What new GST rate doesn’t get: Bidis aren’t a ‘merit’ good

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The GST Council has proposed streamlining the current four-tier tax structure into a more citizen-friendly “simple tax” regime. This framework envisions a merit rate of 5 per cent for essential goods and services, a standard rate of 18 per cent covering most items, and a de-merit rate of 40 per cent applicable only to select goods and services. The long-awaited move to shift tobacco products

from the 28 per cent slab to the 40 per cent GST "special de-merit rate" is a welcome step, aligning them with other sin goods such as sugary products, aerated waters, and carbonated fruit-based beverages.

Apparently, the Council found rare "merit" in items like bidi-wrapper tendu leaves and katha, slashing their GST to 5 per cent, and even deemed bidis as "normal" as dishwashers or televisions—hence, their rate was cut from 28 per cent to 18 per cent. Three common arguments are frequently put forward to justify keeping bidi taxes low: First, the misplaced belief that bidis are less harmful than other tobacco products; second, that bidis are primarily consumed by the poor and therefore lower taxes make the system more progressive; and third, that large numbers of people from vulnerable sections depend on this industry for their livelihood.

Scientific evidence confirms that bidis are as harmful as—and often more harmful than—cigarettes, with high nicotine and carbon monoxide levels dispelling the myth of a safer or "organic" alternative. A meta-analysis of 33 studies links bidi use to serious health outcomes, with population attributable fractions of 0.32 for oral cancer, 0.39 for lung cancer, 0.17 for ischemic heart disease, and 0.19 for chronic obstructive pulmonary disease, alongside significantly elevated pooled odds ratios compared to non-users. The demographic patterns of bidi consumption reveal stark vulnerabilities: Usage is highest among illiterate populations (14 per cent), and prevalence is significantly greater in rural areas (9.3 per cent) than in urban areas (4.7 per cent). Bidis impose a staggering health burden in India, accounting for 11.7 million disability-adjusted life years (DALYs), 10.7 million years of life lost

(YLLs), and 4,78,000 deaths annually—figures that actually exceed those from cigarettes, which cause 8.4 million DALYs, 8.26 million YLLs, and 341,000 deaths each year. The heaviest burden falls on socioeconomically disadvantaged communities. Who genuinely aspires to become a bidi rolleror work in the bidi industry? These are largely distress-driven livelihood choices, born out of compulsion rather than preference.

Beyond being low-paying jobs with minimal social security or health benefits, occupational studies of bidi workers reveal alarming health risks. Respiratory diseases affect up to 52.5 per cent of workers—including tuberculosis (1–39.6 per cent) and asthma (1.8–60.4 per cent)—while musculoskeletal disorders impact up to 87 per cent, hypertension 16.5–65.8 per cent, and eye problems up to 77 per cent. Female bidi workers face twice the risk of cervical cancer, reduced fertility, higher miscarriage rates, and pregnancy complications, and their children experience low birth weight, stunting, and elevated respiratory and gastrointestinal illnesses. Multiple case-control studies consistently show higher disease prevalence among bidi workers than non-workers, suggesting a likely causal link between bidi exposure and these adverse health outcomes.

By placing cigarettes and other tobacco products in the newly created higher GST bracket of 40 per cent—the ‘Special Demerit Rate’—while keeping bidis in the lower 18 per cent slab alongside normal goods, is the government not undermining or undervaluing the health of the poor and vulnerable? Currently, the tax burden on bidis is roughly 22 per cent, much lower than that on other tobacco products (58 per cent for cigarettes). Preliminary estimates indicate that the recent GST rate revisions on tendu leaves and bidis would reduce the bidi tax burden from 22 per cent to around 16 per cent, a decline of 6 percentage points. The claim that lower taxes on bidis make the system progressive is

deeply flawed. True progressivity must be assessed not just in terms of income distribution, but also in terms of health outcomes. Since bidi consumption is concentrated among the poorest and most vulnerable groups, the health burden—measured in premature deaths, DALYs, and YLLs—falls disproportionately on them.

Thus, keeping bidis cheaply available under the guise of progressivity in fact entrenches inequity by amplifying health and economic losses among the poor. By taxing other tobacco products more heavily while keeping bidi taxes low, policymakers expose the Achilles' heel of tobacco control. Bidis should be taxed at least at the same rate as other tobacco products, if not higher.

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