

## 2014 Budget submission to the Chancellor of the Exchequer

### Index

• Summary and Recommendations	1
• Key Recommendations	2
• Introduction	2
• Tobacco Taxation	3
○ Tax escalator	4
○ Tax structure	7
▪ Tax on Hand Rolled Tobacco (HRT)	8
▪ Specific taxation on cigarettes	8
▪ Minimum Excise Tax (MET)	9
• Tobacco smuggling	9
• Annex A – PAC, NAO and APPG recommendations	15
• Annex B – List of endorsing organisations	19

### Summary and Recommendations

1. In his 2012 Budget speech<sup>1</sup> the Chancellor said that “*Smoking remains the biggest cause of preventable illness and premature death in the UK,*” when announcing a duty increase of five percentage points above inflation for all tobacco products. He went on to say, “*There is clear evidence that increasing the cost of tobacco encourages smokers to quit and discourages young people from taking it up.*” Both these statements remain true. Indeed, to quote a recent seminal Lancet report, “*the single most important opportunity for national governments worldwide to curb NCDs [Non-communicable Diseases] is to tax tobacco heavily*”.<sup>2</sup>
2. We support an increase of the tobacco tax escalator from 2% to 5% above inflation in this Budget (with an additional increase of a further 10% on Handrolled Tobacco (HRT) covered separately below). Our calculations, based on internationally accepted estimates of the elasticity of demand, show that this could lead to increased government revenue of £485 million in the first year and £7.4 billion over the next five years. The number of smokers would fall by 104,000 in the first year alone, with a reduction in deaths from smoking of 479.
3. The Government’s anti-smuggling strategy has been highly successful but needs strengthening in line with the recommendations of the National Audit Office and the Public Accounts Committee. We are pleased to note that HMRC is currently updating

<sup>1</sup>Hansard. Wednesday 21 March 2012.

<http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120321/debtext/120321-0001.htm#12032154000001>

<sup>2</sup> Jamison et al. Global health 2035: a world converging within a generation. The Lancet 2013; 382: 1898 – 1955. doi:10.1016/S0140-6736(13)62105-4.

the government's anti-smuggling strategy and urge the government to ensure that funding is increased substantially in the near and medium terms.

4. Set out below are our key recommendations.

#### **Key Recommendations:**

##### ***Taxation***

- 1) Introduce a tobacco tax escalator of 5% above inflation for this and subsequent years.
- 2) Reduce the growing price differential between the most expensive and cheapest cigarettes to discourage downtrading by:
  - Ensuring that the specific tax element for cigarettes is the maximum allowed under the revised EU tax directive.
  - Setting a minimum excise tax for cigarettes to ensure that tax on all below average price cigarettes is set at the same level as that of average price cigarettes.
  - Increasing the tax on HRT by introducing a larger tax escalator of 15% above inflation until tax on HRT is equivalent to that on manufactured cigarettes.
- 3) Improve the collection and public accessibility of data on the volume of sales and price of tobacco products, with volume sales broken down by local authority.

##### ***Standard packaging of tobacco products***

- 4) Support the development of regulations to introduce plain, standardised packaging of tobacco packs.

##### ***Smuggling***

- 5) Update the Government's anti-smuggling strategy taking on board the recommendations of the National Audit Office, the APPG on Smoking and Health and the Public Accounts Committee. In particular:
  - increase funding, particularly for inland work in collaboration with local authorities and the regional offices of tobacco control;
  - controlling tobacco industry supply chains more effectively, including by naming and shaming, and utilising supply chain legislation;
  - introduction of a retail registration scheme; and
  - setting targets for reducing the size of the illicit market.
- 6) Ratify the Illicit Trade Protocol to the WHO Framework Convention on Tobacco Control.

#### **Introduction**

5. ASH is a public health charity set up by the Royal College of Physicians in 1971 to advocate for policy measures to reduce the harm caused by tobacco. It receives funding from the British Heart Foundation and Cancer Research UK for this work. The UK Centre for Tobacco & Alcohol Studies (UKCTAS) was created in 2008 and includes research teams in nine UK universities. It is one of five Public Health Research Centres of Excellence, funded by the UK Clinical Research Collaboration.
6. This paper sets out our joint recommendations on tobacco policy in tax and related areas in advance of the forthcoming Budget. The ASH/UKCTAS joint submission is endorsed by 80 health organisations (see Annex B for full list).
7. Putting tobacco taxes up is potentially, in economic and health terms, a progressive rather than regressive measure because poorer smokers are more likely to quit, and

youth less likely to take up smoking, as they are more sensitive to price increases.<sup>3</sup> Indeed tax increases are the only tobacco control intervention which have been proven to have a greater effect on more disadvantaged smokers at population level and so contribute to reducing health inequalities.<sup>4</sup> However, poorer smokers who don't quit are disproportionately disadvantaged in economic terms because of the negative impact of tobacco tax increases on their already small incomes.

8. This poses a dilemma which can be resolved by ensuring that all efforts are made to motivate and support smokers in quitting. The health organisations which endorse the ASH Budget submission support increasing the tobacco tax escalator to 5% above inflation for cigarettes and 10% for HRT to continue to reduce the affordability of tobacco, as long as at the same time government continues to provide adequate funding for measures; to reduce smoking prevalence; and to introduce population level measures which help reduce smoking.
9. We are therefore pleased to note the passing of enabling legislation to require all tobacco packs to be standardised and urge the Government to proceed promptly with the introduction of regulations to bring standardised packaging into effect. We are also pleased that the UK Government has supported the strengthening of the EU Tobacco Products Directive, which contains a range of further important measures such as larger health warnings, pictorial warnings on the front of packs and prohibition of characterising flavours for cigarettes.

## **Tobacco Taxation**

10. Reducing affordability is the most effective way to reduce smoking uptake and encourage quitting. Tobacco taxation is an effective means of improving public health, reducing costs to the public purse and is popular with the public.<sup>5 6</sup> Furthermore, smokers value higher taxes as devices to increase their own commitment to give up.<sup>7</sup>
11. However, tobacco remains more affordable now in the UK than it was in the 1960s and smoking rates in Great Britain have changed little in recent years.<sup>8</sup> While successive Chancellors have used the rhetoric of progressive tobacco tax policies, the UK has been overtaken in practice by a number of countries.<sup>9</sup> The Australian Treasury, for example, indexes tobacco tax increases to inflation twice a year, in addition to this, in 2010 it increased tobacco excise taxes by 25% with the intention of producing a 15% increase in revenues.<sup>10</sup> Despite Budgetary pressures stemming from the global economic crisis, 2010-11 revenues increased by 13% compared with the previous financial year.<sup>11</sup>
12. In 2009-10, the Australian Government also committed to spending a total of AUS\$61 million over four years on a high intensity anti-smoking campaign, with an additional

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<sup>3</sup> The World Bank. Curbing the epidemic: governments and the economics of tobacco control. May, 1999.

