Cancer Research UK FAQ: Tobacco Industry Levy

Quitting tobacco is the best thing an individual can do for their health; comprehensive tobacco control is the best thing the country can do for public health. It is vital that adequate resources are available to local authorities to help them, help smokers.

Tobacco use in England alone costs society approximately £13.8 billion each year\(^1\)\(^2\), this is made up of both the direct costs to the NHS and other costs, such as lost work days and productivity due to smoking related illness.

We believe that the tobacco industry - who profit from a product which kills up to 2 in 3 long-term smokers\(^3\)\(^4\) and inflicts a massive financial burden on the country - should pay for the damage they have done and continue to do.

A levy on tobacco companies should be raised based on the market share of each company involved in the tobacco business, with the money being used to pay for stop smoking services, mass media campaigns which promote these services and resources to tackle the illicit tobacco market.

**Question:** What is a tobacco industry levy?

**Answer:** Tobacco companies are the architects of the greatest man-made public health epidemic in history, yet they continue to profit to the tune of almost £6,000 for every death caused by their products\(^5\). It is vital to provide funding for stop smoking services, to help smokers quit, if we want to reduce the devastating toll of smoking.

Therefore, we are calling for the introduction of a financial levy on tobacco manufacturers and importers which would annually raise £500 million to fund ‘gold standard’ smoking cessation services; mass media campaigns and increased resources to tackle the illicit trade.

£500 million per annum equates to around one pence per manufactured cigarette sold each year. The money would come directly from the tobacco companies – it is not an additional tax on the product – the proportion payment would be based on the market share of each company.

**Question:** Why do we need it?

**Answer:** Tobacco use remains the UK’s single greatest cause of preventable illness and avoidable death, with 100,000 people dying each year from smoking-related diseases, including cancer\(^6\). It is estimated that smoking causes nearly a fifth of all cancer cases in the UK, and more than a quarter of all cancer deaths\(^7\)\(^8\). Two-thirds of smokers start before they are 18\(^8\) - the beginning of an addiction that will kill up to 2 in 3 long-term smokers\(^9\)\(^10\)\(^11\).

Four in 10 cancers could be prevented by changes to avoidable risk factors – almost 600,000 cases of cancer in the last five years; of which smoking accounted for more than half. Tobacco products, which are responsible for this devastating health harm, didn’t fall from the sky – the companies who have manufactured, marketed and misled must carry some of the burden for the harm their products have caused. We’re calling for increased investment in tobacco control services to ensure that these services can meet the needs of smokers who want to quit. A real commitment to disease prevention is vital for the health service to meet the challenges of the future\(^12\), and we know that tobacco control can make a highly cost-effective contribution: every £1 spent on smoking cessation saves £10 in future health care costs\(^13\).

Research from Action on Smoking & Health (ASH) highlights that the total cost of tobacco use to society in England is approximately £13.8 billion\(^14\)\(^15\). In June 2015 a £200m cut to local public health budgets was announced, as part of a wider package of departmental savings\(^16\).

CRUK commissioned analysis, published in March 2015\(^17\), shows that tobacco control budgets have been robust since transition to local authorities in April 2013, but ‘warning signs’ from the report were clear. Since the publication of the report, there has even been an example of a stop smoking service in Cumbria unable to be “…extended in its current form” because no-one submitted a tender for the contract\(^19\). Tobacco control or smoking cessation budgets have been cut in 7% of local authorities. Modelling by the Local Government Association (LGA) estimates that a funding gap in local government expenditure, opening up in 2015/16, could grow to £12.4 billion by 2019/20\(^19\)\(^20\).
If we are to realise the ambition of a tobacco-free future in the next 20 years, where less than 5% of the adult population smoke, then it is vital to help smokers quit by ensuring that the most effective route – through a stop smoking service – receives continued investment, which can be guaranteed through the introduction of a financial levy on tobacco companies.

**Tobacco Key Facts**

**Over 70** cancer-causing chemicals in tobacco smoke, including:
- Arsenic Poison
- Formaldehyde Poison
- Benzene Poison
- Polonium-210 Radioactive

**Up to 2 in 3** long-term smokers will die from a smoking related cause

**100,000** in the UK die every year from smoking. More than the population of the city of Bath

**Two-thirds** of smokers start before the age of 18

**Question:** Will tobacco companies not simply pass on the cost of the levy to consumer?
**Answer:** The tobacco industry could potentially pass on the cost of a levy to smokers. If they were to do that, research shows that the resulting price increase could help to reduce smoking rates by encouraging quit attempts and preventing uptake.

Tax induced price rises are one of the most effective ways of reducing tobacco consumption, something the tobacco industry itself admits. There is strong evidence that an increase in the price of tobacco products have a pro-equity effect on smoking behaviour in adults. A similar observation has been made in regard to interventions to create positive equity impact among young people.

Research suggests that increasing the unit price of tobacco may have the potential to reduce smoking related health inequalities. Conversely, tobacco companies have implemented strategies to absorb tax-induced price rises on their economy (or ultra low price) brands to ensure that the cost of a pack of cigarettes on the shelf does not change; a practice known as ‘undershifting’ which adversely affects the impact price can have on motivating smokers to quit.

**Question:** Have the tobacco industry made any other claims about the impact of a tobacco industry levy?
**Answer:** The Tobacco Manufacturers Association (TMA), which is funded by tobacco companies to lobby on their behalf, has claimed that the introduction of a tobacco levy would cost taxpayers money that could be spent on public services. However... the total cost of tobacco use to society in England is approximately £13.8 billion, contrary to the TMA claim that the industry pays a ‘fair share’, the costs arising from tobacco use are around double the amount raised in duty, creating a shortfall of around £6 billion each year. Reducing smoking rates saves lives, improves health and well-being and delivers major benefits to the economy.

The TMA has also stated that a tobacco levy would lead to more illegal tobacco in the UK. However...The tobacco industry has consistently used claims about illicit tobacco to oppose public health policies. The credibility of their argument is severely undermined by the fact that (a) the illicit tobacco market has more than halved since 2000-01,
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despite the introduction of a range of tobacco control policies and (b) the tobacco industry has itself been repeatedly implicated and recently fined for its role in facilitating tobacco smuggling across the European Union.31,32,33

Question: What is the current situation?

Answer: In December 2014 HM Treasury launched a consultation on the potential design for a levy of tobacco manufacturers and importers as was announced in the 2014 Autumn Statement. CRUK are one of more than 120 public health-related organisations who have called for the introduction of a tobacco levy, as a key recommendation of the smoking still kills report – written by ASH. However in the summer budget, announced on 8 July 2015, the Government missed an opportunity to plug a gap in health finances by not introducing a levy. We will continue to work with Government to ensure that tobacco control services – at every level – have the funding they need to reduce the burden of tobacco use in the UK, as part of a comprehensive tobacco control strategy.

For more information, please email tobaccocontrol@cancer.org.uk

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