

## **ASH Budget representation to Autumn Budget**

*Closing date: 23.59 on 10<sup>th</sup> September 2024*

*Budget: Wednesday 30th October 2024*

### **Introduction**

1. This Budget representation is submitted by Action on Smoking and Health (ASH), which 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. ASH receives funding for its full programme of work from the British Heart Foundation and Cancer Research UK.
2. This representation on behalf of ASH is co-produced with Howard Reed, Landman Economics, consultant to ASH; Dr J Robert Branston, Associate Professor of Business Economics, University of Bath; Prof Jamie Brown, Director of the Tobacco and Alcohol Research Group, UCL; and Dr Tessa Langley, Associate Professor in Health Economics at the University of Nottingham. None of the authors have any direct or indirect links to, or receive funding from, the tobacco or nicotine industries, except for nominal shareholdings in Imperial Brands and BAT for advocacy and research purposes held by ASH and Dr Branston.

### **Summary**

3. Half the difference in healthy life expectancy (HLE) between the richest and poorest in society is due to smoking,<sup>1</sup> so to deliver its commitment to halve the difference between the richest and poorest regions, the Government must address the differences in smoking prevalence. Reductions in smoking prevalence can deliver immediate benefits to the health and social care system as well as increasing the health and wealth of some of the poorest households<sup>2</sup> and the economic productivity of the most deprived areas.<sup>3</sup>
4. The last Labour government's comprehensive anti-smoking strategy, combining legislation with funding for mass media anti-smoking campaigns and funding for smoking cessation services, led to significant declines in smoking.<sup>4</sup> However, in 2022 there were still 5.3 million smokers in England and 6.4 million in the UK as a whole.<sup>5</sup> Therefore the Labour government's commitment to a smoke-free Britain<sup>6</sup> can only be delivered if current investment in measures to support smokers to quit are sustained, with the addition of the manifesto commitment to ensure all hospitals integrate 'opt out' smoking cessation interventions into routine care.
5. Tax measures to reduce the affordability of smoking play a key role in reducing smoking prevalence while increasing tax revenues. The tobacco tax escalator must be maintained for the duration of this parliament, and in addition improvements must be made to tax structures for tobacco products. Furthermore, the government must deliver on the commitment made by its predecessor to ensure the vaping products duty due to be implemented in 2026 discourages young people and non-smokers from vaping, while maintaining the current financial incentive to choose vaping over smoking.<sup>7</sup>
6. In 2023 smoking in England cost public finances in England over £11.3 billion (bn), after tobacco excise tax income of around £7.1 bn and reduced pension payments of £0.2 bn are netted out. Most of the burden on public finances is due to the damage smoking

does to the productivity of the nation, with the total economic cost of smoking in England amounting to £46 bn.<sup>3</sup>

7. Modelling by Landman Economics<sup>3</sup> and UCL Tobacco and Alcohol Research Group<sup>8</sup> shows that if the investments committed to in the last parliament were implemented and sustained, over the five years of this parliament (2024-29) the cost of smoking to public finances in England could be reduced by just over £2.2 bn, which is a reduction of 4%. The costs to the economy as a whole would be reduced by just under £37 bn, a reduction of 17%.
8. This includes a total gain to employment of just over 100,000 jobs over the six years, particularly in low-income communities where smoking rates are highest. These jobs are generated as a result of increased workforce productivity and availability, and new jobs created when spending switching from tobacco to other goods and services. For a breakdown of the economic cost of smoking (paras 12 to 16) and the full technical report and methodology is available in Landman Economics 2024.<sup>3</sup>
9. However, to achieve the necessary reductions in smoking prevalence to deliver these benefits, the tobacco tax escalator needs to be maintained and current commitments to investment must be delivered and sustained for the whole of this Parliament. This includes:
  - £142.5 million (mn) pa committed by the previous Government<sup>9</sup> to tackling smoking and underage vaping is maintained not just for the current year and 2025-6, but the full five years of this parliament.
  - Secure at least £86 mn pa additional funding to fully rollout and integrate the NHS Long Term Plan commitments to tobacco dependence treatment into routine care, in line with Labour's manifesto commitment on smoking cessation. Current ASH understands that funding is 60%<sup>1</sup> of the amount NHSE originally projected was needed to fully implement the commitments in the NHS Long Term Plan.
10. The funding needed can be secured by imposing a 'polluter pays' health levy on tobacco manufacturers to limit their profits to the average for UK manufacturing, with the excess profits taken by government in the form of an additional excise tax. As well as raising funds, this would have the additional benefit of maintaining current high retail prices, which disincentivise smoking. As a first step tobacco manufacturers should be subject to a windfall profits tax in the forthcoming Budget.

## Recommendations

11. The paragraphs setting out the rationale and evidence for the recommendations are set out alongside each recommendation.