<sup>4</sup> Amos A, Bauld L, Clifford D, et al. Tobacco control, inequalities in health and action at a local level. York, Public Health Research Consortium, 2011.

<sup>5</sup> BPIX survey for The Mail on Sunday. Published 10<sup>th</sup> June 2010. <http://www.dailymail.co.uk/news/article-1286199/David-Cameron-told-Heres-37bn-cuts-started.html>

<sup>6</sup> Gardner B, West R. Public support in England for raising the price of cigarettes to fund tobacco control activities. Tobacco Control 2010; 19: 331-333.

<sup>7</sup> Gruber, J and Mullainathan, S. Do Cigarette Taxes Make Smokers Happier? Advances in Economic Analysis and Policy, 2005; 5. Available at <http://www.bepress.com/bejeap/advances/vol5/iss1/art4>

<sup>8</sup> General Lifestyle Survey and Opinions and Lifestyle Survey. Office for National Statistics 2013.

<sup>9</sup> Jha, P and Peto, R. Global effects of smoking, of quitting, and of taxing tobacco. New England Journal of Medicine 2014; 370:65.

<sup>10</sup> Treasury, Australia. [Issues in tobacco taxation](#). Treasury, Australia. Accessed 30<sup>th</sup> December 2013.

<sup>11</sup> Australian Government Budget Outcomes [2009-10](#) and [2010-11](#). Accessed 30<sup>th</sup> December 2013.

AU\$27.8 million to be targeted at key groups such as pregnant smokers and their partners and those with mental health issues. This is the per capita equivalent of £33.66 million a year in the UK.

13. In 2012, using 20 Marlboro as a comparator, it was estimated that the highest prices were in Norway, followed by Australia and then the UK. In addition the Australian Government announced that it would index the tobacco excise and customs duty to Average Weekly Ordinary Time Earnings (AWOTE) instead of the Consumer Price Index (CPI). Indexing to AWOTE means that excise tax will increase in line with affordability as a baseline.
14. In addition the Government committed to introduce staged 12.5 per cent increases in tobacco excise over the next four years *“to battle smoking-related cancer and help return the Federal Budget to surplus in 2016-17”*. The incoming Liberal Government has adopted both these commitments. The increases commenced on 1 December 2013, with further 12.5% increases on 1 September 2014, 1 September 2015, and 1 September 2016. Indexation to earnings will start from 1 March 2014 and rates will continue to be indexed biannually – on 1 March and 1 September each year – to coincide with the release of the relevant data by the Australian Bureau of Statistics.
15. By 2016 excise taxes will have increased by about 60% from the levels prior to December 2013 and this is expected to bring the average price of a pack to AU\$20 for a pack of 30 cigarettes, the UK equivalent of a weighted average price (WAP) of £7.18. In July 2013 the WAP in the UK was £6.51 for a pack of 20 cigarettes.<sup>12</sup>

#### **Tax escalator**

16. We recommend increasing the tax escalator on cigarettes from 2% to **5% above inflation in the 2013 and subsequent Budgets**.
17. Our calculations, based on generally accepted international and UK estimates of the elasticity of demand of -0.4 for consumption and -0.25 for prevalence, find that there are benefits to the public finances accruing from increases in tax revenues and reductions in smoking-related costs. In total the public finances would benefit by up to £485 million in the first year and £7.4 billion over the next five years.
18. HMRC’s estimates find the elasticity of demand to be much more elastic, but even using HMRC’s estimates there are benefits to the public finances accruing from increases in tax revenues and reductions in smoking-related costs. In total the public finances would benefit by up to £157 million in the first year and £0.9 billion over the next five years.<sup>13</sup> The calculations are based on differing assumptions about the elasticity of demand for tobacco. HMRC’s estimates of the elasticity of demand at -1.05 are relatively high by comparison with the generally accepted international estimates, but using this estimate still indicates that revenue maximisation has not been reached.
19. These benefits to public finance arise from the following revenue streams set out in the tables overleaf:
  - Increased revenue from tobacco taxation;
  - Reductions in healthcare costs;
  - Increased tax receipts from additional years of working life;

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<sup>12</sup> European Commission Directorate General Tax and Customs. Excise Duty Tables. Part III [Manufactured Tobacco](#). Accessed 30<sup>th</sup> December 2013.

<sup>13</sup> The HMRC estimate is only based on duty paid and doesn’t take the illicit market or HRT into account so may overestimate the impact on smoking prevalence.

- Increased tax receipts from reduced absenteeism;
  - Reduced spending on benefits related to sickness and disability;
- Increased spending on state benefits for retired people has been taken into account.

### Public finance impact of tax-induced 5% year on year increase in Weighted Average Price of cigarettes

#### Results from Public Finance Analysis of 5% increase in tobacco prices: Internationally accepted central scenario consumption elasticity = -0.4

All figures in £m, 2013 prices

Positive numbers = net revenue gain, negative numbers = net revenue loss

Gain/Loss (-)	Individual years					Total
	2014-15	2015-16	2016-17	2017-18	2018-19	
Increased tobacco taxation	433	868	1293	1717	2129	6440
NHS cost savings	13	28	45	65	87	238
Income Tax/NICs/VAT - extra working life	21	44	70	98	128	361
Income Tax/NICs/VAT - reduced absenteeism	4	12	21	32	44	113
Reduced sickness/disability benefits	19	39	60	83	106	307
Increase in pensioner's State benefits	-5	-11	-17	-24	31	-26
<b>TOTAL</b>	<b>485</b>	<b>980</b>	<b>1473</b>	<b>1970</b>	<b>2464</b>	<b>7372</b>

NICs=national insurance contributions

#### Results from Public Finance Analysis of 5% increase in tobacco prices: HMRC central scenario consumption elasticity = -1.05

All figures in £m, 2013 prices

Positive numbers = net revenue gain, negative numbers = net revenue loss

Gain/loss(-)	Individual years					Total
	2014-15	2015-16	2016-17	2017-18	2018-19	
Increased tobacco taxation	21	-35	-181	-436	-814	-1445
NHS cost savings	34	74	120	171	229	628
Income Tax/NICs/VAT - extra working life	81	170	268	377	496	1392
Income Tax/NICs/VAT - reduced absenteeism	15	37	61	90	121	324
Reduced sickness/disability benefits	50	103	158	217	278	806
Increase in pensioner's State benefits	-45	-95	-149	-207	-268	-764
<b>TOTAL</b>	<b>157</b>	<b>254</b>	<b>277</b>	<b>211</b>	<b>42</b>	<b>941</b>

NICs=national insurance contributions

20. HMRC is only interested in consumption elasticity because this measures the impact on sales and therefore on tax and excise. However, prevalence elasticity is also important because it's quitting rather than cutting down that provides measurable health improvement and reduction in mortality, with ensuing benefits to public finances. Most studies find that the prevalence elasticity contributes 50% - 75%<sup>14</sup> to the total price elasticity, so we have assumed a midway point and attributed 63% of elasticity to changes in prevalence.
21. Using the generally accepted international estimate of -0.4 for consumption elasticity and 0.25 of prevalence elasticity, then the number of smokers would fall by just over 100,000 in the first year and a total of around 577,000 by 2018-19. There would also be an immediate impact in the number of deaths, primarily due to reductions in deaths from heart attacks. Using international estimates of elasticity there would be a reduction of deaths by smoking of just under 500 in 2014-5 alone. See table below.

