

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Third Delegated Legislation Committee

TOBACCO PRODUCTS DUTY (ALTERATION OF  
RATES) ORDER 2020

*Monday 7 December 2020*

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**Friday 11 December 2020**

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**The Committee consisted of the following Members:**

*Chair:* CLIVE EFFORD

- |   |  |
|---|--|
| † Badenoch, Kemi ( <i>Exchequer Secretary to the Treasury</i> ) | † Oppong-Asare, Abena ( <i>Erith and Thamesmead</i> ) (Lab)            |
| † Bhatti, Saqib ( <i>Meriden</i> ) (Con)                        | † Richardson, Angela ( <i>Guildford</i> ) (Con)                        |
| † Carter, Andy ( <i>Warrington South</i> ) (Con)                | † Rutley, David ( <i>Lord Commissioner of Her Majesty's Treasury</i> ) |
| Huq, Dr Rupa ( <i>Ealing Central and Acton</i> ) (Lab)          | † Smith, Jeff ( <i>Manchester, Withington</i> ) (Lab)                  |
| † Johnson, Gareth ( <i>Dartford</i> ) (Con)                     | Thompson, Owen ( <i>Midlothian</i> ) (SNP)                             |
| Lewis, Clive ( <i>Norwich South</i> ) (Lab)                     | † Vickers, Martin ( <i>Cleethorpes</i> ) (Con)                         |
| Lloyd, Tony ( <i>Rochdale</i> ) (Lab)                           | † Williams, Craig ( <i>Montgomeryshire</i> ) (Con)                     |
| † Loder, Chris ( <i>West Dorset</i> ) (Con)                     | Nicholas Taylor, <i>Committee Clerk</i>                                |
| Mahmood, Shabana ( <i>Birmingham, Ladywood</i> ) (Lab)          | † <b>attended the Committee</b>  |
| † Mumby-Croft, Holly ( <i>Scunthorpe</i> ) (Con)                |  |

## Third Delegated Legislation Committee

Monday 7 December 2020

[CLIVE EFFORD *in the Chair*]

### Tobacco Products Duty (Alteration of Rates) Order 2020

4.30 pm

**The Chair:** Before I call the Minister, I am required to remind hon. Members of the social distancing regulations. *Hansard* colleagues would be grateful if you sent any speaking notes to [hansardnotes@parliament.uk](mailto:hansardnotes@parliament.uk) rather than sending hard copies.

**The Exchequer Secretary to the Treasury (Kemi Badenoch):** I beg to move,

That the Committee has considered the Tobacco Products Duty (Alteration of Rates) Order 2020 (S.I. 2020, No. 1256).

The order increases the excise duty rates on tobacco products. The duty charged on all tobacco products will rise in line with the tobacco duty escalator, with an additional 4% rise for hand-rolling tobacco and an additional 2% rise for the minimum excise tax. As hon. Members will recall, the Government committed in the spring Budget to maintaining the tobacco duty escalator, which increases tobacco duties by 2% above retail prices index inflation each year until the end of the Parliament. The order therefore specifies that the duty charged on all tobacco products will rise by 2% above RPI inflation. In addition, duty on hand-rolling tobacco will rise by an additional 4% to 6% above RPI inflation. The order also specifies that the minimum excise tax—the smallest amount of duty to be paid on a pack of cigarettes—will rise by an additional 2% to 4% above RPI inflation.

Let me take the opportunity to provide some context on the steps that we are taking and to explain the rationale behind them. The UK already boasts comprehensive and globally admired tobacco control legislation that has led to a decline in smoking rates. However, too many people still class themselves as smokers. Smoking remains the biggest cause of preventable illness and premature deaths in the UK, killing approximately 100,000 people a year and about half of all long-term users, and the country spends large amounts on covering the health costs of smoking. All those factors mean that we need to continue to encourage more people to kick the habit. We have already set out plans to reduce the number of smokers from 14% of the population to 12% by 2022, and we have announced that we aim to curb smoking once and for all by 2030 in England.

We are also taking more measures to stamp out the underground trade in illicit tobacco. Hon. Members may have seen the Government's recent consultation on tougher penalties for tobacco tax evasion, including proposals for £10,000 fixed penalties and escalating fines for repeat offenders. The Government have also committed to strengthening trading standards and Her Majesty's Revenue and Customs so that they can even better combat the illicit tobacco business. That work includes creating a UK-wide HMRC intelligence-sharing hub.

