

Jane Ellison MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

20th January 2017

Dear Jane

Re: ASH and UKCTAS Budget submission 2017

Please find attached a representation in advance of the Budget on behalf of ASH and the UK Centre for Tobacco and Alcohol Studies, endorsed by 46 organisations. Our recommendations are designed to both improve public health and government revenues, by reducing the ability of the tobacco manufacturers to manipulate the current tax structure and make excessive profits from the misery of smokers.

As we said in our representation on the Autumn statement, we are pleased that you have responsibility for the sugar levy and that the money raised will be used to fund sporting activities in schools. The same principle of using a levy on manufacturers to modify consumer behaviour, and fund public health measures, clearly also applies to tobacco, and indeed was recommended in the *Smoking Still Kills* report. If the industry chose to pass on the additional costs to the consumer, this would have an additional impact over and above the effect of excise tax by increasing the incentive to stop smoking, an important point made by the Chancellor with respect to the sugar levy.

We would be delighted to have the opportunity to meet with you and discuss our proposals further. Set out below are our recommendations on the Tobacco Control Plan and public health funding; taxation; and regulating the tobacco industry and illicit trade.

Tobacco Control Plan and public health funding

- 1) Publish the new tobacco control strategy at the earliest opportunity, to include targets for reducing smoking prevalence and to reduce inequalities in specific groups such as smokers with mental health conditions; and funding for key measures such as mass media campaigns and stop smoking services.
- 2) Require government measures to reduce smoking prevalence, to be funded by the tobacco industry via a “user fee” or increased taxation in line with the principle established by the soft drinks industry levy.
- 3) Funding to local authorities for public health services should be protected with local authorities held to account for improving outcomes.

- 4) Any funding solution for public health in the context of the return of business rates to local authorities must be properly, and equitably, funded, so as not to exacerbate health inequalities.

Taxation

- 5) Increase the tobacco tax escalator from 2% above inflation to 5% above inflation.
- 6) Sustain an enhanced escalator on hand rolled tobacco (HRT), at 15% above inflation, until HRT taxes are equivalent to those on manufactured cigarettes taking into account the latest data on weight of HRT cigarettes.
- 7) We support the introduction of a Minimum Excise Tax but recommend that it be changed to a minimum consumption tax (MCT) for all tobacco products.
- 8) Ensure that the specific tax element for manufactured cigarettes is the maximum allowed under the EU Tobacco Tax Directive.
- 9) Support the revision of the EU Tobacco Tax Directive to:
 - Continue to increase minimum excise levels for manufactured cigarettes
 - Eliminate the differential between manufactured cigarettes and HRT
 - Include raw tobacco in the Directive as an excisable product so that it can be brought into the Excise Movement and Control System (EMCS).

Regulating the tobacco industry and illicit Trade

- 10) Introduce new targets for a market share for illicit cigarettes of no more than 5% by 2020 and for hand-rolled tobacco to no more than 22% by 2020 and 11% by 2025.
- 11) Fund partnership working at regional level to support coordinated enforcement against the illicit trade in tobacco.
- 12) Implement a tobacco retail licensing system funded by the tobacco manufacturers.
- 13) Ratify the Illicit Trade Protocol to the WHO Framework Convention on Tobacco Control
- 14) Require that standards for traceability under Article 15 of the EU TPD ensure the effective independence of the system from the tobacco industry in line with Article 8 of the Illicit Trade Protocol and Article 5.3 of the FCTC.

We look forward to hearing from you.

Yours sincerely



Deborah Arnott MBA FRCP (Hon)
Chief Executive
Action on Smoking and Health



Professor John Britton
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