

The tobacco industry levy: *Making the polluter pay*

Chaired by:

10th July 2025

Sebastian Rees

Principal Research Fellow

Institute For Public Policy Research

ASH receives funding from:

- Cancer Research UK
- British Heart Foundation

Agenda

12:00 – 12:05 Introductory remarks

Sebastian Rees, Principal Research Fellow, IPPR

12:05 – 12:25 How the levy would work

Dr Rob Branston, co-Director, Tobacco Control Research Group (TCRG), University of Bath

12:25 – 12:35 How we can make the case for a levy

Hazel Cheeseman, Chief Executive, ASH

12:35 – 13:00 Q&A

All panellists

Housekeeping

- Please can all panellists and attendees keep themselves muted and turn their videos off unless they are presenting. ASH staff will mute anyone who is unmuted and not presenting.
- We encourage all attendees to submit questions and reflections in the meeting chat, to be discussed during the Q&A session.
- This webinar is being recorded. The recording and slides will be shared online.
- If you have any other issues, please post in the meeting chat or email admin@smokefreeaction.org.uk

Tobacco industry levy: making the polluter pay

How the Polluter Pays Levy Scheme would work

Dr Rob Branston

Associate Professor in Business Economics

School of Management and Tobacco Control Research Group (TCRG)
University of Bath

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- I/We have **no financial COI**
- TCRG does not accept funding from tobacco companies or other commercial organisations whose interests are not aligned with improved public health and ensures each research contract gives us freedom to publish.
- TCRG / I receives funding from **Bloomberg Philanthropies**, as part of the Bloomberg Initiative to Reduce Tobacco Use (www.bloomberg.org).
- The views expressed are those of the author.
- I received the gift of **10 shares in Imperial Brands** for research purposes. Any money received is/will be donated to health related charities.

Funding policy

<https://www.bath.ac.uk/corporate-information/tobacco-control-research-group-statement-on-funding-sources/>

List of projects and funders

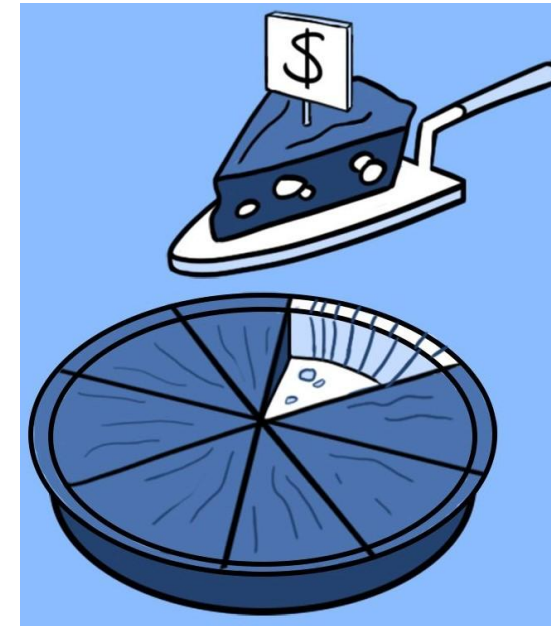
<https://www.bath.ac.uk/corporate-information/tobacco-control-research-group-research-projects/>

- The UK is an **internationally leading** country when it comes to **tobacco control**
- BUT **millions continue to use tobacco products** at the cost of thousands of lives lost and billions of pounds each year
- The introduction of a **polluter pays levy scheme** would address three particular issues currently experienced:
 - The UK has high **tobacco taxation** BUT the tobacco industry is able to minimise its impact using pricing strategies.
 - For example, the price of 20 Cigarettes ranges from **£12.40 to £18.80**
 - The Tobacco industry earns a huge amount of **profit selling tobacco** but pays little profit based taxation
 - Funding for **tobacco control** (and most other government expenditures) is in short supply
- **Other policy options** to addressing these issues do exist but none would address them all and/or do so to the same extent.

- Manufacturing tobacco products is **tremendously profitable**
- In 2018 the world's **6 largest cigarette manufacturers** made a profit of more than **US\$55 billion**
- That is more than: Coca-Cola, Pepsico, Nestle, Mondelez, Fedex, General Mills, Starbucks, Heineken, and Carlsberg combined (**US\$51bn**) which each own many household brand names/products

