



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Debbie Abrahams MP
House of Commons
London
SW1A 0AA

31 January 2024

Dear Debbie,

FINANCE BILL: CLAUSE 22

Thank you for your question during the discussion on Clause 22 at the Finance Bill Public Bill Committee on Tuesday 16 January, in which you asked about how our tobacco duties compared internationally, particularly in relation to the policy of New Zealand. I said I would write to you about this.

Comparing rates of tobacco taxation globally is not entirely straightforward as structures and methods of taxation can differ significantly, and the comparative cost of living is also relevant to understanding how significant tax levels are. However, the World Health Organization (WHO) collects data on this matter and has published an analysis in the report on the *Global Tobacco Epidemic 2023*ⁱ. The OECD also publish similar data on the *OECD Tax database*ⁱⁱ.

Because of the difficulties mentioned above, both WHO and the OECD use the level of total taxes as a proportion of retail selling price of typical price cigarettes as a benchmark to compare levels of tobacco taxation between countries. In relation to this WHO recommend that levels of tobacco taxation should be significant enough that total taxes should be at or above 75% of the retail price. According to WHO, the UK is one of 41 countries that achieves this target, alongside New Zealand, and as such both are described as best practice countries in respect of tobacco taxation. Data in the WHO report show that the United Kingdom and New Zealand reach the target comfortably, with the levels of taxes on cigarettes being in the region of 80% of selling price in both countries. Data in the OECD report suggests that just over half of OECD countries reach the WHO target of 75%.

During this Parliament, the Government's commitment to the tobacco duty escalator has helped to ensure that the UK continues as an example of best practice in using significant levels of tobacco taxation as a tool to help achieve the aim of a smokefree 2030. As announced by the Prime Minister on 4 October 2023, the Government is also creating the first smokefree generation, by bringing forward legislation so that anyone born on or after 1 January 2009 will never be legally sold tobacco products. This will prevent future generations from ever taking up smoking, as there is no safe age to smoke. A smokefree generation will save the NHS billions over the long-term and put cash back in the pockets of millions of families across this country, as well as help to save a huge number of lives over the long run. This is why, while a change of government has led to a different approach in New Zealand, we intend to continue with our planned approach in the UK.

Thank you again for your question at Public Bill Committee and I hope the information I have provided is helpful.

I am copying this letter to the Chairs and other members of the Public Bill Committee and depositing a copy of this letter in the Library of the House.

Yours sincerely,

A handwritten signature in black ink, reading "Gareth Davies". The signature is written in a cursive style with a large initial 'G'.

Gareth Davies MP
EXCHEQUER SECRETARY TO THE TREASURY

i [9789240077164-eng.pdf \(who.int\)](#) P81-87, Technical Note III & Tables A1.1-A1.6.

ii [OECD Tax Database - OECD](#) Consumption Tax Trends 2022, Section 3.4 & Annex Table 3.A.5.