

# Tobacco Products Duty Rates

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## Who is likely to be affected?

Manufacturers, importers and consumers of tobacco products. Tobacco products include cigarettes, cigars, hand-rolling tobacco, other smoking tobacco and chewing tobacco.

## General description of the measure

The measure increases the rates of duty on all tobacco products imported into, or manufactured in, the UK by 5 per cent above retail price inflation.

## Policy objective

The Government is committed to maintaining high tobacco duty rates to support health objectives and ensure that tobacco duties continue to contribute to government revenues and fiscal consolidation.

## Background to the measure

The March 2010 Budget announced that tobacco duty rates would increase by 2 per cent above retail price inflation in each year to 2014-15.

## Detailed proposal

### Operative date

The rate changes will have effect from 6pm on 21 March 2012.

### Current law

The table of rates of duty in Schedule 1 to the Tobacco Products Duty Act 1979 is substituted with a table providing for the revised duty rates for all categories of tobacco products.

## Proposed revisions

Legislation will be introduced in Finance Bill 2012 to revise the rates of duty on tobacco products.

The revised rates of duty are:

- cigarettes: an amount equal to 16.5 per cent of the retail price plus £167.41 per one thousand cigarettes;
- cigars: £208.83 per kilogram;
- hand-rolling tobacco: £164.11 per kilogram; and
- other smoking tobacco and chewing tobacco: £91.81 per kilogram.

## Summary of impacts

Exchequer impact (£m)	2012-13	2013-14	2014-15	2015-16	2016-17
	+70	+50	+50	+45	+45
	These figures are set out in Table 2.1 of the Budget Report and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
<b>Economic impact</b>	Increasing tobacco duty will increase the price of tobacco products. In response to higher prices consumers are likely to reduce their consumption, down-trade from more expensive to cheaper tobacco products, and may shift their consumption to the illicit tobacco market. Any potential shift in consumption to the illicit market will be closely monitored by HM Revenue & Customs (HMRC).				
<b>Impact on individuals and households</b>	<p>This measure will impact upon individual and household smokers, who will face an increase in the price of tobacco products, as higher duty rates are passed on to them by tobacco manufacturers. Heavy smokers will face the highest burden from this measure.</p> <p>This measure will add:</p> <ul style="list-style-type: none"> <li>• 37 pence to a packet of 20 cigarettes;</li> <li>• 37 pence to a packet (25g) of hand-rolling tobacco;</li> <li>• 12 pence to a packet of 5 small cigars; and</li> <li>• 20 pence to a packet (25g) of pipe tobacco.</li> </ul>				
<b>Equalities impacts</b>	Due to differences in smoking prevalence across gender, age and marital status, any change to tobacco duties will have an equalities impact. The proposed duty increases will raise revenue and discourage smoking, and the Government believes that the benefits will outweigh the unintended effects on equality.				
<b>Impact on business including civil society organisations</b>	<p>Tobacco manufacturers will face an increase in tax from this measure, which they are likely to pass on to consumers.</p> <p>A change in tobacco duty rates will impose a negligible one-off compliance cost to businesses.</p>				
<b>Operational impact (£m) (HMRC or other)</b>	HMRC will incur a negligible one-off compliance cost.				
<b>Other impacts</b>	<p><u>Small firms impact assessment:</u> The increase in duty rates will affect all sizes of business and apply equally to all.</p> <p><u>Health impact assessment:</u> Any reduction in smoking prevalence will have a positive impact on health, and reduce the cost to the NHS of smoking-related illness. There may be reductions in other costs that arise from tobacco use; these costs include losses in productivity from smoking breaks and ill-health absences, the cost of cleaning up cigarette butts, the cost of smoking-related house fires and the loss in economic output from people who die from diseases related to smoking or exposure to second-hand smoke.</p>				

**Monitoring and evaluation**

The impact of the measure on tax receipts and tobacco consumption will be assessed alongside the impacts of previous tobacco duty rates changes.

**Further advice**

If you have any questions about this change, please contact the Excise and Customs Helpline on 0845 010 9000.