1. Central Excise Amendment Bill- Economy

Parliament approves Bill to levy higher excise duty on tobacco. The Central Excise (Amendment) Bill 2025 amends the 1944 Act to significantly hike excise duties on tobacco products to offset the withdrawal of the GST Compensation Cess. This ensures the overall tax burden remains high to discourage consumption while securing revenue that acts as a divisible pool resource for both the Centre and States.

Overview of the Bill

Parliamentary Approval- The Parliament has officially passed the Central Excise (Amendment) Bill 2025.

Primary Power- The Bill empowers the Central Government to levy significantly higher excise duties on tobacco and tobacco-related products.

Legislative Target- It specifically amends the Central Excise Act, 1944, which is the primary legislation governing the levy and collection of duties on goods manufactured or produced within India.

Specific Amendment- The amendment focuses on updating the tariff rates found in Section IV of the Fourth Schedule to the Central Excise Act, 1944.

Context and Objective

The Post-GST Framework

Historical Shift- Following the rollout of the Goods and Services Tax (GST) in 2017, central excise duties were abolished for the majority of goods.

The Exception- Specific items were kept outside the complete purview of GST-only taxation. Notably, tobacco and tobacco products retained central excise duty alongside GST.

Rationale Behind the Amendment

Filling the Void- The primary trigger for this Bill is the impending withdrawal of the GST Compensation Cess.

Preventing Affordability- If the Compensation Cess is removed without a counter-measure, the total tax on tobacco would drop, making cigarettes and tobacco cheaper.

Goal- The Bill aims to increase central excise duty to offset the removal of the cess. This ensures the overall tax incidence remains high, thereby preventing an increase in the affordability and consumption of harmful goods.

Existing Tax Structure for Tobacco

Tobacco products in India are currently subjected to a rigorous three-tier tax structure-

1. Goods and Services Tax (GST)- Standard taxation applied to goods.
2. GST Compensation Cess- An additional levy originally intended to compensate states for revenue loss (now being phased out/replaced).
3. Central Excise Duty**-** A production tax specific to the manufacturing of these goods.

Key Provisions of the 2025 Bill

Substantial Duty Hikes- The Bill mandates a sharp increase in central excise duty across all categories, including unmanufactured tobacco, manufactured tobacco, specific tobacco products, and substitutes.

GST Classification-

Tobacco products will remain classified under the 40% GST demerit category.

However, the government recognizes that GST alone is insufficient to maintain a high tax burden without the Compensation Cess; hence, the excise hike is necessary.

Fiscal Federalism (State Revenue)-

Unlike the Compensation Cess (which had specific usage restrictions), Central Excise Duty is part of the "Divisible Pool" of taxes.

Impact- This means that a portion of the revenue generated from this increased excise duty will be automatically shared with State Governments as per Finance Commission recommendations.

Proposed Revision of Excise Duty Rates

The following table details the specific increases in duty rates proposed by the Bill for various tobacco categories.

Product Category	Previous / Existing Status	Proposed Status / New Rate
Unmanufactured Tobacco	64% Duty (including sun-cured leaves)	Increased to 70%
Chewing Tobacco	25% Duty	Increased significantly to 100%
Hookah / Gudaku Tobacco	25% Duty	Increased to 40%
Smoking Mixtures	60% Duty (for pipes and cigarettes)	Sharply raised to 325%
Cigarettes	Range- ₹200 – ₹735 per 1,000 cigarettes	Substantially increased to ₹2,700 – ₹11,000 per 1,000 cigarettes

Conceptual Background- About Excise Duty

Definition and Scope

Excise duty is an indirect tax imposed on goods at the stage of production, licensing, or sale. It is paid to the Government of India primarily by the manufacturers of the goods.

Jurisdiction- It applies strictly to goods manufactured within India.

Differentiation- Excise Duty vs. Customs Duty

Feature	Excise Duty	Customs Duty
Basis of Levy	Levied on production/manufacturing of goods.	Levied on the import/export of goods.
Origin of Goods	Applies to goods made inside India.	Applies to goods coming from other countries.

Types of Excise Duty in India

Basic Excise Duty (CENVAT)- Also known as Central Value Added Tax. Levied under Section 3(1)(a) of the Central Excise Act, 1944. Applies to goods listed in the First Schedule of the Central Excise Tariff Act, 1985.

Exemption- It applies to all goods *except* salt.

Additional Excise Duty- Levied under the *Additional Duties of Excise (Goods of Special Importance) Act, 1957*. Applied to goods considered to be of "special importance" to the economy.

Special Excise Duty- Applied to specific goods that are classified under the Second Schedule of the Central Excise Tariff Act, 1985.

Source- https-//www.thehindu.com/news/national/parliament-approves-bill-to-levy-higher-excise-duty-on-tobacco/article70359130.ece#-~-text=Parliament%20on%20Thursday%20(December%204,on%20Wednesday%20(December%203)