**Analysis of impact of 5% increase in tobacco prices on smoking prevalence and deaths from smoking**

Assuming consumption elasticity = -0.4 and prevalence elasticity = 63% of consumption elasticity

	Individual years					Total
	2014-15	2015-16	2016-17	2017-18	2018-19	
Reduction in smoking prevalence in percentage points	0.25%	0.52%	0.79%	1.09%	1.39%	1.39%
Reduction in smokers in numbers (millions)	0.104	0.214	0.329	0.450	0.577	0.577
Reduction in deaths from smoking	479	994	1,542	2,149	2,782	7,946

22. Unfortunately the tobacco industry was unwilling to allow our economists access to sales data in the HMRC datalab despite the fact it was anonymised, so our UK analysis was based on clearance data which are subject to a high degree of volatility from month to month, due particularly to increases in clearances immediately prior to Budgets (to escape increases in tobacco duty).
23. The refusal of the tobacco industry to allow access to its data to researchers outside of HMRC is extremely unhelpful to the development of effective public health policy with respect to tobacco. There is a strong case for the UK Government to require tobacco manufacturers to put this information in the public domain for the benefit of public health. The World Health Organisation's guidelines for implementation of Articles 9 and 10 of the WHO Framework Convention on Tobacco Control recommend that:  
*"Parties [to the Convention] should consider requiring that tobacco manufacturers and importers disclose, at specified intervals, for each brand within a brand family, sales volume information in units (e.g. number of cigarettes or cigars, or weight of roll-your-own tobacco). These disclosures should be on a national basis, and where appropriate on a sub-national basis as well."*

<sup>14</sup> See the World Bank study (1999), Grossman et al. (1993) and the US Surgeon General report (2004) and IARC (2011)

24. We strongly recommend that the UK Government implements this policy, with the addition of brand specific price data, and requires the industry to provide data at national and local authority level. The importance of this to accurately measuring tobacco prices and determining appropriate tax policy has been recently outlined in research on UK cigarette prices.<sup>15</sup>

25. This would have a number of benefits to HM Government:

- Provide information which could be used to analyse market developments and inform the development of tobacco control and tax policy, for example on tax structure.
- Enable future research on the price sensitivity of tobacco consumption by academic researchers to support work carried out by HMRC.
- Inform analyses of illicit market trends over time at local level.
- Provide proxy indicators for smoking prevalence changes at local level to enable local authorities to determine the effectiveness of their tobacco control activities (scaling up national surveys for this purpose is unfeasible because of the cost).
- Support and inform analyses of the marketing strategies of the tobacco industry.

### **Tax structure**

26. While real average cigarette prices have been increasing across the market as a whole in recent years, the prices of the cheapest cigarettes have remained unchanged in real terms. This is because, at the point when taxes increase each year, the tobacco industry has been absorbing tax increases on the cheapest brands rather than passing them on to consumers.<sup>15</sup> It can afford to do this by increasing prices and thus profits on its more expensive brands. The timing of industry initiated price changes appears timed to accentuate price differences between brand segments when tobacco duties increase in April each year.<sup>15</sup> In other words, it appears intended to reduce the impact of tax increases on the most price sensitive smokers – the young and the poor.

27. Cheaper brands are smoked by the young, the poor, women and those living in areas of the country with high smoking rates who are most in need of protection from tobacco industry marketing tactics. Evidence shows that the increase in the use of cheapest cigarettes is most marked in the youngest (16-24 year old) smokers, 71.4% of whom now use cheap brands or HRT.<sup>16</sup> This highlights the impact of the availability of cheap cigarettes on inequalities in smoking.<sup>15 16</sup>

28. The consequence of the industry pricing its cigarettes in this way has been to undermine the effectiveness of the UK's tobacco tax strategy, by leaving the affordability of the cheapest cigarettes unchanged, so encouraging downtrading.

29. There has also been a significant increase in the use of HRT in recent years, due to downtrading from manufactured cigarettes to much cheaper handrolled tobacco. The proportion of smokers mainly using HRT has increased from 25% of men and 8% of women in 1998 to 41% of men and 26% of women in 2012.<sup>17</sup>

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<sup>15</sup> Gilmore et al. Understanding tobacco industry pricing strategy and whether it undermines tobacco tax policy: the example of the UK cigarette market. *Addiction*. 2013 July; 108 1317–1326. doi: [10.1111/add.12159](https://doi.org/10.1111/add.12159)

<sup>16</sup> Tavakoly G, Taylor G, Hiscock R, Gilmore A. Smoking patterns in Great Britain: the rise of cheap cigarette brands and hand rolled tobacco. *Journal of Public Health* (under review).

<sup>17</sup> Opinions and Lifestyle Survey, Smoking habits amongst adults, 2012. Office for National Statistics, September 2013.

30. We therefore recommend, in addition to increasing taxes above inflation, that the government take further action to reduce the tax differential between different market segments and between manufactured cigarettes and HRT. In particular, by maximising specific taxation and introducing a minimum excise tax on manufactured cigarettes and by applying a tax escalator on HRT in this and subsequent years of 15% above inflation until, using an average conversion rate of 0.7 grammes per handrolled cigarette,<sup>18</sup> the tax on manufactured cigarettes and handrolled cigarettes is equivalent. At this point the escalator on HRT should become the same as that for manufactured cigarettes.

### ***Tax on Hand Rolled Tobacco (HRT)***

31. The Chancellor is to be congratulated for increasing taxes on HRT by an additional 10% above cigarettes in the 2011 Budget, but HRT (which includes 'Make Your Own') remains significantly cheaper than manufactured cigarettes. Increasing control of smuggled HRT and a reduction in smuggled market share from 61% in 2004-5<sup>19</sup> to 36% in 2012-13 shows that the illicit market for HRT is in decline.<sup>20</sup> Tax receipts on HRT have risen year on year but there is potential for them to rise still further and for downtrading to be discouraged.
32. In addition tax on HRT will be going up in other jurisdictions as a result of the implementation of the EU tobacco tax directive. The minimum tax at EU level has risen from 36% of weighted average selling price previously, to 40% on 1 January 2011, 43% in 2013 and will continue to rise to 46% in 2015, 48% in 2018 and 50% in 2020.<sup>21</sup>
33. Tax on HRT in the UK is still only 67.3%<sup>22</sup> of total price and there is room for further increases in taxation. In the past it has been as high as 74.3%. We recommend the tax escalator on HRT should be increased to 15% above inflation (an additional 10% above that of cigarettes) to continue to reduce the differential.
34. Evidence from overseas indicates that the tobacco industry will try to exploit loopholes in tax legislation by selling HRT as pipe tobacco if lower taxes are applied to pipe tobacco.<sup>23</sup> For this reason we suggest keeping taxes on pipe tobacco in line with those on HRT.
35. We recommend the introduction of a tax escalator on HRT and pipe tobacco set at 15% above inflation until the tax on these products is equivalent to that on manufactured cigarettes. This would increase the tax take and reduce the likelihood of smokers downtrading to HRT rather than quitting.

