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Expert evidence on tobacco taxes

October 19, 2015 by Alison Jones

Research from our Department for Health and School of Management has contributed to a recent report by the **All Party Parliamentary Group (APPG)** on Smoking and Health calling on the Chancellor to **increase tobacco taxes, to fund a reduction in smoking prevalence.**

Professor Anna Gilmore, Director of the Tobacco Control Research Group, and Dr Rob Branston, Deputy-Director of the Centre for Governance and Regulation, presented expert evidence on **tobacco industry profitability and pricing at an Inquiry by the APPG into the cost effectiveness of tobacco control.**

A summary of the evidence presented at the Inquiry will be submitted as evidence as part of the Treasury's Comprehensive Spending Review - APPG on Smoking and Health. Representation to the 2015 Spending Review. Oct 2015.

Key findings

Evidence in the report shows that measures to reduce smoking prevalence, **including by tobacco taxation**, are not only cost-effective but can also have a positive impact on public finances. **Members of the APPG recommend that the tobacco tax escalator be increased from 2 per cent to 5 per cent above inflation every year.**

They also call for spending on tobacco control to be increased from £200 million to £300 million a year, funded by the additional tax rise. This additional investment could deliver a return on investment of almost 1100 per cent over 5 years and nearly double the rate of decline of smoking, they suggest.

The NHS Five Year Forward view forecasts a £30 billion shortfall in funding by 2020 and even after additional funding promised by the Government there will be a predicted shortfall of £22 billion by 2020.

According to the King's Fund, closing this gap through efficiency savings alone will be "very challenging". Therefore to avoid large reductions in NHS services, it will be necessary to reduce demand. The APPG Inquiry heard that continuing to drive down smoking prevalence will be essential to the success of this strategy.

Policy impact of research

Dr Branston presented work undertaken by him and Professor Gilmore highlighting the **extreme profitability of the tobacco industry** in the UK, identifying that the industry has made at least £1 billion pounds in profit in recent years and the **companies enjoy margins of up to 68 per cent** compared with 12-20 per cent for other consumer staple firms.

Professor Gilmore presented work undertaken by the **Tobacco Control Research Group**, showing that **tobacco industry pricing strategies undermine the intended impacts of tobacco tax policies and likely play a key role in driving inequalities in smoking.**

She highlighted that despite the tobacco industry's claims that price increases drive illicit trade in tobacco, their price rises in fact account for half of the overall price rise, thereby undermining their own argument.

Key policy recommendations made by the pair included further increases in tobacco taxation, and the introduction of utility style price-cap price regulation alongside a minimum consumption tax and a ban on selling below cost in order to reduce the scope for industry pricing strategies

Commenting on the involvement of the University in the APPG, Professor Gilmore said: **"Smoking remains the leading preventable cause of death** in the UK and reducing smoking rates is a high priority for public health. While the UK has made good progress in tobacco control, much more could be done.

"Our work shows there is clear scope to further increase tax on tobacco but that simultaneously **the tax structure must change to ensure that the tobacco industry cannot undermine the intended impact of tobacco tax increases.**

Dr Rob Branston added: **"This report aims to make the Chancellor aware that tobacco control measures are exceptionally cost effective and makes the clear case that additional £100 million a year spent on tobacco control would deliver a return on investment of almost 1100 per cent."**

Political responses

Bob Blackman MP (Harrow East: Conservative, Chair of the APPG) said: "The APPG on Smoking and Health calls on the Chancellor to **increase tobacco taxes** and invest in tobacco control in the forthcoming Spending Review. Smokers don't just die early, they suffer many years of disease and disability before they do, putting pressure not just on the NHS, but additional disability and social care costs and reduced income tax. **Every pound invested over the next five years could deliver £11 to the public purse."**

Rt Hon. Kevin Barron MP (Rotherham: Labour, Vice Chair of the APPG) said: "If the NHS is not to sink under the overwhelming demand for its services we have to do more to **prevent disease**, not just treat it. 80,000 smokers die each year from smoking and twenty times more are

suffering from disease and disability caused by smoking. Reducing smoking is the key, and we know that investment in Stop Smoking Services, mass media campaigns and other measures at local, regional and national level is needed if smoking is to decline in the future as it has in the past. **The evidence from around the world, including the UK, is that when investment is cut, smoking rates go back up again, and that more investment leads to faster rates of decline.**"

Our research in Social Work & Social Policy recently ranked sixth nationally by overall GPA in the independently-assessed Research Excellence Framework 2014 (REF 2014). Research by the Tobacco Control Research Group was part of this submission. 84 per cent of our impact in this area was deemed to be world-leading. The School of Management was ranked eight in the UK in the independently-assessed Research Excellence Framework. 89 per cent of their submitted case studies were deemed to have an outstanding or very considerable impact.

