

FINANCE ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Section 10: Rates of Tobacco Products Duty

Summary

1. [Section 10](#) provides for an increase in the rates of excise duty on tobacco products (cigarettes, cigars, hand-rolling tobacco and other smoking tobacco and chewing tobacco) to have effect from 6 pm on 24 March 2010.

Details of the Section

2. Subsection (1) substitutes a new Table of rates of duty into Schedule 1 to the Tobacco Products Duty Act 1979. The duty rates on tobacco products are increased as follows:
 - cigarettes – the *ad valorem* element is unchanged at 24 per cent; the specific duty is increased from £114.31 to £119.03 per 1000 cigarettes;
 - cigars – increased from £173.13 to £180.28 per kilogram;
 - hand-rolling tobacco – increased from £124.45 to £129.59 per kilogram; and
 - other smoking tobacco and chewing tobacco – increased from £76.12 to £79.26 per kilogram.
3. Subsection (2) provides for the new Table of duty rates to have effect from 6pm on 24 March 2010.

Background Note

4. Smoking kills half of all long-term users and is the biggest single cause of inequalities in death rates between rich and poor in the UK. Successive Governments have followed a policy of using tax to maintain the high price of tobacco and help reduce smoking, especially among the young.
5. Research has consistently shown that the price of cigarettes affects demand.
6. This section increases excise duty on all tobacco products by 1 per cent in real terms, thereby helping to provide a further deterrent to smoking, as well as maintaining a contribution to government revenues.
7. The duty increase, together with consequential VAT, will increase the price of a typical packet of 20 cigarettes by 15p, a pack of 5 small cigars by 6p, a 25 gram pack of hand-rolling tobacco by 15p and a 25 gram pack of pipe tobacco by 9p.
8. The estimated revenue yield from these changes is £35 million.