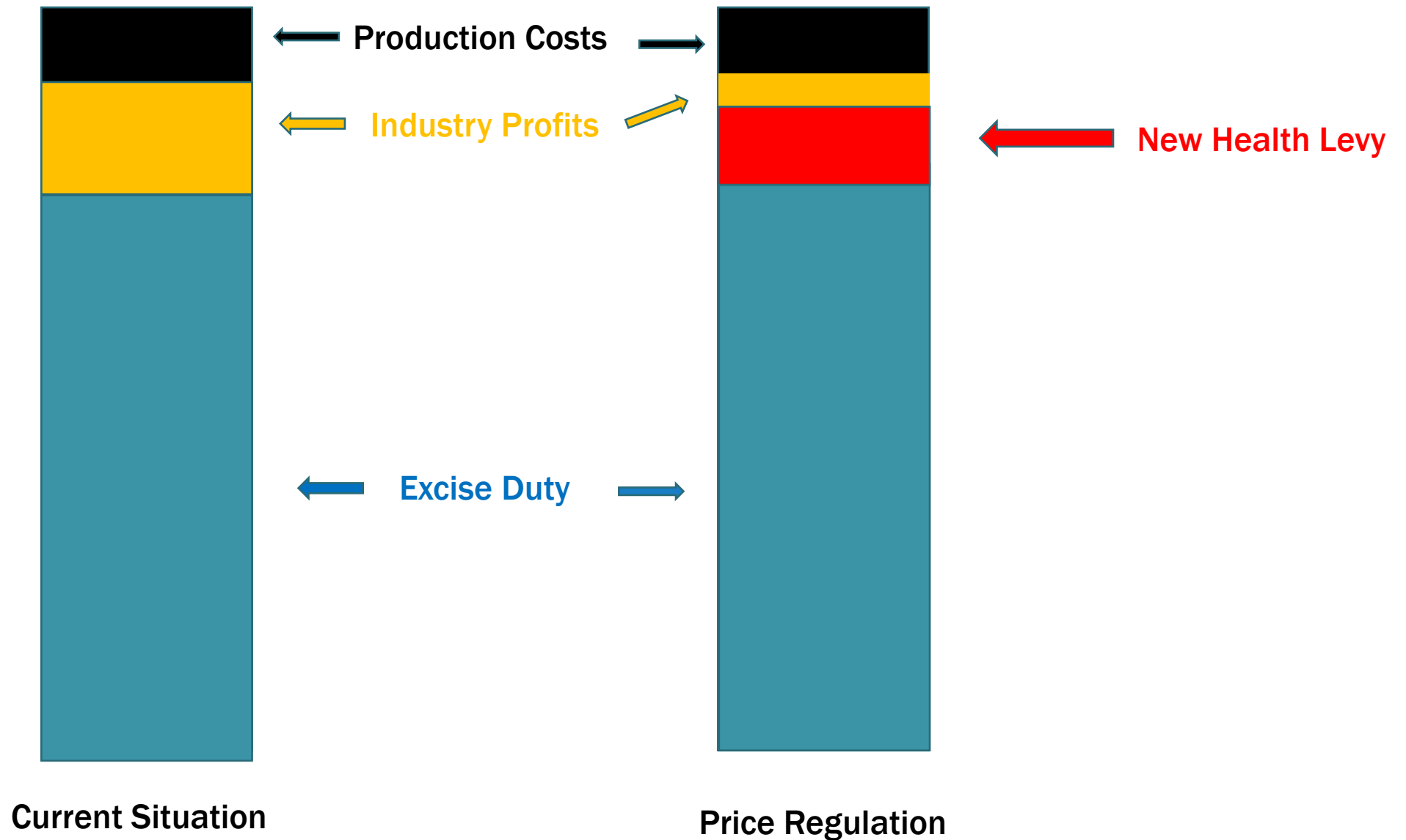


- **Imperial Brands** made net operating profit margin of **63.4% in the UK** in 2023
 - For every £100 in net revenue, **£63.40 was operating profits!**
 - Total UK profits **at least £371m** but hard to know fully as they stopped reporting when we started investigating!
- With **tobacco** such margins are **so much bigger** than other industries!
 - The **comparator companies** had operating profit margins of **around 15–16%**, ranging from a low of 6.5% (Fedex) and a high of 26.7% (CocaCola)
- Tobacco companies can make such profits because of their monopoly-like **pricing-power**
 - Imperial and JTI together control **81.1% of the UK market** for factory made cigarettes in 2023



Such profits give these firms significant resources and a huge incentive to maintain the status quo

- In other UK markets where **monopoly-like pricing power** could be an issue we tend to **regulate the prices** the relevant companies can charge
 - E.g Water, gas, electricity.
 - Lower prices means the firms can make **less profits**
 - These are life enhancing products but **Tobacco kills!**
- A scheme for tobacco would **cap the wholesale price** that manufacturers can charge
 - Would **address the huge profits**
 - Have wider **health benefits** by stopping **the use of price** as a weapon
- But would need to be accompanied by **a Tax uplift / new health levy** to make sure retail prices did not drop