Explore further: [Reducing global tobacco use](#)

More information: APPG on Smoking and Health. Representation to the 2015 Spending Review. Oct 2015. www.ash.org.uk/spendingreview2015

Provided by: University of Bath

<http://medicalxpress.com/news/2015-04-global-tobacco.html>

April 20, 2015 **Reducing global tobacco use** April 20, 2015

Although global efforts to cut tobacco use have had some success, more can be done to reduce the number of deaths from smoking, according to a commentary published in *CMAJ (Canadian Medical Association Journal)*. More than 170 countries have signed the World Health Organization's (WHO) Framework Convention on Tobacco Control agreement since it was adopted in 2005. However, smoking rates are still high in many low- and middle-income countries compared with Canada and other high-income countries where efforts to curb smoking have been more successful. **Regular smokers have a threefold higher risk of dying from smoking than nonsmokers.** Quitting by age 40 will substantially reduce the risk.

To meet the WHO's recommended 30% reduction in smoking by 2025, countries need to triple tobacco taxes. If this reduction is achieved, it would save an estimated 200 million lives by the end of the 21st century.

"The only plausible way to reduce smoking to this extent would be to **triple tobacco excise taxes** in most low- and middle-income countries," writes Dr. Prabhat Jha, Centre for Global Health Research, St. Michael's Hospital and Dalla Lana School of Public Health, University of Toronto, Toronto, Ontario, with coauthor Sir George Alleyne, Pan American Health

Organization, Washington, DC. "Estimates suggest that **tripling excise tax would double the retail price of tobacco products and reduce consumption by about 40% in these nations.**"

Annual global sales of tobacco have risen over the last 25 years, from 5 million cigarettes to 6 trillion according to WHO estimates. One tonne of tobacco produces 1 million cigarettes and causes 1 death. **Global tobacco industry profits equal about US\$10 000 per death.**

Global efforts to reduce smoking must counter the tactics and large budgets of tobacco companies that allow them to use lobbying and marketing to ensure that cigarettes are affordable. "The Framework Convention on Tobacco Control is a great achievement in global health. Now is the time to take stronger steps to implement its important provisions. If we do, we might expect to achieve unprecedented numbers of lives saved in the next few decades of the 21st century," the authors conclude.

Explore further: [Tripling tobacco taxes worldwide would avoid 200 million tobacco deaths, study finds](#)

More information: *Canadian Medical Association Journal*,
www.cmaj.ca/lookup/doi/10.1503/cmaj.150261

Journal reference: Canadian Medical Association Journal

Provided by: Canadian Medical Association Journal

<http://medicalxpress.com/news/2013-12-tripling-tobacco-taxes-worldwide-million.html>

Tripling tobacco taxes worldwide would avoid 200 million tobacco deaths, study finds

January 1, 2014

Tripling taxes on cigarettes around the world would reduce the number of smokers by one-third and prevent 200 million premature deaths from lung cancer and other diseases this century, according to a review published today in the *New England Journal of Medicine*.

Such a large tax increase would double the street price of cigarettes in some countries and narrow the price gap between the cheapest and most expensive cigarettes, **which would encourage people to stop smoking rather than switch to a cheaper brand** and help young people not to start. This would be especially effective in low- and middle-income countries, where the cheapest cigarettes are relatively affordable and where smoking rates continue to rise, said Dr. Prabhat Jha, director of the Centre for Global Health Research of St. Michael's Hospital and a professor in the Dalla Lana School of Public Health at the University of Toronto. **But it would also be effective in rich countries, he said, noting that France halved cigarette consumption between 1990 and 2005 by raising taxes well above inflation.**

"Death and taxes are inevitable, but they don't need to be in that order," Dr. Jha said. **"A higher tax on tobacco is the single most effective intervention to lower smoking rates and to deter future smokers."** Countries around the world agreed at the United Nations General Assembly and the World Health Organization's 2013 Assembly to decrease the prevalence of smoking by about one-third by 2025 to reduce premature deaths from cancer and other chronic diseases by 25 per cent.

