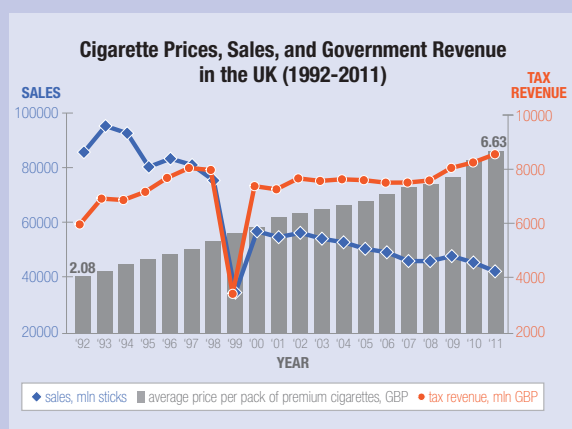


TOBACCO TAX SUCCESS STORY UNITED KINGDOM

FCTC ARTICLE 6

Price and tax measures are an effective and important means of reducing tobacco consumption... Each party should... adopt... tax policies and... price policies on tobacco products, so as to contribute to the health objectives aimed at reducing tobacco consumption.

Between 1992 and 2011, the price of cigarettes in the United Kingdom increased more than 200%. During the same period, cigarette sales declined 51% and government revenue from tobacco taxes increased 44%. Adult smoking prevalence dropped from 27% in 2000 to 20% in 2010.



The most effective method for reducing tobacco consumption is to increase the price of tobacco products through tax increases. Higher tobacco prices encourage cessation among existing tobacco users, prevent initiation among potential users, and reduce the quantity of tobacco consumed among continuing users.

Sources

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- European Commission. Manufactured tobacco: Excise duty rates. 1 July 2012.
- HM Revenue & Customs. Statistics – Tax & Duty Bulletin: Tobacco. Sep 2012. Available from www.uktradeinfo.com/
- Office for National Statistics. General Lifestyle Survey 2010. Available from www.ons.gov.uk/ons/rel/ghs/general-lifestyle-survey/2010/index.html
- Tobacco Manufacturers' Association. UK cigarette prices. 2012.

Tobacco Use

One in five adults (age 16+) in the United Kingdom smoke (males 21%; females 20%). Among 15 year old youth in England, 11% are regular smokers.

Tax Structure

Cigarettes incur both a specific and ad valorem tax. The government sets

Tax Change

In 1993, the government introduced a tobacco tax escalator of 3% above inflation, which was increased to 5% in 1997. In 2001, the escalator was removed, and, until 2008, taxes rose only in line with inflation. In 2009, tobacco taxes were increased 2%

a tobacco tax escalator, which automatically increases tobacco taxes by a certain percentage above the inflation rate. Cigarettes are also subject to 20% VAT.

As a member of the European Union, total excise must be at least 57% of the weighted average retail selling price of cigarettes.

above inflation. The escalator was reinstated at 1% above inflation in 2010, and raised to 2% in 2011 and 5% in 2012.

Currently, total taxes (including VAT) account for 82% of the retail price.

Tobacco Tax Increases in the United Kingdom

Year	Tobacco excise increase	Year	Tobacco excise increase
1993 – 1997	3% above inflation	2009	2% above inflation
1998 – 2000	5% above inflation	2010	1% above inflation
2001 – 2008	with inflation	2011	2% above inflation
		2012	5% above inflation

Industry Reaction. Illicit trade rose from below 5% in the early 1990s to 20% in 2000, in large part due to tobacco companies facilitating the smuggling of their products. The industry used the increase illicit trade to argue for reduced tobacco taxes.

Government Response to Illicit Trade. In 2000, the Government introduced an anti-smuggling strategy and strengthened it in 2006, 2008, and 2011. Due to the Government's continuously evolving strategy, illicit trade decreased from a peak of 21% to about 9% in 2012, while taxes increased.

Impact of Tax Increase

Tax and Price

Total tobacco tax has remained at or above 75% of retail price since 1992.

Sales

Cigarette sales declined 51% from 85.7 billion sticks in 1992 to 42 billion sticks.

Prevalence

Between 1994 and 2000, there was no

change in adult smoking prevalence. It declined significantly starting in 2000 once a comprehensive tobacco control strategy, including tackling smuggling, was introduced.

Government Revenue

Between 1992 and 2011, government excise revenue from cigarettes increased from £5.9 billion to £8.5 billion, even as sales declined.