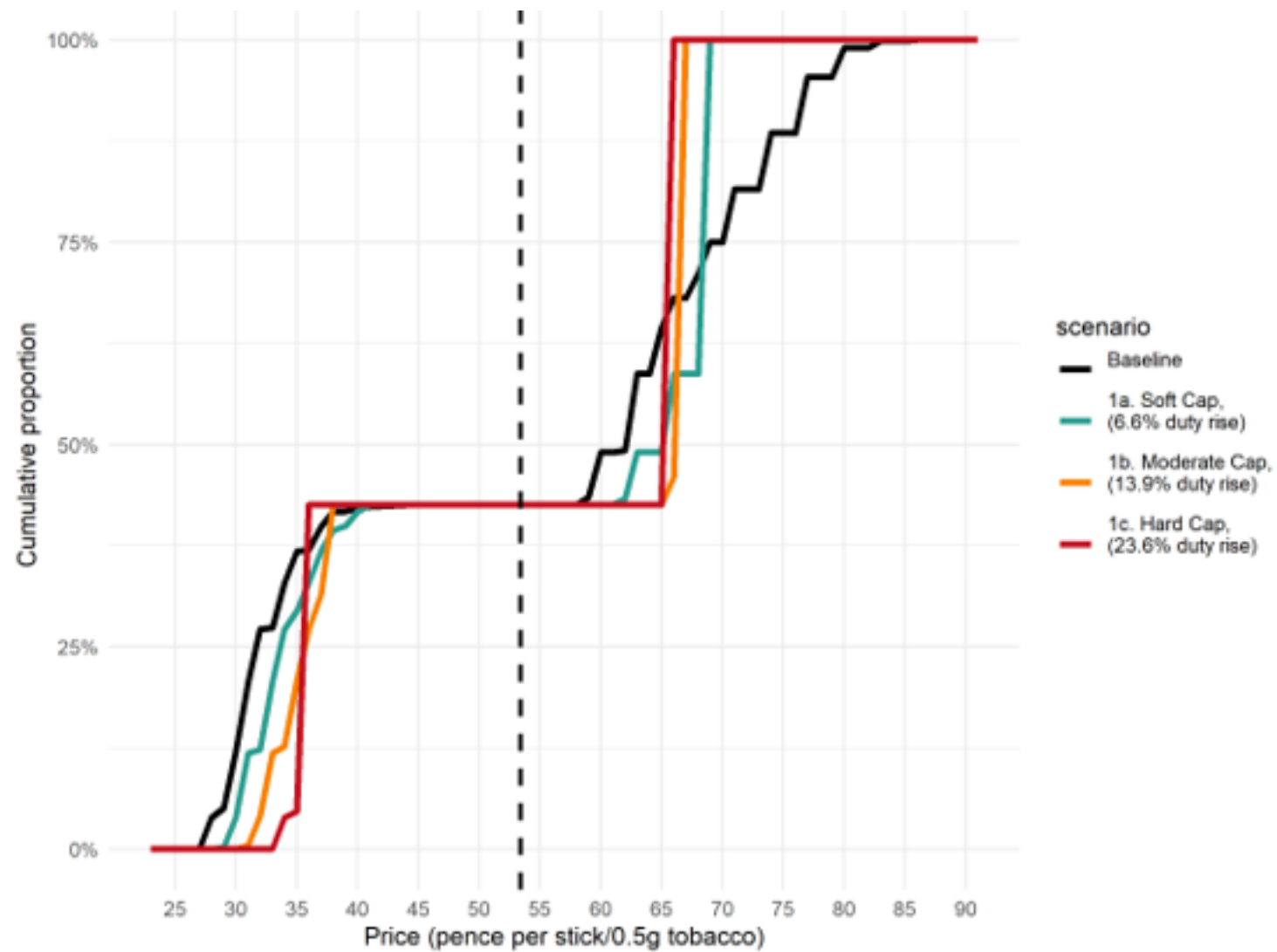


- HM Treasury previously consulted in **2014** on a **tobacco levy** on manufacturers BUT decided against because:
 - It was essentially a **backwards looking version** of existing **excise taxes**
 - manufacturers and importers would fully pass the levy on to consumers by raising retail prices
 - behavioural effects of price rises would almost completely offset the revenue raised by the Levy
- The 'polluter pays scheme' is **DIFFERENT** and overcomes these problems
 - **Caps prices** (and hence profits) **preventing** the industry from **passing it on** to consumers (EU exit dividend - previously prevented by the EU Tobacco Tax Directive)
 - To ensure consumer prices don't fall stimulating increased smoking, the difference between current wholesale prices and capped prices would be filled by **increased tax / a health promotion levy**
 - Would incentivise tobacco manufacturers to 'make smoked tobacco obsolete'

- **A regulator** would be needed to set (and review) **tobacco prices**
 - **DHSC has the expertise** to monitor company profits to set the price & close loopholes (already does this for medicines – tobacco market is much simpler)
- Capping prices based on costs of production plus 10% profit could **raise hundreds of millions annually** through the concomitant addition of a ‘polluter pays’ health promotion levy
 - **Distribution/retailer mark-ups** need not be impacted
- **Choices to be made** in terms of **speed / market impact** of any price cap to be applied
 - Speed of uplift of the cheapest products
 - Impact on market price spread and mean price
- The **primary legislation needed is a few clauses** to give the Secretary of State for Health pricing powers over the tobacco industry, with the detail to be set out in secondary legislation

- The price cap has been modelling using the **Sheffield Tobacco and Alcohol Policy Model (version 2.5.1) for England**
 - Results align with HMT models for things like duty changes
- Models the **life course dynamics** of smoking and incorporates evidence on how consumers and retailers respond to price changes, and evidence on alcohol-related behaviours and associated health outcomes
- The **comparator** against which policy effects were estimated was an assumed “**business as usual**” situation in which a 2% real terms tobacco duty escalator is maintained and there are also ongoing falls in smoking prevalence over-and-above the effects of these continued duty rises.

