Jul–Aug 2026 reported VAT + SD revenue	4,733.8
Observed year-on-year gap	3,000.0
Gap under maximum illustrative adjustment	+1,059.8
Illustrative adjusted gap	1,940.2

Illustrative scenario only. The Jul–Aug 2026 figure likely already includes some VAT. The Tk1,059.8 crore adjustment assumes the reported amount is largely SD and estimates the maximum VAT amount that could be associated with it using the 15% VAT and 67% SD rates. The actual VAT timing effect may therefore be smaller. Jul–Sep NBR data split by VAT and SD are needed to confirm it.

03

NBR



NBR's dependence on cigarette revenue

Cigarette revenue as a share of total NBR collection

NBR carries the revenue burden

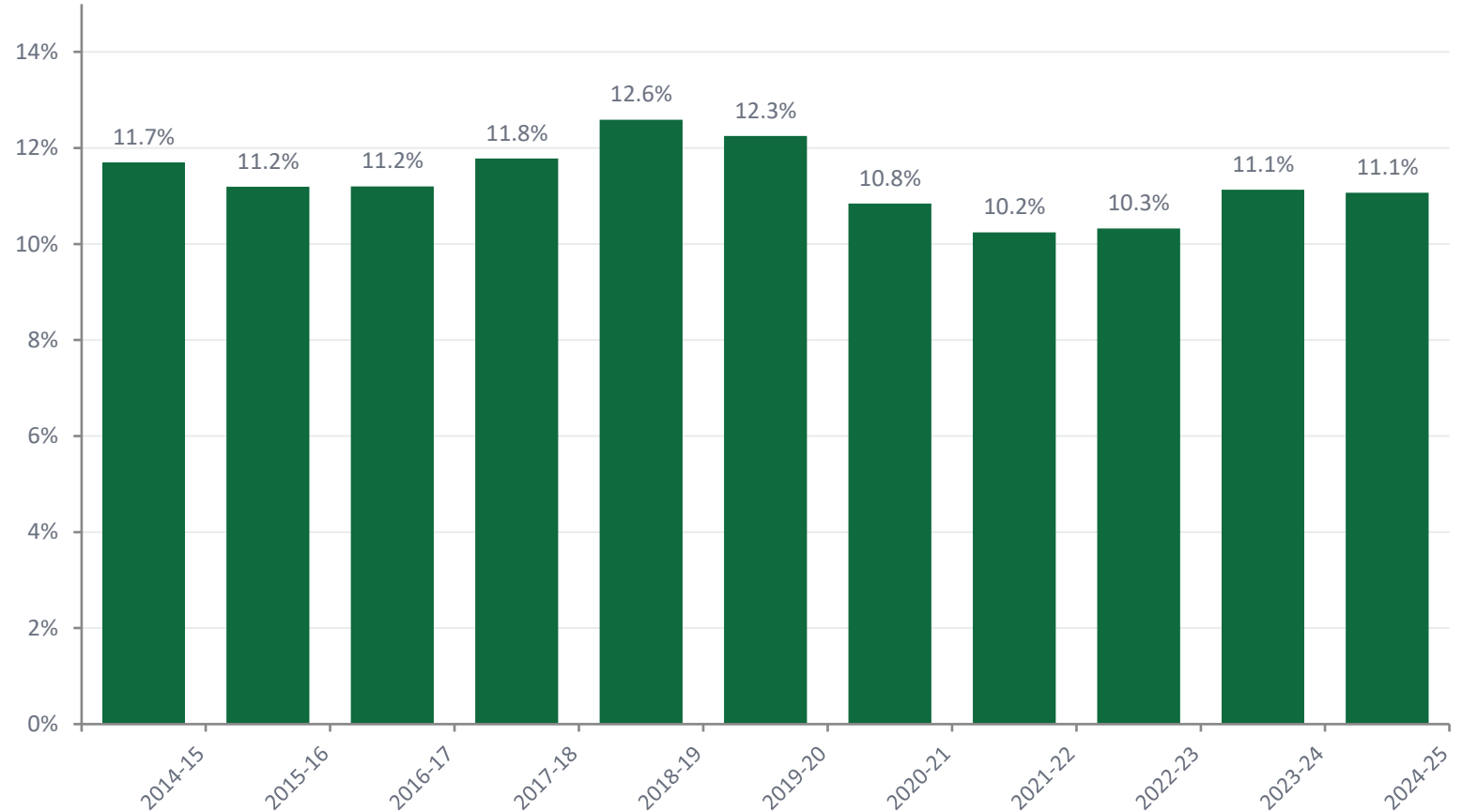
The board is responsible for roughly 85 per cent of total government revenue every year.

