



## Tobacco duty rates

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### Who is likely to be affected?

Manufacturers, importers, distributors, retailers and consumers of tobacco products. Tobacco products include cigarettes, cigars, hand-rolling tobacco, other smoking tobacco, chewing tobacco and herbal smoking products.

### General description of the measure

This measure sets out how tobacco duties will rise each year until the end of the next Parliament.

### Policy objective

The Government is committed to maintaining high tobacco duty rates as this is an established tool to reduce smoking prevalence and to ensure that tobacco duties continue to contribute to government revenues.

### Background to the measure

The March 2010 Budget announced that tobacco duty rates would increase by two per cent above the Retail Price Index (RPI) inflation in 2014-15.

At Budget 2014, the Chancellor announced that the duty on all tobacco products will continue to increase by a minimum of two per cent above RPI inflation each year until the end of the next Parliament.

## Detailed proposal

### Operative date

The new tobacco duty rates will have effect from 6pm on 19 March 2014.

### Current law

The table of duty rates on tobacco products is in Schedule 1 to the Tobacco Products Duty Act 1979.

### Proposed revisions

Legislation will be introduced in future Finance Bills to revise the rates of duty on tobacco products each year until the end of the next Parliament. The legislation will amend Schedule 1 to the Tobacco Products Duty Act 1979.

### Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	+40	+75	+110	+135
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	If passed on to consumers, the higher increases in tobacco duty rates will lead to slightly higher inflation.				

<b>Impact on individuals and households</b>	<p>Assuming 100 per cent pass through, this measure will impact on individuals who smoke by increasing the price of tobacco products. Heavy smokers will face the highest burden from this measure.</p> <p>In response to higher prices, some could chose to consume less, some could down-trade from more expensive to cheaper tobacco products, and others could engage in cross border shopping or purchase from the illicit tobacco market. Any potential shift in consumption to the illicit market will be closely monitored by HM Revenue &amp; Customs (HMRC).</p>
<b>Equalities impacts</b>	<p>Due to differences in tobacco consumption, any change to tobacco duties will have an equalities impact. Men are slightly more likely to smoke than women.</p>
<b>Impact on business including civil society organisations</b>	<p>Tobacco manufacturers and importers will face an increase in tax which they are likely to pass onto consumers.</p> <p>The changes to tobacco duty rates will impose a negligible administrative burden to businesses.</p>
<b>Operational impact (£m) (HMRC or other)</b>	<p>HMRC will incur a negligible cost for changing tobacco duties each year.</p>
<b>Other impacts</b>	<p><u>Small and micro business assessment:</u> the higher annual increases in tobacco duty will affect all sizes of businesses in the tobacco sector, including small and micro business.</p> <p><u>Health impact assessment:</u> any reduction in smoking prevalence will have a positive impact on health and reduce the cost to the NHS of smoking-related illness. There may be reductions in other costs that arise from tobacco use. These costs include losses in productivity from smoking breaks and ill-health absences, the cost of cleaning up cigarette butts, the cost of smoking-related house fires and the loss in economic output from people who die from diseases related to smoking or exposure to second-hand smoke.</p> <p>Other impacts have been considered and none have been identified.</p>

## Monitoring and evaluation

The measure will be monitored through information collected from tax receipts.

## Further advice

If you have any questions about this change, please contact the Excise and Customs Helpline on 0300 200 3700.