	Control	Soft (immediate)	Moderate (immediate)	Hard (immediate)	Soft (phased)	Moderate (phased)	Hard (phased)
Smoking prevalence in 2025 (% of population)							
Population	14.95	-0.11	-0.2	-0.29	0.01	-0.02	-0.05
Smoking prevalence in 2030 (% of population)							
Population	13	-0.03	-0.05	-0.08	-0.02	-0.05	-0.11
IMDQ-1 (least)	6.19	0.00	0.00	-0.02	-0.01	-0.01	-0.04
IMDQ-2	9.81	-0.02	-0.04	-0.07	-0.03	-0.05	-0.07
IMDQ-3	11.11	-0.02	-0.04	-0.06	0.00	-0.03	-0.07
IMDQ-4	15.10	-0.05	-0.08	-0.12	-0.02	-0.06	-0.13
IMDQ-5 (most)	22.08	-0.05	-0.08	-0.13	-0.04	-0.10	-0.21
Mean tobacco consumption (cigarettes per smoker per day)							
2025	14.95	-0.11	-0.20	-0.29	0.01	-0.02	-0.05
2030	13.00	-0.03	-0.05	-0.08	-0.02	-0.05	-0.11
Mean spending on tobacco (£ per smoker per week)							
2025	41.03	-0.60	-1.18	-1.87	-0.23	-0.24	-0.24
2030	43.41	0.28	0.17	-0.03	-0.26	-0.23	-0.24
5 year Cumulative impact (2025-2029) on tobacco retail and tax revenues (£bn)							
Retail revenue	11.9	-2.0	-4.5	-7.8	-1.1	-2.0	-3.0
Tobacco duty + VAT	56.0	1.2	2.8	4.9	0.4	1.1	2.1
20 year Cumulative impact (2025-2044) on deaths, YLLs, admissions, and admissions costs							
Deaths	9,590,708	-802	-732	-1,636	220	-856	-1,510
Years of life lost (YLL)	142,023,556	-18,875	-33,963	-43,987	1,445	-23,663	-36,381
Hospital admissions	40,662,710	-5,174	-8,011	-10,073	-3,443	-7,056	-8,839
NHS admissions costs (£mn)	74,799	-10	-15	-19	-8	-14	-17



Thank you



Making the case for the levy

Hazel Cheeseman, Chief Executive, ASH

Date: 10th July 2025

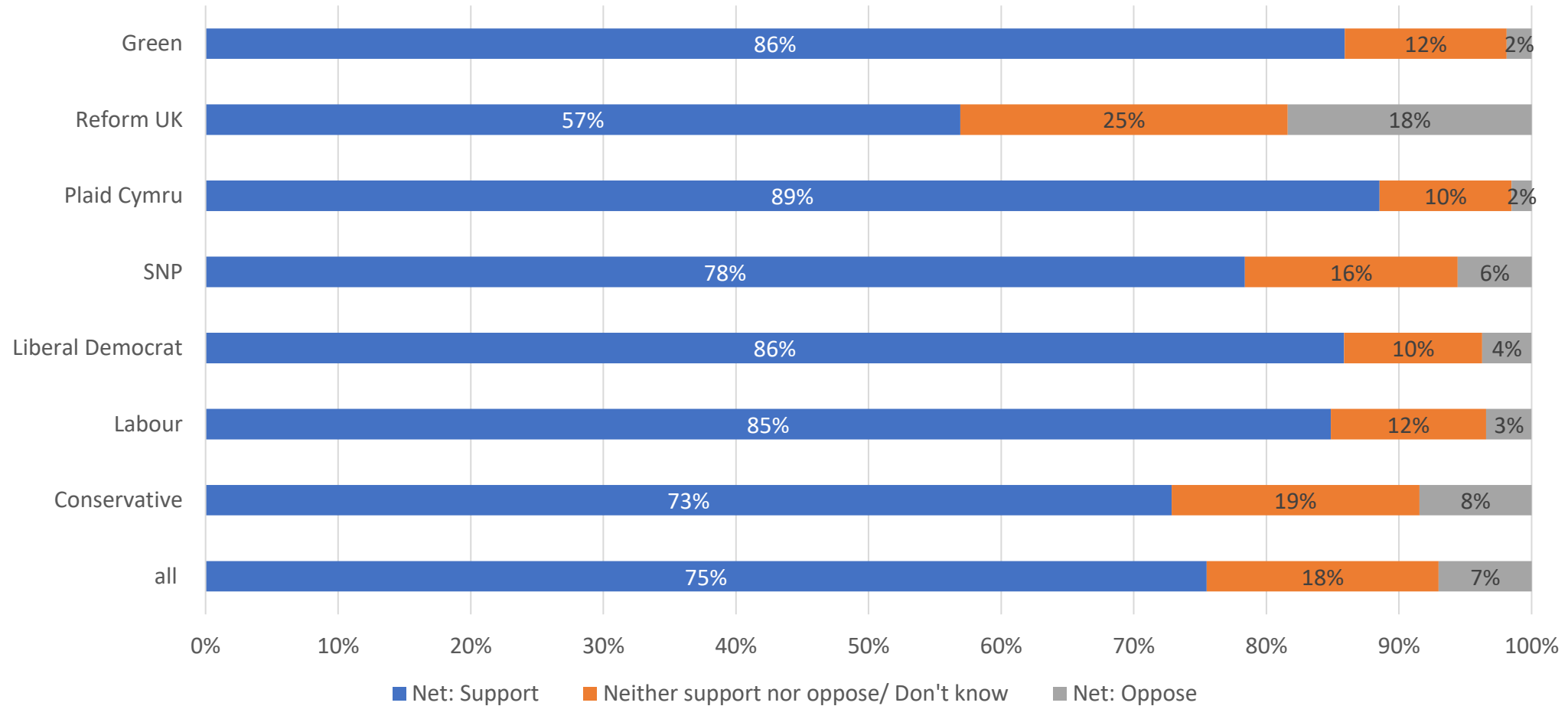
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- Cancer Research UK
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What I'll cover

