

Expert evidence on tobacco taxes

October 19 2015, by Alison Jones

Research from our Department for Health and School of Management has contributed to a recent report by the All Party Parliamentary Group (APPG) on Smoking and Health calling on the Chancellor to increase tobacco taxes, to fund a reduction in smoking prevalence.

Professor Anna Gilmore, Director of the Tobacco Control Research Group, and Dr Rob Branston, Deputy-Director of the Centre for Governance and Regulation, presented expert evidence on tobacco industry profitability and pricing at an Inquiry by the APPG into the cost effectiveness of [tobacco control](#).

A summary of the evidence presented at the Inquiry will be submitted as evidence as part of the Treasury's Comprehensive Spending Review - APPG on Smoking and Health. Representation to the 2015 Spending Review. Oct 2015.

Key findings

Evidence in the report shows that measures to reduce [smoking](#) prevalence, including by tobacco taxation, are not only cost-effective but can also have a positive impact on public finances. Members of the APPG recommend that the tobacco tax escalator be increased from 2 per cent to 5 per cent above inflation every year.

They also call for spending on tobacco control to be increased from £200 million to £300 million a year, funded by the additional tax rise. This additional investment could deliver a return on investment of almost

1100 per cent over 5 years and nearly double the rate of decline of smoking, they suggest.

The NHS Five Year Forward view forecasts a £30 billion shortfall in funding by 2020 and even after additional funding promised by the Government there will be a predicted shortfall of £22 billion by 2020.

According to the King's Fund, closing this gap through efficiency savings alone will be "very challenging". Therefore to avoid large reductions in NHS services, it will be necessary to reduce demand. The APPG Inquiry heard that continuing to drive down [smoking prevalence](#) will be essential to the success of this strategy.

Policy impact of research

Dr Branston presented work undertaken by him and Professor Gilmore highlighting the extreme profitability of the tobacco industry in the UK, identifying that the industry has made at least £1 billion pounds in profit in recent years and the companies enjoy margins of up to 68 per cent compared with 12-20 per cent for other consumer staple firms.

Professor Gilmore presented work undertaken by the Tobacco Control Research Group, showing that tobacco industry pricing strategies undermine the intended impacts of tobacco tax policies and likely play a key role in driving inequalities in smoking. She highlighted that despite the tobacco industry's claims that price increases drive illicit trade in tobacco, their price rises in fact account for half of the overall price rise, thereby undermining their own argument.

Key policy recommendations made by the pair included further increases in tobacco taxation, and the introduction of utility style price-cap price regulation alongside a minimum consumption tax and a ban on selling below cost in order to reduce the scope for industry pricing

strategies

Commenting on the involvement of the University in the APPG, Professor Gilmore said: "Smoking remains the leading preventable cause of death in the UK and reducing smoking rates is a high priority for public health. While the UK has made good progress in tobacco control, much more could be done.

"Our work shows there is clear scope to further increase tax on tobacco but that simultaneously the tax structure must change to ensure that the [tobacco industry](#) cannot undermine the intended impact of tobacco tax increases.

Dr Rob Branston added: "This report aims to make the Chancellor aware that tobacco control measures are exceptionally cost effective and makes the clear case that additional £100 million a year spent on tobacco control would deliver a return on investment of almost 1100 per cent."

Political responses

Bob Blackman MP (Harrow East: Conservative, Chair of the APPG) said: "The APPG on Smoking and Health calls on the Chancellor to increase [tobacco taxes](#) and invest in [tobacco](#) control in the forthcoming Spending Review. Smokers don't just die early, they suffer many years of disease and disability before they do, putting pressure not just on the NHS, but additional disability and social care costs and reduced income tax. Every pound invested over the next five years could deliver £11 to the public purse."

Rt Hon. Kevin Barron MP (Rotherham: Labour, Vice Chair of the APPG) said: "If the NHS is not to sink under the overwhelming demand for its services we have to do more to prevent disease, not just treat it. 80,000 smokers die each year from smoking and twenty times more are

suffering from disease and disability caused by smoking. Reducing smoking is the key, and we know that investment in Stop Smoking Services, mass media campaigns and other measures at local, regional and national level is needed if smoking is to decline in the future as it has in the past. The evidence from around the world, including the UK, is that when investment is cut, smoking rates go back up again, and that more investment leads to faster rates of decline."

Our research in Social Work & Social Policy recently ranked sixth nationally by overall GPA in the independently-assessed Research Excellence Framework 2014 (REF 2014). Research by the Tobacco Control Research Group was part of this submission. 84 per cent of our impact in this area was deemed to be world-leading. The School of Management was ranked eight in the UK in the independently-assessed Research Excellence Framework. 89 per cent of their submitted case studies were deemed to have an outstanding or very considerable impact.

More information: APPG on Smoking and Health. Representation to the 2015 Spending Review. Oct 2015.

www.ash.org.uk/spendingreview2015

Provided by University of Bath

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