

‘Polluter pays’ levy on tobacco manufacturers

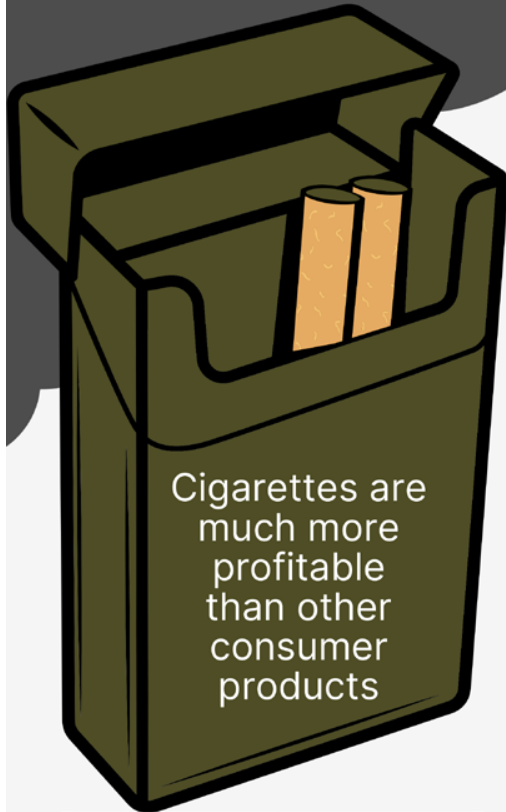
APPG tobacco manifesto launch

9th November 2023

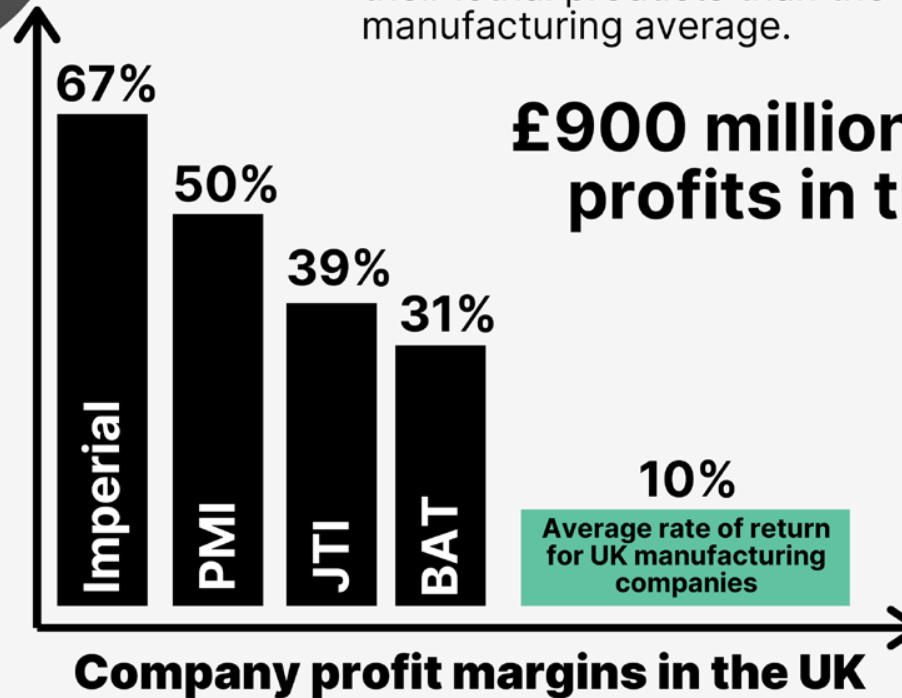
Deborah Arnott Chief Executive ASH

Inordinate profits in the UK

Big Tobacco's big profits



Four tobacco transnationals are responsible for around 95% of cigarette sales and related deaths — making far higher profit margins from their lethal products than the 10% UK manufacturing average.



£900 million a year profits in the UK



Sources: Branston 2014, 2020; ONS 2020

Step 1: a corporation tax surcharge

- This could be implemented immediately through the Finance Bill and could raise £74 million this year (Branston and Gilmore 2020)

BUT

- Tobacco manufacturers and importers hide information about operating profits and minimise corporation taxes paid in the UK
- E.g. Imperial Tobacco (over 40% market share by volume) received £35m more in corporation tax refunds than it paid in tax between 2009 and 2016. (Branston and Gilmore 2020)

Step 2: Make the polluter pay

HM Treasury consulted in 2014 on levying new tax on manufacturers BUT
against because:

- 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' model overcomes these problems

- Sets prices and 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 taken out as a health promotion levy
- Would incentivise tobacco manufacturers to 'make smoked tobacco obsolete'

How 'polluter pays' would work in practice

Price cap and hence profit control scheme for tobacco

- Capping prices to costs of production and distribution plus 10% profit could raise £700 mn through a 'polluter pays' health promotion levy
- DHSC has the expertise to monitor company profits to set the price & close loopholes (already does this for medicines – tobacco market is much simpler)
- OHID has the knowledge and expertise to allocate funding to tobacco control measures which will deliver a Smokefree future
- 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

Supporting information



APPG on Smoking and Health Manifesto for a Smokefree Future. Make Smoking History: A cross Government strategy to improve the nation's health, wealth and productivity. All Party Parliamentary Group on Smoking and Health. 2023.

Full APPG report, background papers and modelling available online from the APPG on Smoking and Health webpages at ash.org.uk