Cigarettes are a tenth of it

Cigarette taxes alone have delivered between 10 and 13 per cent of NBR collection in every year since FY2014-15.

So the industry is protected

A single sector that reliably delivers a tenth of national revenue is one the collector has every reason to keep stable.



FY 2026-27 Budget: Targets and Fiscal Pressure

The budget sets record spending and revenue targets at a time of slow revenue growth and rising prices

The figures

Tk 9,38,000 crore

Total budget

Largest in history; 19% above the FY26 original budget

Tk 6,04,000 crore

NBR revenue target

Total government revenue target: Tk 6,95,000 crore

Tk 4,15,473 crore

NBR collection, FY26

Tk 87,527 crore (17.4%) below target

About 45%

Growth needed over FY26

NBR collections grew by 12.0% in FY26

Where the pressure comes from

Revenue

- The target requires about 45% growth; FY26 growth was 12%.
- No major new source of revenue has been identified, and reforms are not yet producing revenue at the required pace.
- VAT collection in July–August 2026 was 22% lower than a year earlier.

Expenditure

- New public-sector pay scale: about Tk 1.06 lakh crore a year.
- Family Card programme and higher allocations for health and education.
- In FY26, expenditure restraint helped contain the deficit; the new commitments leave less room for this.

Prices

- Inflation eased from 9.42% in May to 8.26% in August, still above the 7.5% target.
- Fuel prices were raised by Tk 20 per litre in September (diesel +17.4%), so inflation is expected to rise again.
- Wage growth (8.05% in August) remains below inflation.

Implication: with few new sources of revenue, cigarette taxes (about a tenth of NBR collection) are likely to carry more weight in fiscal decisions.

04

Lessons

Learnings from FY 2026-27 Tax Campaign

- NBR's operational priority is revenue generation; health impact is not its fiscal decision metric.
- Illicit trade is a major concern of NBR and Finance Ministry
 - *“The Cigarette Manufacturers Association estimates that about 22 per cent of volume has shifted to illegal channels, costing roughly Tk 8,500 crore a year.”*
- Low and Mid tier prices have been set in a way so that there is a rounding error. Govt will not receive between BDT 4-5.5 crore simply because of the way prices have been determined.
- The price policy is set on cigarette packs but sales are mostly in single sticks
- The official MRP system does not capture the full retail transaction when cigarettes are sold above MRP, especially as single sticks
- Track and Trace has not been implemented. Only a directive on band roll/tax stamp introduced
- Biri and SLT remain low-priority areas in the budget process.
- Introduction of tax on emerging products may implicitly imply government will formally legalize them in the near future
- No definitive reason can explain why supply fell significantly over past 2 years consecutively
- As mid-tier cigarettes' market share is increasing and tax-base is higher compared to low-tier, revenue is continuing to increase despite falling revenue among other reasons

05

Way Forward and a Few Questions

Way Forward and a Few Questions

- What are the strengths and drawbacks of the tax advocacy strategy we have taken so far?
- How can we get regular tax sales and revenue data?
- Who should be our stakeholders for advocacy?
- How should we bring emerging products as a focus area?
- What campaign strategies should we focus on for the next fiscal year?
- How can we work together?