

Tobacco economics

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Taxation

- The Treasury earned £10.5 billion in revenue from tobacco duties for the financial year 2009-2010 (including VAT).
- About 76% of the price of a packet of cigarettes consists of taxation.
- 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 10% of manufactured cigarettes and half of all hand-rolled tobacco consumed in the UK is illicit. Tobacco smuggling results in a net loss to the Treasury of around £2 billion a year.
- The global tobacco industry produces five and half 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) approximately £2.7 billion 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 £1.7 billion, in addition to tobacco tax revenue.

Fires

Cigarettes are the main cause of fatal accidental fires in the home: in 2008 smokers' materials accounted for 113 deaths and 932 non-fatal casualties from fires in the home. From November 2011 all cigarettes sold throughout the EU will be required to meet new safety standards to reduce the risk of fires.

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 2008 UK smokers spent £16 billion on tobacco.

A 20-a-day smoker will spend about £2000 a year on cigarettes.