### ***Specific taxation on cigarettes***

36. To minimise as far as possible the tax differential between different price categories and so help prevent the downtrading outlined above, we recommend that the UK ensure that specific tax is set at the maximum allowed under the new EU regulations.

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<sup>18</sup> Gallus et al. Roll-your-own cigarettes in Europe: use, weight and implications for fiscal policies. *European Journal of Cancer Prevention*, 2014. doi: 10.1097/CEJ.0000000000000010.

<sup>19</sup> HMRC. Measuring tax gaps 2010.

<sup>20</sup> HMRC. Measuring tax gaps 2012.

<sup>21</sup> Council Directive 2010/12/EU of 16 February 2010.

<sup>22</sup> HMRC. Tobacco Factsheet. Table 3.11 Taxation on HRT. November 2013.

<sup>23</sup> Clifford, D. Ciecierski, C. Silver, K. Gilmore, A. PPACTE Work Package 5 - Milestone 5.2. Tobacco industry influence over tobacco taxation in Poland. Dublin: PPACTE, 2012.

37. The EU tax directive allows for specific tax to be up to 76.5% of the total tax burden on the weighted average retail selling price (WAP) from 1 Jan 2011 onwards.<sup>24</sup> Currently specific tax is estimated to be only 61.4% of the total tax of a typical pack of cigarettes in the ultra low price category cigarettes allowing significant room for further rebalancing, as it will be an even lower proportion of the total tax burden of the weighted average price.<sup>25</sup>

#### ***Minimum Excise Tax (MET)***

38. The revised EU directive also allows for a minimum excise tax for all products.<sup>24</sup> We urge the government to introduce the highest possible minimum excise tax in order to help reduce the tax differential between different price categories. This should help prevent the tobacco industry from absorbing taxes on the cheapest products and thus undermining the intended public health benefits of tobacco taxation.
39. To maximize taxation on lower than average priced cigarettes and set an effective floor below which the total tax burden can't fall, the MET should be set equivalent to the maximum total tax burden allowable based on the Weighted Average Price (WAP).

#### **Tobacco Smuggling**

40. Despite significant declines since 2000, the amount of illicit tobacco available in the UK market remains a concern. If illicit tobacco is widely available, some smokers will shift to buying and consuming illicit products rather than reducing consumption or quitting in response to tax and price rises or other specific tobacco control measures. The illicit tobacco trade deprived the exchequer of an estimated £2 billion in VAT and duty in 2012/13 (HMRC mid-point estimate). Therefore illicit trade threatens both government revenues and a key component of public health policy.
41. The UK has relatively high tobacco prices. However, the attractiveness of the UK market to smugglers is not simply a function of price differentials. It is also affected by the difficulty of getting illicit product into the UK without seizure, the risks of being caught breaking the law in this way, the sanctions likely to be applied, and the difficulty of selling illicit product without detection. In general, high income countries with better resourced and more effective customs and law enforcement agencies have lower levels of illicit trade than low income countries, despite their higher average price of licit tobacco.<sup>26</sup>
42. In recent years, the UK has had a good record in reducing the level of illicit tobacco. Since 2000, UK government agencies have co-ordinated and implemented a well-planned and well resourced strategy to fight illicit trade, and they have been supported by increasingly effective action at regional and local level. In 2000, HM Customs and Excise, as it then was, together with the Treasury, launched an action plan "Tackling Illicit Tobacco Smuggling" which was updated in 2006,<sup>27</sup> 2008<sup>28</sup> and

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<sup>24</sup> Council Directive 2010/12/EU of 16 February 2010 amending Directives 92/79/EEC, 92/80/EEC and 95/59/EC on the structure and rates of excise duty applied on manufactured tobacco and Directive 2008/118/EC

<sup>25</sup> HMRC. Tobacco Factsheet. Table 3.7 Taxation on Cigarettes. November 2012.

<sup>26</sup> Joossens L, Merriman D, Ross H, Raw M. How eliminating the global illicit cigarette trade would increase tax revenue and save lives. Paris: International Union Against Tuberculosis and Lung Disease; 2009

<sup>27</sup> HM Revenue and Customs and HM Treasury. New Responses to New Challenges: Reinforcing the Tackling Tobacco Smuggling Strategy. 2006

<sup>28</sup> HMRC. Tackling Smuggling Together. 2008.

2011.<sup>29</sup> In addition, in 2006 the strategy was reinforced by supply chain legislation, making it a legal duty for manufacturers not to facilitate smuggling, with fines of up to £5 million if they fail to comply.

43. This co-ordinated action has led to measurable results. For the year 2000, HM Revenue and Customs (HMRC) estimate that about 1 in 5 cigarettes smoked in the UK were illicit.<sup>30</sup> The proportion of hand rolled tobacco that was illicit in 2000 was estimated at 60%. By 2012/13, HMRC estimate that the proportion of illicit cigarettes had fallen to 9% and the proportion of hand-rolled tobacco had fallen to 36% (both mid-point estimates).<sup>31</sup> Although the 2012/13 figures were slightly higher than 2011/12 the overall trend for the last decade continues to be downwards, and as HMRC note *“The midpoint estimate reported here should be interpreted as an indicator of long-term trends rather than a precise estimate of year-to-year changes”*.<sup>32</sup>
44. This suggests a need for the Government to renew and strengthen its strategy in tackling illicit trade. We set out some key recommendations as to how this might be done below. In general, **we endorse the recommendations of the Public Accounts Committee and National Audit Office in their 2013 reports on HMRC’s progress in tackling tobacco smuggling, and the 2013 report on illicit trade produced by the All Party Parliamentary Group on Smoking and Health. The new strategy currently under development should take on board all these recommendations.** (See Annex A for detailed recommendations).
45. It should be noted that the tobacco industry has a vested interest in inflating the extent of the illicit tobacco trade. In particular, it has an interest in claiming that there is a rising level of counterfeit tobacco products entering the UK market as opposed to legitimate tobacco products diverted into illicit channels, an activity in which the tobacco industry has of course repeatedly been implicated.<sup>33</sup>
46. Growing evidence suggests that tobacco industry funded surveys and studies overestimate levels of illicit tobacco compared to HMRC data because they are produced using flawed methodology.<sup>34 35 36</sup> Philip Morris International’s Project Star report also focuses, to an unwarranted extent, on counterfeit rather than illicit trade in their own products despite the latter being far greater in number across the EU.<sup>34</sup> Research also shows a sharp and continuing rise in the number of media stories across the UK reporting misleading tobacco industry funded estimates of the level of illicit trade since standardised packaging has been debated.<sup>36</sup> The number of newspaper stories citing industry data rose from zero in 2010 to 14 in 2011 to 25 in 2012, and to 12 in the first quarter of 2013 alone, despite levels of illicit falling over this period. It is also clear that the industry routinely cites HMRC’s upper rather than mid-

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<sup>29</sup> HM Revenue and Customs and the UK Border Agency. Tackling Tobacco Smuggling – Building on our Success. 2011.

