

TOBACCO TAXATION – A BRIEF OVERVIEW

Cancer Research UK is the world's leading independent charity dedicated to cancer research. We carry out scientific research to help prevent, diagnose, and treat cancer. Our groundbreaking work, funded almost entirely by the general public, has saved hundreds of thousands of lives.

What Cancer Research UK is asking for

- Cancer Research UK joined others in calling for a five per cent real terms increase in tobacco taxation in the March 2010 Budget.
- There was a one per cent rise so we believe there is still scope for a further four per cent rise.

Key benefits

- The World Bank says high prices are the most effective policy to reduce smoking. Significant increases in tobacco duty in the 1980s were accompanied by major falls in the number of smokers.¹
- UK research suggests the long-term effect of a 10 per cent price increase is to reduce the number of smokers by 3.5 per cent.^{2,3} The rise we are asking for would reduce the number of smokers by 150,000.⁴
- A four per cent real terms rise would raise government revenue by £400m a year.⁴

The current level of taxation

- The UK has the second highest levels of cigarette taxation in the EU with a pack of 20 cigarettes in the Most Popular Price Category typically costing £6.28 of which £4.82 is tax.⁵

The impact on smuggling

- Smuggling is weakly related to price – cigarette smuggling soared in the late 1990s but has halved since its peak to 10% of the cigarette market.^{6,7,8} Throughout this time the affordability of tobacco remained broadly constant.⁹
- This is a result of effective action to curb the role of the tobacco industry in supplying tobacco to be smuggled and increasing the resources for co-ordinated action from HM Revenue and Customs, UK Borders Agency, the policy and local authorities.

The importance of a package of measures

- Tobacco taxation is strongly regressive with 27% of manual workers smoking, compared to 16% of non-manual workers¹⁰ and thus potentially widens health and other inequalities.
- It is therefore important to make the greatest possible efforts to motivate and assist smokers to quit:
 - NHS Stop Smoking Services are highly cost-effective at £389 per quitter¹¹ and can be four times more successful than quitting without any assistance.¹²
- Equally, there must be an environment where fewer young smokers start by reducing the availability and attractiveness of cigarettes.

References

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