The measures that I have outlined will all play their part in helping to reduce the prevalence of smoking. However, all the evidence shows that increasing the cost of tobacco products through taxation is also an important deterrent. Indeed, the World Health Organisation has found significant increases in the taxes on and the prices of tobacco products to be

“the most cost effective measure to reduce tobacco use.”

That is why we included a commitment in our recent tobacco control plan and our prevention Green Paper to continue our policy of maintaining high duty rates for tobacco products.

In the absence of a Finance Bill, we have decided to implement the increases to tobacco duty rates that I have outlined via the order. I acknowledge that a statutory instrument is not the usual mechanism for increasing tobacco duties. However, hon. Members may recall that such a method was used to amend rates in 2008, so it is not without precedent. The order will protect up to £100 million of revenue—money that we would forgo if duty rises were delayed until the spring.

These measures constitute additional protection for public health, while providing a boost to the public purse. I therefore commend the order to the Committee.

4.34 pm

**Abena Oppong-Asare** (Erith and Thamesmead) (Lab): It is nice to see you chairing the sitting, Mr Efford. On behalf of the shadow Treasury team, I welcome the opportunity to address the order, which will increase the rates of excise duty on tobacco products to take account of inflation and the Government's commitment to the tobacco duty escalator, as the Minister outlined. In the 2020 spring Budget, the Government announced that they would continue with the tobacco duty escalator in this Parliament, even though, as of 1 January next year, the UK would be well within its rights to depart from the European Union directives that presently cover the structure of tobacco duties.

The Government's justification for this instrument and for maintaining high duty rates on tobacco is that they are seen as an established tool to reduce smoking and to ensure that tobacco duties continue to contribute to the Government's revenues. The official Opposition recognise and welcome instruments that support the public to make healthier choices and help the UK towards being smoke-free by 2030. However, this instrument feels a little blunt. It will place the burden of public health on the shoulders of individuals who are most likely to be in the grip of, and paralysed by, addiction.

The Government's justification for this instrument states that the higher rates of tobacco duty will be welcomed by health lobby groups. The shadow Cabinet has been working closely with experts from the health sector, who have told us what they would welcome. Year on year, the health sector has listened to the Government's statements about prevention being better than cure, and we are waiting for the Government to properly and sustainably fund the services that prevent ill health. Even before the pandemic hit the UK, local public health services were struggling to keep up with the growing demand, and health inequalities were rising.

This instrument will place duties on tobacco and will support the public purse. However, there has been a disproportionate increase in the duty on hand-rolling

tobacco, by over 7%, in comparison to a little over 3% on all other tobacco products, including cigars. I am no smoker, so I wonder whether the Minister can explain the rationale behind that.

The Government have cut the public health grant by more than a fifth—22% in fact—since 2015-16, despite a growing and urgent need for investment in public health and prevention. The public health grant funds local authorities to deliver functions and services that promote health and prevent ill health in the most deprived areas. Those areas have poorer health outcomes, and therefore have the greatest need for local public health activity and funding, but they have had the greatest reduction in spending.

The Minister mentioned some data from the World Health Organisation. Data from Cancer Research UK shows that cuts in the poorest areas have been around six times greater than in the least deprived, further compromising the delivery of equitable care and the Government's levelling-up agenda. In 2020-21, the public health grant was valued at £3.2 billion, which was about £80 million higher than the previous year's grant. This year's spending review said that local authority spending through the public health grant will continue to be maintained, which suggests that it will not get a real-terms increase. The Government must deliver an increase, with a sustainable, long-term funding settlement for public health in England. Based on analysis by the Health Foundation, at least an extra £0.9 billion per year is needed to restore the cuts made in 2015-16. However, a greater level of investment is also needed to support a greater focus on preventing ill health and reducing health inequalities.

It is true that comprehensive tobacco control functions that reduce smoking uptake and support smokers to quit are essential to achieve the Government's ambitious smoke-free commitment by 2030. Despite political support for tobacco control remaining strong, local investment has decreased over recent years. Experts say that among the local authorities that still had a budget for stop smoking services, 35% had cut it between 2018-19 and 2019-20—the fifth successive year in which more than a third of local authorities had to cut that budget. Can the Minister inform me what assessment has been made of the effects of public spending cuts on the provision of those services?

