

ALL PARTY PARLIAMENTARY GROUP ON SMOKING AND HEALTH

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
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19th January 2021

Dear Rishi,

Tobacco proposals for Budget 2021

I am writing to you in my role as Chairman of the All Party Parliamentary Group on Smoking and Health. We are delighted that the Government's ambition is for our nation to be Smokefree by 2030, and, as I am sure you are aware, fiscal policy has a key role to play in its delivery.

The Government already has a tobacco tax escalator in place of 2% above RPI, which raises revenues and reduces tobacco consumption, thereby increasing productivity and healthy life expectancy, and reducing the economic costs of smoking to society. COVID-19 has led to a decline in cross border shopping and Brexit will ensure this reduction is sustained, providing an opportunity to increase tobacco taxes still further.

HMRC data show that tobacco excise tax receipts for April to October 2020 were £5,947 million, £688 million (13.1%) higher than the same period in the financial year ending 2019. By raising the escalator to 5% above RPI, HM Treasury could increase its revenues and help deliver a Smokefree 2030. An even larger escalator is justified for hand rolled tobacco, which is taxed at a much lower rate, as otherwise smokers are encouraged to down trade with no health benefit and a reduction in tax revenues to the Government.

Another issue which I would like you to consider is smokeless tobacco, a particular problem in my constituency. This is a tobacco product used primarily by minority ethnic groups of South Asian origin which is responsible for disproportionately high rates of oral cancer in these communities. Research just published suggests that the smokeless tobacco trade in the UK is largely duty not paid and illicit, either smuggled or illegally manufactured. I suggest that you ask HM Revenue and Customs what they are doing to tackle this illicit trade.

Tax increases are a highly effective tool in reducing smoking uptake and tackling inequalities, as poorer (and younger) smokers are more price sensitive than the general population. However, disadvantaged smokers who do not quit bear a disproportionate share of the tobacco tax burden, because of the greater concentration of smoking among these groups. In addition, the tax burden has a greater impact on poorer communities which have higher rates of smoking and much lower Gross Value Added. There is good evidence that tobacco taxes are most effective in reducing smoking prevalence when underpinned by a comprehensive and funded strategy to reduce smoking prevalence, but this needs funding through the public health grant.

Only 20% of health outcomes are determined by the ability to access good quality healthcare, with public health interventions playing a major role. Public health investment is both more effective and cost-effective than investment in the NHS. Expenditure through the public health ring-fenced grant has been shown to be three to four times as cost-effective in improving health outcomes than if the same money had been spent in the NHS baseline, and has a median return on investment of 14.3 to 1, and median cost-benefit ratio of 8.3.

Reductions made to the public health budget since 2015/16 should be reversed in real terms and increased by a minimum of £2.6bn as estimated to be necessary by the Health Foundation to allow for additional investment in the most deprived areas where there is greatest need.

By improving the population's health and productivity, investment in public health directly supports the UK's recovery from the COVID-19 pandemic whilst simultaneously delivering on its objectives to achieve a smoke-free England by 2030, level-up society, increase disability-free life years, and build back better from COVID-19.

Yours sincerely,



Bob Blackman MP
Chairman, APPG on Smoking and Health