<sup>30</sup> HM Revenue and Customs, UK Border Agency. Tackling Tobacco Smuggling - building on our success. 2011 paragraph 3.2

<sup>31</sup> HM Revenue and Customs Tax Gap Estimates: 2012-2013

<sup>32</sup> Tobacco Tax Gap Estimates 2012-13. HMRC. October 2013. <http://www.hmrc.gov.uk/statistics/tax-gaps/ttg-2013.pdf>

<sup>33</sup> See for example House of Commons Public Accounts Committee. Tobacco Smuggling: Third Report of Session 2002-3

<sup>34</sup> Gilmore A. Rowell A. Gallus S. Lugo A. Joossens L. Sims M. Towards a greater understanding of the illicit tobacco trade in Europe: a review of the PMI funded ‘Project Star’ report. Tobacco Control 2013. doi:10.1136/tobaccocontrol-2013-051240

<sup>35</sup> National Audit Office. Progress in tackling tobacco smuggling. 2013. P.14

<sup>36</sup> Rowell, A., Evans-Reeves, K., and Gilmore, AB. Tobacco industry manipulation of data on and press coverage of the illicit tobacco trade in the UK. Tob Control. In press.

point estimates on illicit tobacco in a further attempt to exaggerate the extent of the illicit problem.<sup>36</sup>

47. Furthermore, growing evidence suggests the transnational tobacco companies (TTCs) have continued to be involved in the illicit trade and failed to control their supply chain,<sup>34 37 38 39</sup> despite signing agreements to address both these issues.<sup>38</sup> For example, cigarette smuggling to and through Bulgaria continued after the deals reached with the European Union<sup>40</sup> and Japan Tobacco International (JTI) is currently under investigation by the European Anti-Fraud Agency, OLAF, following evidence that its involvement in smuggling, with Russia and the Middle East as hubs, continued until at least 2010.<sup>38</sup> Just this month it emerged that what has long been labelled an illicit white product, Classic, is actually an Imperial tobacco brand produced in its Ukraine factory.<sup>41 42</sup> Illicit white brands are those legally produced for sale in the illicit market. Since the mid-2000s until the latest available data, Classic has been one of the most common illicit brands in the Europe Union and the most common illicit white brand.<sup>43</sup>
48. In the UK, Her Majesty's Customs and Excise (HMRC) estimated that for 2011 the aggregate supply of certain brands of HRT to some countries exceeded legitimate demand by 240 per cent.<sup>38</sup> Similarly, massive TTC overproduction of cigarettes in Ukraine has been shown to fuel the illicit market in Europe.<sup>39</sup> This finding was supported by a recent pan-European survey showing that illicit tobacco use was greatest by those living in countries which shared a land or sea border with Ukraine, Russia, Moldova or Belarus.<sup>44</sup> Furthermore, even Philip Morris International's (PMI) own data suggests that in 2010 around a quarter of illicit cigarettes in Europe are PMI's own brands, a figure that outstrips counterfeit PMI product by around 5 to 1.<sup>34</sup> The Project Star report also notes that PMI is unable to provide cigarette sales data for Greece. Greece has always been a hotspot for cigarette smuggling and PMI's inability to provide this data is therefore suspicious.
49. The National Audit Office report highlighted tobacco industry over-supply of overseas markets, in particular that estimates for 2011 showed that *'actual supply of some brands by of hand-rolling tobacco exceeded legitimate demand by 240 per cent'*. The Public Accounts Committee strongly recommended that *'HMRC should apply the supply-chain legislation to its full extent' and should 'identify and seek to correct any shortcomings in the legislation to put a stop to the abuse of exports by tobacco manufacturers'* as well as naming and shaming manufacturers who fail to co-operate. **It is essential that measures to more effectively control tobacco industry supply chains, including naming and shaming manufacturers who fail to co-operate, are in place by the time of the publication of the next HMRC anti-smuggling strategy.**

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<sup>37</sup> Holland, J., Jovanovic, B., and Dojcinovic, S. Big Trouble at Big Tobacco. 2011 [18 November 2011]. Available from: [http://www.reportingproject.net/troubles\\_with\\_big\\_tobacco/](http://www.reportingproject.net/troubles_with_big_tobacco/)

<sup>38</sup> Comptroller and Auditor General, Progress in Tackling Tobacco Smuggling, 2013, National Audit Office.

<sup>39</sup> Lavrov, V., Ukraine's 'lost' cigarettes flood Europe, 2009, International Consortium of Investigative Journalists.

<sup>40</sup> Skafida, V., et al. Change in tobacco excise policy in Bulgaria: the role of tobacco industry lobbying and smuggling. Tobacco Control. 2012; 0:1-10.

<sup>41</sup> Gilmore, A. Cigarette smuggling: current issues and data concerns. Workshop on Cigarette Smuggling. European Parliament. 22<sup>nd</sup> January 2014.

<sup>42</sup> Joossens, L. EU Policy and Cigarette Smuggling: Assessing the Impacts. Workshop on Cigarette Smuggling. European Parliament 22<sup>nd</sup> January 2014

<sup>43</sup> KPMG Project Star 2012 results 2013.

