

# FINANCE ACT 2012

---

## EXPLANATORY NOTES

### INTRODUCTION

#### *Section 185: Rates of Tobacco Products Duty*

##### Summary

1. [Section 185](#) 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 6 pm on 21 March 2012.

##### 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 changed as follows:
  - i. cigarettes – the *ad valorem* element remains unchanged at 16.5 per cent; the specific duty is increased from £154.95 to £167.41 per 1000 cigarettes;
  - ii. cigars – increased from £193.29 to £208.83 per kilogram;
  - iii. hand-rolling tobacco – increased from £151.90 to £164.11 per kilogram; and
  - iv. other smoking tobacco and chewing tobacco – increased from £84.98 to £91.81 per kilogram.
3. Subsection (2) provides for the new table of duty rates to have effect from 6 pm on 21 March 2012.

##### 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 ensure that tobacco duties continue to contribute to government revenues and fiscal consolidation. Research has consistently shown that the price of tobacco products negatively affects demand.
5. This section increases excise duty on all tobacco products by 5 per cent in real terms (in addition to the retail price index (RPI)). Pre-announced increases of 2 per cent above inflation on all tobacco product duties will be maintained in 2013-14 and 2014-15.
6. The duty increase, together with the consequential VAT, will on average increase the price of a packet of 20 cigarettes by 37p, a pack of 5 small cigars by 12p, a 25 gram pack of hand-rolling tobacco by 37p; and a 25 gram pack of pipe tobacco by 20p.
7. The estimated revenue yield from these changes is £70 million in 2012/13.