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Tobacco tax increase is a gift to criminal gangs
Commenting on today's Budget announcement, Jaine Chisholm Caunt, Secretary General of the Tobacco Manufacturers' Association...

UK tobacco market summary

Expenditure & revenue

- Consumer spending on tobacco products in 2010 amounted to an estimated £14 billion, around 90% of this on cigarettes.
- Tax revenue from tobacco in 2011/12 amounted to £12.1 billion – £9.5 billion in excise duty plus £2.6 billion in VAT.
- The total tax burden (excise duty plus VAT) accounts for 88% of the price of the cheapest cigarettes on sale in the UK.

Smuggling & crossborder shopping

- Owing to the high level of tobacco taxation the UK experiences a high level of smuggling and crossborder shopping in tobacco products – referred to as non-UK duty paid (NUKDP) consumption. HM Revenue & Customs estimate that in 2010/11 up to 19% of cigarette and 50% of handrolling tobacco consumption was NUKDP.
- We believe that the majority of NUKDP consumption comes from other EU Member States where taxes, and therefore prices, in many countries are much lower. For example, a typical pack of 20 premium cigarettes costs £7.98 in the UK and around £3.80 in Spain.
- The empty pack surveys (EPS) conducted on behalf of the tobacco industry indicate that the non-UK duty paid cigarette market in 2012 was around 21%, up from around 17% in 2011, which represents an additional revenue loss to the Treasury of hundreds of millions of pounds.
- As a result of recent VAT increases and the re-introduction of the duty escalator cigarette taxation has increased by 37% since 1 January 2010.
- There is widespread concern that these tax increases will lead to an increase in illicit tobacco consumption.
- HM Revenue & Customs estimate that in 2010/11 NUKDP consumption lost them revenue of between £1.4 and £3.4 billion.

Smoking prevalence

- The latest figures (2011) from the Government's General Lifestyle Survey show that 20% of the adult population (16+) in Great Britain were cigarette/handrolling tobacco smokers – although the report does note that this is likely to be an understatement. This equates to around 10.5 million smokers – 8.8 million in England. Northern Ireland's Continuous Household Survey shows that 23% of adults (16+) were cigarette/handrolling tobacco smokers – around 340,000 people.

Employment

- TMA member companies directly employ over 5700 people in the UK.
- A 2012 study by Cogent estimated a further 66,000 jobs among suppliers and in wholesale, distribution and retailing were dependent on the UK tobacco industry.

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