<sup>44</sup> Joossens, L., et al., Illicit cigarettes and hand-rolled tobacco in 18 European countries: a cross-sectional survey. Tobacco Control, 10 Dec 10. [Epub ahead of print]

50. **Work to tackle the illicit tobacco trade should be an important priority at international, national, regional and local level. However, illicit trade is an enforcement issue and should not be used as an excuse for delaying or abandoning policies designed to reduce tobacco consumption, including tax rises and the introduction of standardised packaging for cigarettes and other tobacco products. HMRC should publicly challenge tobacco industry attempts to misrepresent data on the illicit trade in tobacco.**
51. Despite tight public spending constraints, the Coalition Government has previously been willing to invest in highly cost effective enforcement activity. Paragraph 1.4 of the 2011 HMRC/Border Force strategy states that there has been “£917 million additional investment to tackle organised crime, tax evasion and avoidance through the Government’s Spending Review”. It has been estimated that **the ratio of additional public spending on tackling illicit tobacco compared to the additional tax revenue generated is about 1 to 10, making it exceptionally cost effective and strongly suggesting that cutting spending on this area could actually increase rather than reduce the Budget deficit.**<sup>45</sup>
52. However, the House of Commons Public Accounts Committee, informed by reports from the National Audit Office, has reported that for various reasons total spending on HMRC’s tobacco strategy actually fell between 2011/12 and 2012/13, from £68.9 million in 2011/12 to £67.4 million in 2012-13 - a period, it will be noted, when the level of illicit trade was rising. **We recommend that funding for HMRC’s tobacco strategy should be substantially increased in 2014-15, and that this should be accompanied by quantified targets for a reduction in the market share of illicit cigarettes and tobacco from 2014-15 onwards.**<sup>46</sup>
53. HMRC publishes data annually on the size of the tax gap and most recently has reduced significantly the time lag after the period the survey relates to, from 18 months to around 6 months, which is a major improvement. In its current strategy HMRC recognised the need to continue “*to publish annual estimates of the illicit market share and key information (for example, seizure and prosecution statistics) that we use to monitor and scrutinise the performance and impact of the strategy.*”<sup>29</sup> However, since the Departmental report and Autumn report have been combined into one document, some of the data previously included, such as information on the numbers of prosecutions and confiscation orders, numbers of seizures and breakdown by mode and type of product, is no longer included so that this commitment is not currently being fulfilled.
54. We recommend that data relating to the tobacco market and illicit trade should be published on HMRC’s website as part of an annual tobacco report which includes all the relevant information on tobacco in one place. This report should include information both on the composition of the licit and the illicit market, including seizures broken down by mode, type and brand of product, the verification procedure for products labelled as counterfeit, prosecution statistics, data on confiscation and fines, and so on. There is also additional information that would provide useful intelligence to HMRC and to partner agencies, as set out below.

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<sup>45</sup> Johnson P. “Cost Benefit Analysis of the FCTC Protocol on Illicit Trade in Tobacco Products”

<sup>46</sup> The UK government set outcome measures for a quantified reduction in the market share of illicit cigarettes and tobacco between 2000 and 2007-8. These were achieved in advance of the deadline and proved very effective in helping maintain the incentive to put resources into this area, while helping ensure consistency and transparency. The current strategy includes a commitment “to achieve further sustainable downwards pressure on the illicit market in cigarettes and HRT through to 2015”, but this objective is not currently quantified.

55. The number of prosecutions for involvement in the illicit tobacco trade seems disproportionately small, given the size of the trade and the consequent tax losses. The Public Accounts Committee reported that there were only 265 prosecutions for tobacco smuggling in 2012-13 and prosecutions for organized crime actually fell from 62 to 51 in the last year. **We strongly endorse the Committee's recommendation that: "HMRC and Border Force should develop a clear and coherent rationale for the use of prosecutions and other enforcement action within the UK, based on good evidence of the deterrent effect. They should also publicise prosecutions and other enforcement action more widely to deter potential offenders. HMRC needs better relationships with Local Authority trading standards officers to achieve this."**
56. A critical element of effective action against illicit trade is the work of local trading standards departments. It is difficult to get an accurate picture of the impact of local authority budget cuts on trading standards work on illicit tobacco across England, but there are grounds for serious concern. For example, the Institute for Fiscal Studies reported in 2012 that net expenditure on regulation and safety work by English local authorities fell by a net 10.9% between 2009/10 and 2010/11. This followed a period (from 2001/2 to 2009/10) during which real spending on regulation and safety work rose by an average 5.6% in real terms every year.<sup>47</sup> It should be noted that although local authorities may see reductions in spending on tackling illicit trade as contributing to required reductions in their overall budgets, consequent tax losses are carried by the exchequer. **The Government should work with the Local Government Association, the National Trading Standards Board and the Trading Standards Institute to produce a reliable estimate of English local authority spending on tackling the illicit tobacco trade, and produce proposals as to how an appropriate level of spending can be maintained.**
57. The Tobacco Control Plan for England, published by the coalition Government in 2011, highlights the importance of developing partnerships to facilitate joint working between local authorities and other local agencies, in conjunction with HMRC and the Department of Health in order to tackle illicit tobacco.<sup>48</sup>
58. The Tackling Illicit Tobacco for Better Health Partnership, cited as a case study in the NAO report, offers a good example of how such partnerships can work in practice to improve enforcement work on illicit tobacco, to help reduce its supply, and in developing and promoting messages designed to reduce the demand for illicit tobacco.<sup>49</sup> A similar approach has been successfully adopted in the South West of England. Latest research in these regions supports the evidence that the illicit market is shrinking and that social norms are changing in favour of tackling the illicit trade.<sup>50</sup>
59. The NAO quite rightly recommends that HMRC should '*develop further its collaborative work with police, trading standards and other local bodies, building on successful regional initiatives*'. Working in partnership is a very cost-effective way of dealing with the issue of illicit tobacco, enabling capacity to be built at a local level, enabling intelligence to be effectively used to target resources at the right place and to make the connections across law enforcement agencies, thus maximising potential to make a difference. **The Government should commit to supporting the development of effective regional partnerships across England, including through direct funding**

<sup>47</sup> Local government spending: where is the axe falling? IFS 2012, table 6.1

<sup>48</sup> HM Government. Healthy Lives, Healthy People. A tobacco control plan for England. London. March 2011.

<sup>49</sup> UKCTCS evaluation report at <http://www.ukctcs.org/ukctcs/research/featuredprojects/illicitobacco.aspx>

<sup>50</sup> North East Illicit Tobacco Survey 2013; South West Illicit Tobacco Survey 2013; Trading Standards North West Young Persons' Alcohol and Tobacco Survey 2013

where required, for example by using any HMRC underspends. HMRC should collaborate with the *Tackling Illicit Tobacco for Better Health partnership*, currently co-ordinated through the three regional offices of tobacco control, who can play a key role in supporting this work.