### Taxation

- **Tobacco tax escalator:** maintain for the whole of this parliament and increase from 2% to 5% above RPI. (paras 17 to 21)

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<sup>1</sup> Informal communication from Integrated Care Boards (ICBs) to ASH

- **Enhance handrolled tobacco (HRT) tax escalator:** by an additional 10% above the tobacco tax escalator, until tax per average HRT cigarette is equivalent to that of factory made (FM) cigarettes. (paras 22 to 23)
- **Redefine cigarillos as cigarettes:** to eliminate the significant differential in taxation with FM cigarettes. (paras 24 to 28)
- **Eliminate duty free allowances for tobacco** (paras 29 to 33)
- **Implement a ‘Polluter pays’ levy on tobacco manufacturers:** to control industry pricing tactics and excess profitability (paras 34 to 47)
- **Excise tax on vaping products:** eliminate the proposed tiering by nicotine content so that the tax is flat rate at the level proposed currently for the highest legal nicotine concentrations, implement as planned in October 2026, and review and, if necessary, revise tax policy on tobacco and nicotine products within five years. (paras 48 to 54)

#### **Supply chain controls to protect tax revenues**

- **Inclusion of e-liquid in Excise Movement and Control System (EMCS):** to help HMRC and Border Force prevent illegal imports (paras 55 to 58)
- **Revise Economic Operator ID (EOID) regulations:** to require publication of tobacco retailer EOIDs. (paras 59 to 60)

#### **Funding for tobacco control:**

##### **In England (paras 61 to 84)**

- £142.5 mn pa to ensure existing DHSC commitment to additional funding for tobacco control is sustained for the current and next financial year and subsequently for the whole of the Parliament including:
  - £70 mn additional funding for Stop Smoking Services (para 64 to 68)
  - £5 mn for incentives for pregnant smokers plus additional commitment for partners (para 69 to 71)
  - £22.5 mn for ‘Swap to Stop’ campaign (para 72-74)
  - £15 mn pa for communications and marketing campaigns (para 75 to 84)
  - £30 mn pa additional funding to enforce the laws on underage sales and illicit trade in tobacco and vaping products. (para 62)
- £85 mn pa to safeguard funding to fully rollout the NHS Long Term Plan Tobacco Dependence Treatment programme and then embed in routine care (para 9).

##### **For international development (paras 85 to 94)**

- £2 mn pa Official Development Assistance (ODA) funding to support WHO Framework Convention on Tobacco Control (FCTC) implementation in low- and middle-income countries (LMICs)

#### **Economic cost of smoking to the economy**

12. Most of the burden on public finances is due to the damage smoking does to the productivity of the nation, due to sickness, absenteeism and premature death. People who smoke need social care on average ten years earlier than non-smokers, and half all smokers who are killed by smoking die while still of working age. Tobacco is not grown and almost no tobacco products are manufactured in the UK, so spending on tobacco generates fewer jobs than if that money were spent on other goods and services. Landman Economics estimates these costs to be £18.7 billion (bn)<sup>3</sup> made up of:

- £1.9 bn to the NHS
- £1.2 bn social care costs to local authorities
- £15.6 bn (in reduced income tax and increased social security spending arising from lost productivity)

13. Landman Economics estimates that the net impact of smoking on public finances in England over £11.3 billion (bn) in 2023, once tobacco excise tax income of around £7.1 bn and reduced pension payments of £0.2 bn are netted out. (See Table 7.2 in the Cost Benefit and Public Finance Report, May 2024).<sup>3</sup>
14. The overall costs of smoking in England to the economy as a whole are far higher, amounting to £46 bn (See Table 7.1 in the Cost Benefit and Public Finance Report, May 2024).<sup>3</sup> In addition to the public finance costs this includes:
  - £10.4 bn Reduced Gross Value Added (tobacco is not grown nor are tobacco products manufactured in the UK so the sector contributes fewer jobs and lower GVA, and widens the trade deficit)
  - £8.4 bn additional cost of informal social care
  - £5.4 bn additional cost of unmet need for social care
  - £0.3 bn cost of smoking-related fires
15. When the economic burden of smoking is grossed up to UK level it amounts to £54.7 bn. We have not included the cost of early deaths attributable to smoking in quality adjusted life years (£32.2 bn) as these are not tangible costs. We include them only as for comparative purposes as other economic analyses of the cost of modifiable risk factors to the economy have included these costs.
16. For example, Frontier Economics estimates of the costs of obesity and overweightness<sup>10</sup> amount to £97.9 bn when QALY costs calculated in line with the Green Book are included. However, once the QALY costs are removed, the economic burden of smoking on society remains significantly higher than that of obesity and overweightness (£54.7 bn compared to £41.3 bn).<sup>11</sup>

**Taxation: Tobacco tax escalator:** maintain for the whole of this parliament and increase from 2% to 5% above RPI.

17. Reducing the affordability of tobacco through tobacco taxation is an effective lever to motivate smokers to quit and discourage youth uptake, as well as generating significant tax revenues. That is why an annual tobacco tax escalator of at least RPI + 2% has been in place since 2010.<sup>12 13</sup>
18. Tobacco manufacturers have always argued that increasing tobacco taxes drives illicit trade, but this isn't justified by the evidence, particularly in the UK. A comprehensive anti-smuggling strategy, strongly enforced at the borders and at local and regional level, backed up by the implementation of tracking and tracing of tobacco products, has been highly effective in driving down the illicit trade.<sup>12 14</sup> In 2000 when the anti-smuggling strategy was first launched, 15 billion illegal cigarettes were smoked, amounting to 20% of the total. By 2022/3 it had fallen to an estimated 1.5 billion, amounting to only 7% of total cigarettes smoked,<sup>15</sup> with less than 10% of smokers reporting recently purchasing between 2019 and 2022.<sup>16</sup>
19. However, the UK tax system, which has historically applied amongst the highest tax rates in the world currently, lags behind comparable countries like New Zealand. New Zealand (NZ) applied a tax escalator of RPI+10% between 2010 and 2020 as well as equalising taxes for factory made and hand-rolling tobacco.<sup>17</sup> Since 2020 tax rates have

been updated annually in line with inflation. In January 2024 the UK and New Zealand had similar purchasing power, as measured by the Big Mac index,<sup>18</sup> yet a pack of Marlboro reds in New Zealand cost around \$34.50,<sup>19</sup> equivalent to £17.25<sup>20</sup> at the then rate of exchange, 13% more than in the UK where they could be bought for £14.99.<sup>21</sup>

