

Brief Overview:

The Tobacco Levy

Tobacco's Cost on Wales

Smoking imposes large costs on society. Smoking is the leading cause of preventable and premature death in Wales, and contributes significantly to the burden of disease within our society. It is estimated that over 5,000 deaths each year are attributed to smoking in Wales, and that the Welsh NHS spends approximately £302 million each year on smoking related illness and disease^{1 2}. In addition to the costs to public health, smoking also creates many indirect costs relating to productivity, businesses losses, fires and littering. In 2013, ASH Wales and the British Heart Foundation commissioned research into the economic costs of smoking in Wales. Estimates are applicable to smoking prevalence and the economic landscape of 2013, and need to be updated to provide a more accurate portrayal of present costs. However, these figures have been included to demonstrate the scale of the economic burden smoking ensues on Welsh society. ASH Wales recommends that research is updated to fully understand the economic impact of smoking in Wales today. However, based off 2013 findings (estimates per annum):

- Smoking cost the NHS in Wales approximately £302 million per year.
- Excess sickness absence was estimated to cost the Welsh economy £49.5 million.
- Smoking breaks within the workplace was estimated to cost the Welsh economy £41 million.
- Smoking related litter was estimated to cost Wales £25.8 million per year.
- Fires in the home were estimated to cost Wales £38 million per year.

The 2013 research estimated that the total costs smoking ensues on Welsh society sits within the region of **£790.66 million per year**. To read the paper in full, please click [here](#).

Rationale for a Tobacco Levy

In light of the economic burden smoking ensues on public health, services and the general economy, a tobacco levy looks towards the tobacco industry to help front these costs. Often referred to as the 'polluter pays levy', the tobacco levy works on the principle that the tobacco industry should help contribute to the costs smoking ensues.



¹ NHS Wales . [NHS 111 Wales - Smoking Brief](#). 2021

² Welsh Government. [Smoking remains the leading cause of premature deaths | GOV.WALES](#). 2021

Can the Industry Afford to Pay? (The Tobacco Industry's UK & Global Profits)

The World Health Organisation (WHO) recommends a minimum 75% tax share of the retail price of tobacco³. Despite relatively high taxation on a global scale, **tobacco sales remain highly profitable**. For context, in recent years the UK tobacco market has generated annual operating profits of more than a billion pounds^{4 5}.

In 2015 alone, the world's six largest cigarette manufacturers made a profit of more than USD 62 billion^{6 7 8}. This is more than the combined profits of Coca Cola, Walt Disney, FedEx, Google, Starbucks and McDonalds combined, which collectively made profits of USD 55 billion in the same year (2015)⁹.

Recent analysis of the profitability of tobacco companies by academics at the University of Bath has shown that the two major transnational tobacco companies that are based in the UK pay very little profit-based tax in the UK, despite high levels of reported profit on both a domestic and global level¹⁰. This has led UK tobacco control organisations to lobby for increased tobacco taxation, and in turn highlight how lucrative the tobacco market remains.

How much could a levy raise?

It has been estimated that a tobacco levy could raise up to **£700M** per annum. For more information on levy estimates and proposed models, please see [here](#).

If a tobacco levy were realised, ASH Wales highlights that funds would need to be distributed to devolved nations fairly. ASH UK estimates that around £266M per annum is required to fund a comprehensive tobacco control programme in England¹¹, with an additional £49 million on a per capita basis for the other nations in the UK. It has been proposed that the extra £385M generated from such a scheme could be put towards additional UK public health programmes and services¹².

Benefits of such a scheme

- A levy for a specific amount from the tobacco industry provides a certain revenue stream, which makes it easier to ensure that tobacco control interventions are fully and reliably funded. By contrast, an increase in tobacco excise duties (for example) will raise a greater or smaller amount of revenue depending on the elasticity of demand for tobacco products.



³ WHO. [Promoting taxation on tobacco products \(who.int\)](#). 2021

⁴ ASH. [UK-Tobacco-Industry.pdf \(ash.org.uk\)](#). 2017

⁵ Branston JR, Gilmore AB. [The extreme profitability of the UK tobacco market— University of Bath](#). 2015

⁶ Tobacco Atlas. [Tobacco Atlas](#). 2022

⁷ Branston, R. [Addressing industry profits as part of tobacco control | UICC](#). 2021

⁸ Economic Times. [Report - The Economic Times](#). 2018

⁹ Branston, R. [Addressing industry profits as part of tobacco control | UICC](#). 2021

¹⁰ Branston JR, Gilmore AB. [The failure of the UK to tax adequately tobacco company profits | Journal of Public Health](#). 2019

¹¹ Featherstone, H. [Establishing-a-Smoke-free-2030](#). 2021

¹² Featherstone, H. [Establishing-a-Smoke-free-2030](#). 2021

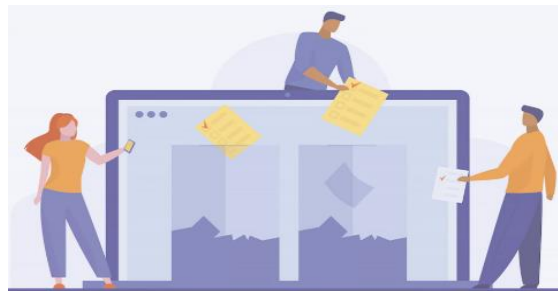
- Tax increases are one of the most effective population interventions available for reducing smoking prevalence and uptake, and have been proven to reduce health inequalities ^{13 14 15}.

What would this mean for Wales?

A tobacco levy would raise considerable funds for tobacco control efforts in Wales each year. This is particularly pertinent given the Welsh Government's ambition to create a smoke-free society by 2030.

A levy could help fund vital NHS services in Wales, which help and support smokers to quit. The levy could also fund national mass media campaigns to highlight services and the countless health benefits of becoming smoke-free. In addition, a levy could fund much needed research into supporting priority groups, which in turn could produce effective programmes, interventions and aid. Furthermore, a levy could help fund many of the ambitions outlined within the new Tobacco Control Strategy for Wales. For example, the proposed Ottawa Model, which will require substantial resources and funding.

Funding the above actions will considerably assist our efforts in creating a smoke-free society, and in turn limit the damages tobacco ensues on Wales.



¹³ Brown T, et al. [Equity impact of European individual-level smoking cessation interventions to reduce smoking in adults: a systematic review](#). 2014

¹⁴ International Agency for Research on Cancer. [Effectiveness of Tax and Price Policies in Tobacco Control](#). 2011

¹⁵ Amos A, Bauld L, Hill S, Platt S, Robinson J. [Tobacco control, inequalities in health and action at the local level](#). 2011