

Tobacco economics

Taxation

The Treasury earned £9.5bn in revenue from tobacco duties for the financial year 2014-2015 (excluding 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

- The UK cigarette market is dominated by two companies: Japan Tobacco International and Imperial Tobacco, which together control around 84% of market share.
- Despite a steady fall in smoking in the UK since the 1970s, the tobacco companies continue to make huge profits.
- About 10% 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 £2.1bn a year.
- The global tobacco industry produces almost six trillion cigarettes a year. Sales from the 4 biggest international companies account for 40% 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 85 deaths and 673 casualties in Great Britain in 2013/14.

Cost to society

The total cost to society (in England) is approximately £13.9 billion per year. This includes costs to the NHS, to employers, and environmental costs.

Cost to smokers

In 2014, the total UK household expenditure on tobacco was estimated to be £19.4bn.

A 20-a-day smoker of a premium brand will spend about £3000 a year on cigarettes.