20. Apart from tobacco taxation in recent years NZ has very similar tobacco control policies to the UK, but smoking rates have declined more rapidly than they have here. In New Zealand adult current smoking rates (15+) have declined by more than a half (55%) from 18.4% in 2011/12 to 8.3% in 2022/23.<sup>22</sup> In Great Britain over the same time period smoking rates (16+) have declined from 19.8% in 2011 to 11.2% in 2022.<sup>23</sup>
21. Therefore we recommend that the tobacco tax escalator be increased for this parliament to a minimum of 5% above RPI at each annual Budget.

**Taxation: Enhance handrolled tobacco (HRT) tax escalator:** by 10% above the escalator for other tobacco products until tax per average HRT cigarette is equivalent to that of factory made (FM) cigarettes.

22. In addition, an enhanced escalator of 10% above the escalator for other tobacco products is needed because there is still a major disparity in excise tax rates between factory made (FM) and HRT tobacco, which encourages smokers to trade down to cheaper products instead of quit. In 1998 fewer than one in five smokers mainly used HRT; by 2017 it was four in ten. Using the average weight of a hand-rolled cigarette, which is 0.51g,<sup>24</sup> the current tax rate on HRT is equivalent to around 14 pence per cigarette, while that on FM is 32 pence per cigarette.
23. This switch to HRT has reduced the amount of excise tax the Government collects, while doing nothing to improve smokers' health. Larger than average tax increases for HRT in recent years have helped, but there is still a long way to go. It would require taxes on HRT to more than double to bring taxes up to the same level as those for FM cigarettes and hence remove the incentive to downtrade. Furthermore, equalisation of the tax rates on FM and HRT would significantly facilitate the administration and collection of any 'Polluter pays' levy.

**Taxation: Redefine cigarillos as cigarettes:** to eliminate the significant differential in taxation with FM cigarettes.

24. Now that the UK has left the EU, we are able to classify cigarillos as factory-made cigarettes, which will prevent tobacco manufacturers using these products to undermine tobacco policy. Although they look like cigarettes, they are taxed at a much lower rate and are not subject to regulations such as requiring standardised packaging and pack sizes, and prohibition of characterising flavours.<sup>25</sup>
25. To bypass legislation prohibiting the sale of mentholated cigarettes from May 2020, both Japan Tobacco International (JTI) and Imperial Brands launched mint-flavoured cigarillos, aimed at cigarette smokers, in packs of 10 in the UK (the minimum pack size for cigarettes is 20).<sup>26</sup> Approximately a million adults reported still smoking menthol cigarettes in Great Britain in the first quarter of 2023 despite the prohibition in 2020<sup>27</sup> and the availability of menthol cigarillos may be playing an important role. 'Cigarillos' closely resemble

cigarettes: the outer leaf wrapping, required for a cigarillo classification, covers a cigarette-like paper tube that contains the tobacco and appears to provide the main structure.<sup>25</sup> While not prohibited by the cigar/cigarillo definition, this does highlight their cigarette-like nature.<sup>25</sup>

26. Minimum pack sizes of 20 cigarettes were made mandatory to discourage youth initiation by increasing the price at point of purchase.<sup>28</sup> However, cigarillos are not subject to minimum pack sizes and a pack of 10 Sterling cigarillos, very similar to cigarettes, can be bought for £6.65,<sup>29</sup> compared to a minimum excise tax pack price for cigarettes of £12.86.<sup>30</sup> The low pack purchase price enhances their youth appeal, as children and young people are more price sensitive.<sup>31</sup>
27. Consumption of non-cigarette combustible tobacco prevalence has increased significantly in recent years. As of September-2023, there were around 772,800 adult non-cigarette tobacco smokers in England; around five times more than a decade earlier. The rise in prevalence differed by age, with a more pronounced rise leading to higher prevalence among younger than older ages.<sup>32</sup> In 2024 33% of 11-18 year olds who had tried smoking had tried using cigarillos, and 43% of those who were regular smokers.<sup>33</sup>
28. The classification of cigarillos as cigars and regulating them as such<sup>34</sup> derive from the EU Directives,<sup>35</sup> and now that the UK has left the EU, the classification should be revised to impose a minimum pack size, and ensure they are taxed and regulated as stringently as factory-made cigarettes.

**Taxation: Eliminate duty-free allowances for tobacco, or as a first step reduce the HRT allowance from 250g to 100g to be consistent with the allowance for FM cigarettes.**

