

Chloe Smith MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

2 February 2012

Dear Chloe

Budget submission from ASH and the UK Centre for Tobacco Control Studies

Thank you for meeting up with us in advance of the Budget; we much appreciated the opportunity to present in person our submission. The submission, enclosed with this letter, is on behalf of Action on Smoking and Health and the UK Centre for Tobacco Control Studies, endorsed by 91 organisations in total.

As we discussed we support the government's objective – consistent with its wider fiscal objectives - of reducing the affordability of tobacco through increasing taxation, widely acknowledged as the most effective means of reducing smoking prevalence while increasing government revenues. We congratulate the government on the measures introduced in the 2011 budget to sustain the tobacco escalator and to restructure tobacco taxation to reduce down trading to cheaper brands and handrolled tobacco (HRT).

Poorer smokers are more likely to quit as they are more sensitive to price increases, so putting tobacco taxes up can potentially help reduce health inequalities at population level. However, poorer smokers who don't quit are disproportionately disadvantaged because of the negative impact of tobacco tax increases on their already small incomes. The health organisations which endorse the ASH budget submission support increasing the tobacco tax escalator to 5% above inflation to continue to reduce the affordability of tobacco as long as, at the same time, government continues to provide adequate funding for measures to reduce smoking prevalence.

We also support the provision of additional funding for the refreshed tobacco smuggling strategy. This strategy has been highly successful for over a decade in reducing the illicit market in tobacco while taxes continue to rise. This is in stark contrast to the arguments put forward by the tobacco industry that tax increases inevitably lead to increases in the illicit trade. Our detailed submission includes rebuttals of tobacco industry arguments on tax, smuggling and plain packaging of tobacco products. Plain packaging is due to be consulted on shortly, and is a measure strongly supported by all the organisations endorsing this submission.

We also believe that there are some additional measures with respect to tax and smuggling which would strengthen government policy still further. Our key

recommendations on these issues are set out below, with the more detailed arguments and references included in the enclosed submission.

Key Recommendations:

Taxation

- 1) Increase the tobacco tax escalator from 2% to 5% above inflation from 2012 onwards.
- 2) Ensure that the specific tax element for cigarettes is the maximum allowed under the revised EU tax directive.
- 3) Further reduce the differential between tax levels on HRT and that on cigarettes.
- 4) Set a minimum excise tax for cigarettes to ensure that tax on all below average price cigarettes is set at the same level as that of average price cigarettes.
- 5) Improve the collection of data on the price of tobacco products.
- 6) Investigate the feasibility of introducing a price cap on tobacco product profits.

Smuggling

- 7) Set national ambitions to reduce the illicit market share of cigarettes from 10% in 2009/10 to 3% by 2015-16 and of HRT from 46% in 2009/10 to 25% by 2015-16.
- 8) Introduce legislation to require registration of tobacco retailers to make it easier to penalise sellers of illicit tobacco and protect the rights of legitimate retailers.
- 9) Support the inclusion of a pack-level tracking and tracing system administered independently of industry in the illicit trade protocol to the WHO FCTC;
- 10) Ensure that any engagement with the tobacco industry is in line with the UK's obligations as a Party to the WHO FCTC to protect public health policy from the vested interests of the tobacco industry.
- 11) Sustain investment in working with partner agencies in the UK, for example local authorities and the police, as exemplified in the North of England Programme.
- 12) Improve market surveillance and data collection in support of more effective enforcement and publish on the HMRC website an annual tobacco report.

Please do let us know if you have any further questions?

Best wishes
Deborah.

Deborah Arnott
Chief Executive

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cc Professor Anna Gilmore, Craig Pickering, all endorsing organisations

Enc: ASH UKCTCS Budget submission
Gilmore A, Branston JR and Sweanor D. The case for OFSMOKE: how tobacco price regulation is needed to promote the health of markets, government revenue and the public. Tobacco Control 2010; 119: 423-430