Making The Tobacco Industry Pay for the Health Harms it Causes: The Polluter Pays Levy

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Outline of the Faculty of Public Health's Position

The Faculty of Public Health supports the adoption of a 'polluter pays' levy scheme for tobacco products in the UK. Tobacco remains the biggest preventable cause of death in the UK (1). This policy would cap wholesale tobacco prices, thereby limiting tobacco industry profits, and raise much needed revenue to realise the vision of a smokefree future. Currently big tobacco companies make huge profits (estimated at £900 million each year in the UK), and operate with profit margins that are much larger than for other industries (2,3). Bringing these profits in line with other industries could raise up to £4.9 billion over an initial five year period (4) by capturing industry profits, which could then be used to help pay for the health harms the industry cause. This would include funding additional tobacco control activity to support people who smoke to quit, and reduce smoking rates. This revenue should be on top of existing government funding commitments for tobacco control, in order to hasten the health and economic benefits of reduced smoking rates. Such a scheme would also incentivise the tobacco industry to move away from this uniquely harmful product. We call on the government to consult around the polluter pays levy scheme to accelerate progress towards ending the harms from tobacco.

Why is a polluter pays levy scheme needed?

1. Tobacco is uniquely harmful to health, finances and employment

Tobacco products are the only legal consumer products that kill when used exactly as intended; killing up to two-thirds of long-term users (5,6). For most, addiction begins in childhood, often influenced by highly effective advertising and industry tactics. There is clear evidence for the negative impacts that such commercial sector activities have on health and the prevalence of non-communicable diseases (7–9).

Most people who smoke wish they had never started and want to quit, but tobacco is highly addictive, taking up to 30 attempts to successfully quit (10,11). Chances of successfully quitting are three times greater if a person receives support, but currently nearly half of people who smoke attempt to quit without support (12,13). The Faculty of Public Health strongly support the Tobacco and Vapes Bill (14) which will make a huge contribution to reducing the harms from tobacco and stopping people from starting to smoke, but more is needed to support current people who smoke to quit.

Tobacco also kills unequally, and is the leading cause of health inequalities (15). Smoking rates are higher for people living in more deprived areas, and very high among certain groups such as people with a mental illness or people who are homeless (16).

Smoking is costly to individuals across our population. Nearly one in three smoking households in England fall below the poverty line after smoking expenses are taken into account, and around 229,000 people are unemployed due to smoking related illness (17). Similarly in Scotland, around 40% of households with two or more people who smoke are living below the poverty line after smoking expenditure is taken into account (18).

2. Tobacco products cost wider society greatly, and more funding is needed for tobacco control

The costs to wider society are even greater, and it is estimated that smoking costs England £43.7 billion per year. This is mostly due to lost productivity (£27.6 billion) and social care costs (£13.9), but healthcare costs (£1.82 billion) are significant too (19).This creates huge avoidable pressures on our health system and economy that our society cannot afford, amidst concurrent crises (economic, health, social, climate) and funding constraints.

3. Four tobacco companies dominate and manipulate the UK market to remain hugely profitable, and are able to mitigate against existing tax measures

Although there are already high taxes on tobacco in the UK, tobacco companies have been able to pass the impact onto consumers through pricing strategies (20). With tobacco net profit margins of around 50%, compared with 10% average profits for other UK manufacturers there is a significant incentive for tobacco companies to continue to manufacture tobacco (2,3). This results in the huge profitability of these companies, with profits estimated at £900 million each year in the UK (2,3). A polluter pays levy scheme would take away their pricing power and make tobacco companies pay for the harms they cause, whilst also creating an incentive to move away from tobacco manufacturing, and make tobacco products obsolete.

4. The public strongly support government action on tobacco

Broadly, the public strongly support government action on tobacco, and a number of key tobacco control policy measures (smokefree generation legislation, strengthening regulation on the sale of tobacco products, smokefree places, and protecting health policy from industry interference) (21,22). Specifically, around the polluter pays levy scheme, public opinion data shows that it is a popular policy that has resonated strongly with the public since 2017. Currently, 3 in 4 people support the levy scheme, and support is maintained regardless of social grade, smoking status or voting history (21,23). This support is reflected in public opinion survey data in England and Wales (21,23).

How would it work?