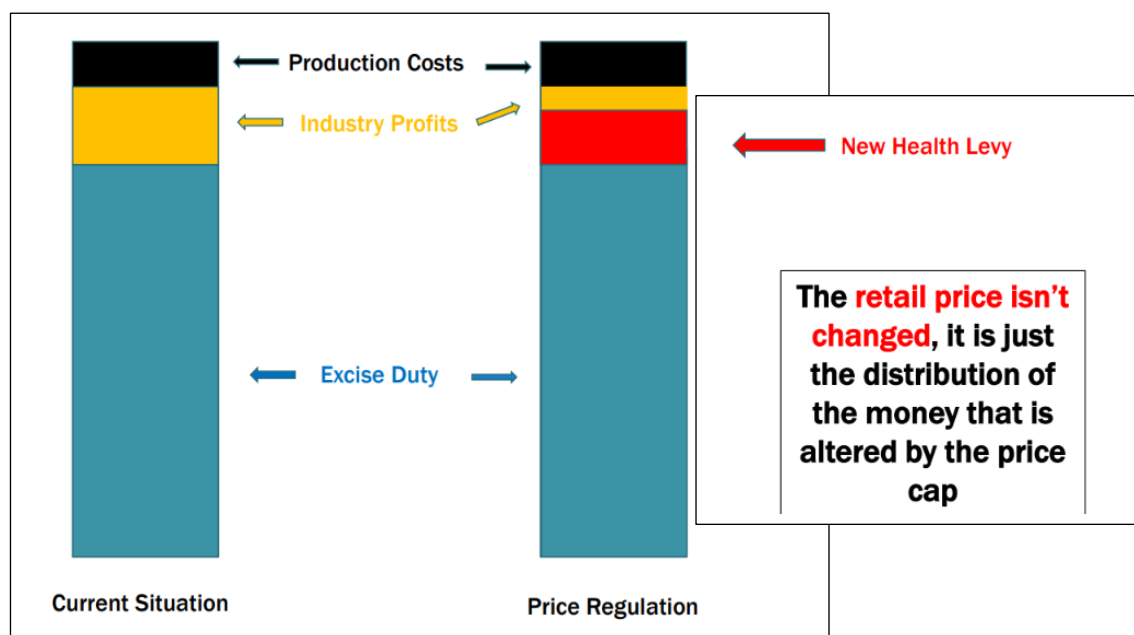
29. Tax-paid HRT is much cheaper in many European Member States (EU MS) such as Spain and the Benelux countries. Historically there has been considerable cross border shopping and smuggling of HRT into the UK from these countries. On leaving the EU in January 2020 the minimum indicative limits for duty paid cigarettes imported from EU member states were abolished, and replaced by the standard duty free allowance.
30. Previously travellers into the UK from an EU MS could import any amount of tobacco if it was for their personal use, with indicative limits of 800 cigarettes and 1 kg of HRT per trip. These rules had previously allowed large quantities of cheaper duty paid product, particularly HRT, to flow into the UK unchecked. Now the maximum that can be imported is 100 cigarettes or 250 grams of smoking tobacco.<sup>36</sup>
31. Prohibiting the importation of duty paid tobacco for personal use from EU Member States was a positive step. However, importation of duty free tobacco is still allowed<sup>37</sup> (200 cigarettes, or 100 cigarillos, or 50 cigars, or 250g of tobacco (including shisha tobacco) or 200 sticks of tobacco for heating. Despite a fall in cross-border tobacco purchasing during the first year of the pandemic reported by smokers in England, the proportion reporting cross-border tobacco purchases is now three times higher<sup>38</sup> than it was at the start of 2019. In line with the Government's smokefree ambition HMT should go further and remove all duty-free allowances for tobacco products, which when the UK left the EU were extended to cover travel to GB from EU countries.

32. Access to cheap tobacco, whether illicit or cross-border shopped, encourages smokers to continue to smoke as the price of tobacco is a major incentive to quit. Allowing duty free from any country costs government tax revenues, and is not in alignment with the Government's policy objective of *"maintaining high tobacco duty rates as an established tool to reduce smoking prevalence and to ensure that tobacco duties continue to contribute to government revenues."*<sup>39</sup>
33. However, if the Government decides not to remove duty-free allowances, it is still important, as with excise taxes, to ensure treatment of HRT is consistent with that of FM cigarettes. Currently smokers are allowed 200 cigarettes but 250g of HRT, which is the equivalent of approximately 500 cigarettes,<sup>24</sup> and therefore at a minimum the allowance for HRT should be reduced to 100g.

### **Taxation: Implement a 'Polluter pays' levy on tobacco manufacturers to control industry pricing tactics and excess profitability**

34. Tobacco companies can make excessive profits because of their monopoly-like pricing power. Imperial Brands and Japan Tobacco International (JTI) together control 81% of the UK market for factory made cigarettes and together with Philip Morris International (PMI) and British American Tobacco (BAT) account for about 95% of the market.<sup>40</sup> These four companies are the largest of the tobacco transnationals known globally as 'Big Tobacco'.
35. In other UK markets where monopoly-like pricing power could be an issue, we tend to regulate the prices the relevant companies can charge, for example for water, gas, electricity. These are life enhancing products, yet we think it appropriate to limit their profits by regulating prices; why not also do so for tobacco, which is life destroying?
36. This should be carried out in two stages.
- **Step 1** A corporation tax surcharge, as applied to banks, could be implemented immediately through the Finance Bill. It has been estimated that a corporation tax surcharge on profits could raise £74 million from tobacco transnationals.<sup>43</sup>
  - **Step 2** Implement legislation to cap industry prices and hence profits, while maintaining the retail price through additional taxation, which has been estimated could raise up to £700 m a year.
37. The government imposes a corporation tax surcharge on energy companies and banks to address their excess profitability. However, tobacco companies make proportionally far greater excess profits selling cigarettes which, unlike energy and banking, have only detrimental impacts on society. For example, Imperial Brands made a net operating profit margin of 66.5% in the UK in 2023,<sup>41</sup> while BP's net operating profit in September 2023 was estimated to be 11.1%.<sup>42</sup> The average for UK manufacturing is under 10%.<sup>43</sup>
38. Step 1 should be the imposition in the forthcoming Budget of a corporation tax surcharge on the profits of the Big Four tobacco transnationals. This could be implemented immediately through the Finance Act, but would be a temporary measure which would only be needed until the following recommendation for a 'polluter pays' levy comes into effect. As a temporary measure it would be unlikely the industry would try to restructure their operations to avoid it, given the time and costs involved to do so.