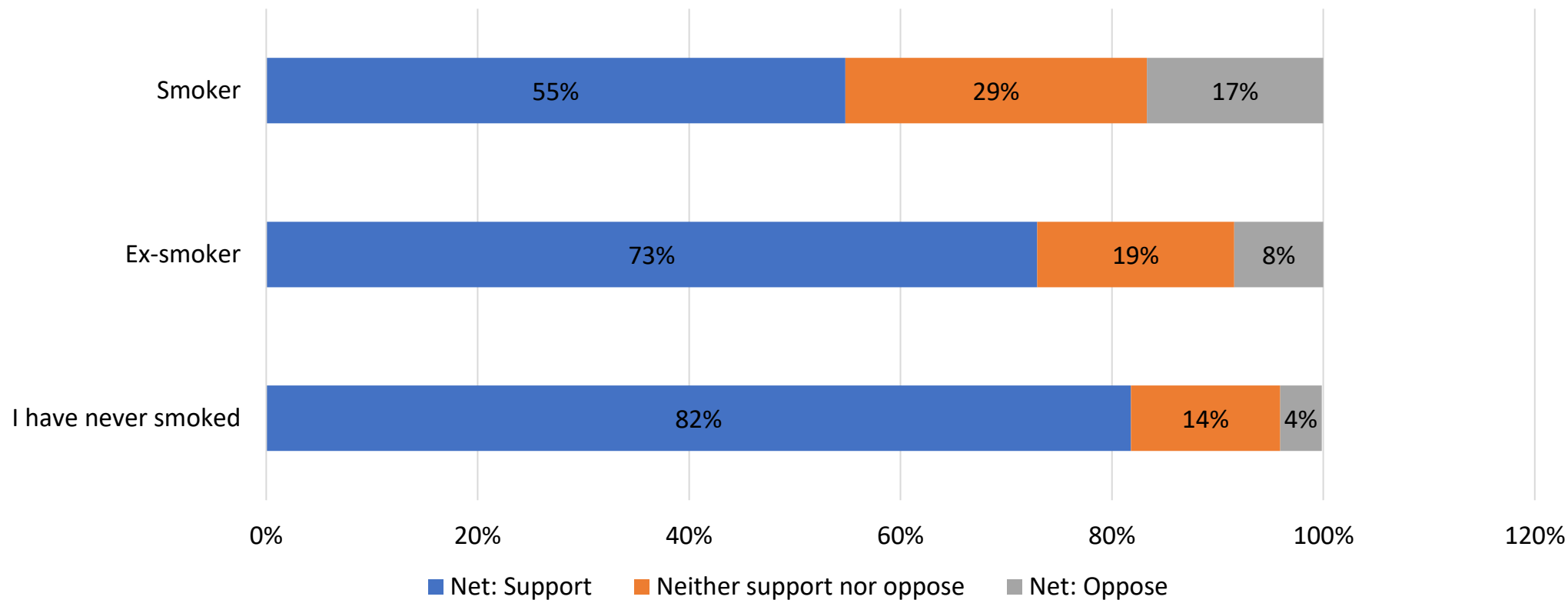
- Public support
- Framing
- Opportunities and actions

Requiring tobacco manufacturers to pay a levy to Government (Feb 2025)



