

Tobacco economics

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Taxation

The Treasury earned an estimated £12bn in revenue from tobacco duties for the financial year 2012-2013 (including VAT).

Tax accounts for about 77% of the price of a packet of premium-priced cigarettes.

The price of cigarettes has a major effect on cigarette consumption. Higher tobacco taxes reduce smoking and smoking related sickness as people cut down, stop smoking, or never start because of the high cost.

Public opinion is largely in favour of increased taxation, according to various opinion polls.

The tobacco industry

- Around 2,800 are employed in the tobacco industry in the UK.
- The UK cigarette market is dominated by two companies: Japan Tobacco International and Imperial Tobacco, which together control around 85% of market share.
- About 7% of manufactured cigarettes and around a third of all hand-rolled tobacco consumed in the UK is illicit. Tobacco smuggling results in a net loss to the Treasury of around £1.6bn a year.
- The global tobacco industry produces almost six trillion cigarettes a year. Sales from the 5 biggest international companies account for three-quarters of the worldwide market, excluding China.

Health costs

Smoking costs the National Health Service (NHS) in England approximately £2bn a year for treating diseases caused by smoking.

This includes the costs of hospital admissions, GP consultations and prescriptions. The government also pays for sickness/invalidity benefits, widows' pensions and other social security benefits for dependants.

Expenditure on tobacco control provides good value for money: reduced smoking results in a net annual benefit of £1.7bn, in addition to tobacco tax revenue.

Fires

Since November 2011, all cigarettes sold in the EU are required to meet safety standards aimed at reducing the risk of fires. This has led to a significant fall in the number of deaths and casualties. However, smoking materials remain the main cause of fatal accidental fires in the home, accounting for 82 deaths and 671 casualties in Great Britain in 2012/13.

Tobacco Advertising

The Government estimated that the ban on tobacco advertising in the UK would lead to a drop in consumption of around 3%, saving approximately 3000 lives in the long term.

Cost to smokers

In 2013, UK smokers spent around £14bn on tobacco.

A 20-a-day smoker of a premium brand will spend about £2900 a year on cigarettes.