39. However, a corporation tax surcharge would not sufficiently address the industry's excess profitability. Detailed analysis has revealed that between 2009 and 2016 Imperial Brands, the British company which is the market leader in the UK, received £35 million more in corporation tax refunds/credits than it paid in tax.<sup>44</sup>
40. To address this for the longer-term we propose a 'polluter pays' levy scheme to cap producer prices and hence profits. Prior to leaving the EU such a scheme was prohibited by EU legislation, which meant that a levy could only be imposed as a form of excise tax which could be passed on to consumers. That is why after consulting on a levy on tobacco manufacturers in 2014<sup>45</sup> <sup>46</sup> HM Treasury decided not to proceed,<sup>47</sup> having concluded that manufacturers and importers would fully pass the levy on to consumers by raising retail prices.
41. We are no longer subject to EU legislation, and the polluter pays model we propose can now be implemented. The primary legislation necessary was tabled as amendments to the Health and Social Care Bill.
42. The straightforward 'polluter pays' model, explained in the ASH policy paper 'Establishing a Smokefree Fund'<sup>48</sup> overcomes these problems by:
- Setting prices, thereby preventing the industry from passing the levy on to consumers (EU exit dividend – previously prevented by the EU Tobacco Tax Directive)
  - Ensuring consumer prices don't fall, which could stimulate increased smoking - the difference between current wholesale prices and capped prices would be taken as a health promotion levy.
43. Analysis carried out for the APPG on Smoking and Health has estimated that a 'polluter pays' levy could raise £700m in year one, if tobacco industry profits were limited to a maximum of 10%, not unreasonable given the margins for UK manufacturing.<sup>49</sup> <sup>50</sup> This could be implemented through primary legislation, backed up by more detailed regulations. The levy could apply throughout the UK and therefore the appropriate proportion should be allocated to the devolved nations. The diagram below demonstrates how this would work, with each bar representing the wholesale price.





44. A new health levy imposed by HMT would ensure that retail prices remained the same after wholesale prices were capped with the difference accruing to government revenues.
45. Furthermore, it would provide a greater stimulus to tobacco manufacturers to move out of selling tobacco; the excess profit currently made from selling combustible tobacco products is a major incentive to continue to actively sell and promote these products.
46. A scheme for tobacco could limit the wholesale price that manufacturers can charge, thereby limiting profits, while also preventing price being used as a marketing tool, which unfortunately tax policy, despite the introduction of a minimum excise tax (MET) has been unable to do. A new health levy would be needed to make sure retail prices did not drop.
47. DHSC has the expertise to monitor company profits to set the price and close loopholes. There is a team in place which already does this for medicines, with many more manufacturers and a large and diverse product range. The tobacco market is much simpler, with two main commodity products - factory made cigarettes and handrolled tobacco - and four manufacturers responsible for 95% of the market. One Full Time Equivalent is all that would be needed to carry out the work required to monitor the tobacco market.

**Taxation: Excise tax on vaping products:** eliminate the proposed tiering by nicotine content so that the tax is flat rate at the level proposed currently for the highest legal nicotine concentrations, and implement as planned in October 2026.

48. ASH supports the stated objective of the vaping products duty set out in the consultation which is to make vaping less accessible to children, and to raise money for the NHS and smoking initiatives.<sup>51</sup> It is crucial that this objective is fulfilled and sustained, as has not been the case for the Sugary Drinks Industry Levy.<sup>52</sup>
49. However, the tiered tax structure, which HMT and HMRC have consulted on, will not deliver optimum results. This structure seems to be designed along the same lines as the soft drinks industry levy, and alcohol taxation, to encourage reformulation by manufacturers to lower strengths and reduce consumption by consumers. This assumes that nicotine operates the same way as alcohol and sugar, and that the reductions which ensue for alcohol and sugar consumption would also be achieved for nicotine.<sup>53 54 55</sup>
50. However, this assumption is not supported by the evidence. Smokers smoke for the nicotine but die from the tar. Low tar cigarettes were supposed to be less harmful, but because they also delivered lower levels of nicotine, smokers smoked more and harder to maintain their nicotine intake, and so didn't reduce the amount of tar they inhaled.<sup>56</sup> Rather than being safer, low tar cigarettes have been linked to an increase in rates of lung cancer.<sup>57</sup>
51. Research evidence by Professor Dawkins and others finds the same pattern of behaviour with vaping. That is to say when people who vape use lower concentrations of nicotine, they sustain their nicotine consumption by vaping more,<sup>58 59 60 61</sup> thereby consuming more e-liquid and more of the other potentially harmful substances in e-liquids.

52. If the vaping products duty is to work to best effect, the rates and structure must be informed by an understanding of how nicotine addiction works. The structure also needs to be informed by an understanding of the potential for nicotine to be addictive or harmful. In particular that:

- The potential for nicotine to be addictive is linked to product design and the mode of delivery.
- While there is good biological plausibility that nicotine can cause harm to human development, it has not been proven to be the case.<sup>62</sup>

53. The evidence to date suggests that a flat rate structure would better meet health objectives. A progressive tax could exacerbate rather than reduce potential health risks, as people would either be less likely to quit smoking successfully, or to vape more to secure the same nicotine concentration. The duty should be set for all e-liquid, including non-nicotine containing liquid, at the highest rate consulted on, while calibrating tobacco tax for all tobacco products to maintain the current financial incentive to choose vaping over smoking.