To add weight to the stats that I have mentioned, more than three quarters of local authorities have reported that the biggest threat to their tobacco control budgets is funding cuts. In 2019, local smoking cessation services, which offer people the best chance of quitting for good, were universally available only in just over half of local authorities. The order does not recognise or take into account the sheer scale of the problem or the fact that smoking, like all other addictions, requires a thorough, in-depth, holistic public health approach. Smokers need to be supported to quit, not punished for dependency issues.

The economic benefits from treating smoking with a public health approach and as a preventable disease are also significant, which further strengthens the case for investing now in local public health and prevention to prevent significant economic costs in the future. In England alone, smoking is estimated to cost society £12.5 billion a year, which I would say is a substantial amount of money.

Smoking rates in England are at an all-time low, which shows the success of initiatives brought in by successive Governments to encourage the decline of smoking. However, I do have concerns about recent Government actions that could work against those measures. It is greatly concerning that the Government recently made the decision to axe Public Health England, which has played a crucial role in smoke-free initiatives, including strong regional delivery of evidence-based local action. Given that the likelihood that someone will smoke is four times higher in the most deprived areas of England, it is essential that that local work is continued as part of a UK-wide strategy to become smoke-free by 2030. I would be keen to hear from the Minister how, alongside the order, the Government plan to ensure that stop smoking campaigns can continue to be delivered in the areas most affected by smoking.

As we know, smoking still causes more than 70,000 deaths per year. I am pleased that the Government and the Opposition are on the same page in believing that that cost in human life is quite frankly unacceptable. I know that, for that reason, my colleagues in the shadow health team and quite a number of colleagues across the House have been supportive of the order and other measures to reduce smoking. However, the approach needs to be improved so that it does not hit those who are already economically deprived harder than those who can shoulder an increase in tobacco duties. I am eager for us to work closely together to ensure that the Government achieve their smoke-free target by 2030 and to work with the NHS to help people to quit smoking.

4.44 pm

**Kemi Badenoch:** I thank the hon. Lady for her contribution to the debate. She asks why the rate for hand-rolling tobacco and the minimum excise tax have been increased more than for cigarettes; the answer is that the additional rate increase for hand-rolling tobacco supports the Government's objective to reduce smoking, which I know the Labour party shares. Narrowing the taxation gap between hand-rolling tobacco and cigarettes, which are taxed at a much higher rate, makes it less likely that cigarette smokers will trade down to hand-rolling tobacco to avoid duty rate rises. This approach is supported by public health groups.

We all share the same ultimate goal: to protect public health by deterring people from taking up smoking and by encouraging smokers to quit. I think the hon. Lady's questions about doing more for public health would be best answered by the Department of Health and Social Care, which owns this policy area. However, as I outlined earlier, this country benefits from some of the most advanced anti-smoking policies in the world, and I am glad to say that those measures have succeeded in dramatically lowering smoking levels in recent years, as the hon. Lady acknowledged. That should also answer her question about the impact of funding changes: the fact is that smoking is reducing despite any funding changes, so we think we have made the right decisions, although we all acknowledge that we cannot sit on our laurels—there is always more to do.

A significant proportion of the population still smokes—a habit that, as we all know, has immense health and economic costs. As I mentioned, we are in the process of introducing a wide range of measures that will further help us to bring down the number of

*[Kemi Badenoch]*

smokers, and I am sure that the hon. Lady will see many of those policy changes in due course. However, the evidence clearly shows that taxation also has an important part to play in turning the tide against tobacco; it is not just about health policy.

The order will ensure that, in the absence of a Finance Bill this year, we are still able to use the tobacco duty escalator to achieve its goal. As well as safeguarding public health, it will help us to protect the public purse.

It will allow us to bring in up to £100 million of revenue that would have been forgone if duty rises had been delayed until the spring. I am very appreciative of the support across the House for this legislation, which will help us to stamp out smoking and build a cleaner, healthier future for the people of this country.

*Question put and agreed to.*

4.46 pm

*Committee rose.*