Tobacco causes about 200,000 deaths a year of people under 70 in Canada and the United States (120,000 men and 80,000 women). **Doubling cigarette prices would prevent about 70,000 of those deaths and provide new revenue that governments could spend on health care.** Dr. Jha said that even while higher tobacco taxes would reduce consumption, they would still generate an additional \$100 billion U.S. a year for a total of \$400 billion.

"Worldwide, around a half-billion children and adults under the age of 35 are already – or soon will be – smokers and on current patterns few will quit," said Professor Sir Richard Peto of the University of Oxford, the co-author.

"So there's an urgent need for governments to find ways to stop people starting and to help smokers give up. **This study demonstrates that tobacco taxes are a hugely powerful lever and potentially a triple win – reducing the numbers of people who smoke and who die from their addiction, reducing premature deaths from smoking and yet, at the same time, increasing government income.** All governments can take action **by regularly raising tobacco taxes above inflation, and using occasional steep tax hikes starting with their next budget.** Young adult smokers will lose about a decade of life if they continue to smoke – they've so much to gain by stopping."

Controlling tobacco marketing is also key to helping people quit smoking. An independent review in the United Kingdom concluded that **plain packaging** would reduce the appeal of cigarettes, a switch that is expected before the next election. Australia changed to plain packaging in 2011, a measure New Zealand plans to follow.

Dr. Jha and Sir Richard noted that the 21st-century hazards of smoking have been reliably documented only in the past year, when several researchers published papers showing that **men and women who started smoking when they were young and continued throughout adulthood had two or three times the mortality rate of non-smokers. An average of 10 years of life is lost from smoking. Many of those killed are still in middle age, meaning on average they lose about 20 years of life expectancy.**

Both Dr. Jha and Sir Richard published papers last year showing that people who quit smoking when they are young **can regain almost all of the decade of life they might otherwise have lost.**

Smoking around the world: Facts and Figures

- Worldwide, about 1.3 billion people smoke, mostly in low- and middle-income countries.
- Two-thirds of all smokers live, in descending order, in China, India, the European Union, Indonesia, the United States, Russia, Japan, Brazil, Bangladesh and Pakistan.
- China consumes more than 2 trillion cigarettes a year, out of a world total of about 6 trillion.
- Smoking causes about 12-25 per cent of all deaths in middle-age men in China, India, Bangladesh and South Africa, and these proportions are set to rise as successive generations in which few people smoked are being replaced by generations in which many people have smoked throughout their adult lives
- **Numerous studies find that a 50 per cent higher inflation-adjusted price for cigarettes reduces consumption by about 20 per cent with stronger effects in the young and in the poor.**
- In most high-income countries, about 50-60 per cent of the retail price of a pack of cigarettes is the excise tax (based on the quantity or weight of tobacco, and which is difficult for the tobacco industry to manipulate). By contrast, this proportion is only 35-40 per cent in most low- and middle-income countries.
- About US\$300 billion dollars is raised from tobacco tax worldwide. **Tripling the tax would double the price of a package of cigarettes and reduce consumption by one third, yet still yield another \$100 billion US in revenue**
- A low excise tax is the main reason cigarettes are cheaper in many low- and middle-income countries than in high-income countries.
- The federal excise tax on a carton of cigarettes in Canada is C\$17. Federal and provincial sales taxes bring the total cost of carton from between \$46 and \$87
- About 10 per cent of all cigarettes manufactured worldwide are smuggled. Smart taxation strategies and efforts to clamp down on criminals who smuggle reduce smuggling. **Even in the presence of smuggling, higher taxes reduce consumption and raise more revenue.**
- Non-price interventions such as complete bans on tobacco advertising and promotion, **plain packaging** (already used in Australia) **or pictorial warning labels**, smoke-free laws and support for cessation help reduce smoking, and **raise support for higher taxes.**

Explore further: [Smokers who quit before age 40 have lifespan almost as long as people who never smoked](#)

Journal reference: New England Journal of Medicine

Provided by: St. Michael's Hospital



WHO: Stepped up government tax action needed to curb tobacco epidemic

News release

7 July 2015 | Manila - **Too few governments levy appropriate levels of tax on cigarettes and other tobacco products.** They therefore miss out on a proven, low-cost measure to curb demand for tobacco, save lives and generate funds for stronger health services, according to the *"WHO Report on the global tobacco epidemic 2015"*.

