

Minister Shyam Rajak invokes spirit of nationalism to fight the menace of counterfeiting and smuggling

FICCI -CASCADE involves youths in the city to fight the menace

PATNA, January 22, 2014: FICCI CASCADE (Committee Against Smuggling and Counterfeiting Activities Destroying the Economy) engaged youths by organising an **'Inter-College Competition: Youth Against Counterfeiting and Smuggling'** here today at the Magadh Mahila College to spread awareness among youth to fight against the menace of counterfeiting and smuggling. The effort marks FICCI CASCADE's continued endeavor to fight against the evils of smuggling and counterfeiting.

Delivering the inaugural address at the competition, **Shri Shyam Rajak, Minister for Food and Consumer Protection, Govt. of Bihar**, invoked the spirit of nationalism to fight the evils caused by smuggling and counterfeiting among the students. He acknowledged that the problem was huge and the end consumer was the main sufferer.

He said that consumers are duped because they are not receiving their money's worth. At the same time, the consumer ends up having lesser schools, hospitals and other facilities because the government loses revenue due to counterfeiting and smuggling. Shri Rajak emphasized the public risks caused due to the ever-increasing criminalization of the society and black money being generated through these means.

The tobacco sector continues to account for the highest revenue to tax percentage loss to the government at over 60% and Bihar was no exception. Bihar was one of the fastest growing markets for illegal / tax-evaded cigarettes in the country. These locally manufactured tax-evaded cigarettes have over 20% share of the total cigarette market and are continuously growing in Bihar. These cigarettes are particularly popular amongst youth as they are available at a significantly lower price than the legal cigarettes. It is an alarmingly large and well-organized business with some of India's largest manufacturers of illegal cigarettes (based inside and outside the state), supply over 30 million illegal / tax-evaded cigarettes to the state every month.

Consequently, the government suffers revenue loss of over Rs. 80 crore annually. Illegal cigarettes are sold in the market at one-fifth the price of the legal product, and the cost in terms of the health of smokers of illegal cigarettes is incalculable. This is due to the inferior manufacturing processes and the low quality of tobacco with high levels of tar and nicotine used for such products.

In Bihar, the state level tax on cigarettes is currently at 35% (VAT), which is significantly higher than the tax compared to all India average tax as well as in most of the neighboring states of Bihar. Hence tax evasion due to interstate smuggling of cigarettes becomes an inviting and lucrative proposition in the state. Bihar is surrounded by many states and almost all these states have much lower cigarette VAT rate compared to Bihar.

Tax disparity between Bihar and its neighbouring states has led to a high price differential for legal cigarette brands which has led to unprecedented smuggling / illicit trading from neighbouring states into Bihar. The tax disparity compared to the neighbouring states offer a price differential of approximately Rs. 22-25 lakh on every truck load of cigarettes, if brought in the state clandestinely. Such a huge incentive for cigarette smuggling is bound to attract anti-social elements not only from Bihar, but also from other parts of the country.

According to the Euromonitor report on Illicit Trade in Tobacco Products, India is the fastest growing and is already world's fifth largest market for illicit cigarettes. As per Euromonitor, illicit cigarettes accounts for 18% of industry volume in India and it has grown by 2 billion sticks in just one year (2011-2012).

Mr. P C Jha, Advisor, FICCI CASCADE, emphasised that an increase in excise and VAT rates will not curtail consumption of sin products instead it will lead to incentivising smuggling and counterfeiting therefore causing heavy losses to the exchequer. It is a myth that high rate of tax can reduce consumption of sin products and discourage purchase of such goods. On the contrary, it gives incentive to unscrupulous and anti-social elements for creating a major security threat to the nation. Hence tax arbitrage creates opportunity for smuggling and counterfeiting. Policy makers should ensure that there is moderation in taxation so that a win-win climate is created for the government and consumer.

According to the FICCI study on '**Socio-economic Impact of Counterfeiting, Smuggling and Tax evasion in seven key Industry Sectors**', the estimated annual tax loss to the government in the year 2012 was estimated at Rs. 26,190 crore. The study further estimates an annual sales loss to industry at a whopping Rs. 1,00,000 crore. The key sectors which were included in the study were auto components, alcohol, computer hardware, FMCG (personal goods), FMCG (packaged goods), mobile phones and tobacco. The highest loss to industry in terms of revenue is from FMCG (packaged goods) at Rs. 20,378 crore (23.4%), FMCG (personal goods) at Rs. 15,035 crore (25.9%), auto components at Rs. 9,198 crore (29.6%), mobile phones at Rs. 9,042 crore (20.8%) and tobacco at Rs. 8,965 crore (15.7%). The maximum tax loss on account of smuggled and counterfeit products to the government is from the tobacco sector at Rs. 6,240 crore followed by FMCG (Fast Moving Consumer Goods).

The students expressed their thoughts vividly. The youth festival witnessed enthusiastic participation of almost 250 students who actively joined the fight against counterfeiting and smuggling. FICCI CASCADE encourages Gen-Next to take up this cause and become a CASCADER as the youth of the country is an important force to fight this socio-economic menace and must take a pledge that they would not buy fake and smuggled goods.

The event also saw youths participating in various competitions on the theme. Results may be noted as below:

Jingle Competition:

1st price won by Ms Kamini and Ms Priyanka, Magadh Mahila College

2nd price won by Mr Tanishk, Ms Shraddha and Ms Sambhavna, Magadh Mahila College

Speech Competition:

1st prize won by Mr Rohit Prakash, Patna Science College

2nd prize won by Ms Neha, Magadh Mahila College

3rd prize won by Ms Shalini, Magadh Mahila College

Painting Competition:

1st prize won by Kumari Nutan, Magadh Mahila College

2nd prize won by Ms Sonali Sneha, Magadh Mahila College

3rd prize won by Ms Ankita, Magadh Mahila College

Essay Competition:

1st prize won by Ms Deepti Kumari, Magadh Mahila College

2nd prize won by Ms Sarvani Shakti and Ms Tulika, Magadh Mahila College

3rd prize won by Ms Sonal Singh, Ms Aprajita and Ms Anjali Anshu, Magadh Mahila College

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