2. National Security Cess Bill,2025 - Polity

Lok Sabha passes Bill to levy a special cess on pan masala. The Health Security se National Security Cess Bill, 2025, introduced as a Money Bill, imposes a capacity-based cess on pan masala manufacturing machinery to fund national security and health expenditure. Uniquely, it proposes sharing a portion of this specific cess revenue with States for health schemes, deviating from the general constitutional norm where cesses are not part of the divisible pool.

Legislative Overview

Bill Title- Health Security se National Security Cess Bill, 2025.
Introduced By- Finance Minister Nirmala Sitharaman.
Legislative Classification- Introduced as a Money Bill.
Significance- This classification implies that the Bill requires approval only from the Lok Sabha (Lower House) to be enacted. The Rajya Sabha can only make recommendations but cannot block it.
Core Proposal- The Bill seeks to levy a specific cess on machines utilized for the manufacturing of pan masala and related products.

Key Provisions of the Bill

Target of the Levy
Scope- The cess applies to all machines installed or processes undertaken in the manufacturing of pan masala.
Inclusions- This covers specific equipment such as fill-and-seal machines and packing machines.
Liability- The financial liability falls on any entity or individual who owns or controls the machines or manual processes used for manufacturing these goods.
Calculation and Compliance
Basis of Calculation- The cess amount is determined by two main factors-

1. **Production Speed-** The number of pouches, tins, or containers produced per minute.
2. **Product Weight-** The weight of pan masala per pouch (categorized ranges, e.g., 2.5 g to >10 g).

Self-Declaration Model- Taxpayers are mandated to self-assess the cess liability. They must file monthly returns. Interest is applicable on any delayed payments.
Enforcement and Penalties
Offences- Punishable actions under the Bill include- Possession of undeclared machines or processes.Failure to pay the requisite cess. Failure to register the manufacturing unit. Tampering with goods that have been seized by authorities.
Audit Mechanism- Commissioners or higher-ranked officers hold the power to- Audit manufacturers to verify payments. Launch recovery proceedings for any unpaid cess, interest, or penalties.
Revenue Utilization (Special Provision)
State Allocation- Unlike standard cesses which are typically not shared, this Bill proposes that a portion of the cess revenue will be shared with States.
Purpose- The shared funds are strictly earmarked to support health awareness programmes and health-related government schemes.

Objectives of the Legislation

Funding National Priorities- To create a dedicated pool of financial resources to meet the increasing expenditure needs of both National Security and Public Health.
Revenue Predictability- By linking the cess to specific demerit goods, the government aims to ensure a predictable and accountable funding stream for these priority sectors.
Deterrence (Sin Tax Logic)- The cess acts as a financial deterrent, discouraging the consumption of lifestyle-related harmful products by making them more expensive.

Conceptual Framework- Understanding Cess

The Bill relies on the constitutional concept of "Cess" under Article 270.

Feature	Details
Definition	A specific levy imposed for a particular purpose or cause.

Purpose	To raise funds for a specific objective (e.g., Education Cess, Health Cess).
Nature of Levy	It is an additional charge on top of existing taxes (GST, Income Tax, etc.). It is levied on everyone liable to pay the base tax.
Calculation Basis	Calculated on the Total Tax Amount + Applicable Surcharge (not on the income/value directly).
Accounting	Proceeds are credited to the Consolidated Fund of India (CFI) but must be appropriated for the specific purpose.
Federal Sharing	General Rule- The Centre is not obligated to share Cess proceeds with States (it is usually outside the divisible pool). *Note- The 2025 Bill creates a specific exception to this by allocating a portion for health.*

Rationale- The Tobacco & Pan Masala Landscape in India

The Bill addresses severe public health and economic challenges posed by tobacco use.

Prevalence and Demographics

High Usage- Data from the Global Adult Tobacco Survey (GATS)-2 indicates that 42% of men and 14% of women in India use tobacco.

Global Hub- India is home to 70% of the world's smokeless tobacco (SLT) users.

Preference- There is a distinct preference for smokeless tobacco over smoked tobacco in the Indian demographic.

Health and Economic Implications

Cancer Risk- Both smokeless and smoked tobacco significantly increase cancer risks.

Global Ranking- India ranks first globally in male cancer deaths.

Economic Burden- Beyond health costs, tobacco use resulted in an economic loss of ₹1.77 lakh crore in 2017-2018 (approx. 1.04% of India's GDP).

Regulatory Gaps necessitating the Bill

Ineffective Bans- The ban on Gutkha has been largely ineffective due to strong industry influence and continued widespread availability.

Taxation Gap- The World Health Organization (WHO) recommends a 75% tax on MRP, but India's current tax incidence falls short of this benchmark.

Vendor Practices- 87% of cigarette vendors continue to sell single sticks, a practice that is banned in 88 other countries to prevent youth access.

Scope of Applicability

Category	**Applicability Status**
Essential Goods	Not Levied (Exempt to protect basic affordability).
Demerit Goods	Applicable. Targeting goods with significant health risks (e.g., Pan Masala).

Source- [https-//www.thehindu.com/business/Economy/lok-sabha-passes-health-security-se-national-security-cess-bill-2025/article70362243.ece](https://www.thehindu.com/business/Economy/lok-sabha-passes-health-security-se-national-security-cess-bill-2025/article70362243.ece)