54. However, the evidence to date is limited on the likely the overall public health impact of this new tax, and market developments in response to the new tax. Therefore we also recommend that HMT/HMRC monitor the impact of the vaping products duty pre- and post-implementation. We also think that it is important to monitor and review tax policy on other novel products such as heated tobacco and nicotine pouches, to see what improvements might be needed.

### **Supply chain controls: Inclusion of e-liquid in Excise Movement and Control System (EMCS) and implementation of an approval scheme for the importation of nicotine in line with that already in place for raw tobacco**

55. The Excise Movement and Control System (EMCS) records in real time the movement of tobacco and other excise products for which excise duties have still to be paid, and helps to ensure that the appropriate duties are paid at the final destination. EMCS has played a vital role in helping the UK control and reduce the illicit trade in tobacco, and could be an important tool in helping control the illicit trade in vaping products.

56. In addition, ASH recommends that HMRC implement an approval scheme for nicotine along the lines of the Raw Tobacco Approval Scheme.<sup>63</sup> This was introduced for Raw Tobacco after evidence emerged that raw tobacco was being imported for manufacture into illicit tobacco products. The Scheme prohibits the use of raw tobacco by an unapproved person, to prevent the illegal manufacture of tobacco products and included a new forfeiture power and penalty.

57. As with raw tobacco there's a risk that excise duty is evaded through the importation of nicotine for:

- processing into vaping products in unregistered premises; and/or
- selling in small quantities to consumers for home processing

58. As with the raw tobacco scheme, a nicotine approval scheme will reduce the risk of excise duty evasion and help prevent the illegal manufacture of vaping products.

### **Supply chain controls: Revise Economic Operator ID (EOID) regulations to require publication of tobacco retailer EOIDs**

59. All tobacco retailers must have an Economic Operator ID (EOID) before they can purchase tobacco. This list is the only comprehensive list of tobacco retailers in the UK, and would be invaluable for communicating with retailers about the forthcoming changes in age of sale and any other regulatory changes affecting retailers. The information would also be a useful enforcement tool for local authorities. However, as currently written the regulations do not allow publication of this information, even though it is not commercially sensitive.
60. Only a minor change to the regulations<sup>64</sup> would be needed to allow publication of the names and addresses of all tobacco retailers in searchable format. This would be an invaluable regulatory tool for public health and enforcement purposes. The sooner it comes into force the better, as this is very useful information for local authorities to have publicly available, but certainly well in advance of the planned annual increase in the age of sale from 1 January 2027.

### **Funding for tobacco control in England**

61. To have the greatest possible chance of succeeding, people who smoke need to be motivated to quit and provided with specialist support. This requires not just the provision of treatment services but also their active promotion to smokers through communications and marketing campaigns.
62. Increasing the price through taxation is one of the most effective incentives for smokers to quit, and to prevent initiation by children and young people who are most price sensitive. Cheap and illicit tobacco undermines this tool, and those who sell illicit tobacco are also more likely to sell to underage consumers. Funding for enforcement is therefore an important tool both for revenue protection and to reduce smoking prevalence. With the forthcoming introduction of the tax on vaping liquid, the issue of enforcement will become a broader and even more important issue.
63. It is therefore critical that the new funding committed under the last government is sustained in order that the incoming government can ensure it meets its commitments to make Britain a smoke-free country. This includes:
- £142.5 mn pa to ensure existing DHSC commitment to additional funding for tobacco control is sustained for the current and next financial year and subsequently for the whole of the Parliament:
    - £70 mn for Stop Smoking Services
    - £22.5 mn for 'Swap to Stop' campaign
    - £5 mn for incentives for pregnant smokers plus additional commitment for partners
    - £15 mn pa for communications and marketing campaigns
    - £30 mn pa additional funding to enforce the laws on underage sales and illicit trade.
  - £85 mn pa to safeguard funding to fully rollout the NHS Long Term Plan Tobacco Dependence Treatment programme and then embed in routine care.

### ***Stop Smoking Services***

64. Specialist treatment for tobacco dependence combining behavioural support with pharmacological interventions and provided by local authority stop smoking services, is

one of, if not the most cost-effective healthcare interventions and is cost-saving, not just cost-effective.<sup>65</sup>

65. Success rates are on average three times as high for smokers using the stop smoking services than quitting unaided.<sup>66</sup> It has been estimated that for every £1 invested in Stop Smoking Services, £2.37 will be saved on treating smoking-related diseases and reduced productivity.<sup>67</sup>
66. Stop Smoking Services are atypical in not conforming to the inverse care law. In fact, although throughput has fallen following cuts in funding for the services and their promotion, in 2023/24, 24% of those setting a quit date came from people working in routine and manual occupations compared to 10% from those working in professional and managerial jobs.<sup>68</sup>
67. Although a higher proportion of routine and manual workers smoke (22.8% compared to 8.3% for professional and managerial workers),<sup>23</sup> more than a third of the population aged 16+ work in professional and managerial jobs, compared to fewer than a quarter in routine and manual employment (33.1% compared to 23.3%).<sup>69</sup> When these two countervailing factors are taken into account it is still the case that more routine and manual smokers quit using Stop Smoking Services than those in professional and managerial occupations.
68. If the government is to deliver on its commitment to reduce inequalities the additional funding commitment of £70 mn pa for the next five years for the local authority-provided stop smoking services must be maintained.<sup>70</sup>

