



**The International Network of Nicotine Consumer Organisations
(INNCO)
Statement on the Revision of the EU Tobacco Excise Directive**

16 February 2017

The International Network of Nicotine Consumer Organisations (INNCO) is a global coalition of consumer organisations from twenty different countries, which promote the interests of those who wish to switch from smoking tobacco to safer alternative nicotine delivery products. These non-combustible (or smokeless) forms of nicotine include electronic cigarettes, snus and, potentially, heat-not-burn products.

INNCO is entirely independent of tobacco manufacturers and distributors. INNCO accepts no funding from any commercial interests, including smokeless nicotine product manufacturers and distributors, nor from tobacco companies. INNCO has no competing interests and, specifically, no conflicts with respect to *Article 5.3 of the Framework Convention on Tobacco Control*.

Twenty-five national organisations are currently affiliated to INNCO, sixteen of which represent citizens and residents of the European Union. Their membership base is largely ex-smokers whose lives and health have been dramatically improved by switching from traditional cigarettes to smokeless products such as e-cigarettes and snus.

INNCO aims to promote honest and unbiased information on safer nicotine use, and to advocate for effective and proportionate regulation of safer nicotine products. INNCO's work includes engagement with national and international health, regulatory and public health organisations concerned with nicotine consumption, and ensuring that consumers are recognised by such organisations as key stakeholders.

First and foremost, INNCO does not believe electronic cigarettes should be categorized as tobacco and, as therefore, not be subject to excise duties. We see no evidence whatsoever which would justify e-cigarettes being included in the current EU Tobacco Excise Directive.

E-liquid utilizes nicotine derived from the tobacco plant (as do NRT products such as gum and patches). That the tobacco plant happens to contain significantly more of the chemical nicotine, as oppose to say aubergines and tomatoes, merely confers optimal extraction efficiency.

No combustion takes place in e-cigarettes, with users inhaling vapour rather than smoke. As no smoke is produced, these products generate significantly lower yields of harmful and potentially harmful chemicals compared to combustible tobacco products such as cigarettes. This new technology offers an unprecedented opportunity to improve

public health by offering reduced risk alternatives to adult smokers who are unable or unwilling to quit.

The argument of tobacco-related illnesses and its subsequent cost to governments and the health of society has been used to justify the imposition of ever increasing rates of excise tax on cigarettes across the globe. In January 2017, The WHO released a 650 page report focusing primarily on the importance of increasing tobacco taxes and prices to reduce tobacco use and its consequences¹. Basically, the high rates of excise tax imposed on tobacco products are justified by evidence which suggests that increasing taxation reduces smoking rates.

The majority of our members are former smokers, who have either switched completely to e-cigarettes or significantly reduced their cigarette consumption. All of them report not only an increased sense of health and wellbeing, but also relief that vaping has reduced their financial outlay in comparison to the high price of cigarettes. Consumers are already price sensitive, and in our opinion any tax-induced price increase will have a substantial negative effect on the likelihood of smokers considering switching to e-cigarettes. It may well encourage ambivalent users to return to smoking, and will certainly impact on the overall amount of e-liquid purchased by established consumers.

There is simply no justification for imposing a higher cost burden on a product which has been scientifically proven to reduce the risk of tobacco related illness. Electronic cigarettes are universally recognized as being less harmful than combustible tobacco products, the only contention being by precisely how much. The ground-breaking report published by Public Health England ² in 2015 concluded that vaping was significantly safer than smoking and was likely to be at least 95% safer than combustible cigarettes.

Several studies have concluded that e-cigarettes are at least as effective as nicotine replacement therapies (NRTs) at encouraging adult smokers to give up cigarettes.³ The UK National Health Stop Smoking Service has recently produced detailed guidance⁴ to its staff supporting the use of e-cigarettes as tool to assist in quitting or reducing smoking. Electronic cigarettes are now the most popular form of smoking cessation support in the UK, and experts have concluded that on average e-cigarettes are approximately 50% more effective than using no aid or over the counter NRTs.⁵

With the additional burden of administration and costs for establishing any new taxation category on e-cigarettes, the net potential revenues are likely to achieve a mere fraction of those currently generated by tobacco. If, as evidenced by the introduction of e-cigarette tax in Italy, the imposition of tax results in a significant downturn in consumption (with subsequent retail closures and job losses) it may well result in a negative financial outcome.

¹ [The Economics of Tobacco and Tobacco Control](#) (WHO 2017)

² [A Firm Foundation for Evidence Based Policy and Practise - PHE](#)

³ Brown, J., Beard, E., Kotz, D., Michie, S. and West, R. (2014), Real-world effectiveness of e-cigarettes when used to aid smoking cessation: a cross-sectional population study. *Addiction*, 109: 1531–1540. doi:10.1111/add.12623

⁴ http://www.ncsct.co.uk/publication_electronic_cigarette_briefing.php

⁵ West, R., et al., Estimating the population impact of e-cigarettes on smoking cessation in England, *Addiction*, 2016.

Heat not Burn products are a newcomer to the market and are currently unavailable to the vast majority of our members. INNCO therefore feels unqualified to suggest detailed recommendations regarding their regulation and taxation. However, as current evidence suggests these products will be significantly safer than traditional cigarettes, we would recommend they should not be subject to excise tax - or were they to be so, their potential to reduce risk should attract a substantially lower tax rate to that imposed on combustible tobacco.

At the time of writing nine EU member states have chosen to introduce various rates of excise tax. That they have done so has given rise to the apparent need for “harmonization” across the EU Market. INNCO, being a consumer organization, does not purport to fully understand the intricacies of the EU taxation regulations. However, an allegory could be used that if nine members of a choir were found to be singing out of tune, the remedy would not be to insist that the remaining nineteen members follow suit.

Italy introduced a tax on all e-cigarette-related products in January 2014, their primary “justification” being to offset falling tobacco tax revenues. They levied a tax based on an average of 50% less than that applied to combustible tobacco, which resulted in the price of a 10ml bottle of E-liquid (with or without nicotine) being increased by 60% of its original retail price.

By May of 2015, the consumption of e-cigarettes had fallen by approximately 70%; consumers were incentivised to purchase online from overseas countries, domestic e-cigarette shops and businesses fell from 4,000 to 1,000 and in the first 11 months of 2016, the Italian Exchequer collected an estimated 3million Euros in tax revenue. This represented c. 0.3% of the tax revenues generated by tobacco products.

This is hardly a success story – it represents an unmitigated disaster at every level: employment, public health, local and domestic economy, the time and costs of regulation etc. Most of all it decreased the probability of saving lives by restricting affordable access to harm reduction products – which is more than just a disaster, it is tantamount to criminal negligence.

INNCO advocates that the imposition of excise tax on E-Cigarettes violates the ethics and principles of public health and is in neither the interests of its citizens nor government economies. To deliberately hinder the success of a nascent industry which not only offers smokers a credible alternative to switch from smoking cigarettes but also provides the largest opportunity to improve population health since the discovery of penicillin is unjustifiable.

That EU members would seek to impede the progress of public health, by exploiting a perceived opportunity to ‘cash in’ on the e-cigarette market purely to offset a possible loss of tobacco excise revenue, is not only misguided; it is an abhorrent abuse of legislative power.

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