

HM Treasury gives green light to smugglers as tobacco taxes rise to ridiculous levels

TMA responds to the Chancellor's Budget – 8 March 2017

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Responding to today's Budget announcement, Giles Roca, Director General of the Tobacco Manufacturers' Association (TMA), said:

"We are disappointed that the Government has once again raised taxation on tobacco when tax on some of the lowest priced cigarettes already accounts for 90% of the price. Taxation on tobacco in the UK is already the highest in the EU meaning that prices in the UK are up to four times higher than in other European countries.

"Taxation on tobacco has also increased by over 50% over the last 5 years. Today's move will simply encourage people to buy from the black market and takes business away from the legitimate trade whilst costing the taxpayer around £2.4 billion in lost taxes in the last year alone."

Example of Pre-Budget prices of cigarettes & hand rolling tobacco

	Typical pack of 20 premium cigarettes
UK	£ 9.91
Spain	£ 3.93
Poland	£ 2.81

	Hand rolling tobacco (50gr)
UK	£ 19.99
Belgium	£ 7.40

Minimum Excise Tax

Commenting on the introduction of a Minimum Excise Tax on cigarette products, Giles Roca said:

"The UK was one of several EU states that did not previously apply some form of minimum tax on cigarette products. Today's announcement to introduce minimum excise taxation at a rate of £268.63 per 1,000 cigarettes from 20 May 2017 will increase the total amount of taxation paid on lower priced cigarettes. We will wait and see how this impacts the tobacco market as a whole."

- ENDS -

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Notes to Editors:

1. The TMA is the trade association for tobacco companies that operate in the UK. Our members are British American Tobacco UK Ltd (www.bat.com), Gallaher Ltd (a member of the JTI Group of companies – www.jti.com), and Imperial Tobacco Ltd. (www.imperial-tobacco.com)
2. The Office for Budget Responsibility's (OBR) tobacco excise revenue forecasts reveal a downward revision of £5.0bn between the period 2015/16 – 2018/19
3. HM Revenue & Customs (HMRC) 2015/16 mid-point estimates² show that

Mid-point estimates of smuggling & crossborder shopping (non-UK duty paid – NUKDP)					
Cigarettes			Hand rolling tobacco (HRT)		
Smuggling	Crossborder	Total NUKDP	Smuggling	Crossborder	Total NUKDP
13%	4%	17%	32%	5%	37%

Mid-point estimates of revenue losses from smuggling & crossborder shopping (£millions)						
Cigarettes			Hand rolling tobacco (HRT)			Cigarettes + HRT
Smuggling	Crossborder	Total NUKDP	Smuggling	Crossborder	Total NUKDP	Total NUKDP
£1,600	£500	£2,100	£800	£100	£900	£3,000

4. Further information can be found on the TMA's website – www.the-tma.org.uk