### ***Financial incentives for pregnant smokers***

69. Smoking cessation support for pregnant smokers has already delivered substantial benefits. Smoking is the leading modifiable risk factor for poor birth outcomes, including miscarriage, premature and stillbirth, and sudden infant death. Between 2015 and 2019, after cuts in real terms funding of 41% to local authority Stop Smoking Services,<sup>71</sup> smoking at time of delivery barely changed, averaging 10.6%.<sup>72</sup>
70. In 2019 the NHS began rolling out treatment for all pregnant smokers through maternity services. Since the start of the programme, smoking at time of delivery has fallen from 10.4% to 7.4%.<sup>72</sup> If rates had stayed at 2019 levels there would have been an additional 16,800 women smoking at time of delivery last year. England is now on the way to achieving the 2019 smokefree ambition of 5% smoking rates or less.<sup>73</sup>
71. Financial incentives will increase the rate of decline and are a highly cost-effective intervention, with a long-term cost per QALY of £482 and an estimated return on investment of £4 for every £1 invested.<sup>74 75</sup> Funding for financial incentives for pregnant women and their partners, currently only committed to the end of 2024/5, should be sustained throughout this parliament.

### ***Swap to Stop***

72. The most popular, cheapest and effective aid to quitting are nicotine-containing e-cigarettes, which have been found to be nearly twice as effective as traditional nicotine replacement therapy such as patches and gums, and as effective as the most effective prescription smoking cessation treatments, varenicline and cytisine.<sup>76</sup>

73. The 'Swap to Stop' campaign, which provides free vapes to smokers trying to quit through the stop smoking services, was piloted in social housing in Salford with support from Stop Smoking Services provided by community pharmacies. Throughput to the Services increased fourfold year-on-year, with 5 times as many successful quits for the most deprived quintile. After the pilot finished quitting rates reduced back to previous low levels. Despite the additional cost of the e-cigarette kit, the increased success rate meant that the Swap to Stop pilot was less than half the cost per quit than the standard stop smoking service offer including NRT.<sup>77</sup>
74. In the light of the evidence of effectiveness and cost-effectiveness set out above, the existing two-year programme, to roll out 1 million free vapes by the end of F/Y 2024/5,<sup>70</sup> should be sustained for the whole of the current parliament.

### ***Communications and marketing campaigns***

75. Although most people who smoke say they want to quit, because it is so addictive, on average smokers take thirty attempts before they successfully quit.<sup>78</sup> Smokers can only successfully quit if they are motivated to make an attempt, and to keep trying until they succeed, and multi-media behaviour change campaigns are the most effective and cost-effective way to motivate them.
76. The Chancellor announced that one of the immediate savings being considered the current and subsequent financial years was to "*review the hundreds of millions spent each year across government on communications and marketing campaigns, with a view to making reductions.*"<sup>79</sup> Clearly such spending should be reviewed, but it would be the falsest of false economies to cut the £15 million a year recommended by the Khan review,<sup>80</sup> and committed in the last parliament to "*new national campaigns to explain the legal changes, the benefits of quitting and the support available.*"<sup>70</sup>
77. Mass media anti-smoking campaigns play a key role in motivating smokers to quit and succeed.<sup>81</sup> In 2008, 40% of adult smokers in England had tried to quit in the last year, in 2018 this had fallen by a quarter to only 30%. Over the same time period government funding for mass media campaigns had fallen by 90% in monetary terms from £23.3 million in 2008/9,<sup>82</sup> to around £2.16 million in 2018/19.
78. In 2012, the annual PHE anti-smoking campaign, Stoptober, was estimated to have generated an additional 350,000 quit attempts in England and saved 10,400 discounted life years (DLY) at less than £415 per DLY in the modal age group.<sup>83</sup> A further evaluation of subsequent campaigns indicated a prolonged effect over the first six years of Stoptober campaigns in England with greater impact when campaign budgets were higher.<sup>84</sup> When due to funding cuts the national spend on anti-smoking behaviour change campaigns, Stoptober, only ran on digital media in 2016, there was a reduction in campaign recognition from 71% the previous year to 48% and the campaign was less effective at reaching older and poorer smokers.<sup>84</sup> The evidence is clear that exposure to campaigns is needed to drive awareness; digital and social media alone are not effective.
79. In the North East of England where mass media campaigns continued, run by Fresh, the tobacco control programme funded by the region, the campaigns have been associated with faster rates of decline in smoking prevalence and greater reductions in smoking rates in routine and manual workers. In 2005 when Fresh was set up, smoking rates were 20%

higher than the England average and the disparity was growing. The central pillar of Fresh's strategy has been regional health behaviour change campaigns, which been associated with the fastest rate of declines in the whole of England. In 2005, smoking rates were 21% higher than the average for England (29% compared to 24%);<sup>85</sup> in 2022 they were only 3% higher (13.1% compared to 12.7% for England).<sup>23</sup>