Strong public support for a levy on tobacco companies used to reduce smoking

Requiring tobacco manufacturers to pay a levy to Government (Feb 2025)

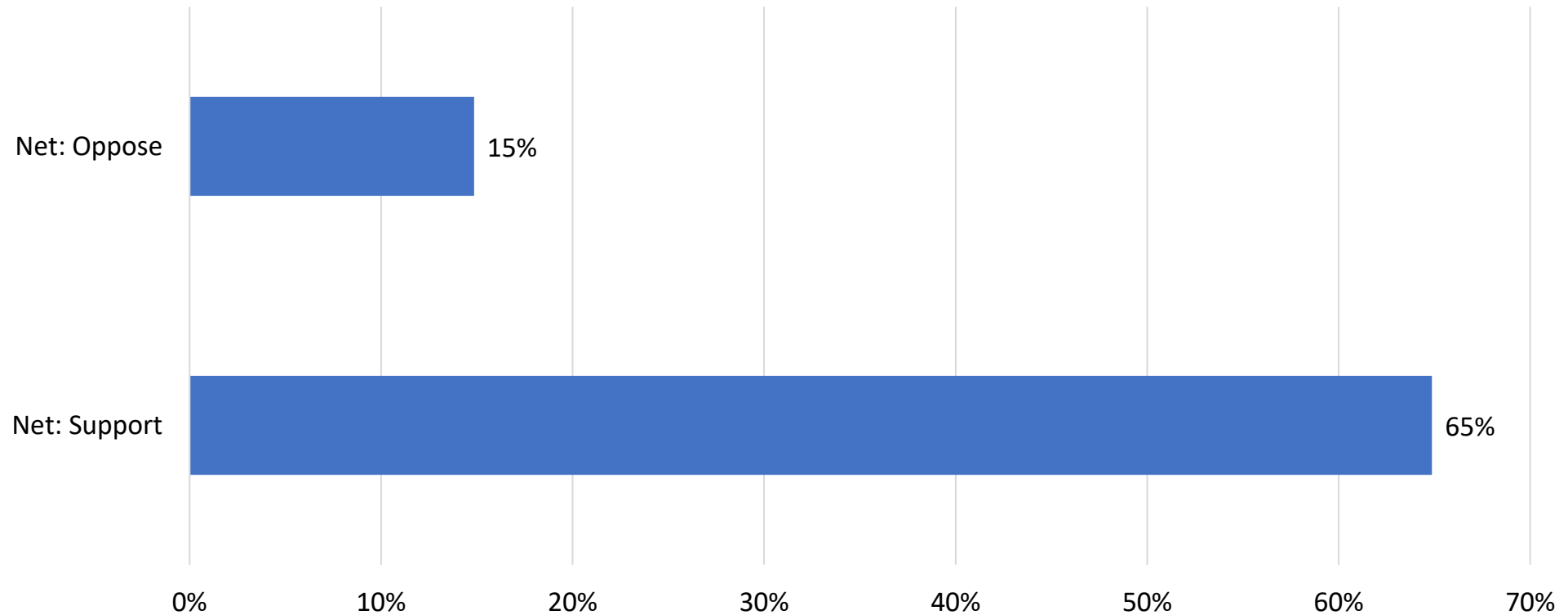


Strong support and low opposition even among smokers

Why does levy poll so well?