60. The United Kingdom took a leading part, through the European Union, in negotiations under the World Health Organisation Framework Convention on Tobacco Control, in the development of an Illicit Trade Protocol, which was adopted at the fifth FCTC Conference of the Parties in November 2012. We welcomed the 2011 HMRC/Border Agency commitment to “*press for, and support, the successful conclusion to the World Health Organisation (WHO) negotiations to develop a new international protocol to fight illicit trade in tobacco products in 2012*” and congratulated the UK on putting its signature of the protocol at the end of 2013. **We recommend that the UK individually and the EU collectively should ratify the Protocol as soon as possible, and that the UK Government should produce a strategy in 2014/15 for implementing the supply chain controls that are central to the Protocol’s provisions, including the development of an international tracking and tracing regime for tobacco products in line with Article 5.3 of the FCTC (Article 8 of the Protocol).**
61. Tackling illicit trade also requires close co-operation with other EU Member States and with the European Commission. ASH shares the concern of the House of Lords European Union Committee<sup>51</sup> that the UK Government had “*little opportunity*” to contribute during EU consultations on its latest strategy document on illicit trade (EM 11014/13: Commission Communication: Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products – A comprehensive EU Strategy). **We recommend that the UK Government should press for work on tackling illicit tobacco to be a priority for the EU anti-fraud office OLAF, and that the UK Government should confirm publicly that it is committed to strengthening the co-operation on tackling illicit tobacco between all EU Member States and through the EU institutions. This statement should include a commitment to participate in the relevant EU measures and agencies, including Europol, Eurojust and the European Arrest Warrant.**
62. In October 2011, the Scottish Government introduced a new offence of “*selling tobacco while unregistered*”. By this date all retailers of tobacco products in Scotland were required to be registered with the Scottish Government. **We recommend that the UK Government should follow this example and introduce a similar simple positive licensing scheme and a related offence of selling unregistered tobacco.** This would give a strong incentive for retailers not to participate in illicit trade. Since such behaviour by an unscrupulous minority damages the business of the majority of retailers who do not do so, such a licensing scheme should offer a significant net benefit to the retail sector.
63. We strongly supported the introduction in October 2011 of reduced Minimum Indicative Limits (MILs were cut from 3,200 to 800 cigarettes and 3kgs to 1 kg of HRT). **We urge the UK government to raise the idea of a further reduction in MILs at EU level with DG Taxud and DG Sanco to the levels applying in Finland, where they are set at 200 cigarettes, 50 cigars, 100 cigarillos and 250 grams of pipe or cigarette tobacco.**

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<sup>51</sup> Letter from the House of Lords European Union Committee to the Economic Secretary to the Treasury: 11 September 2013.

## **Annex 1 Public Accounts Committee, National Audit Office and APPG Smoking and Health recommendations**

### **National Audit Office HM Revenue & Customs: Progress in tackling tobacco smuggling. 6 June 2013**

#### **Recommendations (p.8-9)**

**a** HMRC should develop its approach to tackling the trade in tobacco products within the UK. HMRC should:

- assess the deterrent impact of enforcement action against people selling illicit tobacco; and
- develop further its collaborative work with police, trading standards and other local bodies, building on successful regional initiatives.

**b** HMRC should evaluate the options for improving its methodology for estimating tax losses from tobacco fraud. HMRC recognises that it needs more accurate and up-to-date information on the scale of the illicit market. It should continue to explore options including involving other sources of expertise, such as academic input.

**c** HMRC should improve the quality of its key performance information or disclose limitations in any public reporting. HMRC should ensure teams take a more consistent and evidence-based approach to estimating the revenue loss prevented from criminal prosecutions and disclose the limitations in its approach in any public reporting. While it may not be feasible to impose independent checks on seizure volumes reported by overseas tax authorities, it should also disclose these limitations in any public reporting.

**d** HMRC should ensure that projected benefits from key initiatives are fully tested before they are announced. HMRC should take a more robust approach to challenging the feasibility of projects at an early stage, including seeking legal and technical advice where appropriate.

**e** HMRC should establish why legislation has not yet resolved the problem of over-supply of tobacco overseas. HMRC should establish what more it needs to do to resolve outstanding concerns. It should take a robust stance in its enforcement activities with tobacco manufacturers where it establishes clear evidence of over-supply to foreign markets.

### **House of Commons Committee of Public Accounts. HM Revenue & Customs: Progress in tackling tobacco smuggling. Twenty-third Report of Session 2013-14. Report published 4<sup>th</sup> September 2013.**

#### **Recommendations (p.5-7)**

- HMRC should be transparent about the extent to which its Spending Review investment is truly additional to the funding required for business-as-usual and where it has been used to make up any shortfall in funding elsewhere.
- HMRC and Border Force should encourage innovative solutions to tackle problems, but these must be based on clear, well thought through, evidence-based proposals that can be implemented when funding is available.
- HMRC should include its data sources, and a clear quantitative analysis, when providing its assessment of the financial impacts achieved by March 2015 from its projects funded by the 2010 Spending Review.

- HMRC and Border Force should develop a clear and coherent rationale for the use of prosecutions and other enforcement action within the UK, based on good evidence of the deterrent effect. They should also publicise prosecutions and other enforcement action more widely to deter potential offenders. HMRC needs better relationships with Local Authority trading standards officers to achieve this.
- HMRC should implement effective examples of joint-working more quickly across the UK.
- HMRC should apply the supply-chain legislation to its full extent. It needs to identify and seek to correct any shortcomings in the legislation to put a stop to the abuse of exports by tobacco manufacturers. It should consider naming and shaming those manufacturers who fail to co-operate fully with the Department.

## **APPG on Smoking and health report on illicit trade in tobacco**

**March 2013**

### **National**

1. The government should sign and ratify the Illicit Trade Protocol as soon as possible, and begin consideration of how its provisions will be brought into effect in the UK market.
2. The government needs to begin consideration of how the tracking and tracing provisions of the Protocol will be implemented in the UK. In particular it needs to consider whether the “Codentify” system promoted by the major tobacco manufacturers meets the terms of Article 8 of the Protocol; whether it allows for effective tracking and tracing throughout the supply chain; and whether it could compromise the integrity and independence of enforcement action by public agencies.
3. The government should ensure that as far as possible the costs of implementing the provisions of the Protocol are borne by the tobacco industry, in line with Article 36.7 of the Protocol.
4. The government should take a lead in the European Union in supporting effective action against illicit trade, for example by urging the EU anti-fraud office OLAF to continue to give this work a high priority and in particular to investigate and take timely and effective action where there is evidence that the EU legal agreements with the major manufacturers have been broken. It should support the draft EU Tobacco Products Directive recommendations on tracking and tracing, with some appropriate amendments:
  - the required “unique identifier” on tobacco packaging should be securely fixed;
  - the identifier should ensure a simple link between all levels of packaging (from pack level, through carton to master case);
  - the “third party” chosen for data storage should be chosen by Member State governments rather than the industry; and
  - the proposed “auditor” of the system should be chosen by and answerable to the Commission.
5. The government should not accept the tobacco industry position that tax rises and other tobacco control measures will necessarily lead to an increase in illicit trade. It should sustain the tobacco tax escalator at 5% above inflation from 2012 onwards, and support legislation to introduce plain standardised packaging of tobacco products.