The proposed levy scheme (3) on tobacco manufacturers (or the 'polluter') involves two steps:

1. Putting a price cap on the wholesale price of tobacco products produced in or coming into the UK.

This will directly impact big tobacco companies at the point of manufacture and limit the profits that the tobacco industry is able to make.

2. Increasing tax on tobacco products **or** applying a new health levy.

This ensures that retail prices for the consumer do not drop.

In practice, a new regulator would monitor tobacco company profits to set the wholesale price cap, and close any loopholes. There would be choices for the government to make around: how quickly to introduce the wholesale price cap, the desired impact on market price over time, and the detail of how quickly the price range in the market would narrow.

Impacts of the Polluter Pays Levy Scheme

1. Economic impacts

Modelling using the Sheffield Tobacco and Alcohol Policy Model for England shows that the polluter pays levy scheme could raise at least £1.1 billion, and up to £4.9 billion (4) of additional revenue over an initial five year period[1], which could be ring-fenced to fund tobacco control activity, thus generating further economic benefits too.

Furthermore, the overall aim of the scheme to incentivise big tobacco companies to move away from manufacturing tobacco products means that consumers' money will be reallocated to other types of goods and services. This has the potential to create jobs and boost economic growth. Moreover, small retail businesses selling tobacco products will not be impacted as costs to them will be minimally impacted because the price cap would be applied to wholesale prices. Finally, reducing the health harms from tobacco will reduce costs to the health system and reduce the economic impacts of unemployment due to tobacco-related disease. Overall, this will support cross-party aims for economic growth

2. Health impacts

The Sheffield Tobacco and Alcohol Policy Model for England[2] also estimates that there would be up to: 1,636 fewer deaths, 43,987 fewer years of life lost, and 10,073 fewer admissions to hospital as an immediate result of the levy scheme (4).

These health benefits could be even greater if revenue generated from the levy scheme was spent on additional tobacco control and smoking cessation activity to reduce smoking prevalence. Evidence shows that accelerated progress is needed to reach smoke or tobacco free targets of less than 5% of adults smoking in England (2030), Wales (2030), and Scotland (2034) respectively (Northern Ireland does not have a national target currently), especially for the most disadvantaged populations;

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[1] depending on the severity of the price cap and speed of application modelled

[2] Model assumes lower smoking prevalence in the population, due to reduced use of tobacco products, as a result of the scheme

current projections show that all three nations are behind their targets (24,25). The latest data for England shows that if current trends continue, smokefree targets will be missed by nine years (average adult smoking prevalence of 5% reached in 2039), and for people living in our most deprived communities the smokefree target will not be reached until 2050 (24,25). It is also important to recognise that there still much to do to beyond achievement of these smokefree targets to make smoking obsolete, and support people affected by the long-term health harms of tobacco products.

The Faculty of Public Health supports maintaining all current government funding towards tobacco control activities across the devolved nations, maintaining the existing tax measures already in place, and the measures and regulations laid out within the Tobacco and Vapes Bill. In addition to this, revenue generated by this levy scheme could be used to:

- Support the implementation of the Tobacco and Vapes Bill.
- Widen access to cessation support and ensure equity for priority groups.
- Improve referral pathways into smoking cessation support, increase the number of referrals into support services, protect funding for Tobacco Dependence Treatment Services, and support scaling of support beyond core services.
- Fund supra-local tobacco control activities which are best delivered across larger geographies to deliver economies of scale (e.g. policy and intervention development, mass media, action on illicit tobacco and supporting local implementation).
- Support local Trading Standards teams to tackle illicit tobacco products, and enforce and monitor compliance with legislation and regulations.
- Fund the global adoption of the WHO Framework Convention on Tobacco Control.

Summary

In summary, the Faculty of Public Health supports the polluter pays levy scheme, and calls on the government to consult around this. This scheme is technically workable, supported by the public, and meets several key policy goals around: incentivising the tobacco industry to move away from manufacturing tobacco, reducing the profitability of tobacco companies, and limiting the tobacco industry’s ability to mitigate against existing tax measures. This is whilst concurrently raising revenue to support people who smoke to quit without imposing a financial burden on retailers, taxpayers, nor people who smoke themselves. The additional revenue raised by the scheme to fund additional tobacco control activity is vital in reducing population smoking prevalence in the context of funding constraints across the health and care system.

Frequently Asked Questions

Will this replace existing funding for tobacco control?