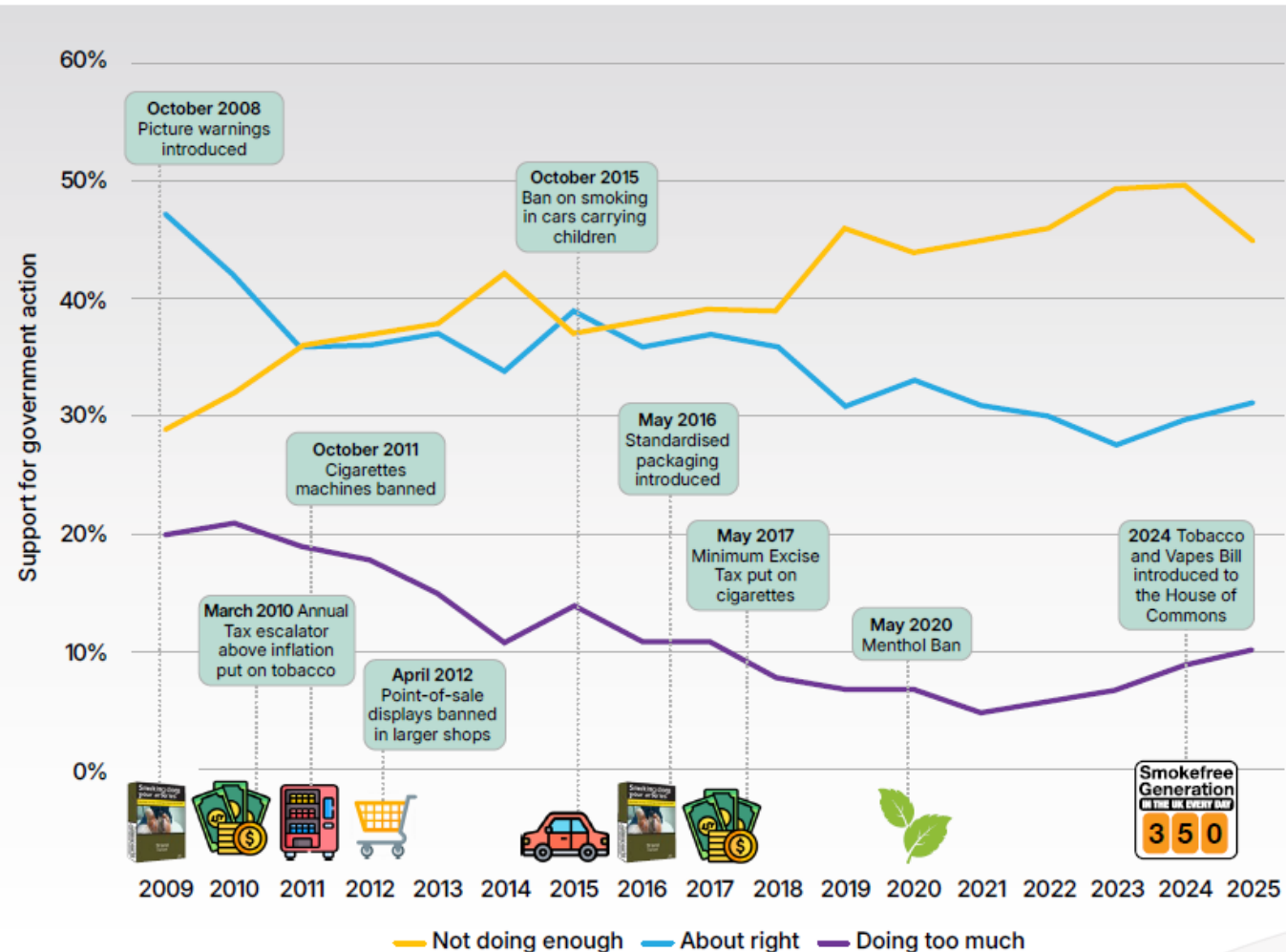
- Raises money but places burden on business
- Low trust in big business VERY low trust in big tobacco (strong support for being kept out of policy making, strong support for politicians refusing hospitality etc)
- It is part of delivering an objective the public support (ending smoking)
- They understand that government must and should take action to end smoking

Do you support or oppose a goal to make Britain a country where no one smokes?



Shared goal

Public support for government action to limit smoking, 2009-2025 (YouGov)



Where government intervention is welcomed

More funding is needed

- Smoking in England cost public finances **£9.7 billion (bn)**, after tobacco excise tax income of around £10.1 bn and reduced pension payments of £0.2 bn are netted out.
- In the region of £280m currently being spent in NHS, local government and DHSC to reduce smoking – ASH recommends protecting this and increasing investment by £97m to ~ £377m
- Analysis by UCL and Landman Economics suggests that the additional £97m would improve public finances by £3.6bn cumulatively by 2030.
- Reinvestment of part or all of a tobacco levy into efforts to reduce smoking will:
 - Free up public finances immediately to the value of the investment made
 - Free up further public finances as declines in smoking are accelerated



Opportunities

“This strikes me as wholly pragmatic; a wide-ranging consultation would undoubtedly help to strike the right balance between all the parties involved ... The scheme proposed in this group of amendments would provide a well-funded and much-needed boost, and a consultation would allow this proposal to be tested, refined and shaped. I hope that the Minister will accept the opportunity of a consultation but if the will of the House is tested, these Benches will support the amendments”.

Baroness Merron, March 2022

Tobacco and Vapes Bill

Tobacco and Vapes Bill

LORD YOUNG OF COOKHAM
LORD RENNARD
BARONESS FINLAY OF LLANDAFF

After Clause 157, insert the following new Clause—

“Tobacco products statutory scheme: consultation

- (1) The Secretary of State must consult and report on the desirability of making a scheme with one or more of the following purposes—
 - (a) regulating, for the purposes of improving public health, the prices which may be charged by any producer or importer of tobacco products for the supply of any tobacco products;
 - (b) limiting the profits which may accrue to any producer or importer in connection with the manufacture or supply of tobacco products;
 - (c) providing for any producer or importer of tobacco products to pay to the Secretary of State an amount calculated by reference to sales or estimated sales of those products (whether on the basis of net prices, average selling prices or otherwise) to be used for the purposes of reducing smoking prevalence and improving public health.
- (2) In this section—
 - “importer”, in relation to tobacco products, and “tobacco products” have the meaning as in Part 5 (see section 111),
 - “producer”, in relation to tobacco products, is to be construed in accordance with the meaning of “production” in Part 5 (see section 111).”