6. Public spending at a national level on action against the illicit tobacco trade is highly cost effective, and should be protected in the next public spending round.<sup>52</sup>
7. The government also needs to consider, in decisions on local authority financial support, how to ensure that enforcement work, by trading standards officers and others at a local and regional level, that protects national tax revenues is adequately funded in a period of overall grant reductions.
8. The government should set and publish a quantified objective to reduce the market share of illicit cigarettes, which we suggest should be from 10% in 2009-10 to 3% by 2015-16. This would take the market share of illicit cigarettes back to the levels of the early 1990s. We also recommend that there should be a published objective to reduce the market share of illicit HRT, and we suggest that this should be from 46% in 2009-10 to 28% by 2015-16.
9. HMRC should work with the Trading Standards Institute, and other representative local government bodies as appropriate, to help develop a joint strategy on regional and local partnership work on illicit trade, to ensure that this is pursued more systematically across the country. As part of this work, HMRC should share data with trading standards services about levels of seizures, enforcement outcomes and levels of duty recovered.
10. The UK government should consider following the example of the Scottish government by introducing a simple positive licensing/registration scheme for retailers wishing to sell tobacco products. This could be used to withdraw the right of retailers to sell tobacco if they are found knowingly to be selling illicit products. Given that the business of legitimate retailers is damaged by the illicit trade in tobacco products, this should be a net positive benefit to the retail sector.
11. Data relating to the tobacco market and the illicit trade should be published on HMRC's website as part of an annual tobacco report which includes all the relevant information on tobacco in one place. This report should include information both on the make up of the licit and the illicit market, including seizures broken down by mode and type of product, prosecution statistics, and data on confiscation and fines. The government should also consider whether it would be possible to collect and publish the average size of seizures in cases that come before the UK courts, as well as the average sentence, so the two can be compared.
12. The government, in partnership with local authorities and their representative bodies, should consider whether a specific strategy is required to deal with the illicit trade in smokeless and shisha tobacco, which appears currently to be at a high level.
13. HMRC/UK Border Agency and OLAF should continue to develop their co-operation to increase their impact and improve cost-effectiveness in tackling the illicit trade to the benefit of taxpayers in the UK as well as the rest of Europe.

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<sup>52</sup> The cost effectiveness of tobacco control measures generally was explored in a previous APPG report: All Party Parliamentary Group on Smoking and Health. Inquiry into the effectiveness and cost-effectiveness of tobacco control. 2010. <http://www.ash.org.uk/APPGoct2010>. (Accessed 13 February 2013).

## **Regional and Local**

1. Local authorities should develop comprehensive tobacco control strategies, led by the Director of Public Health, including action plans to tackle illicit tobacco. The strategy should include targets with results reported to Health and Wellbeing Boards. Local authorities in England will assume responsibility for public health budgets on 1<sup>st</sup> April 2013.
2. Key agencies in work on illicit trade should look to develop regional partnerships between local authorities (including public health, trading standards, environmental health, licensing, and education), police, fire and rescue, HMRC and local health services, building on successful models already established. Such partnerships should actively engage Councillors as well as officers.
3. The government should consider how to provide appropriate financial support to regional partnerships working on illicit trade, and in particular to support effective action to reduce demand for illicit products as well as to interdict supply. Nationally, local government bodies should assist in the co-ordination of public messages and marketing campaigns around illicit tobacco.
4. The government should consider whether trading standards officers require additional powers to take effective action against the illicit tobacco trade. The sentencing guidelines issued to magistrates for relevant offences should be reviewed, for example to ensure that fines for such offences are set at a level that provides an effective deterrent.
5. All local authorities should be encouraged to continue to complete and return the annual Tobacco Control Survey currently managed by the Local Government Association, and to share the results with HMRC as well as the Department of Health. This survey gathers data on a range of different indicators including data relating to under age sales and other enforcement activity.
6. Improve knowledge and awareness of illicit tobacco and sharing of intelligence from a wider range of partners, including: police officers in custody suites; street cleaning teams; schools; and stop smoking service advisors; to develop effective enforcement activity.
7. The use of illicit tobacco increases the risk of fires due to smoking since counterfeit cigarettes and cheap/illicit whites are likely not to conform to the reduced ignition propensity (RIP) safety standard. Therefore, regional partnerships should highlight the increased risk of house fires due to illicit tobacco and raise awareness of illicit tobacco among the fire service and coroners.

## Annex 2 List of 80 endorsing organisations

Action on Smoking and Health  
AF Association  
Arrhythmia Alliance, The Heart Rhythm Charity  
ASH Northern Ireland  
ASH Scotland  
Ash Wales  
Association of Directors of public health  
Association of respiratory nurse specialists (ARNS)  
Asthma UK  
British Dental Association  
British Dental Health Foundation  
British Heart Foundation  
British Lung Foundation  
British Society for Heart Failure  
British Thoracic Society  
Cancer Focus Northern Ireland  
Cancer Research UK  
Chartered Institute of Environmental Health  
Cheshire and Merseyside Tobacco Alliance (CMTA)  
Coventry Smokefree Alliance  
Darlington Tobacco Control Alliance  
Director of Public Health Barnsley  
Director of Public Health Bury  
Director of Public Health Liverpool  
Director of Public health Torbay  
Director of Public Health Herefordshire  
Faculty of Public Health  
Fresh NE  
Gateshead Smokefree Alliance  
Global Bridges Europe  
GMFA – the gay men’s health charity  
Hartlepool Borough Council  
Heart of Mersey (HoM)  
HEART UK  
Hertfordshire County Council  
KICK ASH UK  
Lancashire County Council  
Leicester City Tobacco Control Coordination Group  
Lullaby Trust  
Middlesbrough Smoke free Alliance  
NHS Stockport Clinical Commissioning Group  
Nottinghamshire Strategic Tobacco Alliance Group  
Plymouth City Council  
Primary Care Respiratory Society UK  
Public Health Directorate of Stoke on Trent  
Public health Manchester at Manchester City Council  
QUIT  
Quit Now Stop Smoking Service  
Quit51 stop smoking service  
Roy Castle Lung Cancer Foundation  
Royal College of Paediatrics and Child Health  
Royal College of Physicians  
Royal College of Radiologists  
Royal Society for Public Health  
Shropshire council  
Smoke Free County Durham Tobacco Alliance  
Smoke Free Newcastle  
Smokefree Bristol Alliance  
Smokefree Somerset Alliance  
Smokefree South West  
Smokefree Surrey Alliance  
Smokefree West Sussex  
Smokefree Yorkshire & Humber  
Soc Health  
STARS - Syncope Trust and Reflex anoxic Seizure  
Swindon Smokefree Alliance  
The Deborah Hutton Campaign  
The National Centre for Smoking Cessation and Training (NCSCT)  
The North Lincolnshire Smokefree Alliance  
Tobacco Free Buckinghamshire Alliance  
Tobacco Free Futures  
Tobacco Free Leicestershire and Rutland (TLR)  
Tobacco Free Luton  
Torbay Public Health Team  
Trading Standards Institute  
UCL Health Behaviour Research Centre  
UK Health forum  
UKCTAS  
Warwickshire County Council  
Worcestershire Tobacco Control Alliance