No, we advocate all current funding for local authorities, the NHS, and wider tobacco control and enforcement should be maintained irrespective of progress on the issue of a levy scheme.

Is the scheme a threat to small businesses?

No, the scheme will not penalise distributors nor retailers, as retail prices are not directly targeted. It is deliberately the wholesale price of tobacco products that are fixed to make sure tobacco manufacturers are impacted.

Which tobacco products are included in the levy scheme?

All tobacco products made in or coming into the UK.

Is the proposed levy scheme UK-wide?

Yes, the levy scheme would apply to all tobacco products made in or coming into the UK, with the price cap applied to the wholesale price charged by tobacco manufacturers.

What level should the wholesale price cap be set at?

Costs of production plus a 10% profit allowance. There is a legal need to allow tobacco companies to make some profit, and a profit margin that would be in line with other comparable industries is around 10%. Production costs should also be accounted for when determining the level of the price cap.

Who would regulate the levy scheme in practice?

Ultimately this is a political decision, however, the Department of Health and Social Care has the expertise and experience to monitor tobacco company profits, then set the price cap, and close any loopholes that emerge. It could equally be done by a regulator independent of government, in the way that we already regulate lots of other industries in the UK. For example, Ofgem, Ofwat and Ofcom regulates the price cap in the market for energy supply, water, postal services and telecommunications, respectively.

Have we tried to introduce this levy scheme before?

There was a previous consultation in 2014 around a tobacco levy on manufacturers. However, the model for this levy was different, and had its weaknesses in that the levy could be passed onto consumers through increased retail prices on tobacco products. The current proposed scheme is very different.

Why should the government consult on the levy scheme now?

There has been a sustained increase in public support for the levy scheme over time (across all voting intentions), and there is also support politically. The latter is demonstrated with an amendment around the levy scheme which has been tabled during the current journey of the Tobacco and Vapes Bill in the House of Lords (previous amendment tabled under the previous Conservative government). The levy scheme would be a timely complement to the smokefree generation legislation and accompanying regulations detailed in the Bill, while providing additional revenue to support people who smoke to quit.

This is against a background context of continued tobacco industry tactics, resulting population health harms, industry profitability, and ongoing funding constraints across the health system.

Are there alternatives to the polluter pays levy scheme?

Yes, there are other policy options, however, these alternatives do not address the challenges with the profitability of industry and industry tactics to undermine current fiscal measures, nor raise money to support people who smoke to quit, without imposing financial burdens on retailers, taxpayers, and people who smoke themselves. The polluter pays levy scheme addresses all of these key policy goals in a way that alternatives do not.

Has the polluter pays levy scheme been tried anywhere else?

No, not with the two-step process for the scheme.

However, there are parallels that can be drawn both nationally and internationally. There is a precedent set for ‘step 1’ of the scheme with the energy price cap currently applied on utility companies in the UK. There are also international tobacco examples in Canada and the United States where the national government raises ear-marked revenue from industry through ‘user fees’ which recoup the cost of regulation (these fees function like retrospective excise taxes). These international examples would confer no additional benefit in the UK, as we already have equivalent tobacco tax measures.

Finally, there has been recent international support for the levy scheme as part of the COP to the WHO Framework Convention on Tobacco Control (11th session, November 2025). An expert group was convened in the context of this COP, and within its subsequent report recommendations, the polluter pays levy scheme was included as one of 16 measures recommended to parties.

Related Resources

- Action on Smoking and Health webinar: Tobacco industry levy making the polluter pay
- ASH Scotland learning event: Tobacco Industry Levy with Dr Rob Branston
- Institute for Public Policy Research blog: Why Big Tobacco should pay for the cost of smoking
- Social Market Foundation commentary: Time to levy the indefensible profits of Big Tobacco
- Academic paper: The case for Ofsmoke: how tobacco price regulation is needed to promote the health of markets, government revenue and the public
- Academic paper: The case for Ofsmoke: the potential for price cap regulation of tobacco to raise £500 million per year in the UK
- Academic paper: Where to next for countries with high tobacco taxes? The potential for greater control of tobacco pricing through licensing regulation
- Academic paper: Industry profits continue to drive the tobacco epidemic: A new endgame for tobacco control?
- Academic paper: The failure of the UK to tax adequately tobacco company profits

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