The report focuses on raising taxes on tobacco. Although 33 countries impose taxes that represent more than 75% of the retail price of a packet of cigarettes, many countries have extremely low tax rates. Some have no special tax on tobacco products at all.

"Raising taxes on tobacco products is one of the most effective – and cost-effective – ways to reduce consumption of products that kill, while also generating substantial revenue," says Dr Margaret Chan, WHO Director-General. "I encourage all governments to look at the evidence, not the industry's arguments, and adopt one of the best win-win policy options available for health."

Strategies to support the implementation of demand reduction measures contained within the WHO Framework Convention on Tobacco Control (WHO FCTC), such as the "MPOWER" package, have helped save millions of lives in the past decade. MPOWER was established in 2008 to promote government action on 6 tobacco control strategies – 1 for each letter of the MPOWER acronym – to stamp out the tobacco epidemic, namely to:

- **Monitor** tobacco use and prevention policies;
- **Protect** people from tobacco smoke;
- **Offer** help to quit tobacco use;
- **Warn** people about the dangers of tobacco;
- **Enforce** bans on tobacco advertising, promotion and sponsorship; and
- **Raise taxes on tobacco.**

The main findings of the report, funded by Bloomberg Philanthropies, include the fact that **raising taxes is the least implemented MPOWER measure in terms of population coverage, and the one that has seen the least improvement in terms of government action since 2008.** However, by 2014, 11 countries had raised taxes so that they represent more than 75% of the retail price of a packet of cigarettes, joining the 22 countries that had similarly high taxes in place in 2008.

Dr Douglas Bettcher, Director of WHO's Department for the Prevention of Noncommunicable Diseases (NCDs), says **higher tobacco taxes and prices are proven methods to reduce consumption and promote quitting the use of tobacco products.**

"Evidence from countries such as China and France shows that higher tobacco product prices linked to increased taxes lead to declines in smoking prevalence and tobacco-related harm, such as lung cancer deaths," says Dr Bettcher.

Dr Vera da Costa e Silva, Head of the WHO FCTC Secretariat, notes that the Convention offers governments policies to curb illicit trade in tobacco products to reduce demand and boost tax revenues from tobacco sales. “Countries should consider implementing the provisions of the Protocol to Eliminate Illicit Trade in Tobacco Products to confront the illegal market,” she adds.

Tobacco taxation could also be a key source of funding for implementing the post-2015 Sustainable Development Goals. Tobacco-related illness is one of the biggest public health threats the world has ever faced. **Approximately 1 person dies from a tobacco-related disease every 6 seconds, equivalent to around 6 million people a year. That is forecast to rise to more than 8 million people a year by 2030, unless strong measures are taken to control the epidemic.**

Tobacco use is also one of the 4 main risk factors behind the global epidemic of noncommunicable diseases, primarily cancers, cardiovascular and lung diseases, and diabetes. In 2012, these diseases killed 16 million people prematurely (before the age of 70 years), with more than 80% occurring in low- and middle-income countries.

Note for Editors:

1) Other findings from the 5th *“WHO Report on the global tobacco epidemic 2015”* include:

- 40% of the world’s population (2.8 billion people) are covered by at least 1 MPOWER measure at the highest level, more than doubling the number of countries and nearly tripling the number of people covered since 2007;
- 20% of the world’s population are covered by 2 or more MPOWER measures at the highest level, tripling the number of people to 1.4 billion people since 2007; and
- 7 countries, including 5 low- and middle-income, have implemented 4 or more MPOWER measures at the highest level, namely Brazil, Islamic Republic of Iran, Madagascar, New Zealand, Panama, Turkey and Uruguay.

2) A research model in China suggests that raising taxes on cigarettes so that they account for 75% of retail prices- up from 40% of the share of price in 2010- would avert nearly 3.5 million deaths that would otherwise be caused by cigarette smoking.

In France, increases in tobacco taxation that began in the 1990s led to a threefold increase in the inflation-adjusted price of cigarettes, and, by 2005, to a halving of cigarette consumption from around six cigarettes per adult per day to three cigarettes per day. Lung cancer rates in France among men aged 35–44 years fell from 1999 onwards.

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