

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 55: Rates of Tobacco Products Duty

Summary

1. This section provides for changes in the rates of excise duty on tobacco products (cigarettes, cigars, hand-rolling tobacco, other smoking tobacco and chewing tobacco) to have effect from 6pm on 18 March 2015.

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 changes as follows:
 - cigarettes – the ad valorem element remains unchanged at 16.5%; the specific duty is increased from £184.10 to £189.49 per 1000 cigarettes;
 - cigars – increased from £229.65 to £236.37 per kilogram;
 - hand rolling tobacco – increased from £180.46 to £185.74 per kilogram; and
 - other smoking tobacco and chewing tobacco - increased from £100.96 to £103.91 per kilogram.
3. Subsection (2) provides for a new table of duty rates to have effect from 6pm on 18 March 2015.

Background Note

4. Smoking kills half of all long-term users and is the biggest single cause of inequalities in death rates between the richest and poorest in the UK. The government is committed to maintaining high tobacco duty rates to support health objectives and the public finances. Research has consistently shown that the price of tobacco products negatively affects demand.
5. This section increases the excise duty on all tobacco products by 2% above the rate of inflation (Retail Price Index). This is in accordance with the March 2014 announcement of increases of 2% above retail price inflation in 2015 for all tobacco duty rates.
6. The duty increase, together with consequential VAT, will on average increase the price of a packet of 20 cigarettes by 16p, a pack of 5 small cigars by 5p, a 25 gram pack of hand-rolling tobacco by 16p; and a 25 gram pack of pipe tobacco by 9p.