80. There is also good evidence internationally that behaviour change mass media campaigns are effective, but that there is a threshold level for mass media campaigns which need to have sufficient intensity and be sustained over time if they are to translate into population reductions in smoking prevalence.<sup>86</sup> There is also a dose response relationship.<sup>84 87</sup> This is no surprise; it is why big commercial brands sustain their advertising campaigns year in year out and continue to advertise on broadcast media to drive awareness. Broadcast media (TV and radio) are also the most trusted media, while trust in the Internet and social media is low.<sup>88</sup>
81. Detailed analysis of campaign impact in the US and Australia demonstrates that population behaviour change can be driven by mass media campaigns delivered with sufficient and sustained intensity.<sup>89 90</sup> Such campaigns have immediate impact and can be targeted with precision at disadvantaged smokers, which is essential given their higher smoking rates, higher levels of addiction and lower success in quitting.<sup>91 92 93 94</sup>
82. Behaviour change campaigns like this are both effective and cost-effective. The FDA's Tips from Former Smokers campaign,<sup>95 96</sup> delivering 11 ads a quarter to the target audience from 2012-15, led to over half a million sustained quits during 2012–2015.
83. The campaign, indirectly funded by the tobacco manufacturers through the government's user fee legislation, has been sustained.<sup>97</sup> The US Centers for Disease Control and Prevention estimates that from 2012–2018 more than 16.4 million people who smoke have attempted to quit, and approximately one million have successfully quit because of the Tips campaign. The campaign was equally effective by subgroups of race/ethnicity, education and mental health and the effects have been durable over time.<sup>98</sup>
84. A comprehensive evaluation of the campaign between 2012 and 2018, which factored in smoking relapse, inflation, and advertising and evaluation, demonstrated that the campaign was associated with healthcare cost savings of \$11,400 per lifetime quit, and \$5,300 per quality-adjusted life year gained.<sup>99 100</sup>

### **Funding for International Tobacco Control: £2 mn pa Official Development Assistance (ODA) funding to support WHO FCTC implementation in low and middle-income countries (LMICs)**

85. The UK is a world leader in tobacco control, and under the last Labour government was instrumental in the development and adoption of the first WHO health treaty, the Framework Convention on Tobacco Control (FCTC). The last Labour government helped negotiate the FCTC as a strong and meaningful treaty, and ensured that the UK was among the first countries to ratify the FCTC. However, because we acted as part of the EU, and did not speak during the negotiations on our own account, our role was not fully visible or recognised. Now we have left the EU, the UK has the opportunity to demonstrate our leadership on the global stage.

86. Next year will mark the UK's 20<sup>th</sup> anniversary of joining the Convention. We have shown by example how comprehensive implementation of the full range of measures in the Treaty, including tobacco taxation and illicit trade, as well as health measures like provision of tobacco dependence treatment, can drive down smoking prevalence.
87. We have also demonstrated leadership in supporting implementation of the Treaty by low and middle-income countries (LMICs). In 2017 the UK invested £15 million over five years to set up the FCTC 2030 project<sup>101</sup> to support LMICs to achieve the Sustainable Development Goals.<sup>102</sup> The project, delivered by the FCTC Secretariat with support from WHO and UNDP, focuses on policy change and capacity building for both government and civil society actors, making available UK experience and expertise in implementing strong tobacco control.
88. The UK's contributions have been from DHSC's ODA budgets. Funding has been sustained after the first five years, but at a lower level, reduced from £3 mn to £1 mn for the financial year 2024/5, and there is no commitment to further funding after that. Recognising the constraints, we recommend funding be increased under a Labour government to at least £2 million a year for a further five years. Given the project's record of delivery, and the global profile in tobacco control that it gives the UK, this is a small investment with a big impact, which should be sustained.
89. In 2020 the United Kingdom was awarded a 2020 United Nations Inter-Agency Task Force Award for the FCTC2030 project.<sup>103</sup> An independent evaluation of the project at the end of the first 5 years concluded that the project and their economic analysis using a Payback Framework suggests that the FCTC 2030 programme provided value for money and the financial inputs led to substantial changes and progress in respective countries.<sup>104</sup>
90. There are 135 LMIC Parties to the FCTC and to date the FCTC 2030 project has been able to support under a quarter of them. Although Australia and Norway have joined the UK in supporting the FCTC 2030 project, the UK remains the main funder. However, the UK cut funding at the end of the initial 5 year project, to £1 million a year until the end of this parliament (FY 2024/5).
91. The UK together with the US was the progenitor of the tobacco epidemic in the 20<sup>th</sup> Century. British transnational tobacco companies, in particular British American Tobacco, Gallaher and Imperial Tobacco, supported by UK trade policy, played the major role in fuelling the 20<sup>th</sup> century tobacco epidemic which by that time had killed around 100 million people,<sup>105</sup> mostly in countries in the global north.
92. As high income countries like ours took action to tackle our tobacco epidemic, successfully driving down smoking with concomitant declines in death and disease, the tobacco transnationals, known collectively as Big Tobacco shifted their focus to the global south. Over 80% of the 1.3 billion tobacco users worldwide now live in low- and middle-income countries, where the burden of tobacco-related illness and death is heaviest.
93. Tobacco use contributes to poverty by diverting household spending from basic needs such as food and shelter to tobacco. Tobacco is also a major barrier to global sustainable development, impacting across almost all of the UN's Sustainable Development Goals (SDGs).<sup>106</sup>

94. Globally, tobacco kills more than 8 million people each year, including an estimated 1.3 million non-smokers who are exposed to second-hand smoke. This is 15% of all deaths,<sup>107</sup> causing a greater number of deaths than air pollution, obesity or alcohol. Annual deaths from tobacco are higher than that from COVID in the peak pandemic years of 2020 and 2021.<sup>108</sup> Globally, unless action is taken, tobacco could kill as many as 1 billion this century, the overwhelming majority of whom will live in the global south.<sup>109</sup>

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