Member's explanatory statement

This new clause would require the Secretary of State to consult on proposals for regulating the prices and profits of, and to raise funds from, tobacco manufacturers and importers.

- Lord Young leading a similar amendment to require consultation on a levy
- Will be debated at committee stage and could be pushed to a vote at third reading
- Opportunity for organisations to show their support to peers, MPs and SofS

EXCLUSIVE

EXCLUSIVE

Chancellor to look at tax 'very carefully' - as No 10 and Treasury refuse to rule out taxing Britain's richest people

8 July 2025, 00:01 | Updated: 8 July 2025, 08:36

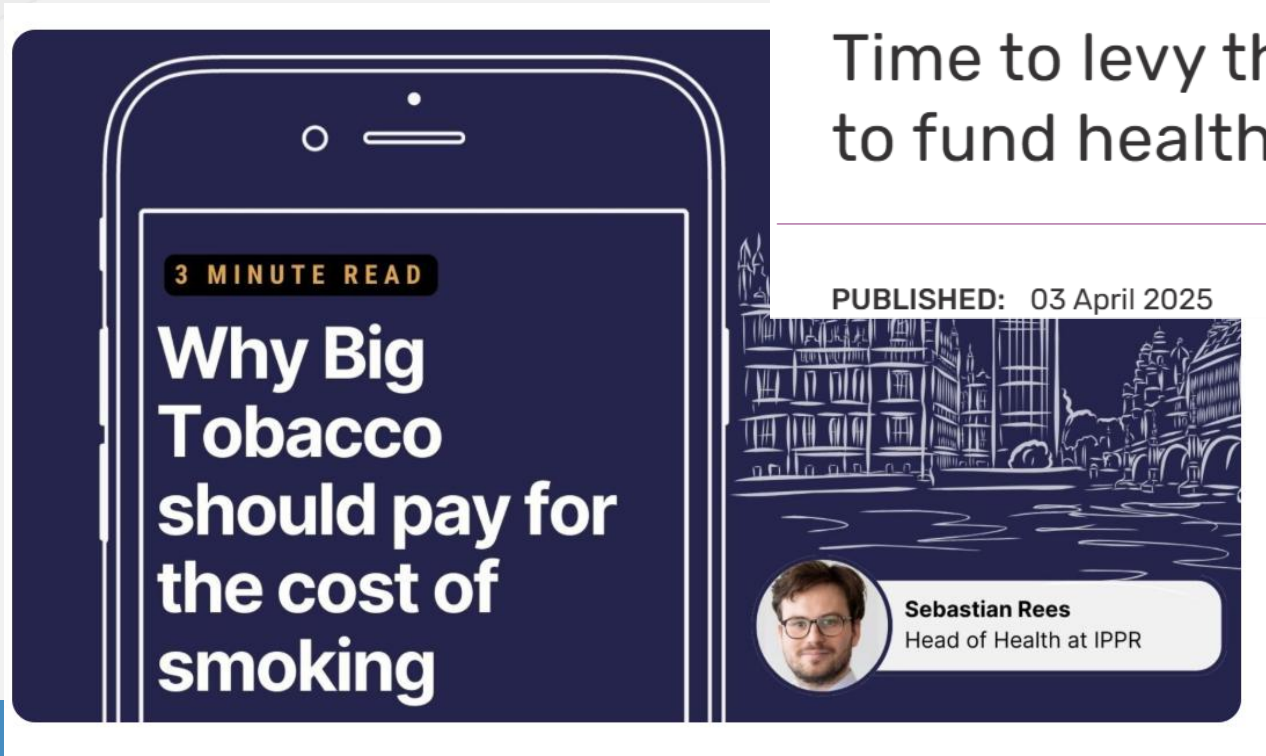


Chancellor Rachel Reeves will look at a wealth tax "very carefully" ahead of the budget. *Picture: Getty*

Next Budget

- Government is shifting its position on 'taxes' which may create opening for levy
- Window between now and the next budget to make the case
- This is a popular way to raise revenue and support important public health objectives

Support from thought leaders



SMF Social Market Foundation

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COMMENTARY

Time to levy the indefensible profits of Big Tobacco to fund health measures and spur growth

PUBLISHED: 03 April 2025 AUTHOR: Mark Lloyd

Key messages

A levy could

- Cap big tobaccos prices and limit their profits.
- Raise needed revenue to help create a smokefree country
- Prevent industry from manipulating prices to keep people smoking

Needed: Without sustained funding it will take longer to create smokefree country costing lives, holding back the economy and burdening public finances

Wanted: High levels of public support across all groups

Workable: Tobacco companies can afford to pay and make excessive profits from selling a lethal, addictive products

What you can do

- Write to MPs, Peers, SoS, Chancellor with your support
- Engage elected members in the local costs of the smoking and the case for a levy
- Communicate to the public and media your organisations support a levy on tobacco companies

